

**THE RELATIONSHIP BETWEEN
INTERPERSONAL COMPETENCIES
AND LEADERSHIP
COMPETENCIES**

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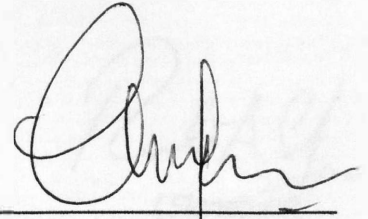
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DECLARATION

I hereby declare that the material in this dissertation is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

Competence consists of knowledge, skills, attitudes, experiences and contacts that enable good performance in certain situations. This research is carried out to indicate the importance of interpersonal competencies associated with managerial's leadership competencies. The objective of this research is to investigate the relationship between interpersonal competencies and leadership competencies. 150 managers of SMEs in the West Coast of Sabah, were chosen to participate in the research by sending a set of self-administered questionnaire to the organisations through e-mail. There were 102 replies received and analysed using SPSS. The result shows that all six interpersonal competencies; assertiveness, empathy, communication, sales orientation, openness and network building significantly influence their leadership competencies. The result also indicates that age and experience failed to moderate the relationship between interpersonal competencies and leadership competencies. The R square indicates that interpersonal explains 73.9 percent of the variance in leadership competencies. Overall, the research is able to achieve its objective with 7 of the main hypotheses accepted and last two moderators were rejected.



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ABSTRAK

PERHUBUNGAN ANTARA KECEKAPAN INTERPERSONAL INSAN DAN KECEKAPAN KEPIMPINAN

Kecekapan terdiri daripada pengetahuan, kemahiran, sikap, pengalaman dan perhubungan yang akan menghasilkan pelaksanaan yang baik dalam situasi-situasi tertentu. Kajian ini menekankan kepentingan kecekapan interpersonal, yang mana dipercayai mempunyai perkaitan dengan kecekapan pengurusan kepimpinan. Ia berobjektifkan pengkajian perhubungan antara kecekapan interpersonal dan kecekapan kepimpinan. 150 pengurus dari syarikat-syarikat perusahaan kecil dan sederhana (SME) di kawasan pantai barat Sabah telah dipilih untuk menyertai kajian ini, di mana satu set borang soal – selidik telah diedarkan kepada setiap pengurus. 102 borang telah dikembalikan kepada penyelidik dan dianalisa dengan penggunaan SPSS. Hasil kajian menunjukkan kesemua enam kecekapan interpersonal, iaitu sifat-sifat assertif, empati, komunikasi, orientasi pengaruh, keterbukaan dan pembinaan rangkaian mempunyai pengaruh yang signifikan terhadap kecekapan kepimpinan. Hasil juga menunjukkan faktor usia dan pengalaman tidak mempengaruhi hubungan antara kecekapan interpersonal dan kecekapan kepimpinan. Hasil regresi menunjukkan kesemua enam kecekapan interpersonal berjaya menerangkan 73.9% variansi terhadap kecekapan kepimpinan. Pada keseluruhannya, objektif kajian ini telah tercapai, dengan 7 hipotesis utama diterima, manakala 2 hipotesis telah ditolak.



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CHAPTER 1

INTRODUCTION

1.1 Overview

The last three decades have been marked by several contributions in the area of leadership theory and practice. By 1974, over 3000 empirical studies were recorded in the domain of leadership (House and Baetz, 1979). The concept, definition, and characterizations of leadership have been contested and debated since the dawn of the 20th Century. Terry (1986) reports that the scholarly and professional communities have accepted at least 100 definitions of leadership. Generally, these definitions have attempted to summarize leadership in terms of traits, behaviors, attitudes, interaction patterns, and so forth. Regardless of myriad descriptions of leadership, it can basically be defined as the process of directing, influencing, and controlling the work-related activities of employees (Stoner and Freeman 1992) as well as to affect employees' motivation to achieve specific organizational goals (Robbins 1991; Bass and Avolio 1979; and others).

The most well received, renowned perspectives and theories and approaches to understanding leadership can be approximately summarized as the trait, behavioral, power-influence, contingency, and transformational or transactional approaches (House and Baetz 1979; Yukl 1981).

