The Dynamics of Leadership in Small Business:

Enhancing Harmony, Efficiency, and Profitability

by

Mohamad Mtairek

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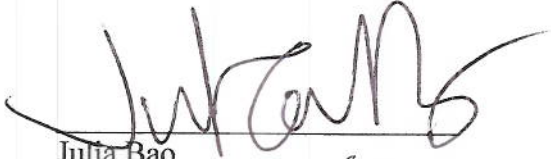
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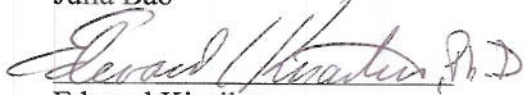
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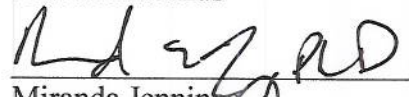Edward Kisailus, PhD, Committee Member
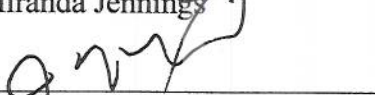
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ABSTRACT

This dissertation examined if or not there are relationship between leadership style and employee effectiveness based on small restaurant business organizations from Michigan. A quantitative correlational design based on R – value was used to test these relationships and their significance. The data were collected and measured from Multifactor Leadership Questionnaire (MLQ) as survey and analytical tool through perceptions of leaders, managers, and employees. This study found positive relationship between certain leadership styles and business success than other leadership styles. The positively correlated relationship between transformational/transactional leadership styles and organizational success were stronger than that of laissez-faire leadership and organizational success. The calculated transformational/ transactional p-values were less than 0.05. A strong correlation existed between both indicated leadership styles and employee effectiveness and, hence, organizational success in the population.

DEDICATION

This dissertation is dedicated to my Lord for giving me the strength, patience, and courage to finish this wonderful journey. I also dedicate this work to my wife, Diana, for supporting the commitment to further my education, for encouraging me throughout this dissertation process, and for sharing a loving and fulfilling life together.

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Introduction

Success and profitability of small business organizations is dependent on two interrelated concepts—leadership style and employee satisfaction (Spector, 2005). Proper and wise handling of these factors by entrepreneurs is vital for small business existence and growth (Yukl, 2010). This study was primarily conducted to comprehend the effect of leadership and employee satisfaction on small restaurant business success.

Chapter one includes an overview of the problem concerning the failure of small business organizations and the relationship among leadership styles, employee satisfaction, and small business profitability. Leadership theories, the general relationship among leadership styles, employee satisfaction, and business performance were addressed in this chapter. By focusing on a sample of small restaurants and analyzing their data, this quantitative research studied the relationship between leadership style and organizational success.

Background of the Problem

The earliest formal studies in leadership were trait-based studies that examine certain characteristics that are universal to all successful leaders (Jeffrey, 1989). Early in the 20th century, trait theory had a paramount point that attained the interest of all leadership researchers (The Executive Fast Track, 2009). Trait theorists asserted that leaders have a common set of general characteristics and traits, without mentioning whether these traits are inherited or acquired, that contribute to the foundation of leadership success (Jeffrey, 1989). Trait theory concentrated on finding these traits by frequently examining closely booming leaders. The assumption was if these traits were found in people, then these people would have a grand potential to become successful leaders (Reeve, 2005). The inspirational and

charismatic leader was called brilliant, forceful, visionary, ethical, humanitarian, a change artist, and empathetic.

Trait theories pointed to the interpersonal and conceptual capabilities. This study was designed to point to the qualities of a leader who possesses the ability to motivate, supports subordinates, is knowledgeable about organization's visions, possesses good interpersonal skills, resolves conflicts, is globally adept, a keen data analyst, a community builder, someone who knows the law, and is problem-solver. This research assessed the characteristics that enable the leader to motivate and align the followers as they all move in the direction of the new vision. Such qualities included: looking for strategic opportunities, developing leaders from subordinates, being an inspiring communicator, remaining honest and ethical, delegating authority, providing support, demonstrating courage, sharing problem-solving skills, thinking creatively, and trusting the technical opinion of others to satisfy employees and attain success.

During World War II, as the need to develop superior military leaders amplified as result of trait theory condemnation, researchers concentrated on studying successful leaders' behaviors and skills in attempt to determine leadership behavior taxonomy (Jeffrey, 1989). Wren (1995) determined that leaders' actions and behaviors directly impacted group effectiveness, which reflected their belief that leaders were made not born. Accordingly, behavioral theory ascertained that successful leadership is based on teaching and observation to follow defined specific behavior guidelines.

Marshall (1998) stated that contingency model, projected by Fiedler, accentuated that leadership style determined by leader's personality and the situational favorableness affects leadership effectiveness. Contingency theory evaluated leader's work styles as a range from task- oriented (authoritative) to relationship-oriented (democratic or participative). Wren

(2004) stated that authoritative leaders were motivated by the need to accomplish a certain task while democratic or participative leaders were motivated by interactions with subordinates. Marshall (1998) asserted that favorable situational factors were leader acceptance and support by followers, defined task and goals, and leader's position power that enabled the leader to control through incentive and reprimand.

Transformational leadership was then developed by Burn in the late 1970s for political leaders and later was adopted by business leadership (Bass & Avolio, 1994). Burn contrasted transformational leadership with transactional leadership (Bass, et al. 1994). The transactional model was based on exchange and rewarding subordinates for good performance; however, transformational leaders focused on transforming others—encouraging followers by modeling favored behavior, inspiring through motivation, and considering individual needs and goals in attempt to move subordinates toward higher universal purposes (Bhattacharya, 2008).

The United State's economy shifted from agricultural to industrial during the Industrial Revolution. This shift escorted in an alteration of how leaders treated, evaluated, and viewed their subordinates resulting in a prototype shift to new leadership theories. With this shift, ordinary people practiced leadership by learning and acquiring leadership skills (Piton, 2008). The development of new leadership theories accommodated technology and globalization, matters that reshaped human deliberations in organizations.

To lead a small restaurant business, various issues should be considered including cultural, environmental, international competition, and technological risks (Oyinlade, 2006). These factors surround the basis of the decisions made within the small business organization as they are the major risks that threaten the company's existence, success, and profitability (Bhattacharya, 2008). This study focused on testing whether the modern transformational

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leadership imperative is a requirement for businesses to attain employee satisfaction and success in this era of constant change and transition (Raelin, 2003).

Statement of the Problem

Since 2009, the restaurant industry was anticipated to exceed annual revenues of over $1.5 trillion—a significant economic impact for the United States (National Restaurant Association, 2009). However, 70% of U.S. small restaurant businesses do not last more than 10 years and 32.1% of small business failure is due to poor leadership practices (Whyte, 2011). Gugliada (2003) determined that within the first year of new small businesses establishment, 70% to 80% fail and 50% of those that remain in business in the first year last more than five years. Small business failures increase unemployment and affect economic growth (Lenhart, 2009). The common problem behind the lack of economic growth in America's communities is the knowledge deficiency in leadership competencies needed for small business success (Dispoto, 2003).

The general problem of this study was that failure of small restaurant business depends on various leadership styles. The specific problem this study sought to test and verify was the uncertainty of the relationship between exercised leadership style and success in small restaurant business industry. This research also studied the correlation between leadership style and employee satisfaction. Surveys from participants in 11 randomly selected small restaurants in Michigan State were used for evaluation.

Purpose of the Study

The purpose of this quantitative research was to study how small restaurant business profitability and employee satisfaction were affected by leadership style. With escalating number of entrepreneurs interested in small restaurant business in Michigan, various leadership

styles were inspected to find out if a relation exists between leadership style and organizational success (Andrew, 2005). Effective leadership is the key to business success. "Generating $566 billion in sales in over 945,000 locations and employing thirteen million people, the restaurant industry is one of the largest private-sector employers in the United States. Ninety-one percent of the eating and drinking places in the United States are small businesses" (National Restaurant Association, 2009, p.2). Restaurant business failure within the service industry, heavily relying on employees with direct contact with customers renders employee satisfaction a crucial factor in customer retention and business success (Hancer & George, 2003).

This quantitative study was designed to examine the correlation between the independent variable leadership style and dependent variables employee satisfaction and a small restaurant business success, depicted by employee effectiveness. The correlation between the independent variable leadership style and dependent variable employee satisfaction was investigated. The research was designed using the *r* Pearson correlation to assess if a relation existed between the dependent and independent variables. The chief purpose of the research was to help employers and employees develop leadership skills, which would allow advancements in increasing small restaurant business profitability and creating other small businesses with a need for individuals to lead. Implementing the workable solutions should help create jobs for individuals, which ought to strengthen the local, state, and federal economies.

Of the 765,487 small businesses in Michigan, 4000 small restaurant businesses had 5 to 9 employees (SBA, 2011). Neuman (2003) indicated that the target population is the precise pool to be studied. Of the 4000 restaurants, 11 limited service restaurants fit the identified parameters (SBA, 2011).

The limited service restaurants participating in the quantitative research fell within U.S. Small Business Administration (SBA) criteria. SBA referred to limited service restaurants as small business organizations taking in less than $10 million annually and employing fewer than 500 employees (SBA, 2011). Neuman (2003) stated that a population of less than 1000 requires a 30 percent sampling ratio to achieve accuracy. The 11 identified restaurants used for this study employed 87 employees including owners, managers, and subordinates that formulated the target population. The research for this study met Neuman's requirement with a sample of 64 participating respondents randomly selected from the 11 limited service restaurants in Michigan.

Significance of the Problem

Since 1997, small businesses have grown rapidly as investors become more willing to take the risk of having their own businesses with all the incorporating challenges. Many of these new investors were middle-aged executives from large corporations or individuals who were eager to put their management skills to work in their business for their own benefit and interest (SBA, 2011). The rise of small business has been recognized in many countries around the world and is becoming a greater economic power due to the many economic advantages (Alan, 2008). However, small business organizations have encountered major uncertainties such as recession, financial issues, unexpected growth, and succession (Beck-Frazier, Eakin, McFadden, & McGlone, 2005). Successful leadership styles shed light on more opportunities for conducting the right type of business, consequently allowing the business to stay intact in times of economic disparities, risk taking, interest rate increases, and income capping (Bhattacharjee, 2003).

This study attempted to discover if, through proper leadership style, the restaurant owners would be able to develop the small business organization to attain success. The current study was particularly pertinent since 70% of US small restaurant businesses go bankrupt before their 10th anniversary, according to the Small Business Administration (Whyte, 2011). Statistics indicated that 32.1% of small businesses fail due to poor management (Raelin, 2003). Bhattacharya (2008) suggested that companies and managers face a growing need for good, new ideas in regards to leadership styles. The restaurant industry currently has an annual employee turnover rate of over 100 percent in the full-service sector (SBA, 2011). Employee turnover rates at this extremely high level cost restaurant companies billions of dollars each year in recruitment, selection, training, and other labor costs. This study was necessary to leadership in small restaurant business as it emphasized that a change in management practices was needed to develop leadership styles to satisfy employees, while achieving the desired financial goals of employers.

Nature of the Study

The correlation analysis of the effective leadership style associated with organizational profitability and employee satisfaction was a quantitative analysis design. This correlation study was designed to examine the relationships between the variables, leadership influence, employee satisfaction, and profitability. This study aimed to compare, explore, and determine relationships and dependencies.

Using the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio in 1990, data were collected to measure dependent and independent variables. Information was collected from leaders via the MLQ Leader Form describing leadership style. Information was collected from employees via the MLQ Rater Form, which rates the leader's leadership style.

Data was also collected to assess employee satisfaction and effectiveness via the MLQ Scoring Key Form 5X. A 5-point Likert-type scale was employed in these surveys to illustrate the significance of each leadership style. The dependent variables, effectiveness and satisfaction, were also analyzed employing MLQ questionnaire. On a continuous scale answers from 0 to 4, the dependent variables were also measured. A low effectiveness score means a manager whose perception of employee at the small restaurant is less effective, while a high score indicates that employee's effectiveness as perceived by the manager is high. A low satisfaction score means an employee who has little satisfaction with the manager's leadership's, and a high satisfaction score means an employee with high satisfaction with the manager's leadership.

The quantitative approach was appropriate as the research focuses on statistical analysis. It considered numerical evidence to make conclusions and to examine hypotheses. This study was necessary as it assessed the relationship between profitability and leadership style in the indicated limited service restaurants by using SPSS version 13. Data analyses were conducted to ensure reliable results. This correlational study relied on surveys for data collection and involved in testing the participants followed by examining their responses in terms of straightforward counts and frequencies. Questionnaire-based surveys were the most appropriate approach in this research, because it used simple procedure that could be easily interpreted and understood. Employee satisfaction ought to be treated at highest priority and time ought to be given to employees to hear what they like and did not like about the organization's practices (Choen, 1998). Changes should be made according to the feedback received from the employees and actions required should be taken accordingly (Ebert & Griffin, 2005).

The entrusted person with the responsibility to handle a business should be talented enough to apply his skills, while also demonstrating the ability to guide others to contribute their part for achieving the organizational goal. Perren and Burgoyne (2001) asserted that maximizing strengths ought to lead organizations out of economic downturn. Nahavandi (2006) stated that the organization that encourages the collective efforts of all its members toward a single objective can successfully face any situation. Alan (2008) stated that the corporate world would demand that dedicated efforts on the part of the firm to survive cyclic turns of the business; only firms that could carry on with the vicious journey would able leadership to guide the organization as a whole in a coordinated manner. Leaders all over the globe ought to accept the economic downturn as a challenge wherein they could prove their mettle and justify the glory and sacredness attached to "Leadership" (James et al., 2001).

Research Questions

Clark (2008) stated that ccorrelation existed between the variables when change in one variable had a relation with the change in other variable. This research was made to find the impact of leadership style on small restaurant business success. The method of the study involved correlations between the variables, leadership style, employee satisfaction, and success. This research intended to find answers to the following relationship questions:

1. What is the relationship between success and leadership style in small restaurant business?

2. What is the relationship between leadership style and employee satisfaction?

The study evaluated whether leadership styles had an impact on both leaders and followers to expand their thinking horizon, transform the working environment of small restaurant business, and consequently increased the overall organizational performance and success.

Organizational success in this study was measured from the aspect of effective leadership ability to attain job satisfaction.

Leadership is a relationship in which leading and following takes place with no persistence of coercion, obligation, or dominance to fulfill any goal (Lenhart, 2009). Once leadership is established, leaders and followers are committed to act toward leadership with liberty. If the leader-follower relationship, which is stabilized by freedom, independency, and two-way positive communications, is jeopardized by force, authority, or power it then becomes a manager-employee relationship where authority transcends down from the manager (Lenhart, 2009). Leadership within this era is concerned with processes that change and transform individuals. This reciprocal process between leaders and followers is dependent on the ability of the leader to arouse emotional intelligence and stimulate the higher order needs of their followers. Through this ability, leaders acquire trust, admiration, loyalty, and respect from their followers, therefore motivating them to accomplish more than what is expected (Newstorm & Bittel, 2002).

Hypotheses

The chief aim of this research was to assess the relationship between leadership style and success (as identified by employee satisfaction) in small business organizations. Navahandi, (2006) indicated that the leader is instrumental in creating stability and directing managers, at all level of the organization, towards attainment of long-term goals and ensuring success of the organization. Some of the required skills a leader demonstrates are influencing, motivating, and facilitating (Eachus, 2000). He or she must passionately instill a sense of purpose amongst employees regarding the work of the organization (Doyle & Smith, 2001).

The following two null hypotheses predicted no relationship between variables; however, the two alternative hypotheses predicted a relationship between the dependent and independent variables.

- *H1o*: There is no relationship between small business success and leadership style.

- *H1*: There is a relationship between small business success and leadership style.

This study correlated leadership style and business success, depicted by employee effectiveness. Leadership styles aim to offer visualization, pride, and significance to the employees in any organization. Leaders inspire others to think in inventive ways, excel in treating workers as individuals, and provide detailed attention (Ebert & Griffin, 2005). The presence of leaders in small business organizations provides both the leaders and followers opportunities to expand thought processes, improve satisfaction at work, and increase the overall organizational performance—thus attaining increased profitability (Kramer et al., 2006). To actually bring about transformational leadership in small restaurant business, the behavior of the people must be changed either through proper guidance or through factual information (Goleman, 2002).

- *H2o:* There is no relationship between leadership style and employee satisfaction.

- *H2:* There is relationship between leadership style and employee satisfaction.

Employee satisfaction is an ongoing challenge that many small businesses leaders find themselves facing. The leader finds that it is more cost effective to retain and satisfy current employees instead of having to recruit or train new staff. To satisfy the quality employee, the leader must follow an appropriate leadership style (Spector, 2005). Reducing employee turnover is not just contingent on competitive salaries and good benefits; employees like to work in a stress-free environment (Birkinshaw & Goddard, 2008).

Satisfied employees show their gratitude with loyalty when they feel that the company sees them as worthy of time and financial investments. Satisfaction creates a culture of a great work place. In such a culture, the employees have fewer issues with absenteeism and fewer demands for pay increases (Morrell & Cappaell, 2007). Employees gain pride in their product and services and feel comfortable when offering help to other employees, thus creating a team spirit. Small businesses benefit from satisfied employees due to increased productivity, reduced employee turnover, and a decreased need for supervision (Beck-Frazieret al., 2001).

Theoretical Framework

Leadership is a learning adaptive process that leaders learn to analyze differences between practical and adaptive challenges, appreciate improvement a development, and learn novel behaviors needed to take action in various situations (Heifetz, Grashow & Linsky, 2009). Leaders focusing on progress would overcome previous habits and assumptions. Leaders learn to utilize their skills to listen, support, and motivate people to being the best employee possible (Yukl, 2006).

Transformational leadership transcends short-term goals and the routine carrot-and-stick motivational style. Transformation leadership highly considers intrinsic needs of the followers (Bhattachararjee, 2003). It is leadership by example. Integrating transformational leadership behaviors in daily leadership work requires consistently modeling behaviors expected from others. Transformational leaders consider employees to be a valuable resource and are good listeners and communicators (Graber & Kilpatrick, 2008). Employees are allowed to refute ideas and present alternatives regarding the workplace. Leaders who display inspirational motivation engage and inspire employees by offering challenges (Bass, 1990).

