TRANSFORMATIONAL LEADERSHIP IN A NONPROFIT ORGANIZATION:
A CASE STUDY OF A FILIPINO NONPROFIT IN DIVERSE COMMUNITIES

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By
Carlos M. Taylor
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Carlos M. Taylor

APPROVED:

Committee Chair
Dr. Andrew Alexson, Ed.D.

Committee Members
Dr. D. Brent Powell, Ph.D.
Dr. Danny DiAngelo, Ph.D.
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Abstract

While there are many leadership models, the leaders of the Institute of Social Transformation (IST) exemplified transformational leadership principles. The purpose of this research was to explore how well the leaders implemented transformational leadership principles in this Filipino nonprofit organization. Interest in transformational leadership has grown in recent years. “Transformational leadership has emerged as the dominant model for understanding how leaders impact effective and behavioral responses of their followers” (Thompson, 2008, p. v). This case study examined transformational leadership as displayed by community leaders in two diverse communities: a city and a rural area. Questions that this paper sought to answer included: a) How well did this nonprofit implement transformational leadership principles? b) How well did this nonprofit implement transactional leadership principles? c) How well did this nonprofit implement interpersonal trust? d) How well did this nonprofit implement leadership self-evaluation? and e) How were these four aspects applied in this nonprofit? This study concluded that IST's leaders possessed: strong transformational leadership abilities in the upper quartile, above average transactional leadership abilities in the upper third quartile, strong interpersonal trust in the upper quartile, above average self-evaluation abilities in the third quartile, and IST's leaders did indeed implement transformational leadership principles.
Acknowledgements

This paper could not have been completed without the support, assistance and guidance of several people, to whom I am truly grateful. They, in effect, played a major role in the culmination of this study and deserve much of the credit.

First, I would like to thank my wife, Virginia, who has loved me unconditionally and pushed me to pursue my goal. I could not have finished this project without her understanding, encouragement and continual reassurances. You are the love of my life.

I would also like to thank my son and daughter, Augie and Amy, who have kept me focused, especially when I would lose steam or feel overwhelmed. They helped me see the big picture, to fulfill my long-time dream, and not to give up. They have taught me the meaning of perseverance.

In addition, I would like to thank First Baptist Church Daly City for their continued and immeasurable encouragement and understanding these past three years. Your support has meant so much to me. You are the greatest.

A special thanks to Dr. Andrew Alexson, who chaired the Committee and never lost faith in me. Thank you for your kind words of encouragement and wisdom, and your willingness to serve as my chair. I could not have asked for a better advisor.

It is my hope that this research will serve to bring glory to the Lord and inspire future leaders to pursue and practice the principles of transformational leadership.
CHAPTER 1: INTRODUCTION

Background

The efficacy of nonprofit organizations depends on its leadership. “Leadership is crucial to the success, growth and change of the organization” (Powell, 2011, p. 1). The Institute of Social Transformation (IST) is a wonderful success story. Because of its leadership this holistic, nonprofit Filipino organization that ministers to the poor, has spread throughout the country. Since its inception in 1992, IST today serves the poor and marginalized from the largest metropolitan city to remote, mountain tribal areas.

The Philippines is a developing country that has lagged behind other Asian countries economically. Poverty is widespread. A 2009 Asian Development Bank study entitled Poverty in the Philippines: Causes, Constraints and Opportunities, concluded, “Despite the exodus of Filipinos to work abroad, unemployment rates remain high by Southeast Asian standards.” A more recent statistic, dated April 23, 2013, released by the National Statistics Coordination Board, showed that "as of the first semester of 2012, 27.9% of Filipinos were living below the poverty line" (Latest Stats on Philippine Poverty Level, 2013, n.p.). This same research indicated that, according to the World Bank, while "extreme poverty has dropped in every other developing region in the world … the Philippines had not seen the same decline."

Many churches and para-church organizations have served the poor by fusing evangelism with social work effectively. IST is one such para-church organization that has experienced steady growth by meeting the physical and spiritual needs of the poor. Sider (1982) observed, “The enormous growth of evangelical relief and development activities demonstrates a strong desire to rise to this challenge” (p. 10). Thus, this study
evaluated the transformational leadership principles of IST in two diverse communities: an urban city and a rural area. Although transformational leadership will be discussed in greater detail later, for now we must simply understand that the emphasis of transformational leadership is “follower development” (Northouse, 2010, p. 171). Transformational leadership “tries to help followers reach their fullest potential” (Northouse, p. 172).

Statement of the Problem

Transformational leadership is a model used by the Institute of Social Transformation as it serves the poor and marginalized. Their goal was changed lives and transformed communities under the Lordship of Jesus Christ. Their ministry to the poor and homeless included: spiritual development, credit cooperatives, education, technical and vocational training, social services, disaster relief, and retirement planning. The statement of the problem is presented in the interrogative form: "How well did leaders who possessed transformational traits, developed interpersonal trust, and practiced self-evaluation, demonstrate transformational leadership principles in diverse communities in this nonprofit?"

Title of the Study

The title of this study is: Transformational Leadership in a Nonprofit Organization: A Case Study of a Filipino Nonprofit in Diverse Communities.

Conceptual Framework

The conceptual framework sets the core foundation and structure of this research, and "underlies all research” (Merriam, 2009, p. 66). While there are many reasons for the success of the Institute of Social Transformation, one reason may be that its leaders
implemented transformational leadership principles. The conceptual framework of this study was to discover how transformational principles were demonstrated by leaders who possessed transformational traits, developed interpersonal trust behavior, and practiced core self-evaluation in diverse communities in this nonprofit. In the area of transformational leadership, all three components were implemented successfully in this organization. See table 1 for the conceptual framework for this research.

Table 1

<table>
<thead>
<tr>
<th>Transformational Leaders</th>
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<tbody>
<tr>
<td>Possessed Transformational Traits</td>
</tr>
<tr>
<td>In Diverse Communities in this Nonprofit</td>
</tr>
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</table>

Research Questions

Transformational leadership principles were successfully implemented in this nonprofit. Five research questions were examined:

Research Question 1: How well did this nonprofit implement transformational leadership principles?

Research Question 2: How well did this nonprofit implement transactional leadership principles?
Research Question 3: How well did this nonprofit implement interpersonal trust?
Research Question 4: How well did this nonprofit implement leadership self-evaluation?
Research Question 5: How well were these four components applied in this nonprofit?

Significance of the Study

Generate New Knowledge

There has not been a transformational leadership study on IST's efforts to assist the poor in the Philippines. This research will study transformational leadership by IST's community leaders, compare their competency in two sites and fill a void in the current body of knowledge.

Biblical Example

Jesus was a transformational leader. His emphasis on inspiration, moral behavior, shared vision and trust are transformational leadership components. For instance, He inspired the people to follow Him, expected them to make ethical choices, engaged them to advance His kingdom, and trusted them to fulfill His commandments. Personal development is another key element of transformational leadership, and Jesus practiced this as well by leading His disciples from where they were to where they should be.

The Need of the People

Poverty is widespread in this beautiful Asian archipelago. It is incredulous that a country replete with natural resources should face massive poverty. There are many public and private organizations, including IST, that work to solve the poverty issue in the Philippines. And one mechanism IST has used to combat poverty was transformational leadership.
**Personal Interest**

I desire to help the poor in the country I was born and raised through transformational leadership. An intrinsic personal interest has been a large factor in the selection of this research topic.

**Transferability**

It is my intent that this study will be helpful to other social scientists, social workers, community leaders and heads of NGOs. “Transferability is the degree to which the findings of a qualitative study can be applied or generalized to other contexts or to other groups” (Ary, Jacobs, & Sorensen, 2010, p. 501). It is hoped that the findings in this study can be effectively used in other geographies and cultures.

**Research Measurements**

Three tests were used to measure transformational leadership: the Multifactor Leadership Questionnaire, the Interpersonal Trust Measure, and the Core Self-Evaluation Scale. These tests have been well received by academia, as will be shown in chapter 3.

**Limitations**

This project contained certain limitations as listed below.

1. While IST is actively involved in many ministries, this study focused solely on microfinance.

2. Participants included community leaders in the field who interacted with the poor on a regular basis.

3. Participants were limited to a total of 22 adults: 1 community leader with her 10 members in the city; and 1 community leader with her 10 members in the rural area.

4. Each community leader had been employed by CCT for a minimum of one year
in the same role to ensure the leaders knew their members.

5. To ensure compatibility the leaders in the city and rural area were involved in the same ministry, which was credit coop, also known as microfinance.

6. Each participant, both leaders and members, were Filipinos. Thus, their reflections were slanted towards their ethnic background.

7. Each participant was involved in a weekly Bible study. Therefore, their views may have been influenced by what they had learned during Bible lessons.

8. The venue was on-site.

Definitions

Barangay - the native term for village or barrio.

Branch Manager - also referred to as team servant, who oversaw 3 or 4 covenant community builders.

Case Study – “A qualitative case study is an intensive, holistic description and analysis of a bounded phenomenon such as a program, an institution, a person, a process, or a social unit” (Merriam, p. xiii).