An individual who is appointed to a managerial position has the right to command and enforce obedience by virtue of the authority of his position. However, he or she must possess adequate personal attributes to match his authority, because authority is only potentially available to him. In the absence of sufficient personal competence, a manager may be confronted by an emergent leader who can challenge his role in the

organization and reduce it to that of a figurehead. However, only authority of position has the backing of formal sanctions. It follows that whoever wields personal influence and power can legitimize this only by gaining a formal position in the hierarchy, with commensurate authority. Hence, leadership can be defined as one's ability to get others to willingly follow. Every organization needs leaders at every level.

Given the vibrancy and growth in small and medium enterprises in Kota Kinabalu, where relatively limited research has been conducted, this research has been designed to investigate interpersonal and leadership competencies among management personnel.

1.2 Problem statement

Many a times, leaders face times of pressure where they are forced to make quick decisions, a great leader must have this skill as a team builder, with character and the power to delegate team responsibilities. Without character, all the other "keys" are for naught. That is because a leader's innate character strengths and limitations play a critical role in leadership style. All great leaders have taken steps to learn about their individual personality and what part it plays in their leadership style.

The concept and competencies of leadership have long been criticized as involving people subordinating their needs to that of someone else. While the conventional view of leadership is rather satisfying to people who "want to be told what to do", one should question why they are being subjected to acts that may or may not be rational or even desirable. Rationality is the key element missing when "leaders" say "believe me" and "have faith". It is fairly easy to have people simplistically follow you as their "leader", if no attention is paid to rationality. Moving to the public domain-presidents, senators, people in congress- such positions are dubbed as leaders. In this domain, leader representatives ARE desirable. The representative simply take the view of the group being represented and help to move forward with these objectives. If they don't follow what the representatives have asked, they should easily be removed and replaced.

Leaders are charged with getting things done as they relate to the firm's bottom line. Acting as a firm's lieutenants, they often get things done by guiding the behavior of their subordinates. Their primary instrument for guiding subordinates is manifested in

leadership (Dubinsky, Yammarino, Jolson, and Spangler 1995). Given that managers are individuals, they can be expected to favor particular methods, or styles, of leadership (Bass and Avolio 1990; Burns 1978). Since both managers and subordinates are involved in the relationship dyad, it is important to note that leadership styles can be construed from each party's vantage as leaders and followers (Agarwal et al. 1999).

Leaders are commonly challenged to implement effective leadership in environments where they may be physically, socially, or psychologically separated from their subordinates. These separations can produce strains on communication, trust, cooperation, and commitment in superior - subordinates relationship.

Hence, managers should understand how espousing certain leadership behaviors can help mitigate or counter such strains and improve the quality of relationships with subordinates (Bass 1989; Bass and Avolio 1989). Consequently, by improving relationship quality, managers could affect positive outcomes, such as commitment, satisfaction, and performance (Tsui and O'Reilly 1994).

Relationships between superiors and subordinates are expected to reflect individual differences between the two parties. These individual differences may emanate from external factors, such as race, or internal factors, such as culture. While cannot alter the presence of such differences, they may be able to make interventions to mitigate their negative influences on their relationships with their subordinates. As noted above, managers are compelled to enhance or improve relationships as a means to keep subordinates more satisfied, committed, and productive. In short, leadership competencies enacted by managers can affect the relationships with their subordinates.

Theoretically, the quality of workplace relationships has been linked to employee commitment (Tsui and O'Reilly 1994), withdrawal intentions (Tsui, Egan, and O'Reilly 1997), and other behaviors. Clearly, these outcomes present negative implications for managers trying to achieve revenue, profit, and market share goals.

As managers are charged ultimately with the achievement of client acquisition, revenue generation, and the like, they are compelled to rely on the effort of subordinates whom they lead. Even in this hierarchical relationship of superior and

subordinate, managers bear an onus to provide leadership that helps produce quality interaction with their subordinates. Hence, their elevated position may not afford them the ability to manage exclusively as they see fit. They may, in some cases, realize more auspicious relationships when they can apply leadership competencies that are well suited to the individual relationships they share with different subordinates.