Leadership behaviors increase followers' commitment to support the leader's vision, while helping to create innovative approaches and encouraging others to perform more effectively (Matzler, Schwarz, Deutinger & Harms, 2008). Through building interconnectedness, leaders have the ability to promote self-directed teams and learning environments where members honor their skills. As Bass (1990) concludes, transformational leadership maximizes employee morale and productivity. Knowledge of transformational leadership theory alone is insufficient for becoming an effective leader. However, knowing how to translate transformational leadership theory into observable, daily leadership behavior is important.

Transactional leadership is based on a deal or contract—an exchange of something of value the leader has or that the follower needs as well (Bass & Avolio, 1994). Most leader-follower relationships are transactional. The transactional style is exactly what occurs in a contracting issue. The contractor provides the specified service purchased. This only works well when both the leader and led understand the terms and are in agreement about which tasks are important (Kurt, Schwarz, Deutinger, & Harms, 2008).

Laissez-faire means using a delegated approach. Laissez-faire is offered less guidance to employee within the organization (Locke & Latham, 2006). Employees are left with more independent and ability to work on their own. Managers watch the overall project or final result without any interruptions during the process. This method could be effective if the employees were considered to be highly qualified and skillful in their area of work (Nahavandi, 2006). Laissez-faire is suitable for mature and experienced team members who are full of confidence in handling problem and decision (Oyinlade, 2006). However, the rate of success by Laissez-faire is pretty low regarding inexperienced workforces and employees, which often

leads to poor work-load and lack of motivation. It requires a lot of trust for managers to place most of the decision-making in employee's hands (Perren, L. & Burgoyne, 2001).

This study on small restaurant business examined leader-to-employee relationships. The impact that various leadership styles had on success was the major focus of the research. This research emphasized the importance of trust and empowerment. Like previous studies on leadership, this study defined the role of the leader and highlighted the importance of the role occupying this position on employee effectiveness. Contrary to past leadership research, this study addressed the need to find a modern transformational leadership to motivate people to peak performance. This person would not only lead, but would be a key for planning, analyzing, defining, and monitoring the risk in the continuously changing circumstances of small restaurant businesses.

Definition of Terms

Employee Satisfaction: A positive state of mind (Reeve, 2005).

Effective Leadership Style: The leadership style that succeeds in carrying out the role of the leader, where success can be measured from the aspects of employee satisfaction and business success (Raelin, 2003).

Effective Leader: The intelligence, initiative, and self-esteem related to managerial levels and high performance (Nahavandi, 2006).

Leader: One who recommends enormous distinctiveness, consists of a hefty influence, and exudes persuasive presentation, while revolutionizing the behaviors, attitude, and ethics of all followers (Wren, 1995). Small restaurant business owners were identified as leaders in this study.

Leadership: Setting a novel path or direction for a group of people (Wren, 1995).

Small Restaurant Business: An organization with fewer than 500 employees and less than $10 million in annual sales (SBA, 2011).

Leadership Style: Forms of behavior exhibited in transformational, transactional, and laissez-faire leadership styles (Terri, Pellegrini & Ekin, 2008).

*Transactional Leadership Sty*le: Based on the idea of exchanging something of value where the leader has control but also needs the followers to function (Bass & Avolio, 1994).

Transformational Leadership Style: Based on four interconnected characteristics: idealized influence, inspiration, intellectual stimulation and individualized consideration (Kurtz et al., 2008).

Laissez-faire Leadership Style: Based on the idea that managers do not have any kind of connection with the employees. This practice is especially prevalent in private enterprises and these organizations are generally satisfied with a lower level of performance (Victor, 2003).

Organizational success: Small restaurant business success was evaluated by employee effectiveness using the MLQ Scoring Key Form 5X.

Assumptions

The assumption was that the participants provided honest and unbiased answers, had complete understanding of the MLQ survey, and were certain that their responses were confidential. Each participant received and signed an informed consent document that illustrated the nature and purpose of the study, that their participation was a voluntary practice, had no known harms or risks, had no implication on their employment status, and their responses were confidential. All participants received a detailed explanation of the leadership

study conducted. The participants were informed that their personal information such as mailing addresses, email addresses, and telephone numbers were only available to the researcher. Data were stored in a secure and locked area, will be held for a period of three years, and will then be destroyed. The participants were assured that the survey responses were used solely for the purpose of evaluating the relationship between the dependent and independent variables and were not disclosed to any third party.

Limitations

In conducting any research, limitations or errors might affect the validity and reliability of data collected (Creswell, 2003). Leedy and Ormrod (2001) stated that a general limitation exists in a quantitative correlation research because correlation alone does not indicate causation. According to Saunders et al. (2003), the time when research was conducted might not be the most typical time for the occurrence of the subject. Consequently, the data collected from that time period may be unrepresentative or different from the expectation.

The second limitation concerned the methodology utilized in conducting the study. Because the MLQ Rater Form was employed, leaders might have worried about the privacy of their responses, even with the affirmation of high confidentiality of participants' responses. The study was also limited in geographic area. Among 12 small business restaurants located in Michigan, 11 restaurants agreed to participate in this research totaling 64 participants. Another limitation to consider was that small restaurants were typically privately held and were not required to share any information on profit. Success was measured by assessing employees' effectiveness and satisfaction. Finally, a 5-point Likert-type scale was used in the study that might slightly yield shifted results. For instance, respondents might perceive *strongly agree* to *agree* differently, which could impact responses.

Neuman (2002) indicated that a small population of less than 1000 data points demand a 30% sampling ratio to attain accuracy. The research met Neuman's requirement with 64 out of 87 employees from the 11 limited service restaurants in Michigan participating. This research was limited to studying leadership techniques practiced by administrative employees to assess the relationship between success and leadership style.

Delimitation

The study was further limited to surveying only the employees of small restaurant businesses in Michigan. The culture, education, training, team structure, and strategic planning of the organizations were not evaluated. The results of the study might not be generalized to other small business industries because the population explored was only that of the employees in limited service restaurants. The data provided the necessary sample to substantiate a valid study within small restaurant businesses. However, only once source of feedback was explored. Because of the various types of employees within limited service restaurants, the study was to identify a population representative of the small business and a population that crosses various specialties.

Scope

The scope of the quantitative correlational research was to find the relationship between leadership style and small restaurant business success. Success was determined by employees' level of motivation, engagement, commitment, and retention in the 11 limited service restaurants in Michigan. The general study population of 64 employees including owners, managers, and subordinates limited the research scope. Many small restaurant business owners did not understand how leadership impacted their business operations (Raelin, 2003). Any

small business organization that aims to overcome economic downturn can achieve success by effective actions on the part of persons who lead the company (Nahavandi, 2006).

Influence is one of the strongest and most constructive modes to guide the people around oneself. Influence helps encourage devoted actions for the betterment of the firm at large (Moxley, 2009). Kramer and Tyler (2006) determine that a positive relation exists between business performances and leadership effectiveness in small businesses. Leadership knowledge enables the business owners to actively solve management incompetence issues to progress, expand, and seek more opportunities for the small business (Kamer et al., 2006).

Summary

A detained interpretation was made on what this research project is about and the major methods utilized in undertaking this quantitative research project. The leader of any organization should work on the concepts of cutting cost, judicious management, and proper utilization of resources keeping personnel at the center. All this cannot be achieved without having a successful strategy (Raelin, 2003).

The second chapter discusses leadership impact on small business restaurants' success. The review details previous studies on leadership and illustrations of transformational and laissez-faire styles. Chapter 2 contains retrieved information from various studies and is employed to discuss how specific leadership styles render small restaurant businesses more successful through increased employee satisfaction and profitability.

Chapter 2

Literature Review

Chapter 1 briefly introduced the problem of the research, which related small restaurant

business success and employee satisfaction to leadership style. The previous chapter addressed

the need for a modern transformational leadership style. Chapter 2 focuses on transformational,

transactional, and laissez-faire leadership types by providing a historical overview and current

findings in the literature of business success, employee satisfaction, and management leaderships. The chief aim of this quantitative correlation research was to analyze the impact of each of the stated leadership styles on small restaurant business employee satisfaction and success. Because of the lack of knowledge of importance of effective leadership style, small business leaders often display ineffective leadership practices that escalate business vulnerability to failure.

Chapter 2 includes literature review relevant to the effect of leadership style on employee satisfaction and effectiveness in small restaurant business. Literature review starts with the pertinent topic, leadership theories' evolution and presents studies on employee satisfaction and effectiveness, empowerment, and trust. Although leadership styles research are available for decades (Bass & Avolio, 2004), few studies are available on the implication of leadership in small restaurant businesses. Based on 95 peer-reviewed journal articles and books on leadership, this study is intended to fill the literature gap concerning the impact of leadership styles on employee satisfaction and effectiveness in small restaurant business. Research on leadership styles and theories were conducted through University of Phoenix sources including Pro Quest, EBSCO host, and Pro Quest Digital Dissertations. Generalized academic searches were used to survey scholar literature. Keyword searched on Internet database searches included majorly such keywords as *leadership theories, employee satisfaction, employee effectiveness, organizational success, transformational, transactional,* and *laissez-faire* leadership. Research aided in discovering most recent scholarly articles, peer-reviewed journal articles, books, and dissertations on the topic of leadership and organizational success.

Title Searches, Articles, Research Documents, Journals Researched

The literature review showed the importance of concentrating on leadership style analysis to help the existing and new small businesses circumvent adopting less effective practices. An entrepreneur's characteristics, personality, and preferences informed about the way they lead the business operations, but their leadership style significantly affected their company's performance. Understanding the benefits of productive leadership not only helps maximize profitability, but also assists in improving the local, state, and federal economies (Raelin, 2003).

The issue of linking the leadership style practiced by the entrepreneur to the success of small business by attaining employee satisfaction was approached with caution as the success or failure in business comes from a mix of many factors. The current literature review discusses recent studies on leadership styles that influence small business success. Based on 95 peer-reviewed articles and books on leadership, Chapter 2 explains how leadership is a critical component in driving employee satisfaction and effectiveness. A business owner with an effective leadership style is more likely to increase employee satisfaction and increase business profitability. The more flexible leadership thinking the owner possesses, the more the entrepreneur will satisfy the employees and lead the business to further progress.

History of Leadership Research

Plenty of definitions of leadership have evolved over time. However, similarities in these definitions make one conclude that leadership is the process of manipulating subordinates to attain specified objectives that direct the organization toward a cohesive way (Karen, 2000). Leadership studies parallel political, financial, military, aristocratic, and cultural research and these studies that focus on work, leaders, and leadership styles started almost two centuries ago (Newstorm & Bittel, 2002).

First, leadership was perceived as an art. It was thought that some providential people had an innate intellect that enabled them to rise above lazy subordinates to move into a direction that makes work environment more productive. Today, small businesses are converting into places where subordinates are empowered—motivated personally and professionally toward growth that reflects the progression of leadership theory over the years (Dispoto, 2009).

Trait Theory. Small business owners and executives needed additional traits to become effective leaders. The earliest formal studies in leadership were trait-based studies that examined certain characteristics that are universal to all successful leaders (Jeffrey, 1989). Early in the 20th century, trait theory had a paramount point that attained the interest of all leadership researchers (The Executive Fast Track, 2009). Trait theorists asserted that leaders have a common set of general characteristics and traits. Without mentioning whether these traits are inherited or acquired, trait theorists consider these qualities to be the foundation of leadership success (Jeffrey, 1989). Concentration was put on finding these traits, frequently by examining closely booming leaders, assuming that if these traits are found in other people, then they had the grand potential to become successful leaders.

John Gardner's research (1990) on leaders and organizations resulted in a listing of favored leadership traits. The attributes identified by Gardner (1990) included:

1. Mental and physical vivacity and endurance

2. Cleverness

3. Fervor to take duty

4. Mission competence

5. Communication proficiency

6. Need for achievement

7. Aptitude for motivation

8. Courage

9. Honesty

10. Determination

11. Self-assurance

12. Assertiveness

13. Compliance/elasticity *(Doyle& Smith, 2001).*

Trait theory assumed that leaders possess a definite set of characteristics and undermines the impact of situation. Furthermore, Gardner's qualities are not discrete. Features of a person's personality, talents, and intellectual abilities are not heavily considered. In 1948, with a significant evaluation by Stodgily, trait theory became intensely disregarded (Jeffrey, 1989).

Behavioral Theory. As result of trait theory condemnation, researchers began concentrating on studying successful leaders' behaviors and skills in an attempt to determine leadership behavior taxonomy. Theorists believed that leader's actions and behavior had direct impact on group effectiveness, which reflected their belief that leaders were made not born. Accordingly, behavioral theory ascertained that successful leadership was based on teaching and observation to follow defined specific behavior guidelines (Wren, 1995). Peters (2005) stated that small business leaders' actions possessed strong influence on employees' achieving organizational goals.

Contingency Theory. Contingency model, projected by Fiedler, accentuated the leadership style determined by a leader's personality and how situational favorableness strongly affected leadership effectiveness (Marshall, 1998). Contingency theory evaluated the leader's work

style as a range from task-oriented (authoritative) to relationship-oriented (democratic or participative). Wren (1995) stated that the authoritative leaders are motivated by the need to accomplish a certain task, while democratic or participative leaders are motivated by their relationships with subordinates. Favorable situational factors include high leader acceptance and support by followers, defined task and goals, and power that enables small business leaders to control through incentive and reprimand. The contingency model focused on choosing the appropriate leadership style and is highly reliant on the leader's style as well as the working environment's characteristics. Fiedler suggested that altering the situation to attain efficacy is more efficient and convenient than changing leadership styles (Marshall, 1998). As the term contingency implies, the leadership style chosen depends on the three stated factors in any given situation. Task-centered styles, which use forceful directing and controlling, tend to be most effective in extreme conditions. Task-centered leadership is appropriate when leader-subordinate relations are excellent or poor, when task methods are accurately defined or not, and when a leader's true authority is either strong or null. In non-extreme situations, participative styles are likely to be more successful (Wren, 1995). Contingency model shows that a participative approach is favorable with jobs demanding creativity where exact procedures are hard to set, while an authoritative approach works for assembly line workers for example. Contingency model is one of the situational leadership models that small business leaders follow where leaders have to assess several key factors before deciding the best leadership style to be adopted (Marshall, 1998).

   Transformational and Transactional Theories. From a broad perspective, leadership theories could be transformational and transactional (Bass & Avolio, 1994). Transformational leadership style is one that sought to influence behavior through inspirational and motivational

means. Transactional leadership styles use factors such as rewards and punishment to influence and affect behavior.

After the development of contingency theory, the 1980's and 1990's gave rise to the development of transformational leadership (Marshall, 1998). Theories within this era were concerned with processes that change and transform individuals. This reciprocal process between leaders and followers is shaped by the leader's capability to arouse emotional intelligence and stimulate the higher order needs of their followers (Raelin, 2003). Through this ability, small business leaders acquired trust, admiration, loyalty, and respect from their followers, therefore motivating them to accomplish more than expected. "Leaders and followers raise one another to higher levels of morality and motivation" (Burns, 1978, p.128). With reference to Maslow's hierarchy of needs, transformational leaders activate the higher order needs like self-esteem and self-actualization (Aaron, 2010). This transformation is dependent on the leader's skill in performing particular tasks such as increasing follower awareness regarding the importance of task outcomes and exciting higher order needs of the followers.

Bass views transformational and transactional leadership as interrelated rather than mutually exclusive; their additive effect encourages performance beyond expectations (Dispoto, 2009). Bass (1990) describes transactional leadership as an exchange of rewards for effort on behalf of the followers. "Leaders do not focus on the development of sub-ordinates, but the exchange of value for compliance prompts both leaders and followers to develop themselves" (Jalese, 2010, p.167). Transactional behaviors take two possible shapes. The first is contingent reward and the second is management by exception. Over the last decade, the study of leadership has focused on how the various leadership styles influence the results of

small business organizations (Dispoto, 2009)

Types of Leadership Styles

Transformational, transactional, and laissez-faire leaders are part of the small business environment because they influence individual and organizational performance. Transformational leadership is important in small business organizations as through this style leaders offer visualization, pride, and significance to the employees. Transforming leaders is crucial in small business industry, as they tend to raise the rank of human manner and praiseworthy the ambition the leader and follower. Consequently, transformational leadership possesses an ethical and positive transforming effect on both (Bhattacharya, 2008).

Transactional leadership styles use contingency factors such as rewards and punishment to influence and affect behavior. Transactional leadership style motivates people by utilizing tangible substance for the work and performance that was achieved for a specific task or yearly assessment (James, 2011). Exchange can be political economic, or psychological. Each of the parties involved in this kind of exchange of resources realizes the power and attitude possessed by the other. Each side looks at the other as a person. The purpose of all parties is related, at least in relation to the goals contained in the exchange process and those that could be achieved through the process. However, the parties involved do not have a relationship outside the exchange. Parties that engage in this exchange should not have a common goal that unites them for a long time; after the exchange is complete; each party takes care of themselves (James et al., 2001).

Transactional leadership and transformational leadership complement each other as the conditions dictate in small business organizations (Raelin, 2003). No paranormal formula can

determine when a leader should use transformational or transactional leadership; situations indicate which style is more relevant. In small restaurant businesses, leaders possessing enough experience and education eventually make the right choice of choosing the needed leadership style (Kurtz et al., 2008).

Laissez-faire is a French phrase meaning the refusal to interfere in the affairs of others and letting people do as they wish. It's also one of the behaviors of the transactional leader discussed earlier. This style is one where managers provide very little or no instruction at all, while allowing employees as much freedom as possible. The authority is given to the employees and the responsibility relies on them (Moxley, 2009). The employee must determine goals, make decisions, and resolve problems on their own. This style is effective when employees are highly skilled, experienced, and educated. It is also effective when employees are trustworthy and can exemplify their ability to consult outside sources and experts when need. "This leadership style is in ineffective when the manager can't provide feedback on the employee's job performance" (Graber & Kilpatrick, 2008, p.97). However, Moxley (2009) describes the laissez-faire leadership style as ineffective in promoting purposeful employee communication as it contributes to the demise of small organizations.