Covenant Community Builder - also referred to as the group leader or fellowship leader, who works directly with the partners. Each Covenant Community Builder is responsible for 8-10 fellowship groups.

Mean - Mean is "simply the arithmetic average of all the scores. It is calculated by summing all the scores and then dividing the sum by the number of scores” (McMillan & Schumacher, 2010, p. 157).

Participants – Adults who participated in the research and from whom data was received, recorded and analyzed. There were two participant groups: the community leaders
and partners.

*Partner* - The economically disadvantaged people who were ministered to and received microloans from IST. In this case study partners and members are synonymous.

*Transformational Leadership* – “As the name implies, transformational leadership is a process that changes and transforms people” (Northouse, p. 171).

**Overview of the Methodology**

First, this was a case study of a Filipino nonprofit. Since the focus was on one organization *descriptive* statistics was used (italics added). “Finally, the product of a qualitative inquiry is *rich description*. Words and pictures rather than numbers are used to convey what the researcher has learned about a phenomenon” (Merriam, p. 16).

Second, this case study focused on the interplay of transformational leadership between community leaders and their members. It will seek to identify “recurring patterns that characterize the data” (Merriam, p. 23).

Thirdly, this research will discover if there are differences between city and rural transformational leadership, and extract the extent of their differences through the use of scores provided by the questionnaires.

Lastly, triangulation was derived from comparing finding from the three sources (Multifactor Leadership Questionnaire, the Interpersonal Trust Measure and the Core Leader Self-Evaluation), personal observations, documents and the reality of the organization. By the use of triangulation we will determine if and how components of transformational leadership was applied by this nonprofit.

Table 2 below is a snapshot of the inter-relationship between community leader and members as they relate to transformational leadership.
Transformational Leadership Exemplified in a Nonprofit

Table 2

Inter-relationship between Community Leader and Members

<table>
<thead>
<tr>
<th>Community Leader</th>
<th>Transformational Leadership</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Linked the two together)</td>
<td></td>
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</table>
CHAPTER 2: LITERATURE REVIEW

In order to best understand what the Institute of Social Transformation is and does, one must first understand poverty and microfinance since IST seeks to alleviate poverty through microfinance. As pillars hold up a structure, so we will examine three pillars that uphold the ministry of IST: leadership, microfinance, and poverty. Under the first pillar, leadership, topics to be discussed are: leadership in general, transformational leadership, its strengths and weaknesses, and transformational leadership in the Asian context. Under the second pillar, microfinance, topics to be discussed are: microfinance in general and microfinance in the Philippine context. Under third pillar, poverty, topics to be discussed are: cause of poverty and solutions to poverty. By synthesizing these three pillars we were able to comprehend more fully how IST's transformational leadership ameliorated poverty through the vehicle of microfinance.

First Pillar: Leadership

Leadership in General

There are many definitions of leadership. Kellerman (2012) observed that there are "some fifteen hundred" definitions of leadership (p. xxi). Northouse was not as superfluous, articulating that "in the past 60 years, as many as 65 different classification systems have been developed to define the dimensions of leadership" (p. 2). Bennis (1989) defined leadership with three interlinked variables, "the capacity to create a compelling vision, translate that vision into action, and sustain it" (as cited in Kirika, 2011). Northouse, on the other hand, defined leadership with four essentials variables which have been italicized, "a process whereby an individual influences a group of individuals to achieve a common goal" (p. 3). Yukl and VanFleet's (1992) longer
definition also contains these four similar variables, “a process that includes influencing the task objectives and strategies of a group or organization, and influences people in the organization to implement the strategies and achieve the objectives of the organization” (as cited in Thompson). In contrast to these four variables, Gill (2006) focused on the four dimensions of leadership, "intellectual or cognitive, emotional, spiritual, and behavioral" (as cited in Workman, n.d.). In other words, according to Gill, a leader must have intellectual abilities, be emotionally stable, be of moral character, and possess certain behavioral traits.

Unfortunately, leadership has its dark side.

The Dark Side of Leadership

MacArthur (2004) stated it best, "A crisis of leadership faces the world and the church" (p. 3). Kellerman (2012) agreed when she posited "that leaders of every sort are in disrepute" (p. xiv). Leadership in America has been harmed by horrid scandals, resulting in a vacuum of conscientious and ethical leaders. Kellerman, in her research, exposed and exemplified failure in virtually every facet of society, such as in: both houses of the United States Congress, the Presidency, government leaders, and corporate America (pp. 97-123). Kellerman concluded with dismay that "we have had too many bad leaders" (p. 123). Tourish (2013) astutely commented, referring to the recent recession, that what America faced was not a housing, banking, or economic crisis, but rather a morality crisis. Tourish articulated that due to the many recent scandals there has been a surge in research in the area of leadership's dark side. According to Alimo-Metcalfe (2013), several studies by Crown and Spiller (1998), Klein et al. (2006), and Timiraos (2002) discovered that business students scored lower on ethical issues than
non-business students. Kellerman's assessment was that leadership must not end. We need leaders. What should end, however, is its unscrupulous practices.

**Leadership Theories**

A theory "predicts and explains a natural phenomenon" (McMillan & Schumacher, 2010, p. 13). There are many leadership theories; Kellerman counted around forty. Fortunately, Bryman (1992) presented a timeline on the development of four major theories, namely: the trait approach (up to late 1940s), style approach (late 1940s to late 1960s), contingency approach (late 1960s to early 1980s), and the New Leadership approach (since early 1980s). This does not mean that these theories completely disappeared at the end of their timeline, but that their popularity declined. While there are a multiplicity of leadership styles and models, leaders are not limited to applying only one at all times in all situations. The context at hand, the strengths and weaknesses of the followers and the range of solutions determine the leadership's response. Bass and Avolio (1994) elucidated, "Few individuals display a single style at all times. Instead, most individual leaders exhibit different amounts of each style" (p. 66). MacArthur concurred in his examination of successful leaders, "Their leadership styles were varied and diverse" (p. vii). As each leader is unique, so should his leadership style. In other words, leadership is fluid; it must not be constrained. Neither is it an exact science.

**The Traits Approach**

The leader's traits are the focus in this approach. Leaders were born with certain traits that made them great. This is the premise of the "Great Man" theory, which purported that "power as being vested in a very limited number of people whose inheritance and destiny made them leaders" (Bennis & Nanus, 1985, p. 5). Furthermore,
"no amount of learning or yearning could change your fate" (Bennis & Nanus, p. 5). Under this theory, people are simply born leaders. In the embryonic stage of leadership, the focus was on the leader. After all, he was at the top; he had most or all of the power, authority and influence. No one else seemed to matter.

Under this theory, "leadership is innate" (Alimo-Metcalfe, p. 17). According to Alimo-Metcalfe, inborn traits would include energy and intelligence. Other research opposed this view, asserting that leadership can be developed. For instance, Austin (2000) asserted that motivation or inner drive to reach a goal can be learned. This drive propels one to learn and apply himself to become a leader.

Different researches proposed different essential traits. Mann (1959), a leading proponent of this approach, delineated six leadership traits, such as being more intelligent, extrovert, dominant, masculine, conservative and better adjusted than non-leaders (as cited in Bryman). Bass indicated that Stogdill's second survey contained ten traits, which are:

- a strong drive for responsibility and task completion; vigor and persistence in the pursuit of goals; venturesomeness and originality in problem solving; drive to exercise initiative in social situations; self-confidence and a sense of personal identity; willingness to accept the consequences of his or her decisions and actions; willingness to absorb interpersonal stress; willingness to tolerate frustration and delay; ability to influence other people's behavior, and the capacity to structure social interaction systems to the purpose at hand. (as cited in Bryman, p. 3)

Kirkpatrick and Locke listed different distinguishing leadership traits, which include: ambition, energy, tenacity, strong desire to lead, honesty and integrity, self-confidence,
cognitive ability, and knowledge of the business (as cited in Bryman). George (2003), however, believed that there is one trait that a leader must have above all else, and that is authenticity. In fact, George proclaimed, "I believe that leadership begins and ends with authenticity" (p. 11). Researchers have developed their own essential leadership traits.

Despite its dwindling support, the traits approach is not dead. Costa and McCrae (1992) and Digman (1990) revived interest in the traits theory when they wrote, “The trait approach has recently undergone a renaissance, thanks in part to the emergence of the Five Factor model” (as cited in Thompson). For the sake of clarification, the Five Factor model mentioned is a 41-item personality test; it measures five dimensions of personality. Bryman also offered some positive assurances, when he opined that "the loss of confidence in the traits approach from the late 1940s may have been unwarranted" (p. 3). According to Bryman, Lord et al. (1986) authenticated this same conclusion from their own research, as did Alimo-Metcalfe. In fact, Bryman, at the time of his writing, believed that there was a resurgence of interest in the traits approach.

The traits approach has certain weaknesses; two are examined. First, Stogdill, after reviewing much research, “concluded that the trait approach had determined nothing of value” (as cited in Thompson). Secondly, it has measurement limitations. Thompson argued the difficulty in reliably measuring a leader's traits. This is certainly a valid reason; it is difficult to measure abstract intangibles, such as, charisma, friendliness, domination, tolerance or self-confidence.