1.3 Objectives of study

The aim of this study is to:-

- 1) define interpersonal competencies through the literature review and then attempt to identify a relationship between interpersonal competencies and leadership competencies. The study is conducted in several steps. The first step will entail defining competencies and the attributes that make up leadership competencies. This is accomplished through extensive review of the literature as it pertains to strategic management and also through a survey questionnaire adopted from Pentti Syadanmaanlakka's (2003) Instrument.
- 2) understand which interpersonal competencies strongly influence leadership competencies, which are practiced among management staff of SMEs in Kota Kinabalu, Sabah. The general position of this research resolutely contends that individual differences can affect their interpersonal relationships.
- 3) contribute to the leadership literature by synthesizing human management, and leadership competencies and examining which are the popular interpersonal competencies and leadership competencies most commonly used.

1.4 Significance of this study

The motivation of this study is to analyze and investigate the factors contributing to leadership competencies. The results of this research shall be an important knowledge for SMEs' management and for those who seek for opportunities in the higher management positions in the industry/ies. As a long term measure, the study proposes the development and improvement of SMEs management staff's leadership skills and knowledge that will increase profit and overall growth of the industry. Besides that, it can also be a guideline for relevant government agencies in formulating training

programs and assistance for SMEs so that more entrepreneurs could succeed in managing their workforce in the industry/ies. The results of this proposed study have significance in the implication for SMEs' operators, researchers, capital providers and policy makers.

1.5 Scope of study

Developing a group of diverse and competitive small and medium enterprises (SMEs) is a central theme towards achieving sustainable economic growth. SMEs are crucial to the economic growth process and play an important role in the country's overall production network.

Some advanced economies have succeeded because SMEs form a fundamental part of the economy, comprising over 98% of total establishments and contributing to over 65% of employment as well as over 50% of the gross domestic product.

SMEs have the potential to contribute substantially to the economy and can provide a strong foundation for the growth of new industries as well as strengthening existing ones, for Sabah's future development.

In this study, the management staff of SMEs in Kota Kinabalu have been selected as respondents. Therefore, the scope of this study is related to interpersonal - leadership competencies among management staff in SMEs in Kota Kinabalu.

The variables chosen to be replicated in this study are not intended to represent all possible leadership competencies' factors. Based upon exhaustive review of the literature, the variables replicated in this study are comprised of the most commonly studied determinants in leadership related literature used to examine leadership competencies.

1.6 Key Variables

For the purpose of this study, the following terms may need to be further clarified to avoid confusion and on what it means in the context of this study.

1.6.1 SMEs (Small and Medium Enterprises)

There is no common definition of small and medium enterprises (SMEs) in Malaysia. Different Agencies define SMEs based on their own criteria; it can be defined to annual sales turnover, and number of full-time employees or shareholders’ funds (NSDC).

According to the National SME Development Council has, on 9 June 2005, approved the common definitions of SMEs across economic sectors, for adoption by all Government Ministries and Agencies involved in SME development, as well as financial institutions.

An enterprise is considered to be an SME based on the annual sales turnover or number of full-time employees, as indicated in Table 1.1, below.

Table 1.1: Definition of SMEs in Malaysia

Category		Micro-enterprise	Small enterprise	Medium enterprise
1.	Manufacturing (including agro-based) and MRS	A micro enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees of less than 5 or with annual sales turnover of less than RM250,000	A small enterprise in manufacturing (including agro-based) & MRS is an enterprise with full-time employees of between 5 & 50 or with annual sales turnover of between RM250,000 & less than RM10 million	A medium enterprise in manufacturing (including agro-based) & MRS is an enterprise with full-time employees of between 51 & 150 / with annual sales turnover of between RM10 million & RM25 million.
2.	Services, primary agriculture and information and communication Technology (ICT)	A micro enterprise in services is an enterprise with full-time employees of less than 5 or with annual sales turnover of less than RM200,000	A small enterprise in services is an enterprise with full-time employees of between 5 and 19 or with annual sales turnover of between RM200,000	A medium enterprise in services is an enterprise with full-time employees of between 20 and 50 / with annual sales turnover of between RM 10 million and RM 25 million

1.6.2 Leadership

Leadership is seen as a process, not a position. It therefore goes without saying that the proverbial followers are actively involved and that they are also engaged in the phenomenon of leadership, not "followership". It is also important to state that purpose and vision give the justification for leadership. Leadership is always based on universal principles and values.

Future leaders are living in a turbulent and chaotic environment, where the real power to act comes from recognizing the pattern of change and sensing and seizing windows of opportunity. In this kind of environment, they will need a lot of competencies to survive.