Correlated Studies on Employee Satisfaction

The current quantitative correlational research study evaluated how leadership may influence small restaurant business success. To motivate subordinates to peak performance, small business leaders must find the areas where organizational needs and goals extend over individual needs, goals, and capabilities. Once established, employees can govern or supervise themselves, which creates self-directing, self-controlling and self-empowered

leadership. Empowerment is simply the ability of every member of an organization to take control of their own destiny and realize their potential to the fullest (Kouzes, & Posner, 2007). To attain success, small business leaders are needed to be the source of empowerment. Employee dissatisfaction can divert a small business leader's focus away from business goals, which can result in lost time and productivity (Nahavandi, 2006). Finding qualified employees is a major concern to small business owners and they have to face another challenge in retaining those employees. The entrepreneur leading a small restaurant faces many challenges when trying to establish or expand his or her company in the market place. If the entrepreneur does not follow the appropriate leadership style, the small business could be set up for failure (Lenhart, 2009).

Employee satisfaction is a positive state of mind. In recent times, a lot of attention is given to employee satisfaction considering it to be an important employee attitude that is critical for the success of the organization (Kouzes et al., 2007). This is why employees should be considered while making decision and policies for the organization. When employees are not satisfied, it leads to lower motivation, higher turnover, and lower customer satisfaction (Doyle & Smith, 2001). There is a negative relationship, and high correlation, of turnover and customer satisfaction showing that high turnover generally leads to a reduced level of customer satisfaction and vice versa. Therefore, if a small business leader wants to satisfy customers and attain success, special attention must be given to employee satisfaction (Barker, Carolyn & Robyn, 2008).

Satisfied employees are more motivated and, in turn, generate satisfied customers and high profits for the company. It is critical to understand what makes employees satisfied at work (Barker, et al., 2008). Employees want to be compensated in a justified manner for their

efforts, but autonomy, respect, feedback, appreciation, and employee involvement in decision-making all contribute to a motivated and satisfied workforce (Barker et al., 2008).

The impact of satisfaction level of the employees on the customer's level of satisfaction has been assessed (Rachel et al., 2008). Rachelet.al (2008) says that companies who give foremost importance to the employees receive the results in the form of high financial returns, faithful customers, and loyal employees. The employees with higher satisfaction levels prioritize the ability to make and retain highly satisfied customers (Rachel, Andy & Edwin, 2008). Small business employees tend to be more motivated when working with customers. They tend to be more empowered and try to fulfill needs of the customers by understanding and empathizing with them. When an employee is satisfied, he is more energetic and puts more effort into delivering excellent quality of services (Rachel et al., 2008).

According to the research conducted by Development Dimensions International, where focused group interview were used as the instrument for research, a careful literature review and analyses for the factors important for the service driven organization was conducted (DDI, 2007). The findings of the research show that there was an interconnected relationship between the employees' satisfaction, motivation level, turnover intention, the quality of service delivered to the customer, and the success of the company. The result also showed that the employees who indicated higher levels of satisfaction were more committed and had no turnover intention; they were more loyal, thus increasing productivity of the company (DDI, 2007).

Fortune is a well-respected magazine within the business world. Company ratings, according to this magazine, are considered a valuable and reliable resource. Out of the top

100 best companies to work for in the U.S., only four percent considered that employees like to work at their place of business because of financial conditions. However, according to the Human Capital Index study done by Watson Wyatt Worldwide, it is the effective practices of HR departments and business leadership that help companies maintain success (DDI, 2007).

Literature about the impact of employee satisfaction on the consumer satisfaction, which resulted in high productivity of the company, did show some controversy. To test the theory in 2001, research was conducted to find out that whether satisfied employees bring good financial outcome for the company or if the high business returns results in goof behavior of the employee (Cooil, Timonthy, Aksoy, & Michael, 2007). Five attitudes were taken into account to measure the attitude of the employees and their levels of satisfaction. The findings of the research revealed that the behavior of the employee, satisfaction with the job, and turnover intention had very strong correlation with customer satisfaction—which forecasted the organization's productivity and success (Cooil, et al., 2007).

Jalese (2010) found that 35% to 85% of customer satisfaction is dependent on relationship leadership style and employee satisfaction. The employees can develop or shake the trust of customers. Smith's research (2007) showed that a positive relationship between the employee and the customer depends on if the employee was happy with their work-life balance. Smith (2007) concluded that leadership influence was the strongest forecaster of employee satisfaction.

For example, the Pennsylvania Candy Company developed an employee-focused culture in all the departments of their company and, as a result, the turnover decreased by 48% and brought the company a remarkable increase in returns. It also showed that employee retention was very important for maintaining the smooth processes of the company, while also

decreasing the indirect costs of hiring and training new employees (Andrew, 2005). Another

company, Nortel Networks, used to record of the attitude of the employees and the customers

via surveys and found out some of the important issues that hinder employee satisfaction.

The company tried hard to resolve these issues and resulted in showing increased sales,

which was attributed to the increase of satisfied employees and customers (Spector, 2005).

These examples illustrated how much value employees gave to organizations when small

businesses showed concern for the safety and comfort of the staff (Lenhart, 2009). Support

perceived from the small business leader was the degree of the ability to which they could

create a friendly environment at work place and provide support to the employee when

needed to satisfy employees and attain business success (Graber, et al., 2008).

Leadership and Small Business Organizations

Since the year 2000, the unemployment rate has more than doubled. The U.S. middle

class has become the primary political and socio-economical focus for the Obama

administration. Small business employs 50% of the private work force and is responsible for

60-80% of the net job growth over the past decade (SBA, 2011). As a result of lacking

leadership skills and knowledge, more businesses are failing and less people are opening up

small businesses (Barker et al, 2008). Current turbulent times demand focus on what is truly

important: leadership. At the same time, the frantically changing environment pushes

organizations and leaders to react (Townsend & Gebhard, 1997). To achieve such

environment, leaders and followers must be in a context in which each can be free to trust

each other enough—and trust the purposes, actions, and intent of others— to further the goals

of the organization (Pitron, 2008).

Leadership is one of the most important factors that influence small business

organization's success. The philosophy behind leadership is to prepare employees to develop skills to effectively perform their current and future jobs. Small organizations' leaders are expected to provide training programs to facilitate learning and personal growth needs. Meeting the learning needs motivates the employees to perform better and achieve high satisfaction levels (Andrew, 2005). Trust in the learning process is mutual between small business organization and the employees. If employees do not learn the skills, they lose the trust and the confidence of the management. Both the organization and employees must meet the expectations of the other to achieve their organization's goals for success (Terri, et al., 2008). Viitanen and Konu (2009) clarify that employee satisfaction contributes to a positive working environment characterized by honest, supportive relationships. Employee satisfaction seems to be the primary attribute associated with leadership in small business because honesty and integrity were found consistently associated with the definition.

Empowerment

As identified by Kotter (1985, p.189), "the challenges faced by strategic leaders in implementing complex and long-range consequential decisions demand that be sophisticated with respect to issues of leadership, power and influence." Power is necessary because nothing can be accomplished without it. Max Weber defined power as the ability to force or coerce others to do your will or to do something that they would not otherwise do (Hunter, 2004). Maxwell (1998) believed that people who were empowered could reach their potential. Small business leaders should know that the key to a successful organization is using empowerment at all levels. Leaders not only inspire those around them, but they also empower those individuals to step up and lead. Small business leaders ought to be capable to attract talented people and match the employees' activities with shared goals. They must

empower others on their team to lead by taking greater challenges, which gives the employees a deep inner satisfaction (George et al., 2007).

Empowerment enables people to utilize knowledge, experience, and motivation (Blanchard, 2007). Lenhart (2009) asserted that empowerment could not be taught overnight. Small restaurant organizations ought to know when is the right time to empower their employees so that power is not misused. When small business leaders empower their employees, it is important to let them know that the authority given to them must not be abused (Turner & Müller, 2005). To prevent such incident, educating and training employees will allow them to understand the responsibility of making decisions for the company. Such understanding also gives employees in small business restaurants the ability to voice their opinion of the on-the-ground concerns. This is the key to ensuring a self-cleansing culture of openness and accountability (Heineman, 2007).

However, there are barriers to empowerment, which is why many small business leaders are not successful. Maxwell (1998) shares three barriers to empowerment. The first is desire for job security. Some small restaurant business leaders feel that imparting their skills to the employees may cause them to be out of job once the employees have learned the necessary leadership skills. However, this was not always the case. A successful leader is able to empower others and assist them in their development so that one day they will be able to take over the job from their leader. This will not only make the leader more valuable but also indispensable to the organization. The second is resistance to change (Clark, 2008). Empowerment encourages innovation and creativity. Therefore, empowerment will lead to constant change within the organization, but not all small restaurant business leaders are able to accept change—especially when these leaders are staying within their comfort zone. The

third is lack of self-worth. Some small business leaders are afraid of losing their personal value and esteem that was gained from their work or position.

A true leader is confident, as he believes that he is capable of influencing others (Blanchard, 2007). Empowerment may be deemed as a bad thing to some people because empowering means allowing others to act with superiority. However, empowerment is another way of nurturing future leaders. Through empowerment, everyone within the small business organization will be given a chance to display potential (Goleman, 2002).

Qualities of a Good Leader

Small business organizations are composed of groups of people working together to achieve a common business objective. Small restaurant organizations face issues related to culture, motivation, performance, productivity, and achieving goals (Viitanen, 2009). A small business leader should challenge, mediate, motivate, train, communicate, and inspire his team through aggression, compassion. Those in power should lead by example to attain employee satisfaction and business success (Lenhart, 2009).

It is an age-old debate if the leaders are born or if they are made. Some people believe that leaders are born with innate qualities, while some say that leaders must be trained. Leaders have the ability to develop a long-term vision for the organization (Nahavandi, 2006). Vision guides the employees and the management to achieve success for the organization. Vision inspires the employees and enables them to accept duties and responsibilities (Lenhart, 2009). Effective leaders in small restaurant organizations prove their ability to lead the employees by making decisions, giving guidance, and solving problems. Effective leaders have a very short period of time to prove to the subordinates their ability, thus winning their trust and respect (Raelin, 2003). Enthusiasm shown by the leader generates enthusiasm in the

followers. Enthusiastic followers in small business industry are interested and willing to attempt what their leader is trying to accomplish, thus resulting in improved performance. The calm and confidence of the leader inspires the followers to be self-confident and to make intelligent decisions (Oyinlade, 2006).

Charisma is a powerful personal tool of leaders that results in the admiration, enthusiasm, and loyalty of the followers. Besides charisma, integrity of the leaders is shown by their honesty, strength of character, and courage. Integrity is the most important aspect of leadership as it leads to trust; trust leads to respect, loyalty, and action from the followers in small business organizations (Robinsn, 2005).

Leading Organization's Culture Change

Small business organization culture can be defined as the entirety of the standards and values that constitute an organization's spirit and personality. Standards and values are constants that serve for guidance. Generally, there are four forms that a small business organization uses to express culture (Carnall, 2002):

- Communication: what is communicated in writing and by word of mouth, what language is used in the organization, what is not discussed and what is treated as taboo.

- Behavior: how management behaves, how decisions are made, what kind of behavior is rewarded, and what types of people are encouraged.

- Structure: what kind of buildings, facilities, and room arrangements dominate the scene and what type of management apparatus is used.

- Social event: what kinds of events are taken alongside everyday work, which gets everybody together, and the way people value these kinds of events.

Culture should change as the small business organization changes; as the external and internal factors are always influencing the culture, so the culture must change (Stewart & Manz, 1995). However, usually the small business organizational culture is locked in the beliefs, values, and norms of each individual in the organization. It is often difficult to change the culture unless there is some major shock in the organization (Chevalier & Segalla, 1996). The following is a complete way to influence and change my organizational culture.

Motivation

People are motivated to expend efforts towards achieving a goal because it satisfies one of their important needs (Stewart et al., 1995). Maslow proposed a five leveled pyramid shaped model to depict an individual's hierarchy of needs (Aaron, 2010). Employees trust that the management and the organization will be able to fulfill their basic needs and then provide them an opportunity to meet their high level needs. Small business leaders must motivate the employees by meeting their needs through personal and organization's efforts to attain employee satisfaction and business success (Lenhart, 2009). The motivation efforts should be sincere and the leaders should fulfill the promises made to employees to maintain their trust. When the trust between employees and leader is lost, employees are not motivated leading to poor performance and high employee turnover in small business organizations (Yukl, 2010). Leaders must try to satisfy the basic needs at the lower part of the pyramid before trying to satisfy the higher level needs in the model to get a motivated employee (Aaron, 2010).

Motivation is a very healthy way to give people the drive to change. This psychological concept has no single universally accepted definition. However, organizational sociologists tend to agree that motivation involves intent, effort, and tenacity—factors that push or pull individuals to behave in a particular manner (Tucker & Russell, 2004). Motivation could be

achieved during many processes. The following list details aspects of motivation and also reflects the importance of motivation in small business organizations (Tucker et al., 2004):

- Education and persuasion: Persuasive strategy aims to motivate people to change by biasing the message to increase its appeal. When the commitment level is low, persuasion will appear more effective to change peoples' minds.

- Participation and involvement: A potential benefit of participation and involvement is that it can excite, motivate, and help create a shared perception of the need for change within a target group. Taking part in the process is undoubtedly the best way to get people starting working and can increase the commitment.

- Facilitation and support: Facilitation and support can be especially helpful when employees feel a sense of loss associated with the letting go of something they value or something they feel is an important part of their individual or group identity.

- Negotiation and agreement: People can be motivated to change by rewarding those behaviors that will facilitate the change. The explicit provision of rewards is a useful approach when the change target is unlikely to perceive any obvious gains associated with the original change proposal.

- Manipulation: Manipulation is the covert attempt to influence others to change and it can involve the deliberate biasing of messages, as considered above in the discussion of persuasive communication.

- Direction and a reliance on explicit and implicit coercion: Coercive strategies involve change managers using their power to grant or withhold valued outcomes in order to motivate people to change. While the result may be a willingness to comply and go along with the change, the change target's commitment to the change may be low.

Consequently, compliance may only be sustained so long as the change manager continues to monitor the situation and maintain the threat of withholding valued outcomes (Galbraith, Kates, & Downey, 2001). .

Trust and Change Management

While the management may see change in small business organizations as an opportunity, change may be seen by employees as disruptive and intrusive. Humans usually resist change as they are reluctant to alter their habits (Yukl, 2006). During the time of change, trust plays a very important role. Small business leaders must run an effective persuasion campaign to convince the employees to adopt change. The persuasion campaign is based on the core of trust, and it includes open communication, showing concern for the employees, building motivation, training employees for new environment, and reinforcement of the idea of change (Tichy & Devanna, 1990).

Change is especially more difficult to implement if previous attempts to enforce change has failed. A failed effort creates an environment of disappointment and distrust cause the resistance to change to increase. The job of a leader in this situation starts from building trust before launching the persuasion campaign. Trust plays an important role—especially while implementing change in bad times when uncertainty, fear, and job security concern most of the employees (Smallwood & Seemann, 2003). This often leads to employees losing their trust in the leadership and organization. It is crucial that leaders pay special attention to maintaining the trust by implementing open communication and showing genuine concern for the wellbeing of the employees (Wales, 2003).

Small business leaders are encouraged to support a comprehensive portfolio of learning activities and job rotations to help each associate fully develop his or her talents.

The leader should build the company's activities around performance. Success in the marketplace should be the associates' best assurance of job security. All employees should be accountable to produce to their fullest potential. Winning should be concentrated fully on external competition rather than on internal battles fighting for resources and recognition (Milkovich, George, & Newman, 2004).

A company is only as successful as its employees. Small business leaders should be open and honest and show equality while collaborating with their employees. Small business organization will be able to survive and grow when leaders learn to manipulate using the sources of power according to the situation—operating in multiple cultures, accessed capital, and human resources. Small business leaders should be able to manage a very high diversity both within and outside the organization, while understanding all important factors and trends that impact business (Bass & Avolio, 1994).

To satisfy employees and attain business success, small business leaders ought to engage all employees, maintain communication between management and customers, and implement the stated strategies through a series of employee meetings (Lenhart, 2009). The rationale for the recommend solution is that it will allow employees to feel involved with the decision-making process and customers would then more easily be made aware of any changes that are coming in the near future. Employee involvement satisfies employees and lessens the effects of conflict within the small business organization. In order for small restaurant organization to implement change, everyone in the organization must be engaged in the process to allow participation of employees at all levels of the organization (Yukl, 2010).

Counseling Program. Constructive counseling can help troubled employees enhance their performance. The types of programs can help control employee behaviors; provided the degree

of their maladjustment is slight and the underlying causes are not intense (Homring, 2001). The objectives of the counseling process are to recognize the symptoms of troubled employee, provide relief if the causes if symptoms are minor, and refer the employee to a professional counselor if the condition is anything but minor.

Conflict Resolving Training Program. Small business employees are provided a training program through which they can learn basic steps in resolving traditional problems. These types of programs also help employees share their experiences. The cycle of personalized experiences penetrates into each employee to result in powerful, creative, and convenient solutions in complex situations (Singh, 2006).

Developing Self-Managing Teams. Small business employees should be motivated to take risks, share significant information, and provide support to one another. Developing self-managing teams helps employees encourage each other through development of the resulting training programs (Petani, 2009). Self-managing teams can be useful, but must be supervised to ensure productivity.

Train-the-Trainer Program. In these programs, nominated employees in small restaurant organizations are given the opportunity to be proficient trainers. The selected trainer is asked to identify objectives, determine the best pace at which to proceed, and to anticipate problems that may arise and how to address them (Singh, 2006). The types of programs can highly encourage motivation and healthy competition within the workforce.

Self-directed Learning. With self-directed learning, small restaurant employees are encouraged to learn at their own pace. These employees are empowered to ask for assistance when needed and can refer to trainer for explanations. These programs require that employees periodically submit the results of their initial efforts for evaluation (Mobaraki, 1996).