The Style Approach

In the late 1940's Bryman indicated that the emphasis moved from leadership traits to leadership styles. While traits focused on what leaders are, the style approach focused of
what leaders do. Organizations, in the trait approach, found leaders who possessed certain leadership traits; but in the style approach organizations sought out leaders who displayed certain behaviors. And while the traits are innate and cannot be learned, leadership behavior can. After more than twenty five hundred cases and one hundred thousand survey responses, Kouzes and Posner (1999) affirmed that leadership can be learned. This approach, originally proposed by Ohio State University, consisted of two parts: the consideration, which has to do with the leader's profile; and the initiating structure, i.e., which emphasized work activities. The conclusion of a research by Halpin (1957:64) was that "the optimal leader behavior is that which achieves high scores on both dimensions, and not that which involves a trade-off between the two" (as cited in Bryman). In other words, both parts are equally necessary and must coexist together for efficacy. George offered excellent advice regarding which style is best for the leader, "develop your unique leadership style" (p. 13). In other words, leaders should select the style that best fits them.

There were several problems with the style approach. While Bryman listed six problems, only two are mentioned, simply to reveal that weaknesses exists. First, Korman's (1996) research "revealed that the magnitude and direction of correlation between consideration and initiating structure and various outcomes measures were highly variable. And many correlations failed to achieve statistical significance" (as cited in Bryman). This first failure led to the second weakness. Korman also argued that the outcome of the Ohio State research was faulty because it failed to include certain variables, including situational variables, related to the leader's behavior. The leader's style is not cut-and-dry; it depends on the environment. One behavior may be best in one
setting and another in a different setting. This, naturally, makes measurements difficult. And as style changes in different settings, so must the variables.

_The Contingency Approach_

This is the third of the four leadership trends according to Bryman and covers the timeframe from late 1960's to early 1980's. This approach is also commonly referred to as the situational approach because the leaders' style is contingent to the situation. Some researchers, however, proposed that the contingency and situational approach are not one, but two separate theories (as cited in Cherry, n.d.). There are two basic theories under the contingency approach: the situational and the path goal. Each are examined.

The situational theory is one leadership style under the contingency approach. Northouse stipulated that situational leadership is a part of the broader segment called contingency leadership theory. Bryman presented its efficacy, "a particular style or pattern of behavior will be effective in some circumstances ... but not in others" (p. 11). In other words, leadership style changes with the situation. Harvey (1984) elucidated that there is no one single formula to apply in every situation; efficacy increases through increased knowledge and practice. And according to Hersey (1984), in order for the leader to be effective, he must understand the situation.

The path-goal theory is another leadership style under the contingency approach. To understand the connection we must first understand what the path-goal theory is. “Path-goal theory is about how leaders motivate subordinates to accomplish designated goals” (Northouse, p. 125). Under this theory leaders create the structure and strategies contingent to the goal of the organization, and then motivate employees to reach the goal. As Bryman explained, "The path-goal theory of leadership ... is a good example of a
contingency approach" (pp. 11-12). While both theories have similarities, motivational emphasis is stronger in the contingency theory than the situational.

There are strengths and weaknesses in the contingency approach. According to Thompson, Strube and Garcia (1981) supported this model while Yukl (1989) opposed it because of its methodological problems. Thompson, in his research, expounded on two weaknesses: one from the conceptual standpoint, and the other from cost-benefit analysis. On the first, Yukl & VanFleet (1992) elaborated, “From a conceptual standpoint the model is limited because the effectiveness of the task-relationship dimension is the only trait hypothesized to be impacted by situational favorability" (as cited in Thompson). On the second weakness, Bass (1985) explained that, “because path-goal theory is based on expectancy theory, it is limited to a cost-benefit analysis approach to leadership" (as cited in Thompson). While cost-benefit is primal, it is not the only primal construct that needs to be considered under this theory.

*New Leadership Theories*

This is the fourth and last leadership trend according to Bryman, whose time began in the early 1980's to the present. The main theories under this umbrella are: charisma, laissez-faire, transactional and transformational, with the last three falling under the Full Range Model of Leadership.

The two leadership theories that have dominated the New Leadership Theories are transactional and transformational as first proposed by Burns (1978) and later expanded by Bass (1985). Both Burns and Bass included transactional leadership in their discussion on transformational leadership. Transactional and transformational leadership, along with the less popular laissez-faire, will now be covered under the heading of Full
Range Model of Leadership.

Full Range Model of Leadership

There are three styles of leadership under the full range model. We shall now look at each one, beginning from the least to the most effective.

Laissez-Faire Leadership

This is the least effective among the three. This style of leadership “is best described as neglecting to take action and denying responsibility, and generally doing nothing” (Perlmutter, 2012, p. 12). Bass and Riggio (2006) presented a more enlightening explanation, "Laissez-faire leadership is the avoidance or absence of leadership and is, by definition, most inactive, as well as most ineffective according to almost all research on the style" (p. 8). Laissez-faire is the antithesis of transactional leadership, and, according to Bass and Riggio, is simply a "nontransaction" (p. 8). Laissez-faire leadership is essentially non-leadership.

Transactional Leadership

As the name implies, there is a quid pro quo in this model. Bass and Avolio (1994) posited that "Transactional leadership emphasizes the transaction or exchange that takes place among leaders, colleagues, and followers" (p. 3). The focus of this transaction is reward or lack of, commensurate to employee performance. "Transactional leadership occurs when the leader rewards or disciplines the follower depending on the adequacy of the follower's performance" (Bass & Avolio, 1994, p. 4). Bossidy and Charan (2002) agreed that rewards are important; they keep employees productive. But the reward does not need to be tangible; sincere words from the heart can go a long way. "You can never say 'good job,' 'thank you,' and 'I believe in you' too often. Simple verbal recognition for
a job well-done is a powerful motivator" (Burnison, 2012, p. 106). In fact, according to Goldsmith (2007), the two sweetest words in the English language are "Thank you" (p. 88). Sirota, Mischkind, and Meltzer (2005) agreed, asserting that simple recognition is "among the most fundamental of human needs" (p. 223). Instinctively, people seek approval and affirmation. Burnison opined that there are other human needs besides monetary gain; leaders must also seek to fulfill the emotional needs of those they serve. Bass and Avolio (1994) argued that while rewards are good, they must be personalized. Different people favor different forms of rewards; hence, leaders must align the reward to the personality of the recipient. While rewards are clearly a component of transactional leadership, it becomes transformational if the reward is personalized. Personalized rewards would fall under the component of individual consideration. Herr (2009) admonished that if employees do not receive a regular dose of rewards for good work done, they will feel like losers and not winners. Kawasaki (2008) offered a caveat in regard to bestowing verbal recognition: avoid flattery.

Transactional leadership has two distinct components: management-by-exception and contingent reward. The former may be passive or active. Per Perlmutter, passive management-by-exception focused “on errors and only intervening when problems, mistakes, and errors can no longer be ignored” (p. 13). This type of leadership is closest to laissez-faire. On the other hand, Perlmutter elucidated that active management-by-exception, as the term implies, is active monitoring, i.e., taking corrective actions before problems arise or become serious. Contingent reward is the second component and, according to Perlmutter, “is the most constructive and effective of the transactional leadership behaviors (although still less effective than any of the transformational
leadership behaviors)” (p. 14). Rewards are contingent to performance. Followers want their work to be appreciated and recognized.

The issuance of rewards was not only found in business; it has substantial biblical support. Korver (2011) indicated in his thesis that there are two kinds of rewards in the Bible: "the crown rewards" (p. 92) and "the overcomer rewards" (p. 103). Korver enumerated five crown rewards: the crown of life, the crown of righteousness, the crown of glory, the crown of rejoicing, and the incorruptible crown. Korver next explained the overcomer crown as mentioned in the book of Revelations, chapters 2 and 3. By issuing rewards the Bible portrayed the Lord as transactional in His dealings towards His servants. The Lord not only offered rewards in this life, but also in the life to come (Matthew 19:29).

Transformational Leadership

We will first define what transformational leadership is. James McGregor Burns proposed that "transforming leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one another to high levels of motivation and morality" (as cited in Kellerman). This was an intriguing and revolutionary idea. Perlmutter clarified that while many transformational researchers, such as Bass (1997), emphasized that leaders raised the levels of followers, Burns held to the position that the reverse was also true. Gardner (1990) agreed that leader and follower raised each other up when he explained, "followers have about as much influence on their leaders as their leaders have on them" (p. 24). In order words, transformational influence is bi-directional, it operates upwards and downwards.
Transformational leadership has received much attention in recent years, is becoming the most dominant leadership style today, and according to Northouse, is “one of the current and most popular approaches to leadership that has been the focus of much research since the early 1980s” (p. 171). Barling (n.d.) explained the value of transformational leadership, “Transformational leadership is the dominant leadership theory today, attracting more research than any other leadership theory over the last 40 years” (p. 1). Its importance is further substantiated by Noland (2005), "Transformational leadership is a well documented and validated leadership phenomenon studied in management and in organizational realms" (as cited by Kirika).