The last three decades have been marked by several contributions in the area of leadership theory and practice. By 1974, over 3000 empirical studies were recorded in the domain of leadership (House and Baetz 1979). The concept, definition, and characterizations of leadership have been contested and debated since the dawn of the 20th Century. Terry (1986) reports that the scholarly and professional communities have accepted at least 100 definitions of leadership. Generally, these definitions have attempted to summarize leadership in terms of traits, behaviors, attitudes, interaction patterns, and so forth. Regardless of myriad descriptions of leadership, it can basically be defined as the process of directing, influencing, and controlling the work-related activities of employees (Stoner and Freeman 1992) as well as to affect employees' motivation to achieve specific organizational goals (Robbins 1991; Bass and Avolio 1979; and others).

1.6.3 Competencies

Boyatzis (1982, 21) defined that "A job competency is an underlying characteristic of a person which results in effective and/or superior performance in a job". An underlying characteristic can be a motive, trait, skill, aspect of one's self-image, social role or a body of knowledge. The possession of these characteristics may or may not be known to the person. Spencer and Spencer (1993, 9) have defined competency as follows:

"A competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation".

Competencies are underlying characteristics of people and indicate ways of behaving or thinking in different situations. In this research, competence is defined as knowledge, skills, attitudes, experiences and contacts that enable good performance in certain situations.

There are a few key points inside this definition: Knowledge, skills, attitudes, experiences and contacts are elements of a competence. Knowledge is only one element of competence.

Attitude is an important element of competence including e.g. the motivation to use one's skills. Also experience is crucial. Many competencies need a wide experience-background before they can really develop.

This is especially true when it concerns leadership competencies. Also contacts are important elements of our competencies. Building networks is important for a leader.

- Competence is manifested through concrete actions, in the ability to act effectively in a certain situation. To put your competence into action is important. There is a big difference between knowing, understanding and applying. Only when you are able to apply something in practice, you do own a certain competence.
- Competence is the output of a learning process. Competence is not a part of your personality or personal trait. Competence is something that humans can train and develop.
- Some of the competencies can be unconscious. The person doesn't necessary always know that she possesses a certain competence.

In practice, competence is seen as an ability to act and apply knowledge, skills, attitudes and experiences. An ability means that you can put your competence into action. A good competence leads to high performance which leads to excellent outcomes. Competence must always be seen in relation to outputs.

For instance, the competence of empathy and its one operationalization which is the ability to listen. The competence of empathy consists of the following aspects:

- to know that listening is an important skill for a superior
- to be able to listen actively and without interrupting
- to respect the subordinates
- to have personally experienced the effects of active listening
- to try and keep good contacts with all subordinates.

The actual performance, which is based on these aspects, is that the person is interested in and is listening to his/her subordinates in a motivating way. The outcome of this performance is a satisfied and motivated subordinate who feels that he/she is getting enough time and respect from his/her superior. Every competence and sub competence could be managed in this way (Pentti Sydanmaanlakka,2003).

Personality including traits, motives and values constitutes our learned-self.

Our self-concept is our attitude towards ourselves which creates our self-image. The self-concept is crucial for developing our competencies. And self-confidence is vital in order to develop our competencies (Sydänmaanlakka 2001).

The personality theory behind this model is based on the ideas of Dunderfelt (1990, 102, and 2001,51), Jung (1981), Maslow (1970, 1987 and 1998), Rauhala (1983, 1992), and Rogers (1969).

1.6.4 Interpersonal Competencies

Interpersonal competence is the ability to influence, supervise, lead, manipulate and control people at all levels of the organization toward the more effective achievement of organizational goals.