Effect of Trust in Small Business Organizational Performance

Trust influences performance at several different levels. Small business organizations performance increases when leaders empower their individuals, teams, and groups. Empowerment gives authority to individuals to take decisions in their capacity to provide faster response to team members and customers. Trust is at the foundation of empowerment and without trust empowerment will fail (Wales, 2003). Team performance increases when the individuals trust each other to perform their respective tasks independently. Superior performing teams usually have a high level of trust. Working with others requires that one trusts another enough to share information, deal with adversities, take risks, and meet objectives (Terri, et al., 2008).

The amount of trust earned by an individual depends upon the employee's perceived credibility. The degree of trustworthiness determines the level of autonomy, resources, and support given to the individual. Small business leaders must win trust of the employees and use the mutual trust to build confidence, improve performance, achieve learning outcomes, and meet the organizational goals to achieve success. Winning trust may not be an easy objective to achieve as trust is won over a period of time through constant and sincere efforts (Yukl, 2006). The personality of some leaders is such that it is quite natural for them to win the trust of the individuals (Wales, 2003).

Recommendations

To win the trust of the team, the leader can follow three simple strategies (Kramer & Tayler, 2006). The ability to produce result and meeting the set objectives plays a very important role in winning the trust of people. Small business leaders who are incompetent or powerless to fulfill the expectations lose employees' trust. The leaders must also set performance standards

for themselves and, ideally, the performance stands should be specific and higher than others. Small restaurant business leaders who lead by example through their personal achievement of results, should be able to win the confidence and trust of the team members leading to high level of energy and productivity (Staveley, 2002).

In organization's perspective, a leader's integrity means honesty in his words and consistency in his actions (Kouzes & Posner, 1993). Inconsistency in word and action is a strong indicator that the individual is not trustworthy. Small business leaders should be very careful when making promises to the employees and should make commitments that they may have difficulty fulfilling in the future. Integrity also covers giving due credit to team members, perpetuating equity among the staff, and taking responsibility for one's actions (Pitron, 2008).

Compassion is the most basic feeling that the humans share with each other. At the basic level, people usually give their trust to those who are care about us (Pitron, 2008). The expectation of concern from the leaders goes beyond the boundaries of work into the social groups like families, community groups, and teams. Leaders show compassion to win the trust of the team, but at the same time, must draw a line to protect the interest of the organization (Rachel & Edwin, 2008). The three strategies mentioned are equally important but at the same time they are in conflict with each other. For example, constantly changing small business environment makes the commitment short-lived as the changing business environment requires change in business policies and strategies. Small business leaders must balance achieving results, maintaining integrity, and showing compassion to reach the objectives of the organization while, at the same time, winning the trust of employees. Small restaurant business leaders will not be able to achieve organizational goals without the trust of his team (Raelin, 2008).

Future Leadership Requirements

Leading with goodwill has become an important requirement for global leaders to operate in a culturally diverse workplace. The challenge is not what degree a leader holds from famous business schools, but what ability the leader possesses to connect with the employees. Change has always been a much-discussed issue in management (Jalese, 2010). However, it assumes greater importance today due to the pace and scope that increases with the all-pervasive globalization. Change today is constant. If small restaurant business organizations expect to survive and grow in the global marketplace, leaders must learn to operate in multiple cultures to access capital, human resources, and materials from the best sources across the globe (Smith, Montagno, & Kuzmenko, 2004).

Small business leaders must recruit and retain right talents, while understanding markets and customers everywhere—including opportunities, risks, and obstacles they face now and in the future (Slahor, 1999). Notwithstanding, the key to success in the globalized world is to strike a balance between fierce competition and sensitivity to the needs of customers. Instead of focusing on outperforming each other, small restaurant businesses must realize the value of the dictum *customer is king*. The small business leader's job is to inculcate customer-centric values in the organization, while managing competition. Small restaurant business leader should first demonstrate himself as a role model for the employees of the organization (Schoenberg, 2005). A strong focus on satisfying the customer is what will ultimately set the small restaurant organization apart from the rest (Locke & Latham, 2006).

The leadership imperative is especially strong in this era of constant change and transition. There are leadership behaviors that make a difference in providing employees with an increased sense of comfort and stability (Sapriel, 2003). The small business leader should

enable the organization to become adept at shifting resources to meet changing environmental influences. Regardless of the organizational size, it should operate efficiently and effectively without bureaucracy (Raelin, 2003). The small business leader should ensure that their organization is able to move fast to respond to new market demands. Multiple layers of management should not impede its ability to make quick decisions. Information and resources should flow expeditiously to the appropriate locations to enable fast response to problems and opportunities. In addition, the small business leader should also focus on new product development and process advances (Moore et al., 2006).

Small business organizations should realize that, if they were to accomplish their objectives, leaders need people who never stop learning and enhancing their skills. Small restaurant businesses should support a comprehensive portfolio of learning activities and job rotations to help each associate fully develop various talents (Riggio, et al., 2004). The leader should build the company's activities around performance. Success in the marketplace should be the associates' best assurance of job security. All employees should be accountable to produce to their fullest potential. Winning should be concentrated fully on external competition rather than on internal battles fighting for resources and recognition in small restaurant businesses (Nahavandi, 2006).

Along with a focus on performance, the small business organization should incorporate a strong set of values to provide stability and consistency for all associates while they operate in a highly dynamic business environment. Simply hitting the numbers is not sufficient for reward and promotion (Stewart & Manz, 1995). Managers and executives have to live the values, as well as achieve results, in order to be recognized for their overall contributions. Small restaurant business leaders have to find ways to build a culture in their corner of the

organization that is more flexible, empowered, development-focused, innovative, and learning-oriented. It is beneficial to operate under a strong set of values with which everyone can identify as the unit focuses on performance (Matzler et. al., 2008).

Management

Abraham H. Maslow's Theory of Human Motivation provides a theoretical base to exploring the concepts of motivation. His theory states that behavior occurs in response to some internal tension or discomfort—a condition created by the existence of an active or unsatisfied need (Tucker & Russell, 2004). Managers cannot create needs in their subordinates. A manager can capitalize on existing needs within an employee by creating opportunities for it to be fulfilled. However, if the need does not exist in the first place, the employee will not take advantage of the opportunity (Alan, 2008). Managing the motivation process becomes a matter of recognizing the kind of need that drives a subordinate and matching it with the goal objects in the workplace. Only then can the need be satisfied. Managers must carefully consider what kinds of goal objects they offer to their employees and the potential for them to satisfy the needs that exist. Maslow's classification of needs make s such consideration more concrete for the manager (Andrew, 2005).

The manager's role in managing the motivation process has never been so demanding nor has the need for human skills been so great (Alan, 2008). Today's employees are not physically or mentally different from those of the past, but they are more demanding and do have more options available to them. These options will be quickly pursued if their demands are ignored. Small business organizations whose managers continue to attempt to motivate employees in the traditional carrot-and -tick way will not succeed over the long run (Brownell, 1990).

The basic definition of management, achieving work through people, carries with it a requirement for knowledge and skills in human motivation. Managers must understand why people work and be able to create the conditions under which they work the best (Dispoto, 2009). Whereas Maslow was concerned with the sources of motivated behavior in general, Herzberg focused his attention on those goal objects that are pertinent to the accomplishment of work (Goleman, 2002). Herzberg found that only those goal objects that satisfy needs corresponding to Maslow's Ego-Status, Actualization, and (to some extent) Belonging serve as motivation on the job (Reeve, 2005). In contrast, lower level goal objects which satisfy Basic, Safety, and superficial Belonging needs have only the potential for easing dissatisfaction, for making work tolerable, and are not sources of work-oriented motivation. Most organizations, and those who manage them, never raise their sights above these lower level needs (Locke et al., 2006).

Controlling the availability of particular types of goal objects on the job is another form of self-fulfilling prophecy in small business organizations. Worker behavior is determined for the most part by the goal objects available (Mayer et al, 1995). Managers may unconsciously limit behavior in the workplace to striving for a paycheck and a benefit package because only tangible gains, not pride in membership or innovation, are sanctioned as legitimate (Newstorm & Bittel, 2002). The behaviors related to higher level needs—those involving high morale and productivity—will not occur because the absence of goal objects denies their expression.

Management's traditional approach to dealing with employees, by providing rewards for performance, has been based on a concept of economic man: people work to make a living, for survival's sake, in a civilized sense (Nahavandi, 2006). However, self-management teaches people to exercise control over their own behavior and begins by having employees assess their

aspirations and set specific goals in relation to these aspirations (Oyinlade, 2006). Self-management teaches employees to observe their behavior, compare outputs and goals, and administer their reinforcement to sustain goal commitment and performance. The concept of self-management is important in programs of empowerment. For employees to work effectively in small business organizations that delegate power and responsibility, employees need to have basic skills in self-management (Perren et al., 2001). The leaders' role in small businesses is to train employees develop strategies that eliminate blocks to performance success.

Power is defined as the possession of control, authority, or influence over others, and, as such, is intrinsic to management. Power is utilized in different ways by various managers. However, the most salutary effects come from using power in ways that fall between the extreme poles of a coercive authoritarian approach and a permissive laissez-faire style (Rachel, Andy & Edwin, 2008).

Managers Vs. Leaders

Small business managers do not ordinarily do the work themselves, but they are accountable for the performance of those they manage. Managers are also responsible for the conditions under which people must perform (Wales, 2003). Small business leaders differ from unproductive managers in the way they approach and discharge this responsibility. A leader is one whose beliefs and practices enables and encourages employees to put forth their best effort. A manger represents formal authority; they mediate organizational realities for those without formal authority. Managers are in significant position of power (Robinsn, 2005). Through their practices, managers literally set the tone of the workplace by teaching others what to expect, who is respected, what is rewarded or punished, and how much freedom people

have in their work. Managers create the conditions for work in their organizations. Some provide conditions that enable and encourage people to be productive, and some do not (Mardanov, Maertz& Sterrett, 2008).

The importance of having a small organization business manager knowledgeable of how tasks should be performed is not a must, but results in rapid communication and resolution of questions and inquiries from the outsourcing firm. Having effective managers help with avoiding quality issues, schedule slippages, and cost over runs (Milosevic, 2003). The manager's main role is to act as an intermediary between the employees and the organization to make sure the expectations are the same among all involved parties. Small business managers are expected to manage a very high diversity within, and outside of, the organization and must understand important factors that impact business including technology, new organizational approaches, and political/economic conditions (Marshall, 1998). Small business managers should learn to be more innovative and inquisitive, to recruit and retain the right talent from across the globe, and to understand markets and customers everywhere—including opportunities, risks, and obstacles they face now and in the future (Kinicki & Kreitner, 2008). The tasks of leaders in small restaurant businesses are geared to fullest possible release of available competence. Competence means the ability and desire to do what needs to be done. Competence becomes manifest if conditions allow it and reward expression in the work place. Three essential dimensions are necessary for the release of competence within the organization: collaboration, commitment, and creativity (Ulrich, Kerr & Ashkenas, 2007).

Effective leaders' goal in training groups is reaching group effectiveness. When group members learn to play roles and adopt certain rules of group functioning, the group as a whole can become so competent that the capacity for creative problem solving can surpass that of the

most knowledgeable and talented member (Victor, 2003). The highest levels of group effectiveness can only be achieved when the leader brings the philosophy, knowledge, and skills within workgroup. Four characteristics of effective groups are commitment, conflict, creativity, and consensus (Wren, 2004).

Cultural diversity has become widespread within many organizations. Culturally diverse employees are increasingly staffing the work groups in small business organizations. The cultural differences exhibited in the groups can enhance or weaken the function of the work group, especially in a predominantly homogenous environment (Yukl, 2010). These multicultural work groups present challenges to the organization; managers must reduce these challenges in order to achieve the desired success of the organization. The biggest obstacle with cultural diversity in the work groups is the managers' lack of knowledge of how to lead a culturally diverse work group or team (Morrell & Capparell, 2007).

Managers are much more focused on production and meeting the bottom line; yet, leaders are more concerned with the people in the organization and the overall morale (Marshall, 1998). End of the quarter deadlines, fiscal year reviews, and profits for the year are all directly fixed associations with managers, thus they are primarily focused on planning, organizing and executing to meet those numbers (Riggio, Bass & Orr, 2004). Managers have the status and power needed to control and structure the organization so that it meets the financial goals, yet they can sometimes lack the personality needed to effectively work with their employees.

The lack of personal interaction with the staff hinders the relationship between managers and employees, for they never fully develop the bond that leaders often possess. Underneath managers are subordinates—people who report to them because of the hierarchical structure and not by choice (James, 2011). Many times managers are swamped with policy and

implementing procedures and they lack the time to actually get to know their employees. This disconnect can cause managers to forgo utilizing employees' skills to the full potential, thus resulting in lack of recognizing an employee's full aptitude in small business organizations (Staveley, 2002).

The major difference between leaders and managers is that leaders see the value that people bring into the company. Leaders recognize that if they take care of good employees, these employees, in turn, will be more productive, innovative, and loyal. There is not just one way to lead a team to be successful, as every organization has different objectives. Every follower can be and will be different, so a successful leader needs to adapt to followers to be effective (Sapriel, 2003).

Leaders also have to understand their organizations, as different organizations require different leadership styles. It is crucial for the leader to adapt his style to the type of small business organization that he manages (Browning & Sparks, 2004). The authoritarian is a leader that possesses the power and uses it to dictate what tasks are needed and when they need to be completed. This leader lets the followers know exactly what is required from them without necessarily letting them know what the future has in store (Stephan & Pace, 1991). This is not the type of leader that is valued as the best type of leader for the organization, yet he may be a good fit for an organization that has many unmotivated and lost employees. This type of leader is good for creating a strict work environment with little room for change and no input from employees. This type of style it is strictly business and not personal (Pitron, 2008). Many times managers implement this type of leadership style more so than leaders, for it creates a procedure and routine for how the organization will function (Smith, Montagno, & Kuzmenko, 2004). On the opposite side of the spectrum is the type of leader who allows the

employees to make their own decisions on how to complete tasks. The democratic style of leadership allows employees more freedom to work at their own pace and manner, which is often used with people that are already very motivated and goal-oriented thus needing less direction from superiors (Trochim, 2005).

It is crucial for the leader to recognize if the people are independent and work well without much guidance. Many times, if employees work well independently their performance may be hindered by overly authoritarian leadership. The democratic leader utilizes the best of each style and incorporates it into a style that allows for more innovative freedom, guidance, and support (Alan, 2008). The democratic style of leadership promotes innovation, production, and strong small business morale. It gives people an opportunity to contribute to the organization without being micro-managed and treated simply as a number.

Small business organizations' success is based upon how the people within that organization are treated (Tucker & Russell, 2004). Frequently, managers provide the resources the employees need to get their tasks done, yet they fail to be there to guide them along the way. The unknown future of the organization or potential career path is a major concern for the employees and that is the mistake managers make—leaving the future plans unknown to employees. There should be little-to-no uncertainties or hidden agendas when leaders are coaching their people into success. Employees should be fully aware of where the organization is heading, what role they play in that development, and who will be right along there with them—their leader. When people are considered as being assets to the organization, while having guidance, and the opportunity to grown within the company, then results would be remarkable (Alan, 2008). The key is to realize who is a part of the small business organization and how to lead them into success. An effective leader will work to motivate followers, but

also understand the company's vision and end goals. An effective manager works to motivate and drive results and success, but also has the knowledge and fiscal discipline to remain in the company's budget and boundaries (Smallwood & Seemann, 2003). They must understand the importance of all the people in the small business organization.

The most appropriate organizations to use an authoritarian leadership style are in those where life and death situations are encountered frequently. Two such organizations are the military and law enforcement. In these highly structured settings, strict adherence to orders can be crucial to survival and to performance (Nahavandi, 2006). As discussed when analyzing the effectiveness of the Egyptian military in their 1967 and 1973 wars, the turnaround in effectiveness was due to "a rigid division of labor—which allows the military clear control over the development and execution of strategy, plans, and tactical activity once politicians make the decision to use force—is conducive to military effectiveness." (Brooks, 2006, para 4). Authoritarian leadership is best practiced in military and law enforcement settings.

Team Leadership

Team building is important. When teams can come together to allow their strengths to combine, and their weaknesses to be fortified, a team can be more effective and powerful than the individuals alone. The key to creating an effective new team is balance in the attributes of team members (Mealiea & Baltazar, 2005). The small business leader has a vital role in making sure that all member attributes are used effectively and that they are matched with the right task. Not only does a leader play a vital role in leveling the skills of members, but a leader will need to possess the power and the influence to handle conflict, overcome follower power, and facilitate and follower influence. When groups form, conflicts may arise. Power is the source of how the followers will react to a leader's directions and can sometimes help them

understand the measures of resolving the conflict. Sometimes, power is the force to resolve conflict. Leaders cannot simply ignore the conflict; they must attempt to influence factors to resolve it (Michelson, 2003).

The advantages of teamwork in small business organizations can be maximized using team assessments to determine criteria for best practices, to highlight discrepancies, and to target areas for improvement. Team assessment is aimed to help team members support one another with points of strength and receive support in points of weaknesses. Team assessments result in smoother and more efficient communication, achievement of targets, greater accountability, and integrity (Michelson, 2003).

Productivity. When employees consistently do what needs to be done, they are deemed productive. Getting the job done the best way possible is not only the core issue in productivity, it is fully consistent with nature capacity and need for competent performance (Matzler et al., 2008). Productivity is a function of the capacity and willingness of people for productive enterprise plus a context, an organizational environment, which supports and encourages such capacity and willingness (Pitron, 2008).

Leaders realize that providing the context and supportive environment for productivity is their duty. People supply the competence; they bring to work with them the capacity and desire to do what needs doing (Kramer et al., 2006). Management at various levels supplies the policies, practices, and procedures that either encourage or subvert efforts to put capacity and desire to work. Leaders work for conditions that enhance the expression of individual and collective competence in the process to insure productivity (Lenhrt, 2009).

Interpersonal styles are at the core of a number of corporate dilemmas, communication breakdowns, emotional climates, and quality of relationships. Even managerial practices are

linked to some fairly simple dynamics between people (Goleman, 2002). The fact that the dynamics are simple should not be taken to mean that their management is easy. However, at the same time, the fact that individuals can and do change their interpersonal styles, and thereby set in motion a whole chain of events with corporate significance, should be emphasized (Jalese, 2010).