According to Myers (2008), the goal of transformation is “changed people” (p. 115). Peters and Waterman (1982) extolled the virtues of transforming leadership because it "builds on man's need for meaning [and] creates institutional purpose" (as cited in Bryman).

Transformational leaders helped followers attain Abraham Maslow's highest need. According to Maslow, man has five essential needs ranked from bottom to top, called "hierarchy of needs." This hierarchy of needs is a principle still very popular in the field of sociology. As each lower need has been met, man then strives for the next higher need until he has attained the highest level. Maslow taught "that people naturally and intrinsically strive to fulfill all of the upper level needs - but only once their lower level needs have been met" (as cited in Crowley, 2011). Crowley elaborated, "At the top of the pyramid, Maslow emphasized the importance of 'self-actualization,' a process of growing and developing as a person to maximize one's full human potential" (p. 2). Crowley believed that employers in this day and time need to help employees "seek through their
work the kind of actualization that Maslow outlined nearly seventy years ago” (pp. 3-4).

While Gilbert (2012) believed that transformational leadership fulfilled Maslow's Hierarchy of Needs, unlike Maslow, he did not believe that each step was rigid and well-defined, but rather fluid and flexible. Gilbert asserted that one can seek higher needs even before the lower ones have been fully met. See table 3 for Maslow's Hierarchy of Needs pyramid.

Table 3

Bass and Avolio (1994) itemized the four transformational leadership components as: idealized influence, inspirational motivation, intellectual stimulation and individual consideration, referred to as the “4 I’s.” Northouse, on the other hand, used 5 I's instead, where he divided idealized influence into two parts: idealized attribute and idealized behavior. In either case, there are not only many subsets in each category, but a subset may fall under two or more categories. For instance, leaders provide tools and resources
for the follower to grow. This falls under intellectual stimulation if the tools and resources stimulated the mind; under individualized consideration if they were personalized; and under inspirational motivation if they inspired the employee to greater levels of productivity.

Bass and Riggio argued that transformational leadership improved organizations in three positive ways. First, followers became more committed. "Each of the components of transformational leadership can help build follower commitment" (p. 36). Without committed followers it is difficult for an organization to grow. Secondly, followers became more contented. "Transformational leaders have more satisfied followers than non-transformational leaders" (p. 41). This is paramount because job dissatisfaction is widespread in the workplace today. According to Crowley, U.S. job satisfaction has reached a 22-year low, from 61.1% in 1987 down to 45.0% in 2009. Kazmi and Naaranoja (2013) discovered in their research that not only is job satisfaction at a low (76% of respondents), but provided one key reason, i.e., management was too controlling, limiting creativity. Thirdly, leaders built trust. "Transformational leaders gain follower trust by maintaining their integrity and dedication, by being fair in the treatment of followers, and by demonstrating their faith in followers" (p. 43). Barling likewise listed its many virtues,

Specifically, research has shown that transformational leadership is positively linked to: subordinate work attitudes (e.g., loyalty and commitment; job satisfaction); subordinate work performance (e.g., sales); employee creativity; employee well-being (mental and physical health, occupational safety); and financial performance. (p. 2)
Transformational leadership has been found to be effective in just about every career. Bass and Avolio (1994) elaborated, "Many research studies have been completed in business and industry, government, the military, educational institutions, and nonprofit organizations" (p. 5). Bass and Riggio concurred, delineating its use in: U.S. and North American companies (Seltzer & Bass, 1990), Russian companies (Elenkov, 2002), Korean companies (Jung & Sosik, 2002), New Zealand (Singer, 1985), military (Bass, Avolio, Jung, & Berson, 2003), private sector (Hater & Bass, 1988), government (Wofford, Whittington, & Goodwin, 2001), educational (Harvey, Royal, & Stout, 2003), nonprofit organizations (Egri & Herman, 2000), salespeople (Jolson, Dubinsky, Yammarino, & Conner, 1993), health care workers (Gellis, 2003), high school principals (Hoover, Petrosko, & Schultz, 1991), athletes (Charbonneau, Barling, & Kelloway, 2001), and prison workers (Walter, 1998).

Bass may be considered the founder of transformational leadership. Bass and Avolio explained that this leadership model was first mentioned in Downton's Rebel Leadership (1973) and conceptualized by James McGregor Burns in 1978. However, it was Bass in 1985 who "presented a formal theory of transformational leadership as well as models and measurements of its factors of leadership behavior" (Bass & Avolio, 1994, p. 2).

The tool used to measure transactional and transformational leadership abilities is the Multifactor Leadership Questionnaire (MLQ). This tool is not limited to one nation or culture; it is ubiquitous. Bass and Riggio explained, "Indeed, research on transformational leadership, including the use of MLQ, has taken place in every continent and in nearly every industrialized nation" (p. 16). Bass and Riggio further expanded, "The MLQ has been completed by more than 15,000 respondents and translated into
many languages, ranging from German and French to Japanese and Hebrew" (p. 22). This questionnaire has been used in both Eastern and Western cultures. We shall now look at the five transformational leadership dimensions.

*Idealized influence (attribute).* Leaders must possess certain attributes if they are to effectively influence others. First, Felfe (2002) proposed that transformational leaders must serve as a role model and possess high moral standards. Second, according to Northouse, transformational leaders need to look beyond self-interest for the good of the group. Burns (1978) agreed, stating that transformational leaders "transcend their own self-interest and work towards the common good for the followers" (as cited in Bass & Riggio). Shamir, House, and Arthur (1992) concurred with Northouse and Burns, "Under transformational leadership, followers put the goals and values of the organization ahead of their own" (as cited in Thompson). Transformational leaders look at the good of the whole rather than themselves. Third, transformational leaders must look beyond the present and visualize tomorrow’s possibilities. Beckhard claimed that twenty-first century leaders must have "an orientation toward the future" (Hesselbein, Goldsmith, & Beckhard, p. 127). What may have worked today may not tomorrow. Drucker (2004) counseled leaders to avoid the impediment of today’s success by confining strategies and vision to yesterday’s realities. Fourth, transformational leaders must have a high degree of honesty. Honesty, integrity and credibility are paramount and go together; one builds upon the others. They must be taken seriously. Leaders must possess character (Kouzes & Posner, 2007), honesty (Borek, Lovett, & Towns, 2005), and integrity (Kirkpatrick & Locke, 1991). Bass and Riggio noted that a New Zealand study confirmed that transformational leaders had more integrity than nontransformational. Fifth,
trustworthiness is another essential attribute. A research by GLOBE (Global Leadership and Organizational Behavior Effectiveness) regarded trustworthiness as a "global leadership behavior" (Northouse, p. 348). It is not geography-specific. Bass and Avolio (1994) also stated that trust cannot be undervalued, for without it leaders may face "extreme resistance" (p. 132). Lest we think that trust is a one-time virtue, Bass and Avolio (1994) contended that it is ongoing. Trustworthiness is not an event but a process. Lastly, Colayco (2005) noted that frugality is another transformational leadership attribute (p. 107). Transformational leaders allocate the budget circumspectly. Stern and Deimler (2006) advised that companies "maximize cash withdrawal" and avoid "cash traps," where investments and reinvestments exceed reported profit and debt capacity (p. 255). Unfortunately, with few exceptions, frugality is uncommon to Filipinos. Colayco observed how many parents have taken on excessive debt to celebrate their child's birthday, graduation, or wedding due to pressures from family, friends or even from the community. Ostentatious celebrations have often burdened the poor to carry greater debt.

**Idealized influence (behavior).** This is a salient factor because “transformational leadership requires that leaders be aware of how their own behavior relates to the needs of their subordinates and the changing dynamics within their organization” (Northouse, p. 190). Transactional leaders influence the behavior of the followers. According to Rock (2006), it is difficult to change behavior because it is hard to change habits. "Leaders model desired behaviors" (Hesselbein, p. 69). One way for leaders to model such behavior is by example. Sanders proposed that "A leader must be a worthy example for the people" (p. 49). No leader should expect a behavior from others that he himself
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cannot manifest. Boyatzis and McKee (2005) exhorted, borrowing a quote from Mahatma Ghandi, "Be the change you wish to see in the world" (p. 201). Servanthood should be another behavior for leaders. Sanders accentuated service as a requirement for those who desire to lead. Doing right is another essential idealized behavior according to Barling, “… consistently choose to do the right thing rather than the merely expedient” (p. 3). The means is just as important as the end; both must pass the test of scrupulousness.