Table 1.2: Interpersonal Competency Definitions

<i>Interpersonal Competency</i>	<i>Definition</i>
Coaching	helping individuals recognize and understand personal needs, values, problems, alternatives, and goals
Communication	applying effective verbal, nonverbal, and written communication methods to achieve desired results
Conflict Management	helping people work together to resolve disputes through constructive processes and techniques
Feedback Skills	communicating information, opinions, observations, and conclusions so that they are understood and can be acted upon
Group Process Understanding	understanding how groups function; influencing people so that group, work, and individual needs are addressed
Leadership Skills	influencing process of leaders and followers to achieve organizational objectives through change
Questioning	gathering information from stimulating insight in individuals and groups through the use of interview, questionnaires, and other probing methods
Relationship Building Skills	establishing relationships and networks across a broad range of people and groups
Self-Knowledge/Self-Management	knowing one's personal values, needs, interests, style and competencies and being able to manage their effects on others

(Source: Gaudet et al. 2003)

Personal competencies are, by definition, aspects of an individual (even though the competencies might have been obtained from studying jobs). The United Kingdom's Employment Department and National Council for Vocational Qualifications defines competencies as "the ability to perform the activities within an occupation or function to the standards expected in employment" (Tate, 1995, p. 35). Personal competencies imply a level of achievement or output. They are very different from job or role dimensions/competencies, which define a range of inputs and thus are appropriate for most selection and development efforts.

1.6.5 Leadership Competencies

Leadership behavior is purposeful interaction among humans that takes place in a certain group. The interaction has to be such that it improves the performance of the group and maintains constant development in relation to solving surfacing problems and achieving set goals. Leadership behavior is based on the personal potential of a leader and its efficiency is affected by the operational environment, situational factors and the goals set for activities (Nissinen 2001, 96)

Leadership has a formal aspect (as in most political or business leadership) or an informal one (as in most friendships). Speaking of "leadership" (the abstract term) rather than of "leading" (the action) usually it implies that the entities doing the leading have some "leadership skills" or competencies. (Wikipedia Encyclopedia).

Studies of leadership have suggested qualities that people often associate with leadership (Wikipedia Encyclopedia). They include:

- Technical/specific skill at some task at hand.
- Charismatic inspiration - attractiveness to others and the ability to leverage this esteem to motivate others.
- Preoccupation with a role - a dedication that consumes much of leaders' life - service to a cause;
- A clear sense of purpose (or mission) - clear goals - focus - commitment;
- Results-orientation - directing every action towards a mission - prioritizing activities to spend time where results most accrue;
- Cooperation - work well with others;
- Optimism - very few pessimists become leaders;
- Rejection of determinism - belief in one's ability to "make a difference" ;
- Ability to encourage and nurture those that report to them - delegate in such a way as people will grow;
- Role models - leaders may adopt a *persona* that encapsulates their mission and lead by example; Self-knowledge (in non-bureaucratic structures);
- Self-awareness - the ability to "lead" (as it were) one's own self prior to leading other selves similarly;

- Awareness of environment - the ability to understand the environment they lead in and how they affect and are affected by it;

With regards to people and to projects, the ability to choose winners - recognizing that, unlike with skills, one cannot (in general) teach attitude. *Note that "picking winners" ("choosing winners") carries implications of gamblers' luck as well as of the capacity to take risks, but "true" leaders, like gamblers but unlike "false" leaders, base their decisions on realistic insight (and usually on many other factors partially derived from "real" wisdom).*

Empathy - Understanding *what* others say, rather than listening to *how* they say things - this could partly sum this quality up as "walking in someone else's shoes" (to use a common cliché).

Integrity - the integration of outward actions and inner values.

1.7 Organization of Dissertation

The remainder of this dissertation is structured as follows. In Chapter 1, the background of this study has been discussed and the significant of studies also explained to justify the study. A clear objective is also constructed to guide the entire study and the scope of the study is stated clearly.

Chapter 2 in this dissertation consists of a comprehensive literature review and synthesizes the relevance of the various past researches that have been done previously. It also highlights the concept behind this study and other theories to support the argument later in this study. This will give the readers more information on what has been done in this particular field. This is also to formulate the research questions, objectives and theoretical framework.

Chapter 3 notifies about research methodology used to conduct the research. This includes the theoretical framework, hypothesis assumption, the nature and type of the study, instrument (design of the questionnaire) used to conduct the research. This chapter also includes the size and group of the sample as well as data collection method and the method for analysis of the data.

Chapter 4 comprises analysis of results obtain through this study. Analysis of raw data collected and converted into data that able to respond and support the hypothesis in chapter three by using the software SPSS.

Chapter 5 encompasses discussion and conclusions report of the findings in the study. It also tells whether the hypotheses is accepted or rejected. Apart from that, it also discusses the limitation of the research which causes the results to vary and the conclusion that has been discovered from this research.



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