Although most people select their interpersonal styles as a reaction to what they anticipate from other parties, the key to effective leadership lies in pro-action. Each manager can be a norm-setter in his relationships, but he must honestly review his own interpersonal goals and undertake the risks necessary to their attainment (Higgs, 2003). Small business organizations can critique the policies in a search for provisions which serve to punish candor and reward evasiveness while equating solicitation of data from others from others with personal weakness (Ebert et al., 2005).

Training and Development. Many small business organizations are using teamwork. Team-based approaches to work can increase innovation, improve quality, serve customers better, and shorten the time it takes to transform an idea into a product or service (Brownell, 1990). To create and orchestrate teams, employees need to be selected, appraised, compensated, and trained in ways that reflect the unique relationships that develop between employees who work together. Small business leaders realize that people working in teams should not be managed in the same manner as employees working more or less independently. Employee training and development is any attempt to improve current or future employee performance by increasing an employee's ability to perform (Braker et al., 2008). The need for training and development can arise for many reasons—new employees, technological changes, redesigning jobs, new product development—and, in some of these cases, the need for training

and development can be immediate and unplanned or anticipated and planned for the future (Graber et al., 2008).

The major purpose of training and development is to remove performance deficiency, whether current or anticipated. Leaders find that by training employees, productivity gains more than offset the costs of training. Small business organizations use training programs as tools to make the workforce more flexible and adaptable. Employees' commitment to the organization is also strengthened as a result. Greater commitment yields less turnover and absenteeism, resulting in an increase in productivity (Lenhart, 2009).

Conclusion

The power of leadership is the apparatus that expedites the influential ways to satisfy employees. Small business leaders empower employees by creating a positive environment. The leaders will set high standards that must be completed. A leader approaches success by setting a standard and by expressing confidence in the subordinates' abilities to attain that standard. A small business organization will only be successful if the employees can look inside themselves and see pass themselves and look at the bigger picture. The leader of any small organization is expected to achieve organizational success by understanding the organizational politics, utilizing the effective form of power, leading by example, and by winning the subordinates' trust (Rachel, Andy, & Edwin, 2008). It is up to the leadership style to provide the environment and education to employees to possess the most quality in all aspects of the organization. Employee satisfaction will be demonstrated by their attitude and actions, such as retention and tenure, employee referrals, absenteeism, lateness, and their own perception of skills and knowledge (Wales, 2003).

Summary

Based on the literature review, studies showed that small restaurant businesses are successful when they have effective leadership style. It is through this ability that leaders acquire trust, admiration, loyalty, and respect from their followers, therefore motivating them to achieve organizational goals and attain success. The literature review also emphasized that effective leaders are able to build a strong corporate culture, are truth-tellers, can see the invisible (that is, spot potential winners or identify trends before their rivals or customers), are fast learners, and communicate effectively. Leaders are expected to anticipate future events before they occur and must have a vision to overcome uncertainties (Ulrich et al., 2007).

To attain success in a small business organization in the current harsh economic situation can be a daunting task, but with the appropriate leader, employees, and resources, an organization can do it (Viitanen, et al., 2009). Traditional brainstorming is not enough to solve problems in today's organizations. The effective leader first creates an environment and a process, which enables people to safely identify and eliminate problems.

Contrary to many people's thinking, failure does not merely stem from things beyond a manger's control like government regulations, unexpected budget cuts, or loss of market share because of unpredictable customers (Morrell & Capparell, 2007). Rather, failure usually occurs because of managers who utilize poor tactics and lack of effective leadership style. Organization's tactics fail often because of lack of employees' participation and satisfaction (Alan, 2008). As indicated through the literature review and

discussion on employee satisfaction, leadership styles illustrate a clear indication that both are inter-related in achieving ultimate organizational effectiveness and success.

Chapter 2 constituted a provision that a small business performance is linked to leadership style and employee satisfaction. Chapter 3 addresses the quantitative method that was used for this study. The methods used for the data were selected to ensure high levels of reliability to eliminate subjectivity of judgment.

Chapter 3

Method

This study tested and illustrated the relationship between leadership style and employee effectiveness. It also assessed the relation between leadership style and employee satisfaction within the small restaurant business industry. The data from participants in 11 randomly selected small restaurants in Michigan were used to conduct this correlation study. The purpose of this quantitative research was to study how small restaurant business success and employee satisfaction are affected by leadership style. With escalating number of entrepreneurs interested in small restaurant business in Michigan, various leadership styles were inspected to find out what relation exists between leadership style and employee satisfaction and effectiveness.

This quantitative study was designed to examine the correlation between the independent variable leadership influence and dependent variable small restaurant business success. It also studied the correlation between the independent variable leadership style and dependent variable employee satisfaction. The research was designed using the Pearson's *r* correlation to assess the relation between the dependent and independent variables. The chief purpose of the

research was to indicate the importance of having employees develop skills, which allowed for advancements in small restaurant business success, creating other small businesses with a need for individuals to lead. The workable solutions discussed in this study should create jobs for individuals and might strengthen local, state, and federal economies.

Chapter 3 includes a description of the methods employed in this research. The literature review presented the basis for the research questions and hypotheses addressed to identify the effect of effective leadership style on employee satisfaction and small restaurant business success. This chapter includes research design, appropriateness of design, population, informed consent, sampling frame, confidentiality, geographic location, instrumentation, data collection, data analysis, and validity and reliability information.

Research Design

Research design is defined as the structure of the research project to solve a particular problem (Fridah, 2009). The main reason of specifying design is to guide the researcher in their task to solve problems by considering the concept to be studied, the approach to be used to study the problem, how the data will be collected and analyzed, and how the data will be presented (Moxley, 2009). In this study, the effect of leadership style on the business success was studied by using the Multifactor Leadership Questionnaire (MLQ) instrument.

Bass and Avolio (1990) developed an evaluation instrument for transformational and transactional leadership named the Multifactor Leadership Questionnaire (MLQ). This questionnaire measures the transformational leadership four different dimensions (Kurt et al., 2008). Charisma was identified as the first dimension. Charismatic leaders display their convictions and follow their own set of values creating a role model for their employees to follow. The second dimension, inspirational motivation, is the degree to which a vision is

articulated to inspire and appeal to followers. Through inspirational motivation, leaders

challenge employees, communicate objectives, and give meaning to the organization's current

goal. The next dimension, intellectual stimulation, is the degree to which a leader arouses

awareness of an organization's problems and provides possible solutions. A leader stimulates

the imagination through challenging employees and taking risks, which generates new thoughts

and ideas. The last dimension, individualized consideration, is the amount of attention a leader

gives to the subordinates' needs (Gerard, 2000).

 The MLQ survey also assesses the active and passive forms of transactional leadership,

contingent reward, and management by exception (Matzler et al., 2008). Through the active

form, a leader continuously monitors employees' performance, correcting mistakes as they

occur. A set of standards is already in place and monitoring employees begins at the beginning

of a task. This allows immediate action by the leader to correct any problems or mistakes that

may emerge during the process. However, during passive management by exception, it isn't

until a problem or mistake has been identified that a leader steps in and only then are standards

are made clear. Transactional leaders are mainly motivated to fulfill their own self-interest

(Tichy & Devanna, 2009).

 In 1996, the aspects of transactional and transformational leadership were further defined

and the Multifactor Leadership Questionnaire (MLQ) was developed. Idealized influence,

intellectual stimulation, inspirational motivation, and individualized considerations constitute

the aspects of transformational leadership style (Goleman, 2002). These aspects can be

explained as below:

- Idealized influence: A leader is taken as a role model by the followers. A leader behaves in a conviction and takes stand, which makes followers idealize the leader and respect his/her decisions.

- Inspirational motivation: A leader communicates his/her vision in such a manner that inspires the followers to become a part of that vision.

- Intellectual stimulation: A leader stimulates and encourages the followers to use their creativeness in solving any problems that comes in the way of achieving mission.

- Individualized consideration: The followers get a supportive climate and personal attention from their leaders. A leader also acts as a mentor and provides appreciation to the individual contribution to the team.

The dependent variables, effectiveness and satisfaction, were also analyzed employing MLQ questionnaire. On a continuous scale answers from 0 to 4, the dependent variables were also measured. A low effectiveness score means a manager whose perception of employee at the small restaurant is less effective, while a high score indicates that employee's effectiveness as perceived by the manager is high. A low satisfaction score means an employee who has little satisfaction with the manager's leadership's, and a high satisfaction score means an employee with high satisfaction with the manager's leadership.

Appropriateness of Design

The analysis for this study started with data collection. The collected data points were then manipulated and processed into information that was valuable to decision making. The information collected was divided into two types: quantitative and qualitative data. "Research is a systematic process of collecting, analyzing, and interpreting information in order to increase our understanding of a phenomenon about which we are interested or concerned"(

Leedy & Ormrod, 2010, p.48). The appropriate research design for this study was quantitative. Heathfield (2009) found that Employee Satisfaction in the USA has dropped since 1987 and over 50% of the entire workforce was unsatisfied with their job. "This downward trend in job satisfaction raises concerns about the overall engagement of U.S. employees and ultimately employee productivity, retention, creativity, risk-taking, mentoring, and in overall employee motivation and interest in work" (Implications for Employers, p. 3). Having superior satisfaction within the organization could have a great impact on the level of service employees give and how they represent the company to customers and clients (Jalese, 2010). As employee satisfaction has decreased over the years, this study was placed to assess the relationship among the variables leadership style, employee satisfaction, and effectiveness.

The major objective of this quantitative study was to quantify the variation that may exist and predict the causal relationships present between the variables. The independent variable is leadership style and the dependent variables are employee effectiveness and satisfaction. Quantitative research began with hypotheses and theories that used control of formal instruments through experimentation (Jenkins, 2009). The quantitative research instrument was based on a set of questions formulated upon the desired topic and was given to respondents to derive particular answer or analysis. Analysis of the figures collected from the survey was then interpreted (Walonick, 2003).

However, qualitative research is theory based, naturalistic, and usually searches for patterns—seeking to explore complexities with minor usage of numeric data (Leedy et al., 2010). It is inductive and investigates the factors that could explain why a given event occurs. Variables are complex and difficult to measure. Qualitative research is based upon the researcher's experience and is used to discover intricate details of specific phenomena that

cannot be found through quantitative methods (Creswell, 2003). Qualitative research is used to gain a novel and fresh ideation about phenomenon that are already known and studied. Qualitative research helps the researcher gain an insight into the reasons for human behavior.

Quantitative data can be visualized through different graphics such as tables, graphs, and diagrams; however, the qualitative data can be demonstrated through statements and conceptualizations (Neuman, 2006). Quantitative research emphasizes generating accurate and objective statistical data that could be generalized to populations (Rubin, 2007). "When we collect data for quantitative research, we have to collect them from someone or something. The people or things (e.g. schools) we collect data on or from are known as research units, units or cases. If we have to draw the data from the samples of population, the samples are also called sampling units" (Sukamolson, 2009, p. 72). The quantitative researcher analyzes data and numbers. Findings of the research study then could be generalized to the whole population. Quantitative research design was suitable for this study as it emphasizes generating accurate and objective statistical data that could be generalized to populations (Rubin, 2007).

Population

Of the 765,487 small businesses in Michigan, 4000 are small restaurant businesses. Of the 4000 small restaurants, only 11 limited service restaurants employ between 5 to 9 employees. "Limited service restaurants are mainly engaged in providing food services where customers order or select items and pay before eating. Food and drink may be consumed on premises, taken out, or delivered to the customer's location" (United States Census Bureau, 2002, para.2). The identified limited service restaurants participating in the quantitative research fell within U.S. Small Business Administration (SBA) criteria. "Small restaurant businesses are small business organizations with fewer than 500 employees and with annual sales less than $10.0

million" (SBA, 2011). Limited service restaurants are one type of small restaurant businesses that offers customers limited service (United States Census Bureau, 2002).

Of the 4000 small restaurants, the 11 identified limited service restaurants fit the identified parameters and formulated the target population. Neuman (2003) indicated that the target population is the precise pool to be studied. The 11 identified limited service restaurants employed 64 employees including owners, managers, and subordinates. The target population was male and female, full time and part employees, recruited by voluntary participation. Neuman (2006, p. 66) stated that "a population under 1000 data points demands 30 percent sampling ratio to achieve accuracy". The research met the requirement with a sample of 64 participating respondents randomly selected from the 11 limited service restaurants in Michigan.

Previous studies about the restaurant industry have been centered majorly on corporate restaurants for information and data collection (Whyte, 1998). The ease of accessibility and quantity of employees available to researchers through centralized human resources offices and corporate headquarters does not exist as readily in the independent restaurant sector. These limitations result in a void in literature focusing on leadership and job satisfaction of workers in small business industry (Whyte, 1998). The result of the gap in literature was that employee satisfaction and turnover in the small restaurant sector had not been thoroughly studied. "In 2009, the restaurant industry is expected to exceed $1.5 trillion in overall economic impact in the United States. Generating $566 billion in sales in over 945,000 locations and employing thirteen million people, the restaurant industry is one of the largest private-sector employers in the United States" (National Restaurant Association, 2009, para. 2). Gaps in restaurant research may severely impact the understanding of one of the United State's leading business sectors.

Informed Consent

Informed consent was gained in the initial contact made with all respondents of this study. They were informed of the research aims and possible consequences. Participants were informed of the procedure of the study, the details involved, and their right to withdraw from the study at anytime. Each participant received and signed an informed consent document that illustrates the nature and purpose of the study, that their participation was a voluntary practice, had no implication on their employment status, and that responses were confidential. All participants received a detailed explanation of the leadership study conducted along with MLQ survey purposes and uses. To assure confidentiality of participants' information, a nondisclosure document was signed by the participants. The participants' personal information, such as addresses, emails, and telephone numbers, were only made available to the researcher.

Sampling Frame

A sample provides the researcher with valuable information if wisely selected (Faraday, 2006). Reasons for sampling included time, population size, and population accessibility. The assessment of population variability was a critical step in validating the sample size while performing the research (Rubin, 2007). High variability demands larger sample size, whereas a homogeneous population demands a small sample size (Faraday, 2006). A statistical method was used to determine the smallest acceptable sample size (n) and validate the sample size of 64 as adequate in minimizing sampling error. "The variability of measurement (standard deviation or S), the acceptable margin of error (E), and the required level of confidence (z) in the following statistical formula are used to calculate the acceptable sample size" (Lind et al., p. 316).

$$n = (z \cdot S / E)^2$$

The desired level of confidence in this research was 95% with a maximum margin of error ±0.2, which required a minimum sample of 40 for the study. A sample size of 64 fit the parameters of the study.

Confidentiality

All personal information that contained or reflected respondents' addresses, phone numbers, or emails were available merely for the researcher. The participants were assured that the survey responses were used solely for the purpose of evaluating the relationship between the dependent and independent variables, and were not disclosed to any third party. The nondisclosure form prohibited any third party to access the completed MLQ survey to protect participants' confidentiality. Statistical results were displayed in aggregate form such as standard deviations, frequencies, and means. Each respondent signed a nondisclosure form and confidentiality agreement (Appendix C) to assure confidentiality. The collected surveys for this research were only handled by the researcher and will be destroyed in a period of five years.

Geographic Location

This study has significant implication for entrepreneurs, new businesses, and small businesses generally in the United States, and specifically in Michigan, where the research was conducted. This study discovered whether implementing effective leadership techniques boost small business performances and help in overcoming business obstacles. Avoiding small business failure and improving performance was the aim of this research.

The state of Michigan was selected for the location as it approximately has 765,488 small businesses (SBA, 2004). The number of small business organization is decreasing annually in Michigan by about 1 percent. Limited research is available that is focused on small restaurants in Michigan, providing little clarification as to how the organizations can function and survive.

Instrumentation

Bass and Avolio (2000) created three MLQ surveys, composed of 135 questions, which were used for the data collection instrument in this study. A Likert Scale was used to present responses that are ordered in a way that one response is considered to be greater than another (Andreasen, 2002). A 5-point Likert scale was employed where five options were offered. Theoretically, the Likert Scale is classified as interval scale because equal distances are constructed between the options. However, in reality, equal distance is almost impossible to attain (Weiss, 1997).

The 5-point Liker-type scale was used to measure the variables, employee effectiveness and employee satisfaction. The scale was arranged as the following: "0 = not at all, 1=once in a while, 2= sometimes, 3= fairly often, and 4= frequently if not always." Please see Appendix A to review the surveys.

Data Collection

Leaders and employees from the 11 participating small restaurant business in Michigan contributed in this research to discover why small restaurant businesses fail to survive and maintain success. All participants received an introductory cover letter that explained the questionnaire process and assured confidentiality of responses. The 11 small restaurant organizations received the MLQ surveys in person. All questionnaires were directed and managed by the researcher. Each manager received a phone call where a date was set to administer the survey, followed by a letter by mail verifying the date of survey administration.

During working hours, the employees independently completed the MLQ surveys while being monitored by the researcher. All respondents were encouraged to provide honest answers as there are no right or wrong responses. Upon survey completion, the researcher placed them

in a sealed envelope. After receiving the responses from all participating restaurants, statistical analysis began. The statistical analysis helped to determine how leadership style is related to employee satisfaction and effectiveness. The statistician signed confidentiality and non-disclosure agreements. Responses to the MLQ survey were sent for analysis in sealed envelope containing needed calculation to determine the relationship between the dependent and independent variables.

Besides primary data, secondary data were collected that included statistics published by the state, private companies, Internet, books and television that helped in data analyses. Secondary data had the advantage of being cheaply, quickly and easily obtained. Strauss and Corbin (Rubin, 2007) suggest that literature can be used for various purposes in research. Secondary data stimulated theoretical sensitivity by providing concepts and relationships that was compared to the actual data collected, by providing secondary sources used as initial testing of the researchers' concepts and ideas, and by stimulating questions during data gathering and data analysis. Additionally, existing literature was used to direct theoretical sampling to guide the researcher as to where to go to uncover phenomena that are important for theory development and to be used as supplementary validation to explain why the findings support or differ from the existing literature (Kish, 2010).