**Inspirational motivation.** Successful leaders are able to inspire. MacArthur commented, "A true leader inspires followers" (MacArthur, p. vi). But inspiration in itself will not suffice; it must lead to right action. Northouse advocated that leaders inspire others to become committed to a shared vision. Inspirational leaders are also transparent; they communicate openly. "We have found that openly sharing information actually allows you to speed things up" (Menkes, p. 42). Followers will be inspired to act when they are given forthright information. Withholding information does not inspire; instead, it builds mistrust. Motivation is linked to charisma. It helps that the leader has charisma. In fact, House and Shamir (1993) commented that charismatic leadership, which is the combination of inspirational motivation and idealized influence, ranked higher than other transformational leadership components. Bass (1985) and Bass and Avolio (1993), on the other hand, considered all four aspects standing on equal ground. Transformational leaders capitalize on words that motivate. For example, telling employees "I know you can do it!" can inspire them "to go the extra mile and accomplish great things” (Barling, p. 3).
**Intellectual stimulation.** No matter what geographical area a leader serves, he needs intelligence. This applies in the Philippine terrain as well. Intellect is a criterion not only for leaders but also for capable followers. Followers must be challenged to identify, understand and solve problems themselves. They should not totally rely on their supervisors to make decisions for them; but accept challenges and make decisions on their own. Rock suggested leaders ask a lot of questions. In fact, he recommended they ask at least five questions, explaining that leaders can become lazy and stop at only two or three relevant questions. Bates reflected, "Instead of shying away from hard work, I learned to welcome it" (Harrell, 2003, p. 25). In other words, leaders do not always take the easy road. In the area of problem-solving, Rost (1993) articulated that oftentimes the solution may not appear the first time. Therefore, one must look at the problem two or three times, removing assumptions, before a solution can finally be found. Solving problems, completing projects and unifying members to work together are vehicles for professional development. "Indeed, intellectual stimulation can play a central role in the process of continuous improvement" (Bass & Avolio, 1994, p. 134). Besides problem-solving, another intellectual stimulation ingredient would be employee job appraisals. When done right performance reviews have great benefits. According to Nash (1985), performance appraisal must be valid and objective. Rothwell (2010) claimed that meaningful performance appraisal should provide employees three important data: what they are doing well, what they should improve, and how they should improve. Appraisals should be constructive.

**Individualized consideration.** This facet cannot be overestimated. "Individualized consideration is one of the hallmarks of transformational leadership" (Bass & Avolio,
1994, p. 75). If there is one commonality among people, it is "the need to be understood and appreciated for their unique qualities by someone in authority" (Lencioni, 2007, n.p.). No two people are alike; therefore, leaders must implement strategies that compliment each person's personality and preferences. Personal touch cannot and should not be undervalued. Thompson expounded, “Transformational leaders demonstrate individual consideration, in that they demonstrate concern for employees on an individual basis (p. 10). Leaders must recognize that individuals are different; consequently, rewards, challenges and job assignments must be tailored to the preferences of that individual. There is a close relationship between performance and employees' perception on how management cares for them. "Employees who strongly believe that management cares about their ideas and treats them fairly are the most motivated" (Bass & Avolio, 1994, p. 191). There exists a causation effect: the more employers care, the more motivated and productive employees become. When it comes to individual consideration, there is no "one size fits all" option. Kouzes and Posner (2007) explained this aptly, "A one-size-fits-all approach to recognition feels disingenuous, forced, and thoughtless" (p. 292).

There are many ways to demonstrate individual consideration in practical ways. According to Barling, leaders need to listen, recognize and respect employees individually, call them by name in conversation, emails, and greet them on their birthdays. And according to Bass and Avolio (1994), another way is to address each complaint individually. A third way is "by expressing gratitude for having them on your team" (Crowley, p. 83). And fourthly, leaders should encourage followers individually. Jesus Himself encouraged His disciples. When they were downcast, the Lord uplifted them with these comforting words, "Do not let your hearts be troubled" (John 14:1). In
order for leaders to display individual consideration they must make time to know each follower.

Empowerment, one salient part of transformational leadership, should be individualized. Leaders should not do all that needs to be done; they empower others. According to Bass and Riggio, empowering followers is the end result of two transformational components: intellectual stimulation and individual consideration. Empowering followers helps them intellectually fulfill a task (intellectual stimulation), and strengthens their weaknesses (individual consideration). Empowerment, unfortunately, has its dark side. "Empowerment also can have negative consequences when the followers' goals oppose the organization's goals. Empowerment of followers may provide them with the opportunity to sabotage the organization" (Bass & Riggio, p. 199). Therefore, leaders must know their followers individually in order to thwart abuses.

*Transformational and Transactional Leadership*

Bass expanded the theories of transactional and transformational leadership as theorized by Burns. In the past, transactional leadership worked well; work for pay. With so many rural folks moving to the cities during the industrial revolution to find manufacturing jobs, employers did not concern themselves with employee welfare. Employees were dispensable. Consequently, employers were able to pay laborers as minimal as possible while demanding as much as possible. This transaction favored employers. This formula may have worked well then; but is no longer viable in today's environment. Twenty-first century employees are more demanding, sophisticated, and for many, union-active. Organizations today have moved towards a more
transformational style of governance. Bass and Avolio (1992b) recommended that organizations “move in the direction of more transformational qualities in their culture” (p. 16).

While Bass built upon Burns, they did not agree in every area. Two points of disagreement are now presented.

First, Burns envisioned transactional and transformational leadership as a single continuum, as seen in figure 1 below. Bass, on the other hand, saw transactional and transformational leadership not as lying in one continuum, but as two separate dimensions.

Secondly, Burns and Bass disagreed on whether transformational leaders had to be moral. Burns believed that leaders must be good. "A crucial element for James MacGregor Burns's conception of transformational leadership was his firm belief that to be transforming leaders had to be morally uplifting" (Bass & Riggio, p. 12). Bass, on the other hand, stipulated that leaders can “exhibit morally reprehensible behaviors” and yet be transformational because they transform the follower (as cited in Thompson). Thus, according to Bass, Hitler and Stalin, who murdered millions, would still be
transformational because they transformed people. Bass and Riggio (2006) commented that such personalities would not be transformational but "pseudotransformational, or inauthentic transformational leaders" (p. 13). It appears that in this issue Burns' argument has greater weight; after all, transformational leaders "trust each other to do what is right" (MFQ questionnaire).

According to Bass and Riggio (2006) and Bass and Avolio (1994), research has demonstrated that transformational leadership builds upon and exceeds the efficacy of transactional leadership. While there are many reasons why transformational leadership is more efficacious than transactional leadership, five are listed. First, according to Barling, it raised the bar by elevating others. Second, according to Northouse, it changed and transformed employees. Admittedly, reasons one and two are interrelated; when the bar is raised and expectations heightened, lives become transformed. Third, it has received much academic attention. Northouse observed that transformational leadership “has been widely researched from many different perspectives” (p. 186). Again, according to Northouse, it is follower-focused, meeting followers' needs. Lastly, it is the theory that worked well in alleviating poverty, which is one key goal of IST. James MacGregor Burns (2003) in his book Transforming Leadership, "asserts that transformational leadership is needed to solve the world's most critical problems, such as global poverty" (as cited in Bass & Riggio). Of all the leadership theories, transformational leadership is the most congruent to the aims of the Institute of Social Transformation.

Table 4

<table>
<thead>
<tr>
<th>From what?</th>
<th>To what?</th>
<th>Which relationship?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost soul</td>
<td>Saved soul</td>
<td>With God</td>
</tr>
<tr>
<td>Dying body</td>
<td>Nourished body</td>
<td>With self</td>
</tr>
<tr>
<td>Sick body</td>
<td>Healed body</td>
<td>With self</td>
</tr>
<tr>
<td>Broken mind</td>
<td>Restored mind</td>
<td>With self</td>
</tr>
<tr>
<td>Unjust social system</td>
<td>Just social relationships</td>
<td>With community and others</td>
</tr>
<tr>
<td>Violence</td>
<td>Reconciled relationships</td>
<td>With community and others</td>
</tr>
<tr>
<td>Decaying creation</td>
<td>Sustaining world</td>
<td>With environment</td>
</tr>
</tbody>
</table>

(p. 93).

To better understand the differences between transactional and transformational leadership, Bass & Riggio presented sample items under each category as seen in figure 2.

Figure 2

*Transformational Leadership*

Idealized Attribute My leader instills pride in me for being associated with
Idealized Behavior  My leader specifies the importance of having a strong sense of purpose.

Inspirational Motivation  My leader articulates a compelling vision of the future.

Intellectual Stimulation  My leader seeks differing perspectives when solving problems.

Individualized Consideration  My leader spends time teaching and coaching.

Transaction Leadership

Contingent Reward  My leader makes clear what one can expect to receive when performance goals are achieved.

Management by Exception (Active)  My leader focuses attention on irregularities, mistakes, and deviations from standards.

Management by Exception (Passive)  My leader shows that he or she is a firm believer in "If it ain't broke, don’t fix it." (p. 21)

Strengths of Transformational Leadership

Peter Northouse, in his book Leadership, presented six strengths of transformational leadership. All six strengths are presented because of their weight.

First, transformational leadership is widely researched. In fact, Northouse attested that 34% of the articles on Leadership Quarterly from 1990-2000 were about transformational or charismatic leadership. There has been a plethora of data regarding this leadership style.
Second, "transformational leadership has intuitive appeal" (Northouse, p. 187). It has widespread appeal because it provides "a vision of the future" (p. 187). People desire a better future and that begins with a vision. Vision is important for two reasons: a) "Without vision people perish" (Prov. 28:18, New International Version), and it is the driver for social change. There are many kinds of leaders, including "a leader of social change" (Hesselbein, Goldsmith, & Beckhard, 1996, p. 127). Such men and women devote themselves to bettering the lives of others. Martin Luther King, Jr., Mother Theresa, and Nelson Mandela would be prominent examples of social change agents. Raquel Carmina, founder and director of IST, would also fall under this category.

Third, "transformational leadership treats leadership as a process that occurs between followers and leader" (Northouse, p. 187). It looks at leadership and its effect from both sides, leader and follower. Transformational leadership is not so much leader-centric.

Fourth, "the transformational leadership approach provides a broader view of leadership that augments other leadership modes" (Northouse, p. 187). It is an extension of the transactional leadership style and an antithesis of laissez-faire. While transformational leaders serve their followers, it is also more extensive than servant leadership because it raises the bar for followers. Transformational leaders are servant leaders, and more. The Lord Jesus, a transformational leader, exalted servant leadership, "And whoever desires to become great among you, let him be your servant" (Matthew 20:26, New International Version). While servant leadership is focused on serving, transformational leadership goes further because it includes challenging, empowering and uplifting.

Fifth, the transformational leadership has a "moral dimension" (Northouse, p. 187).
Transformational leadership accentuated doing right. Other leadership models do not underscore ethics as deeply as transformational.

Lastly, transformational leadership is not simply abstract and theory; it has worked. Yukl (1999) clarified, "There is substantial evidence that transformational leadership is an effective form of leadership" (as cited in Northouse). Not only is it effective in virtually every career, but also "in a variety of different situations" (Northouse, p. 188).

**Weaknesses of Transformational Leadership**

Transformational leadership is not a perfect model; it has its weaknesses. Three are explained below simply to show that transformational leadership has its deficiencies.

First, "it lacks conceptual clarity" (Northouse, p. 188). In other words, it has too many different activities; it focused on too many divergent ingredients and mechanisms. Under each component are several sub-units. For instance, individual consideration includes recognition, reward, personal development, delegation, individual goal-setting and clarity of vision. Because it expands in so many areas, it often overlaps with other leadership styles.

Second, "criticism revolves under how transformational leadership is measured" (Northouse, p. 188). According to Tejeda, Scanduta, and Pilar (2001), the 4 I's "correlate highly with each other, which means they are not distinct factors" (as cited in Northouse). Measurements are difficult with unclear variable boundaries.

Third, according to Bryman (1992), "transformational leadership treats leadership as a personality trait or personal predisposition rather than a behavior that people can learn" (as cited in Northouse). In other words, much of transformational leadership consists of traits a leader has congenitally. The difficulty with this last weakness is that some traits
may actually be a behavior that may be learned. For instance, a cheerful disposition may be inborn. But it can also be learned.

Charisma can be both a strength and a weakness. Burns and Bass integrated charisma as a quality of transformational leadership. We will first define what charisma is, and then examine in the next section how charismatic leaders have abused their power.

The word "charisma" was first used by the apostle Paul who described it as "gifts or powers that were manifestations of God's grace" (Gardner, p. 34). Then in the late 19th century, Max Weber, the German sociologist and philosopher, defined it as an individual with "supernatural, superhuman or at least specifically exceptional powers or qualities" (as cited in Gardner). More recently, Burns believed that there was much ambiguity in this term, and simply defined it as "magnetism, persuasiveness, or nonrational appeal of certain people" (as cited in Gardner). Avolio, Bass, and Jung (1999), Bass (1997), Bycio, Hackett, and Allen (1995) and Tepper and Percy (1994) argued that charisma was the combination of idealized influence and inspirational motivation.

The Dark Side of Transformational Leadership

Unfortunately, there has been much research indicating that transformational leadership has been abused. Alimo-Metcalf warned that transformational leaders have the potential for the greatest good, and also for the greatest evil, depending on "the disposition of the leader" (p. 24). With leadership comes power, and power may be abused. The role of charisma in transformational leadership may become a destructive force in an organization. Bass & Riggio (2006) explained,

A critical concern for theories of both transformational and charismatic leadership involves what many refer to as the dark side of charisma - those charismatic leaders
who use their abilities to inspire and lead followers to destructive, selfish, and even evil ends. Most often coming to mind are international leaders who wretched havoc, death, and destruction on thousands and even millions - Adolf Hitler, Pol Put, Josef Stalin, Osama Bin Laden. (p. 5)

Menkes (2006) warned that charisma can become a "trap" (p. 163). He explained that leaders are often chosen because of their charisma rather than their skills or past performance. Khurana (2002) in his book entitled Searching for a Corporate Savior argued that charisma is "often emphasized at the expense of more substantive drivers of executive success" (cited in Menkes). Conger (1989) in his book has an entire chapter, chapter 8, entitled, "The Dark Side of Charismatic Leader." Pat Russo, CEO of Lucent Technologies, collaborated this dark side of charisma. "You can have all the charisma in the world, but if you are not effectively leading, managing, and getting results, it won't matter" (Menkes, p. 164). According to Menkes, Jon Miller, CEO of AOL 2002-2006, elucidated that the charismatic style of leadership is not so much serving the customer or the market but the leader himself. There are leaders who promote their own agenda and seek their own glory. Sanders (2007) described these individuals as leaders with "selfish motivation" (p. 13). In selecting leaders organizations must look beyond personality to other factors, such as experience, intelligence and achievements. Tourish claimed that the more charisma a leader has, the greater the potential for abuse. Conger offered a revealing attribute of charismatic leaders that may lead to their eventual downfall, they are impatient; they desire change now. Conger also revealed that this impatience to change the status quo alienated them from their followers. But despite its negative effects, overall, when put on the balance, the good outweighed the bad. Thompson
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concluded, “Most research has demonstrated that the outcomes of transformational leadership are positive” (p. 12).

Transformational Leadership in the Asian Context

In a globalized economy there is greater interaction between East and West. Ideally, companies seek to keep what is good in their own culture and adopt what is beneficial from the other. As former Prime Minister Lee Kuan Yew declared, "We adopt enough of the West to hoist in their science, their technology, their competitiveness. Like the Japanese, we should try to remain as much ourselves as we can” (as cited in Ulrich and Sutton, 2011). There are also areas of commonality between East and West in the field of leadership. In a symposium of Asian leaders, according to Ulrich and Sutton, there was a consensus that Asian leaders must excel in good governance. Good governance is a salient factor for both East and West alike.

IST is a nonprofit that uses transformational leadership within an Asian context. Consequently, we shall now look at five multinational companies who implemented transformational leadership in Asia, namely: DBS Banking, 7-Eleven, GE Healthcare, MediaCorp, and IBM. By focusing on these five companies, we shall recognize that transformational leadership works well within the Asian context.

Intellectual stimulation and individual consideration were exhibited by DBS, the largest bank in South East Asia in terms of assets, and among the largest banks in the Asian continent. One employee, Jennifer Pardo Tiburcio, was able to assist a customer stranded in Nepal needing emergency cash. DBS had no branch in that country. According to Ulrich and Sutton, Tiburcio advised the customer to go to a nearby bank to make a withdrawal. Using her mental acumen (intellectual stimulation), she convinced
another bank in Nepal to loan money to the stranded tourist. She was also able to provide personalized service to that single customer (individual consideration).

Individual consideration was exhibited by 7-Eleven, an international company with branches in Canada, Japan, Thailand, Hong Kong, Philippines, as well as Scandinavian countries. Ulrich and Sutton mentioned a study by Sutton and Rafaeli (1988) that convenience store employees worldwide were trained to greet, smile, make eye contact and thank each customer.

Idealized behavior was exemplified by GE Healthcare, a subsidiary of General Electric. It owns a software development entity in India and medical manufacturing plants in China. It promoted the idealized behavior of being a "good corporate citizen." (Ulrich & Sutton, p. 89). They are social-conscious, proactively improving the communities where their offices and plants were located.

Rewards were exhibited by MediaCorp, Singapore's largest media company with over 2,700 employees. Per Ulrich and Sutton, departments were rewarded for exceeding their goals. For instance, if a department achieved its target, MediaCorp announced a celebration coupled with ice cream and fun. Rewards motivated employees to do well next quarter, and falls under the category of motivational inspiration.

Idealized behavior was practiced by IBM, which has a large presence in Asia. This company embraced and continues to embrace "diversity and non-discriminatory practices" (Ulrich & Sutton, p. 269). A strong stand against discrimination was important because their employees came from over 30 nationalities with over one-third of the executive staff as women. Part of their success is their culture of inclusiveness.

Having examined transformational leadership and its relation to transactional and
laissez-faire leadership models, we shall now look at two other constructs: interpersonal trust and self-examination. Effective transformational leaders develop trust in their relationships and practice self-examination. We shall now look at these two vital dimensions.