Data Analysis

As discussed by Neuman (2006), correlation shows a statistical measurement for the relationship between variables. The correlation coefficient ranges from -1 to +1 where a correlation of +1 means that the two variables always move in the same direction; a correlation of -1 means that the variables always move in the opposite directions. In the case of zero correlation, the relationship between the two pairs is random. Salkind (2003) suggests the

strength of variable relationships is weak if the correlation coefficient is between r = .20 and r = .40, moderate if between r = .40 and r = .60, strong if between r = .60 and r = .80, and very strong if between r = .80 and r = 1.00. The level of significance α = 0.05 was selected for critical value determination from the PPMC table. When the critical value listed in the table was less than the absolute value, the null hypothesis was rejected and alternative hypothesis was assumed true (Neuman, 2000). Data were collected in this research for the purpose of testing the hypotheses that stated leadership style impacted employees' satisfaction and effectiveness.

Validity and Reliability

The MLQ has been subjected to many studies to confirm reliability and validity. One issue examined was the integrity of the MLQ scales. Avolio and Bass showed MLQ Form-5X reliability scores that ranged from 0.74 to 0.94 (Avolio& Bass, 2004). The MLQ proves to be a strong predictor of leader performance across a broad range of organizational levels and in different cultures. The MLQ has been used in over thirty countries, and in many languages, for business and industrial firms, hospitals, religious institutions, military organizations, governmental agencies, colleges, as well as primary and secondary schools (Bass & Avolio, 2004). Hancot (2005) used the MLQ to measure the correlation between organizational performance and transformational leadership in the largest ten public companies in Canada. Also, Judge and Piccolo (2004) used MLQ to understand the process of how transformational leaders affect follower commitment and organizational performance. The MLQ had been used in more than 23 published studies and 18 unpublished studies (Andreasen, 2002).

The MLQ was developed as a quantitative measure to test transformational leadership. Additionally, it has been widely used in empirical studies to provide useful attitudinal and

behavioral descriptors that cluster sub-dimensions to measure (self and other) perceptions of what it is that leaders do to create an adaptive organizational culture (Saunders, Lewis, & Thornhill, 2009). To illustrate, Saunders et al. (2009) hypothesized positive correlation between follower attitudes, behaviors, performance, and transformational leadership styles. The method to prove their research goal was through survey data and questionnaires, which used the MLQ measure. The researchers then used confirmatory factor analysis to prove the reliability of the data. Similarly, Goleman (2002) embraced the MLQ measure in their analysis to parallel employee learning orientation and the promotion of creativity with transformational leadership being present within the organization. Finally, as congruent with the other studies mentioned here, Tichney & Devanna (2009) engaged in a research study to test the effect of transformational leadership on follower satisfaction. They used questionnaires that utilized the MLQ instrument as the researchers believed it was a reliable and valid method to "adequately measure" Bass' theory (Tichney et al., 2009, p. 376). As depicted, these studies vigorously tested, through empirical study and inquiry, Bass' theoretical construct in validating organizational transformational leadership behavior.

This correlation study was designed to examine the relationships between variables. Correlation studies compare, explore, and juxtapose to discover relationships or dependencies (Andrew, 2005). Internal validity was necessary to project causal effect. Manipulation of the independent variable could establish internal validity, which will then allow a projection of the theory or hypothesis to the population to check for an external validity. It is inappropriate for a researcher to project a correlation relationship without research validity, internal validity, construct validity, and external validity (Andrew, 2005). Changes in a variable might have more than one cause. To examine the root cause, the dependent variable would have to be

isolated from other causes. "Correlation does not imply causation" (Andrew, 2005, p. 189).

Results might not generalize to other populations.

Validity is the degree to which the conclusion reached is credible or believable (Rosnow, 2008). In any research, it is important to ensure these data collection methods are both reliable and valid because if unreliable and invalid data were used the results of the research would be false. If the information is found to have no value the information is discounted. For instance, case studies allow managers to look at the agency's strengths and weaknesses.

Reliability of research is considered as the consistency of the steps taken for the research. This can be in the form of stability or how stable the work can be over the period of time and through measurement of the consistency of scale and index used for collection of data. Findings are said to be reliable if another researcher, or the same researcher, can replicate the results under the same conditions (Steinberg, 2008). Chen (2004) applied the MLQ in his research that studied the effect of organizational leadership behaviors in organizational commitment. Chen's research results revealed a positive considerable correlation between transformational leadership behaviors and organizational commitment. Chen determined that the correlation research was significant at a 99% confidence level. Transformational and transactional leadership measurement between motivation, individual consideration, leadership influence, and rewards in Chen's research were 0.80, 0.89, 0.77, and 0.77 respectively. The comparison of the correlation levels between motivation, individual consideration, leadership influence, rewards, transformational, and transactional leadership revealed positive correlation. Shriver, Anderson, and Proctor (2001) stated that the validity and reliability of data were crucial so the researcher could have confidence with the consistency degree and the results

precisely represented the research topic.

Summary

This quantitative study was intended to systematically discover the relationship between leadership style in small restaurant business and employee satisfaction and effectiveness. The target population was 64 participants that represents the sample size. The respondents constituting owners, managers, executives, and administrative employees from the 11 small restaurant businesses in Michigan voluntarily participated in the current research. The study sample size and variability represented a practical mix of employee positions to serve the purpose of the study and exceeded Neuman's requirement that states the sampling ration should be at least 30% to acquire accuracy (Neuman, 2006).

The correlation research design was employed to examine the relationship between the dependent and independent variables. The correlation design was selected, as it is appropriate to assess the relationship degree between two or more variables (Steinberg, 2008). Pearson's r coefficient accurately determined the relationship between leadership style and employee effectiveness and satisfaction. The level of significance, $\alpha = 0.05$, was selected to verify the critical value from the PPMC table; if absolute value of r was less than the critical value, it implied that the null hypotheses was accepted (Neuman, 2006). Data were gathered via MLQ Scoring Key Form5X developed by Bass and Avolio (2000). The dependent and independent variables was assessed by the survey employing 5 point Likert scale. The validity and reliability of MLQ survey was validated by the literature review.

Chapter 4

Results

The purpose of this research was to study the relationship between leadership styles in small

restaurant businesses and employee effectiveness and satisfaction. Quantitative correlation

design was employed in data analyses collected by Multifactor Leadership Questionnaire

(MLQ) survey. The literature review presented the basis for the hypotheses and research questions addressed to assess the impact of leadership on small business success.

Chapter 1 constituted an overview of the problem concerning the failure of small business organizations and the relationship among leadership styles, employee satisfaction, and small business success. Leadership theories were introduced and addressed the general relationship among leadership styles, employee satisfaction, and business performance. Chapter 2 was centered on transformational, transactional, and laissez-faire leadership types and provides historical overview and current findings in the literature of business success, employee satisfaction, and management leaderships. Chapter 3 contained a description of the correlation between the independent variable, leadership influence, and dependent variables, small restaurant business success and employee satisfaction.

Data collection started with MLQ survey distribution to the 11 identified limited service restaurants. The target population included owners identified as leaders, managers, and full/part-time employees recruited by voluntary participation. The sample population was 64 people as the whole population, whereas the sample size was also 64. This chapter includes discussion of survey results and data analysis.

Findings

Leaders, small business restaurant owners, and employees from the 11 participating small restaurant business in Michigan contributed in this research to discover why small restaurant businesses fail to survive and maintain success. All participants received and completed the MLQ surveys in person that was directed and administered by the researcher. The study sample was comprised of four employee categories: leaders, chefs, servers, and cashiers and delivery staff.

The participants compromised a normal and representative configuration mix of subordinate position. After receiving the responses from all participating restaurants, statistical analysis began to determine whether leadership style is related to employee satisfaction and effectiveness.

Data Presentation and Analysis

The results of the current study are discussed in three sections. Demographic data are reported in the first section. The second section constitutes detailed statistical data discussion and presentation. The third section is a summary of Chapter 4.

Demographics

Participants completed the MLQ survey and had the option to report their gender and position. Illustrated via Table 1 is the gender distribution among leaders, managers, chefs, servers, and other employees in the 11 participating small restaurant businesses in Michigan. The sample size was 64, with 100% of these 64 participants responding to all demographic questions on the survey.

Table 1

Gender Distribution of Respondents

Company	Male		Female		No Response	
Position	n	%	n	%	n	%
Leader	13	20.31	0	0	0	0
Manager	13	20.31	0	0	0	0
Chef	8	12.50	5	7.81	0	0
Cashier and Delivery	19	29.67	6	9.38	0	0
Total N = 64						

The data indicated an unbalanced distribution of females and males. More specifically, this survey showed a higher number of males in the leadership and management positions (26 males vs. 0 females). Of the 64 participants, only 11 were women and these women were in subordinate positions. While these numbers might not be representative of the restaurant industry as a whole, this survey showed a trend of males filling leadership roles within the field.

Table 2

Company Position of Respondents

Company	Leader	Manager	Chef	Cashier and Delivery
1	1	1	1	3
2	1	2	1	2
3	1	1	1	2
4	2	1	2	3
5	1	1	1	2
6	1	1	1	1
7	1	2	2	2
8	1	1	1	3
9	1	1	1	2
10	2	1	1	3
11	1	1	1	2
Total N = 64				

Research Question Analyses

Leaders often use various strategies or to motivate and influence subordinates. Small restaurant business owners were identified as leaders in this study. Different types of influence strategies produced different leadership styles. Different leadership strategies in turn possessed various outcomes on employee satisfaction and effectiveness (Andrew, 2005). This section constituted illustration of data results collected from MLQ Scoring Key Form 5 X surveys, MLQ Leader Survey, and MLQ Rater Survey to provide results and answers to the research

question and hypothesis. The research study's main objective was to evaluate whether the leadership style have an impact on both leaders and followers to expand their thinking horizon, steadily transform the working environment of small restaurant business, and consequently increase the overall organizational performance and success. The purpose was identification of the statistical relationship between the independent variable, leadership style, and dependent variables, employee satisfaction and profitability.

Research question1: What is the relationship between success and leadership style in small restaurant business? This question points out to leadership and its influence on small business success. Leadership is a relationship in which leading and following takes place with no persistence of coercion, obligation, or dominance to fulfill organizational goals and achieve success (Lenhart, 2009).

The MLQ Leader Survey and the MLQ Rater Survey instruments assessed the leader's mission within the organization. The MLQ Scoring Key 5X survey, completed by leaders and managers, evaluates leadership required to achieve employee effectiveness. The MLQ Leader Survey's results of effective leadership showed higher means for transformational and transactional leadership than laissez-faire leadership style. The higher the mean for a leadership style indicated that this leadership style was evaluated, by the leader, as effective and favorable. The coefficient variation (CVAR) of effective leadership was 18.94%. The lower the CVAR percentage, the less variable and the more constant the leaders' responses were.

The MLQ Rater Survey scores also showed higher means for transformational and transactional leadership styles than laissez-faire. The higher the mean for a leadership style indicated that this leadership was evaluated, by the employee, as an effective and favorable leadership style. The coefficient of variation based on the MLQ Rater scores was 23.70%. The

larger CVAR percentage demonstrated high variability and that the sample size was

representative. Employees' higher CVAR than the leaders' was an indication that effective

leadership was a basic element in achieving employee effectiveness. The mean and standard

deviation for leadership that assessed success, as reported in Table 3, was illustrated displaying

the scores of characteristics associated with each leadership style.

Table 3

Leadership Dimension to Employee effectiveness

Dimension	Factor	M	SD
Transformational	Idealized Influence Attributed (IIA)	3.19	0.47
	Inspirational Motivation(IM)	3.26	0.50
	Individual Consideration (IC)	3.13	0.49
	Idealized Influence (Behavior)(HB)	3.10	0.53
	Intellectual Stimulation (IS)	3.06	0.55
Transactional	Contingency Reward (CR)	3.07	0.46
	Management by Exception(Active)(MBEA)	3.08	0.52
	Management by Exception (Passive)(MBEA)	2.41	0.67
Laissez-Faire	Laissez-Faire	2.14	0.35

Total N = 64

Organizational success was evaluated by employee effectiveness using the MLQ Scoring

Key Form 5X. Transformational leaders' (*M*= 3.15, *SD* = 0.51) and transactional leaders' (*M*=

2.85, *SD*= 0.55) attributes showed that subordinates' performance was high under

transformational and transactional leadership. Laissez-faire leaders' (*M*= 2.14, *SD*= 0.35)

scores illustrated that this leadership style didn't motivate employees in small restaurant business to attain success. The higher mean scores for transformational and transactional leadership obtained indicated that leaders had an efficient technique to motivate employees and achieve success.

Research Question 2: What iss the relationship between leadership style and employee satisfaction? Is leadership style capable of arousing emotional intelligence and stimulating the higher order needs by acquiring employees' trust, admiration, loyalty, thus attaining employee satisfaction (Newstorm & Bittel, 2002)?

Table 4

Leadership Dimension to Employee Satisfaction

Dimension	Factor	M	SD
Transformational	Idealized Influence Attributed (IIA)	3.24	0.52
	Inspirational Motivation(IM)	3.31	0.56
	Individual Consideration (IC)	3.19	0.55
	Idealized Influence (Behavior)(HB)	3.15	0.59
	Intellectual Stimulation (IS)	3.11	0.61
Transactional	Contingency Reward (CR)	3.13	0.52
	Management by Exception(Active)(MBEA)	3.12	0.58
	Management by Exception (Passive)(MBEA)	2.47	0.72
Laissez-Faire	Laissez-Faire	2.19	0.41
Total N = 64			

Table 4 demonstrated the mean and standard deviation for leadership characteristics contributing to employee satisfaction. A low satisfaction score means an employee who has little satisfaction with the manager's leadership's, and a high satisfaction score means an employee with high satisfaction with the manager's leadership The MLQ Scoring Key Form 5X was employed to evaluate employee satisfaction. The higher mean scores for both transformational (M=3.20, SD=0.57) and transactional (M= 2.91, SD= 0.61) showed that employee satisfaction was attained when leaders possess empowerment techniques. However, the lower mean score for laissez-faire leadership (M=2.19, SD= 0.41) demonstrated a weak leadership style to satisfy employees.

Hypotheses Analyses

The following two null hypotheses predicted no relationship between variables; however, the two alternative hypotheses predicted a relationship between the dependent and independent variables.

- *H1o*: There is no relationship between small business success and leadership style.
- *H1*: There is a relationship between small business success and leadership style.
- *H2o:* There is no relationship between leadership style and employee satisfaction.
- *H2:* There is relationship between leadership style and employee satisfaction.

The linear correlation coefficient, r, alternately known as the Pearson product moment correlation coefficient, measured the strength of relationships among the variables. The standard two-tailed test (George & Mallery, 2001) was selected as a more conservative analysis than a one-tailed test. The two-tailed test yields information in which the significance of the result was based on deviation from the null hypothesis that there was no statistically significant relationship between leadership style and success in either direction (George &

Mallery, 2001). A two-tailed correlation analysis was appropriate to test this hypothesis

because it is non-directional (George & Mallery, 2001). The null hypothesis did not state a

positive or negative relationship, but is used to determine whether a statistically significant

relationship exists. If results produce a *p*-value less than 0.05, the null hypothesis is rejected,

and a statistically significant relationship between employee effectiveness and leadership

exists. The .05 significance level ($p < .05$) served as the rejection level for the null hypothesis.

When the analysis warranted rejecting the null hypothesis, further analysis determined the

direction of correlation as positive or negative and the strength of the relationship described in

terms of weak, moderate, strong, or very strong

   To analyze the hypotheses, statistical correlations were employed and results were exhibited

in Table 5 and Table 6. The correlation coefficient r-values for employee effectiveness and the

leadership styles—transformational, transactional, and laissez-faire—were illustrated in Table

5. Organization success was measured by employee effectiveness.

Table 5

Correlation Matrix, Leadership Style to Employee Effectiveness

Leadership Style	Employee Effectiveness	Significance	*p*-value
Transformational	.668	Yes	<.0001
Transactional	.586	Yes	<.0001
Laissez-faire	.166	No	0.189
Total N = 64			

Note. Critical value= ±.165, α= .05 (two-tail)

Using the MLQ Survey, the correlation between the leadership style and employee effectiveness was determined via the MLQ Scoring Key Form 5 X survey. The correlation coefficient *r* was .668 between transformational leadership and employee effectiveness reflecting a positive and strong relationship. In addition, the correlation coefficient r was .586 between transactional leadership and employee effectiveness, which was also positive and moderately strong.

The correlation coefficient r values .668 and .586 relating transformational and transactional leadership respectively to employee effectiveness were greater than the critical value indicating strong relationship. The null hypothesis (H1o*)* was rejected, as the calculated transformational/ transactional *p*-value is less than 0.05. A strong correlation exists between both indicated leadership styles and employee effectiveness and, hence, organizational success in the population. The alternative hypothesis is assumed true when the null hypothesis is rejected (Neuman, 2003). The null hypothesis predicted no relationship between variables; however, the alternative hypothesis predicted a relationship between the dependent and independent variables. There is a relationship between small business success and transformational and transactional leadership style.

Using the MLQ Scoring Key Form 5X, the correlation was determined between laissez-faire leadership style and employee effectiveness, as illustrated in Table 5, r = .166. The correlation coefficient showed a positive weak correlation in the population. The results showed a very weak relationship between the laissez-faire leadership style and employee effectiveness.

The correlation coefficient r-values for employee satisfaction and leadership styles—transformational, transactional, and laissez-faire—are illustrated in Table 6.

Table 6

Correlation Matrix, Leadership Style to Employee Satisfaction

Leadership Style	Employee Satisfaction	Significance	*p*-value
Transformational	.477	Yes	<.0001
Transactional	.502	Yes	<.0001
Laissez-faire	.180	No	0.155
Total N = 64			

Note. Critical value=±.165, α =.05 (two-tail)

Using the MLQ Scoring Key Form 5X survey, the correlation between leadership style

and employee satisfaction was assessed. Employing PMC test with α = .05, the critical values

are ±.165. The correlation coefficient r-values .477 and .502, relating transformational and

transactional leadership respectively to employee satisfaction, are greater than the critical

value. The null hypothesis (H2o*)* was rejected as the *p*-value of transformational/transactional

leadership styles was less than α = .05. The null hypothesis predicted no relationship between

variables; however, the alternative hypothesis predicted a relationship between the dependent

and independent variables. A moderately strong relationship between employee satisfaction

and transformational and transactional leadership style existed.