*Interpersonal Trust*

Trust is not only a primal quality of an effective transforming leader but is needed today more than ever before. According to Datamonitor, a global research company, "86% of the consumers in the United States and Europe were less trusting of companies than they had been just five years ago" (Horsager, 2009, p. 33). The 11-item Interpersonal Trust Measure divided trust into affective and cognitive. The first five items in the questionnaire measured affect-based trust; the next six items measured cognitive-based trust. Cognitive trust is intellectual while affective is emotional.

According to McAllister's (1995) study, "Cognitive-based trust encompasses appraisals of dependability, reliability, competence and responsibility. Affective-based trust is on a more emotional level, and involves a reciprocal feeling of care and concern between the leader and follower" (as cited in Thompson). Research indicated that cognitive trust falls under transactional leadership while affective trust under transformational. Thompson posited that affect-based trust is closer to transformational leadership and is more important than cognitive trust because of how it affects employee job attitudes and behavior. While affect-based trust has a strong emotional content, cognitive trust best fits the transactional leadership model. Thompson elaborated, "In a transactional relationship, a follower's trust in the leader must only extend to a trust that the promised reward will be given for fulfillment of a specific task. This type of trust is more
indicative of cognitive-based trust” (p. 38). If an employee received a certain wage per piece produced, he learned to trust the employer for future transactions cognitively. This trust is transactional but not relational. Transformational trust emanates from the heart, is relational and of a deeper level.

Leaders must make it their priority to build trust since, with few exceptions, people follow trustworthy leaders. Harrell recommended, "I'd advise any business leader to put a high priority on building trust with employees" (p. 118). Fortunately, research by Northouse and MacArthur expounded on how to develop trust. Northouse postulated, “Transformational leaders create trust in their organizations by making their own position clearly known and then standing by them. Trust has to do with being predictable and reliable” (p. 183). MacArthur opined, "When people are convinced you will do everything in your power for their good and nothing for their harm, they'll trust you" (p. 12). Unfortunately, in the Philippines, with few exemptions, trust is lacking among government officials, replaced with graft and corruption. Adaza (2009), a prominent Filipino journalist and investigative reporter, commented in regard to the Department of Education, "With graft and corruption on the massive scale, how can the Department effectively teach kids to be honest? Dishonesty has become the name of the game" (p. 282). A lack of trust has dire consequences, both in the present and in the future. And once trust is lost, it is difficult to recapture it.

In contrast, trust was one virtue Grameen Bank, the originator of microfinance, earned from those they serve. Counts (2008) reported, “The bank had thousands of staff throughout the country that had earned the trust of the poor over years, even decades” (p. 79). Trust is rooted in credibility. Counts also commented how Grameen Bank trusted
their clients in offering, issuing and receiving financial transactions through cell phone
electronic commerce while this technology was still young. Trust, an integral part of
transformational leadership, must not be undervalued.

*Core Self-Examination Scale*

The Core Self-Examination Scale (CSES) is a 12-item, Likert-scale self-test given to
the leaders. According to Judge, Erez, Bono and Thoressen (n.d.), its subjectivity limited
this measure. Yet this test is important because a leader's view of himself is a predictor
of how effective he will be. Those who scored high tend to be efficacious leaders, as
authenticated by two researches. The first was by Judge, Erez, Bono, and Thoresen
(1997),

Because an individual who scores high on core self-evaluations is someone who is
well-adjusted, positive, self-confident, efficacious, and believes in their own agency,
it is this broad core that is then manifested in high level of self-esteem, emotional
stability, and general self-efficacy. (p. 4)

The second validation was from the model of House and Shamir (1993), “Individuals
with high core self-evaluation already view themselves and their abilities favorably, and
thus the effect of transformational leadership behavior may not [sic] as great as it is for
individuals with relatively unfavorable core-self-evaluation” (as cited in Thompson).
The degree of success and accomplishments is invariably related to self-image.

There are several strengths of the Core Self-Evaluation Scale. First, according to
Judge, Locke and Durham (1997), it had the ability to measure job satisfaction.
Thompson collaborated this correlation, as did Judge et al. (2003). Secondly, according
to Judge and Bono (2001b), the Core Self-Evaluation Metric measures job performance
as well. Other researches collaborated that this test was a measurement for job satisfaction and performance. According to Bowling, Wang, Tang, and Kennedy (2010), DeCarlo and Agarwal (1999), Erez and Judge (2001), Grant and Wrezsniewski (2010), Judge and Bono (2001), and Judge, Locke, Durham, and Kluger (1998), "Accumulating evidence suggest that core self-evaluation have been linked to job satisfaction, motivation, and performance" (as cited in Joo, Jeung, & Yoon, 2010). Thirdly, CSES is widely accepted among social scientists. According to PsycINFO Search (October 20, 2001), "The four core self-evaluations traits are some of the more prominent in psychology. Cumulatively, they have been referenced in more than 50,000 publications" (as cited in Judge, Erez, Bono, & Thoressen, n.d.). Fourth, "results suggest that the CSES is a valid measure that should prove useful in applied psychology research" (Judge, Erez, Bono, & Thoressen, n.d., p. 2). Thompson asserted that the CSES scored high in reliability with "adequate internal consistency estimates (\( \alpha = 84 \)) and test-retest reliability (\( r = 81 \))" (p. 46). It is reliable in the sense that the results are similar after many tests. Furthermore, in the manuscript entitled The Core Self-Evaluation Scale: Development of a Measure, the authors concluded that CSES “is a reliable measure as assessed by (a) internal consistency, (b) test-retest reliability, and (c) inter-source (self-significant other) agreement” (Judge, Erez, Bono, & Thoressen, n.d., p. 11). Its reliability is confirmed by Judge, Erez, Bono, and Thoressen, (n.d.), who determined that the Core measure "was reliable, displayed a unitary factor structure, correlated significantly with job satisfaction, job performance, and life satisfaction, and had validity equal to that of an optimal weighting of the four specific core traits" (p. 2). And lastly, this test can be used in divergent societies. Joo, Jeung, and Yoon discovered that the Core Self-Evaluation Scale
is not limited to the Western culture, it has been used cross culturally. This has been substantiated by Judge et al. (2004), who stated that CSES demonstrated "cross-cultural validity, showing the Spanish and Dutch versions of the CSES have similar psychometric properties to the English version" (as cited in Thompson).

CSES also has its own weaknesses and limitations as well. Two have been listed. Originally the test was long, "consisting of four scales that total 38 items" (Judge, Erez, Bono, & Thoresen, 1997, p. 6). Fortunately, there is a newer and shorter version consisting of 12 items. It was this shorter test that was employed for this research. Second, "the measures are indirect" (Judge, Erez, Bono, & Thoresen, 1997, p. 6). According to Judge, Erez, Bono, and Thoresen (1997), it does not measure the variables directly, but rather the traits that make up each variable. For instance, in the item, "I am capable of coping with most of my problems," this item focused on problem-solving abilities directly, and self-efficacy indirectly. Similarly, in the item "Sometimes I feel depressed," the focus was depression. This, in turn, indicated emotional stability.

The performance of a transformational leader is dependent on how he sees himself. Menkes recommended that leaders "actively evaluate themselves" (p. 4). Bossidy and Charan advised leaders with two powerful words, "know yourself" (p. 78). Naturally, it is not enough just to examine oneself; the goal should be that by knowing oneself, one might work to improve himself. Rost elucidated that leaders must not only be reflective, they must also reflect on their reflections. In a busy schedule leaders must take time to access themselves, their decisions and actions.

We shall now examine its four scales.
Self-Esteem

Self-esteem may be defined, according to Harter (1990), as “the overall value that one places on himself as a person” (as cited in Judge Erez, Bono, & Thoresen, n.d.). The level of one’s self-perception influences the level of his performance; they are directly correlated. Kellerman validated the need for self-awareness, "Leaders should acquire awareness, in particular, self-awareness" (p. 179). Goldman, Boyatzis, and McKee (2002) confirmed the link between self-awareness and job performance. Research supported the theory that leaders with good self-esteem inculcated higher self-esteem among their followers. Bennis and Nanus "found that positive self-regard in leaders had a reciprocal impact on followers, creating in them feelings of confidence and high expectations” (as cited in Northouse). In other words, self-esteem was contagious, flowing from leader to follower. Reasoner and Gilberts (1988) argued that this principle is not limited to the corporate world; it also applies in the classroom experience as well. Leaders with strong self-esteem tend to possess positive self-confidence. There are three evident benefits of self-confidence. First, research by Goldman, Boyatzin, and McKee, concluded that self-confident leaders capitalize on their abilities and leverage their strengths. Second, a study by McKee discovered that self-confident leaders do not fear challenges; they welcome them. And third, Novak affirmed that self-confident leaders are true to their convictions.