Using the MLQ Scoring Key Form 5X, the correlation, r = .180, was determined between

laissez-faire leadership style and employee satisfaction, as illustrated in Table 6. The

correlation coefficient showed a positive weak correlation in the population. The results showed very weak relationship between laissez-faire and employee satisfaction.

Statistical tests revealed a significant correlation between transformational and transactional leadership styles and employee satisfaction and success. Values determination was assessed using the leader and employee participants' responses to MLQ Scoring Key Form 5X. Small business success was measured via employee effectiveness. Laissez-faire leadership had a weak correlation with employee satisfaction and effectiveness. This relationship was demonstrated by the correlation coefficients r of .166 and .180 respectively.

Figure 1 graphically depicts the relationship between the success variable and each subcategory of leadership styles. Transformational and transactional leadership styles attained high scores from leaders and employees for all leadership attributes. However, laissez-faire attained a low score from leaders and employees.

Figure 1

Correlation of Success to Leadership Styles
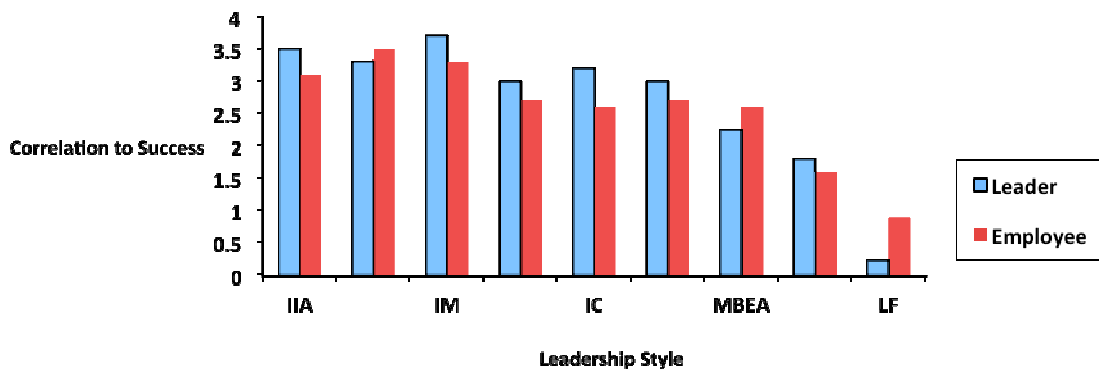
Note: IIA= Idealized Influence Attribute; LLB=Idealized Influence Behavior; IM= Inspirational Motivation; IS= Intellectual Stimulation; IC=Individual Consideration; CR=

Contingent Reward; MBEA= Management by Exception Active; MBEP= Management by

Exception Passive; LF= Laissez-Faire.

Employees demonstrated satisfaction by their attitude and actions, such as retention and

tenure, employee referrals, absenteeism, lateness, and their own perception of his or her skills

and knowledge (Brooks, 2000). Long-term employees tended to serve customers better and

have a powerful effect on customer loyalty. Employees built the customer relationship, not the

company's top executives. A satisfied and passionate employee created the value of the product

and/or service to the customer (Goleman, 2002).

Figure 2 illustrates the employees' and leaders' mean scores for transformational,

transactional, and laissez-faire leadership styles.

Figure 2

Relationship Between Rater and Leader Scale Means
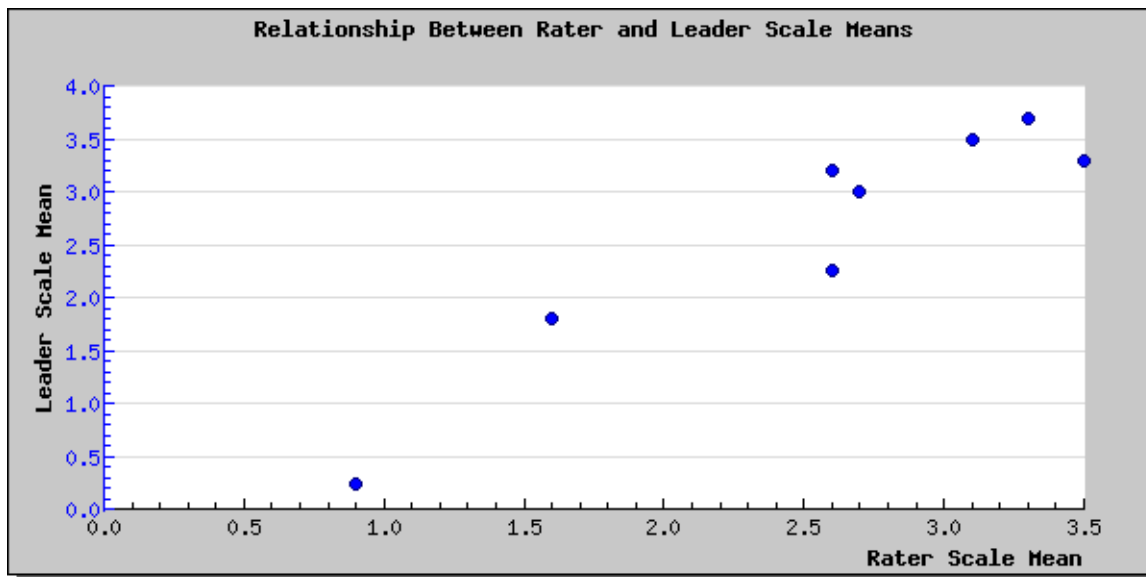
From the scatter plot of three leadership styles, a positive linear relationship is illustrated

between the mean scores of leaders and employees. The upper right quadrant demonstrates

transformational leadership. The middle of the scatter plot represented transactional leadership.

The lower left represented laissez-faire leadership. The positive relationship between small

business organizational leadership and follower attitudes posited a reality in which

collaboration between leader and follower occurs in a harmonious blend (Li & Hung, 2009).

Summary

Leaders and employees from the 11 participating small restaurant business in Michigan

contributed in this research to discover why small restaurant businesses fail to survive and

maintain success. The research instruments used were the MLQ Leader Form, the MLQ Rater

Form, and the MLQ Scoring Key Form 5X. The MLQ was the instrument "intended to

measure transformational and transactional leadership behaviors" and it had "emerged as the

primary means of quantitatively assessing transformational leadership" (Shriver at al., 2001, p.

185). It had been utilized in innumerable research studies related to military, educational, and

commercial organizational strategic management. The outcome derived from the studies

indicated that transformational leadership increases employees' satisfaction and effectiveness.

Using a level of significance of $\alpha = .05$, an analysis was performed for each hypothesis

consistent with the transformational, transactional, and laissez-faire leadership styles. The

level of significance of $\alpha = .05$ was used to accept or reject each null hypothesis. Null

hypothesis (H1o) was rejected as the calculated *p*- value was less than the significant level

(0.05). A positive correlation was revealed between transformational leadership and follower

attitudes, behaviors, and performance. The method to prove the research goal was through

survey data and questionnaires, which used the MLQ measure. The correlation between

transformational and transactional leadership and small business success was significant. The

correlation coefficient *r*-values revealed a strong positive relationship between

transformational and transactional leadership and small business success. Using the MLQ

Scoring Key Form 5X, small business success was assessed via employee effectiveness. The

relationship between the dependent variable, small business success, and independent

variable, leadership style, was positive and lucid.

Null hypothesis (H2o) was rejected as the calculated p-value was less than the significant

level (0.05). The correlation between transformational and transactional leadership and

employee satisfaction was significant. The scatter plot revealed that leaders and employees

rated transformational and transactional leadership as more effective than laissez-faire. The

rating was clearly visible as the top right quadrant represents transformational and

transactional leadership. However, laissez-faire exhibited data points in the left lower

quadrant assuring that this leadership style was rated as a weak style to attain employee

satisfaction and effectiveness. Transformational and transactional leadership were favored by

employees and leaders and yields to employee satisfaction and small business success.

However, laissez-faire leadership style discouraged employees and lead to lower success.

Conclusions and recommendations are illustrated in Chapter 5.

Chapter 5

Conclusion and Recommendations

Small restaurant entrepreneurs can achieve success by being a role model for others to follow by inspiring others through hard work, dedication, and passion to attain effective efficiency. Chapter 1 focused on the problem of small restaurant business organizations' failure. Chapter 1 addressed that leaders possessing inborn traits such as vitality, stamina, eagerness to accept responsibility and self-confidence makes the process of building a successful business easier. However, innate traits are not the only keys to success as leadership requires improving existing abilities, learning skills, and developing techniques to motivate and satisfy employees to attain small business success. Inborn traits do not create leaders; however, traits play the role of electives that add positive value to the leader.

Chapter 2 focused on transformational, transactional, and laissez-faire leadership types by providing a historical overview and current findings in the literature of business success, employee satisfaction, and management styles. Chapter 2 addressed that the combination of transformational and transactional leadership is the ideal way of attaining organizational goals. Chapter 2 also addressed essential concepts such as change management, mutual trust, empowerment and motivation, training development, and failure opportunities that are considered the building blocks for effective leadership in small restaurant business.

Research in the small restaurant industry lacks information and data collection because of structured human resource processes' absence in the independent restaurants and the limited number of workers in small restaurants from which to gather data (Whyte, 1998). The ease of accessibility and quantity of employees available to researchers through centralized human resources offices and corporate headquarters does not currently exist in small restaurant business organizations. These limitations resulted in a void in literature focusing on leadership and job satisfaction of workers in small business industry (Whyte). The gap in literature resulted in a lack of studies and understanding about employee satisfaction and turnover in the small restaurant sector.

Chapter 3 began to fill the gap in literature. Chapter 3 was centered on the detailed description of the research methods used for this study. The research was designed to examine the correlation between the independent variable of leadership influence and the dependent variables of small restaurant business success and employee satisfaction.

Chapter 4 constituted an illustration of the results of statistical analyses that were used to assess the research questions and hypotheses. The research questions for this study included:

1. What is the relationship between success and leadership style in small restaurant business?

2. What is the relationship between leadership style and employee satisfaction?

The chief aim of this research was to assess the relationship among leadership style, employee satisfaction, and success in small business organizations. The following two null hypotheses predicted no relationship between variables; however, the two alternative hypotheses predicted a relationship between the dependent and independent variables.

- *H1o*: There is no relationship between small business success and leadership style.

- *H1*: There is a relationship between small business success and leadership style.

- *H2o:* There is no relationship between leadership style and employee satisfaction.

- *H2:* There is relationship between leadership style and employee satisfaction.

The data from participants in 11 randomly selected small restaurants in Michigan tested the research questions and hypotheses. The purpose of this quantitative research was to study how small restaurant business success and employee satisfaction were affected by leadership style. Bass and Avolio's (2000) three MLQ surveys, composed of 135 questions, were used in this study for data collection.

The respondents constituting owners who were identified as leaders, managers, executives, and administrative employees from the 11 small restaurant businesses in Michigan voluntarily participated in the current research. The study sample size and variability represented a practical mix of employee positions to serve the purpose of the study and exceed Neuman's requirement that states the sampling ration should be at least 30% to acquire accuracy (Neuman, 2006). The MLQ Scoring Key Form 5X survey, MLQ Leader Survey, and MLQ Rater Survey provided results and answers to the research question and hypotheses.

Statistical tests revealed a significant correlation between transformational and transactional leadership styles and employee satisfaction and success. Values determination was assessed using the leader and employee participants' responses to MLQ Scoring Key Form 5X. Small business success was measured via employee effectiveness. The significance of results in Chapter 4 lied in revealing that successful leadership is the one that accommodates the current modern era. These practices illustrated the importance of empowering others to reach their potential, while fulfilling personal needs with recommended motivation and providing convenient, healthy, and safe working environments.

Conclusion

Chapter 5 includes a discussion of the findings and elucidates the significance of the study. The null hypothesis (H1o*)* was rejected, as a strong correlation exists between indicated leadership styles and employee effectiveness, hence organizational success in the population. The null hypothesis (H2o) was also rejected, as a strong correlation exists between both indicated leadership styles and employee satisfaction. The alternative hypothesis was assumed true when the null hypothesis was rejected (Neuman, 2003). As a result, this researcher concludes that a strong relationship between transformational and transactional leadership styles, and small business success, exists.

A thorough literature review supported the study's results and findings. Leaders should make followers act and strive to accomplish a certain goal that characterizes the ideals and the standards of the leader. Leadership should be taught to all employees in small business industries, as followers could achieve exemplary leadership capabilities. The true leader should not purely exercise power, but must also regard the values and standards of the follower as worthwhile and desirable. Decision making in small business industries should revolve around transforming others, encouraging followers by being good model, inspiring subordinates through motivation, inspiring intellectually, and highly considering individual needs and goals in attempt to move them toward higher universal purposes (Bhattacharya, 2008). Success and failure of small business depends on the exercised leadership style or lack of it. Proper and wise execution of leadership is vital for small business existence and growth (Alan, 2008).

This study's significance relied in revealing how independent restaurant owners can attain success by improving the satisfaction of their employees. Small restaurant businesses needed effective leaders who inspire employees to make them dream big, aim higher in their careers,

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and be their best. Leaders guide people, but also turned skills and efforts into results. This study indicated that essential leadership techniques have to be practiced by leaders to effectively communicate with employees, satisfy their needs, and attain professional success.

This study indicated that the key for small business survival and success is practicing the appropriate leadership technique; the right type of leadership style sheds light on more opportunities for conducting the right type of business—consequently allowing businesses to stay intact in times of economic disparities, risk taking, interest rate increases, and income capping. Through proper leadership style, the entrepreneur would be able to develop the small business organization to result in large profit numbers even in the current harsh economic situation facing the United States. Although the sample population was relatively small, the results were a good starting point for discussions and future research in the restaurant industry regarding the specific elements of job satisfaction within independent restaurants.

The study's weaknesses were unmanageable factors such convenience of survey appointment to employees, employees' perceptions of study importance, and employees' perceptions of the survey questions. Another limitation was evaluating business success. Because the leaders of small business restaurants were not required to reveal profit numbers, small restaurant business organizations' success was assessed by employee effectiveness. It was also difficult to compare the results of the study with other research findings because the population is unique. The research was controlled by several delimitations, including the geographic restrictions of the study. The study was limited by the honesty and truthfulness of the sample, with an assumption made that participants would respond to the survey with integrity. Given the stated problem, purpose, research methods, and limitations of the study,

the resulting discussion provided a brief presentation of recommendations to stakeholders and implications for future research.

Recommendations

The recommendations of this chapter were anticipated to aid small restaurant business leaders in their decision-making, strategic development, and implementation efforts. It is recommended that entrepreneurs assess existing employee satisfaction programs. Research regarding leadership, employee satisfaction, and success will help small restaurant leaders effectively face problems, or potential problems, before a condition turns out to be critical.

A second recommendation is to conduct a similar study with a larger sample population to investigate education, culture, and age effects with other employee satisfaction scales. The location of the study, Michigan, allowed access to limited service restaurants. However, a national study that represents limited- service and full-service restaurants would be more beneficial in determining other factors that might impact small business success.

A risk assessment and management study is also recommended. Challenges from different sources, and their combined effect, could potentially create higher risks for small business success. These risks could be classified and grouped into main categories. Grouping would allow establishing more effective risk response strategies, assessing the individual and integrated risk effects, and concentrating the efforts into the most important risk sources for the business. There may be management and team members that resist elements of the recommended leadership style; however, they need to be brought gradually into the company's culture and incorporated into the business guidelines. Preparing flexible contingencies for challenging scenarios provides approaches to face these risks (Gray, et al., 2008). Small business leaders need to focus on potential consequences of their decisions and must be

prepared to act accordingly. For instance, when dealing with new technologies, historical

information may not serve as a primary evaluation tool since completely new risks will likely

arise. Secondary data provided first-hand guidance on the company's risk tolerance, effective

responses used, and the past business resources familiar with management practices.

Implications for Future Research

This study is a useful starting point for future research in the restaurant industry—

specifically the independent sector. Little research is available that is focused on independent

restaurants, providing little clarification as to how the organizations function and survive.

Additional studies that seek to understand the relationship between the small restaurant

employee and the customer, the implications and ramifications of the store employees'

attitude and behaviors toward the customer, and the expected resolution of customer product

and service complaints would further aid small restaurant business leaders in attaining success

(Nitin, William, & Bruce, 2003).

A customer service study that investigates reasons for complaints would be instrumental to

an early awareness of learning new leadership skills to respond to the various problems and

changes in small business industry. Proper responding to changes can help leaders better

indicate customer needs, wants, and expectations associated with the products and services

offered at small restaurant business. Studying customer complaint process is recommended as

an excellent tool for small restaurant business leadership to help make day-to-day decisions,

to decide on short and long-term strategies, and to close existing gaps in the skills and training

of the sales and service staff.

The effect of power and influence on leadership is the influence above subordinates. The

power of leadership is the apparatus that expedites the influential ways that commit the

followers to do well in all that they do. To understand leadership effectiveness, we must conduct further research to closely examine the sources of power and the relationship of differential power that leads to business success. Further studies would help leaders in small restaurant business attain a better understanding of the field.

Summary

This study strived to understand the effect of transformational, transactional, and laissez-faire leadership on employee satisfaction and small restaurant business success. As hypothesized, effective leadership leads to increased employee satisfaction, which generates more success due to the resulting higher employee effectiveness and satisfaction. To succeed in the always-changing market, small business organizations need to implement and follow leadership practices that highlight the importance of the dyadic exchange between leaders and subordinates. The positive two-way relationship creates a healthy work environment to maximize organization success, while sustaining subordinates' commitment and good will.

This study illustrated that leadership training should be provided to small business owners to master required skills and techniques. This study asserted that leaders should be oriented to realize the importance of effective interpersonal communication, mentoring, and setting team meetings on a regular basis so all members can share responsibility. This study assured that open communication is the key to success in the leader-employee relationship, as it increases followers' commitment, thus helping to attain the company goals. This study also demonstrated that the more effective leadership styles in the settings studies are transformational and transactional. However, no magical formula indicates when a small business leader should use transformational or transactional leadership, as individual situations demand which style is more relevant. Leaders possessing enough experience and

education should learn to make the right choice of choosing the needed leadership style. The outcome was consistent with other research, where teamwork, building trust and respect, shared expectations, consistency, and idealized influences are behaviors displayed by the transformational leader (Bass & Avolio, 2004).

Future studies that stem from these results can further employ case studies that demonstrate processes by which leadership styles impact employee performance, satisfaction, and effectiveness. The results of this research can be employed in future research and leadership practices in small business organizations. The current study is significant because it bridges the gap in the body of knowledge about success and transformational leadership in small restaurant business organizations.

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Appendix A

MLQ Survey Information

Three MLQ survey forms were employed in conducting the study:

1. MLQ Leader Form

2. MLQ Rater Form

3. MLQ Scoring Form 5x

MLQ   Multifactor Leadership Questionnaire

Leader Form (5x-Short)

This questionnaire is to describe your leadership style as you perceive it. Please answer all items on this answer

sheet. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank.

Forty-five descriptive statements are listed on the following pages. Judge how frequently each statement fits you.

The word others may mean your peers, clients, direct reports, supervisors, and/or all of these individuals.

Please use the following scale:

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

1.   I provide others with assistance in exchange for their efforts 0   1   2   3   4

2.   I re-examine critical assumptions to question whether they are appropriate 0   1   2   3   4

3.   I fail to interfere until problems become serious 0   1   2   3   4

4.   I focus attention on irregularities, mistakes, exceptions, and deviations from standards................... 0   1   2   3   4

5.   I avoid getting involved when important issues arise... 0   1   2   3   4

6.   I talk about my most important values and beliefs 0   1   2   3   4

7.   I am absent when needed 0   1   2   3   4

8.   I seek differing perspectives when solving problems 0   1   2   3   4

9.   I talk optimistically about the future.. 0   1   2   3   4

10.   I instill pride in others for being associated with me 0   1   2   3   4

11.   I discuss in specific terms who is responsible for achieving performance targets 0   1   2   3   4

12.   I wait for things to go wrong before taking action 0   1   2   3   4

13.   I talk enthusiastically about what needs to be accomplished 0   1   2   3   4

14.   I specify the importance of having a strong sense of purpose 0   1   2   3   4

15.   I spend time teaching and coaching 0   1   2   3   4

16.	I make clear what one can expect to receive when performance goals are achieved	0	1	2	3	4
17.	I show that I am a firm believer in If it ain t broke, don t fix it.	0	1	2	3	4
18.	I go beyond self-interest for the good of the group	0	1	2	3	4
19.	I treat others as individuals rather than just as a member of a group	0	1	2	3	4
20.	I demonstrate that problems must become chronic before I take action	0	1	2	3	4
21.	I act in ways that build others respect for me	0	1	2	3	4
22.	I concentrate my full attention on dealing with mistakes, complaints, and failures	0	1	2	3	4
23.	I consider the moral and ethical consequences of decisions	0	1	2	3	4
24.	I keep track of all mistakes	0	1	2	3	4
25.	I display a sense of power and confidence	0	1	2	3	4
26.	I articulate a compelling vision of the future	0	1	2	3	4
27.	I direct my attention toward failures to meet standards	0	1	2	3	4
28.	I avoid making decisions	0	1	2	3	4
29.	I consider an individual as having different needs, abilities, and aspirations from others	0	1	2	3	4
30.	I get others to look at problems from many different angles	0	1	2	3	4
31.	I help others to develop their strengths	0	1	2	3	4
32.	I suggest new ways of looking at how to complete assignments	0	1	2	3	4
33.	I delay responding to urgent questions	0	1	2	3	4
34.	I emphasize the importance of having a collective sense of mission	0	1	2	3	4
35.	I express satisfaction when others meet expectations	0	1	2	3	4
36.	I express confidence that goals will be achieved	0	1	2	3	4
37.	I am effective in meeting others job-related needs	0	1	2	3	4
38.	I use methods of leadership that are satisfying	0	1	2	3	4
39.	I get others to do more than they expected to do	0	1	2	3	4
40.	I am effective in representing others to higher authority	0	1	2	3	4
41.	I work with others in a satisfactory way	0	1	2	3	4
42.	I heighten others desire to succeed	0	1	2	3	4
43.	I am effective in meeting organizational requirements	0	1	2	3	4
44.	I increase others willingness to try harder	0	1	2	3	4
45.	I lead a group that is effective	0	1	2	3	4

MLQ Multifactor Leadership Questionnaire Rater Form (5x-Short)

Name of Leader: _____ Date: _____

Organization ID #: _____ Leader ID #: _____

This questionnaire is to describe the leadership style of the above-mentioned individual as you perceive it.

Please answer all items on this answer sheet. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank.

Please answer this questionnaire anonymously.

IMPORTANT (necessary for processing): Which best describes you?

___ I am at a higher organizational level than the person I am rating.

___ The person I am rating is at my organizational level.

___ I am at a lower organizational level than the person I am rating.

___ I do not wish my organizational level to be known.

Forty-five descriptive statements are listed on the following pages. Judge how frequently each statement fits the person you are describing.

Use the following rating scale:

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

THE PERSON I AM RATING. . .

1. Provides me with assistance in exchange for my efforts.. 0 1 2 3 4

2. Re-examines critical assumptions to question whether they are appropriate 0 1 2 3 4

3. Fails to interfere until problems become serious 0 1 2 3 4

4. Focuses attention on irregularities, mistakes, exceptions, and deviations from standards 0 1 2 3 4

5. Avoids getting involved when important issues arise 0 1 2 3 4

6. Talks about their most important values and beliefs 0 1 2 3 4

7. Is absent when needed 0 1 2 3 4

8. Seeks differing perspectives when solving problems... 0 1 2 3 4

9. Talks optimistically about the future 0 1 2 3 4

10. Instills pride in me for being associated with him/her 0 1 2 3 4

11. Discusses in specific terms who is responsible for achieving performance targets........................... 0 1 2 3 4

12. Waits for things to go wrong before taking action 0 1 2 3 4

13. Talks enthusiastically about what needs to be accomplished 0 1 2 3 4

14. Specifies the importance of having a strong sense of purpose 0 1 2 3 4

15. Spends time teaching and coaching 0 1 2 3 4

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

16. Makes clear what one can expect to receive when performance goals are achieved 0 1 2 3 4

17. Shows that he/she is a firm believer in if it ain't broke, don t fix it. 0 1 2 3 4

18. Goes beyond self-interest for the good of the group 0 1 2 3 4

19. Treats me as an individual rather than just as a member of a group.. 0 1 2 3 4

20. Demonstrates that problems must become chronic before taking action 0 1 2 3 4

21. Acts in ways that builds my respect 0 1 2 3 4

22. Concentrates his/her full attention on dealing with mistakes, complaints, and failures 0 1 2 3 4

23. Considers the moral and ethical consequences of decisions 0 1 2 3 4

24. Keeps track of all mistakes 0 1 2 3 4

25. Displays a sense of power and confidence 0 1 2 3 4

26. Articulates a compelling vision of the future 0 1 2 3 4

27. Directs my attention toward failures to meet standards... 0 1 2 3 4

28. Avoids making decisions 0 1 2 3 4

29. Considers me as having different needs, abilities, and aspirations from others 0 1 2 3 4

30. Gets me to look at problems from many different angles 0 1 2 3 4

31. Helps me to develop my strengths 0 1 2 3 4

32. Suggests new ways of looking at how to complete assignments 0 1 2 3 4

33. Delays responding to urgent questions 0 1 2 3 4

34. Emphasizes the importance of having a collective sense of mission... 0 1 2 3 4

35. Expresses satisfaction when I meet expectations 0 1 2 3 4

36. Expresses confidence that goals will be achieved 0 1 2 3 4

37. Is effective in meeting my job-related needs 0 1 2 3 4

38. Uses methods of leadership that are satisfying.. 0 1 2 3 4

39. Gets me to do more than I expected to do.. 0 1 2 3 4

40. Is effective in representing me to higher authority.. 0 1 2 3 4

41. Works with me in a satisfactory way 0 1 2 3 4

42. Heightens my desire to succeed 0 1 2 3 4

43. Is effective in meeting organizational requirements 0 1 2 3 4

44. Increases my willingness to try harder 0 1 2 3 4

45. Leads a group that is effective 0 1 2 3 4

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MLQ   Multifactor Leadership Questionnaire

Scoring Key (5x) Short

My Name: _____ Date: _____

Organization ID #: _____ Leader ID #: _____

Scoring: The MLQ scale scores are average scores for the items on the scale. The score can be derived by

summing the items and dividing by the number of items that make up the scale. All of the leadership style scales

have four items, Extra Effort has three items, Effectiveness has four items, and Satisfaction has two items.

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

Idealized Influence (Attributed) total/4 =   Management-by-Exception (Active) total/4 =

Idealized Influence (Behavior) total/4 =   Management-by-Exception (Passive) total/4 =

Inspirational Motivation total/4 =   Laissez-faire Leadership total/4 =

Intellectual Stimulation total/4 =   Extra Effort total/3 =

Individualized Consideration total/4 =   Effectiveness total/4 =

Contingent Reward total/4 =   Satisfaction total/2 =

1.	Contingent Reward	0	1	2	3	4
2.	Intellectual Stimulation	0	1	2	3	4
3.	Management-by-Exception (Passive)	0	1	2	3	4
4.	Management-by-Exception (Active)	0	1	2	3	4
5.	Laissez-faire	0	1	2	3	4
6.	Idealized Influence (Behavior)	0	1	2	3	4
7.	Laissez-faire	0	1	2	3	4
8.	Intellectual Stimulation	0	1	2	3	4
9.	Inspirational Motivation	0	1	2	3	4
10.	Idealized Influence (Attributed)	0	1	2	3	4
11.	Contingent Reward	0	1	2	3	4
12.	Management-by-Exception (Passive)	0	1	2	3	4
13.	Inspirational Motivation	0	1	2	3	4
14.	Idealized Influence (Behavior)	0	1	2	3	4
15.	Individualized Consideration	0	1	2	3	4

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

16. Contingent Reward 0   1   2   3   4

17. Management-by-Exception (Passive) 0   1   2   3   4

18. Idealized Influence (Attributed) 0   1   2   3   4

19. Individualized Consideration 0   1   2   3   4

20. Management-by-Exception (Passive) 0   1   2   3   4

21. Idealized Influence (Attributed) 0   1   2   3   4

22. Management-by-Exception (Active) 0   1   2   3   4

23. Idealized Influence (Behavior) 0   1   2   3   4

24. Management-by-Exception (Active) 0   1   2   3   4

25. Idealized Influence (Attributed) 0   1   2   3   4

26. Inspirational Motivation 0   1   2   3   4

27. Management-by-Exception (Active) 0   1   2   3   4

28. Laissez-faire 0   1   2   3   4

29. Individualized Consideration 0   1   2   3   4

30. Intellectual Stimulation 0   1   2   3   4

31. Individualized Consideration 0   1   2   3   4

32. Intellectual Stimulation 0   1   2   3   4

33. Laissez-faire 0   1   2   3   4

34. Idealized Influence (Behavior) 0   1   2   3   4

35. Contingent Reward 0   1   2   3   4

36. Inspirational Motivation 0   1   2   3   4

37. Effectiveness………….. 0   1   2   3   4

38. Satisfaction…………... 0   1   2   3   4

39. Extra Effort 0   1   2   3   4

40. Effectiveness.. 0   1   2   3   4

41. Satisfaction.. 0   1   2   3   4

42. Extra Effort.. 0   1   2   3   4

43. Effectiveness.. 0   1   2   3   4

44. Extra Effort.. 0   1   2   3   4

45. Effectiveness.. 0   1   2   3   4

APPENDIX B: INFORMED CONSENT

UNIVERSITY OF PHOENIX

INFORMED CONSENT: PARTICIPANTS 18 YEARS OF AGE AND OLDER

Dear Participant,

I am a student at the University of Phoenix working on a doctoral degree. I am conducting a research study, THE DYNAMICS OF LEADERSHIP IN SMALL BUSINESS: ENHANCING HARMONY, EFFICIENCY, and PROFITABILITY

The purpose of this study is to test and verify where there is a meaningful relationship between leadership style and small business success. It also assesses the relation between leadership style and employee satisfaction in small restaurant business industry.

Understanding the research purpose and content is critical before the actual participation in this study. Please read carefully the following information and don't hesitate to ask the researcher on any clarification.

Your participation will involve completing the Multifactor Leadership Questionnaire (MLQ). Participation in this study is voluntary and at no cost. If you choose not to participate or to withdraw from the study at any time, you can do so without penalty or loss of benefit to yourself. The results of the research study may be published, but your identity will remain confidential and your name will not be disclosed to any outside party.

In this research, there are no foreseeable risks to you. However, a possible benefit of your participation is information and awareness about this research and coping strategies in small business organizations. Another benefit is to give the participants an opportunity to aid small business leaders by giving them the hints and methods to lead their organization successfully and profitably.

If you have any questions concerning the research study, please call me at (313) 350-9033 or email me at mdmm1234@ email.phoenix.edu. Thank you for your consideration and participation.

As a participant in this study, you should understand the following:

You may decline to participate or withdraw from participation at any time without consequences.

Your identity will be kept **confidential.**

The researcher has thoroughly explained the parameters of the research study and all of your questions and concerns have been addressed.

Data will be stored in a secure and locked area. The data will be held for a period of three years, and then destroyed by shredding.

The research results will be used for publication.

By signing this form you acknowledge that you understand the nature of the study, the potential risks to you as a participant, and the means by which your identity will be kept confidential. Your signature on this form also indicates that you are 18 years old or older and that you give your permission to voluntarily serve as a participant in the study described.

Signature of the interviewee: _____

Date: _____

Signature of the researcher: Mohamad Mtairek_____

APPENDIX C: INFORMED CONSENT

PERMISSION TO USE PREMISES, NAME, AND/ OR (ORGANIZATION OR ASSOCIATION)

Shish Kabob Express

Name of Organization or Association

1 hereby authorize, student of University of Phoenix, Mohamad Mtairek, to use the premises, name

and/or subjects requested to conduct a study entitled (THE DYNAMICS OF LEADERSHIP IN

SMALL BUSINESS: ENHANCING HARMONY, EFFICIENCY, AND PROFITABILITY). The

facility will be used during the following dates to conduct the MLQ survey:

5/12/2013, 5/13/2013, 5/14/2013

Signature:

Shish Kabob Express 28682 Telegraph Southfield, MI 48034 Date: 5/12/2013

APPENDIX D

PERMISSION TO USE THE MLQ

Multifactor Leadership Questionnaire

Instrument (Leader and Rater Form)

and Scoring Guide
(Form 5X-Short)

by Bruce Avolio and Bernard Bass

Published by Mind Garden, Inc.

info@mindgarden.com
www.mindgarden.com

APPENDIX E

PERMISSION TO PUBLISH THE MLQ

---

mind garden

www.mindgarden.com

To whom it may concern,

This letter is to grant permission for the above named person to use the following copyright material;

Instrument: *Multifactor Leadership Questionnaire*

Authors: *Bruce Avolio and Bernard Bass*

Copyright: *1995 by Bruce Avolio and Bernard Bass*

for his/her thesis research.

Five sample items from this instrument may be reproduced for inclusion in a proposal, thesis, or dissertation.

The entire instrument may not be included or reproduced at any time in any other published material.

Sincerely,

Robert Most
Mind Garden, Inc.
www.mindgarden.com

APPENDIX F

CERTIFICATE OF ORIGINALITY

University of Phoenix℠

CERTIFICATE OF ORIGINALITY

I certify that the attached paper is my original work. I am familiar with, and acknowledge my responsibilities which are part of, the University of Phoenix Student Code of Academic Integrity. I affirm that any section of the paper which has been submitted previously is attributed and cited as such, and that this paper has not been submitted by anyone else. I have identified the sources of all information whether quoted verbatim or paraphrased, all images, and all quotations with citations and reference listings. Along with citations and reference listings, I have used quotation marks to identify quotations of fewer than 40 words and have used block indentation for quotations of 40 or more words. Nothing in this assignment violates copyright, trademark, or other intellectual property laws. I further agree that my name typed on the line below is intended to have, and shall have, the same validity as my handwritten signature.

Student's signature (name typed here is equivalent to a signature):

(Mohamad Mtairek) 4/19/2013

APPENDIX G

University of Phoenix®

THE DYNAMICS OF LEADERSHIP IN SMALL BUSINESS:

ENHANCING HARMONY, EFFICIENCY, AND PROFITABILIY
Mohamad Mtairek

CONFIDENTIALITY STATEMENT

As a researcher working on the above research study at the University of Phoenix, I understand that I must maintain the confidentiality of all information concerning all research participants as required by law. Only the University of Phoenix Institutional Review Board may have access to this information. "Confidential Information" of participants includes but is not limited to: names, characteristics, or other identifying information, questionnaire scores, ratings, incidental comments, other information accrued either directly or indirectly through contact with any participant, and/or any other information that by its nature would be considered confidential. In order to maintain the confidentiality of the information, I hereby agree to refrain from discussing or disclosing any Confidential Information regarding research participants, to any individual who is not part of the above research study or in need of the information for the expressed purposes on the research program. This includes having a conversation regarding the research project or its participants in a place where such a discussion might be overheard; or discussing any Confidential Information in a way that would allow an unauthorized person to associate (either correctly or incorrectly) an identity with such information. I further agree to store research records whether paper, electronic or otherwise in a secure locked location under my direct control or with appropriate safe guards. I hereby further agree that if I have to use the services of a third party to assist in the research study, who will potentially have access to any Confidential Information of participants, that I will enter into an agreement with said third party prior to using any of the services, which shall provide at a minimum the confidential obligations set forth herein. I agree that I will immediately report any known or suspected breach of this confidentiality statement regarding the above research project to the University of Phoenix, Institutional Review Board.

_____   _____Mohamad Mtairek   5/11/2013_____
Signature of Researcher   Printed Name   Date

_____/s/ Julia Bao   Julia Bao
5/11/2013_____
        _____ _____
Signature of Witness   Printed Name   Date