However, it is not always easy to identify one's abilities. First, people inherently have blind spots, which makes them unable to see themselves objectively. Secondly, according to Goldman, Boyatzin, and McKee, leaders may be plagued with "CEO disease" that limited their self-perception of their own strengths and weaknesses. Thus,
they encouraged leaders to seek out other people's perspectives in order to get an accurate picture of themselves (pp. 134-135). It is wise for leaders to receive as many viewpoints as possible because "multiple views render a more complete image" (Goldman, Boyatzin, & McKee, p. 135). Because those who evaluate another person do so with subjective lenses, it is always best to get as many opinions as possible. The middle ground will reflect the person's true self, and the outliers may be an aberration. It is paramount that leaders have an accurate image of themselves. Unfortunately, self-image can be negative or distorted. A distorted or negative self-image may limit performance. Waldroop and Butler (2000) concluded that a negative self-image "can hold one's career back" (p. 294) and result in "less success than the person might otherwise have enjoyed" (pp. 294-295). Consequently, raising one's self-esteem is one primal element for successful leadership.

_Self-Efficacy_

Before discussing self-efficacy, we must first differentiate self-esteem and self-efficacy. Davis (2010) clarified, "It's important to make the distinction between self-efficacy and self-esteem. The former is one's belief in their ability to succeed in a specific situation or task; the latter is one's overall sense of self-worth" (p. 167). So while self-esteem is broad, how one sees himself overall, self-efficacy is targeted, how one views his ability to perform tasks. There is, however, a direct correlation between self-efficacy and personal performance.

According to Locke, McClear, and Knight (1996), self-efficacy is defined as “an evaluation of how well one can perform across a variety of situations" (Judge Erez, Bono, & Thoresen, n.d., p. 3). Leaders need to believe in themselves if they are to succeed. Richard Davis (2010) argued, "But nearly all extraordinary leaders have a deep faith in
their own ability to do the job. They fundamentally believe that they will be successful in the task facing them and know that they are the most capable for the role they occupy” (p. 163). Their self-assurance is a factor of their success. A leader's faith in his or her ability is essential for effective leadership. In simpler terms, "To be able to do something, you need to believe that you can do it" (Davis, p. 165). Kouzes and Posner (1999) used the phrase "self-fulfilling prophecy;" if you believe you can do it, you will (p. 21). Davis proposed that a leader first visualize that the goal has already been reached in order to reach it. One needs a clear, mental picture of what the end should be in order to achieve it. According to Norton (2013), self-efficacy can be contagious in the sense that followers often internalize the leader's self-efficacy. When one is surrounded with co-workers who have high levels of self-efficacy, his or her self-efficacy likewise improves.

There are several reasons why self-efficacy is important. First, per Northouse, it determines job performance. Norton referred to a phenomena she called "reciprocal causation" (p. 14). Low self-efficacy leads to low success; and low success likewise leads to low self-efficacy. It is cyclic. Secondly, self-efficacy affects one's stress level. According to Bandura (1977), employees with high self-efficacy experience less work stress. Self-efficacy and stress are inversely related: high self-efficacy produces less stress levels, and low self-efficacy results in high stress levels. Therefore, it is vital that leaders raise their own and their employees' self-efficacy measures.

Leaders raise their own self-efficacy by completing challenging tasks, and raise employee self-efficacy by empowerment. According to Conger and Kanungo (1998), "Transformational leadership is also connected to empowerment through self-efficacy" (as cited in Kirika, 2011). Empowerment raises competency, and as a result, self-efficacy
as well. It is important for leaders to empower followers with tasks that the latter are able to accomplish. If the task is beyond one's capabilities, self-esteem is endangered, stress is increased, self-efficacy is lowered and their belief in themselves is stymied.

*Emotional Stability*

Effective leaders know how to manage their emotions for good. In fact, Goldman, Boyatzis, and McKee concluded, "Great leadership works through their emotions" (p. 3). The self-evaluation manuscript by Judge, Erez, Bono, and Thoresen examined emotional stability in one end of the spectrum, and neuroticism on the other end. The first is positive; the second negative. While all leaders fall in between these two ends, transformational leadership display stronger emotional stability or lower neuroticism. Leaders with strong emotional stability see the cup half-full, while those with strong neuroticism see it half-empty. Fortunately, the Core Self-Evaluation Scale is a valuable test because it measured both indicators. According to Judge, Erez, Bono, and Thoresen (n.d), some researches "measure only a single indicator (i.e., neuroticism or emotional stability), and thereby miss a substantial amount of valid variance" (pp. 6-7). Menkes noted that leaders with positive emotional stability are able to receive criticism, evaluate it circumspectly, and determine its worth more objectively. They are also more composed during times of change or stress. But when the emotions lean towards neuroticism "emotional hijacking" takes place (Goldman, Boyatzis, and McKee, p. 13). Leaders must remain positive under pressure because their mood will affect fellow-employees, and thereby stymie the organization's success.
Locus of Control

To best understand this concept four constructs will first be presented: identify its creator, define what it is, delineate its two categories, and consider its benefits. First, according to Neill (2006), Julian Rotter, an American psychologist, was the first to formulate this concept in the 1950's. Since then there has been more research regarding this construct. Second, locus of control may be defined as "an individual's perception about the underlying main causes of events in his/her life" (Neill, p. 1). Third, Neill also commented that locus of control has been divided into internal and external components. Under the internal locus individuals believe that their behavior is guided by their own decisions and efforts. Such individuals take responsibility for the outcome in their lives. Rotter explained that "locust is internal when individuals see events as being contingent on their own behavior" (Judge, Erez, Bono, & Thoresen, n.d., p. 3). Conversely, external locus of control occurs when individuals believe that their behavior and actions are guided by external forces, such as luck or fate. In other words, success is primarily due to circumstantial events or chance rather than self-effort. Lastly, we shall look at the benefits. Individuals with high levels of internal locus are "seen to be better off, e.g., they tend to be more achievement-oriented and to get better paid jobs" (Neill, p. 2). Leaders who believe that success depends on themselves work harder and persevere longer in order to achieve it.

Second Pillar: Poverty

The Bible teaches that Jesus ministered to the poor. He was not only a preacher of the kingdom; He ministered to the whole person by having fed the hungry, healed the
sick and encouraged the fearful. Similarly, the church must not close its eyes to the needs of the poor. Reinhold Niebuhr wrote, “Church gave birth to Social Welfare and is mother to it” (Kang, 2010, p. 3). Per Niebuhr, the church founded the social welfare movement. Kang added that the church gains the trust of the communities they serve by implementing social welfare programs.

Altarejos (2007) concurred with Kang when she penned, “This means that the Church is to work not only for the poor but also with the poor” (p. 228). The church must never neglect ministry to the poor and needy. Rauschenbusch (2007), an avant-garde of the social gospel movement, believed that God wanted people to accept Him, not only as personal Savior, but also as Savior of the whole person. The church is called to meet the needs of the whole person. There is a social gospel in the gospel message.

Aksular (2008) concluded that there are two kinds of poverty: relative and absolute. Relative poverty is relative to the poverty level of that country. Absolute poverty, sometimes referred to as deep poverty, is extreme poverty, where the individual lacks the basic resources to meet his daily needs, such as food, clothing, shelter, and clean water. Both kinds are prevalent in the Philippines.

The Causes of Poverty

Researchers have explained the various causes of poverty. For instance, Hanks (1983) affirmed, “Even a superficial survey thus reveals twenty or more causes of poverty mentioned in the Bible” (p. 35). Hanks, unfortunately, did not list what these causes are. By knowing the roots of poverty the church could respond better.

The first cause of poverty in the Philippines is related to the frequency of natural calamity. Claver (2008), referring to the Philippines, concluded that no other country in
the rim of fire has been bedeviled with more earthquakes and typhoons. Floods, typhoons, volcanic eruptions and earthquakes always cause severe structural and economic destruction in an agrarian country.

Brown (2011) presented the second reason for poverty, which he determined was the psyche of the Filipino people. His conclusion was that Filipinos generally only work until they have enough money saved up, quit, and return to work when their savings are depleted. It is unfortunate that Brown failed to explain why this is a common practice. Many of the men and women finding employment abroad, are separated from their families. Since many companies do not allow their employees to leave beyond the allocated vacation time, employees often resign or are terminated in order to return home to be with their families.

Aksular presented another angle regarding the psyche of the poor. While his study focused on Turkey, it has worldwide implications. In his study, a culture of poverty has dominated the thinking of the poor. The poor acquiesce to their status, believe it is their fate, accepting it as the will of God. Consequently, this defeatist attitude impedes them from succeeding and accelerates the cycle of poverty. After all, the mindset often precludes outcome.

Fuller (1994) presented the third reason for poverty. However, his assertion is not limited to the Philippines. Nations are poor because of the mismanagement of goods and resources. Fuller posited that there are enough resources for everyone in this planet, but because of greed, some have acquired more of their share, depriving the poor of theirs. Fuller promoted the "theology of enough," that is, when one has enough to live on, he should share the rest with his neighbor (p. 38). By way of context, Fuller was the founder
and former president of Habitat for Humanity. His entire life's work was an extension of his convictions.

Kwantes (1989) offered a fourth reason for poverty by stating that some Filipinos do not appreciate “the dignity of manual work” (p. 135). She gave an example of how struggling students at Silliman University turned down work grants to pay their tuition because it involved manual labor. In essence, she was stating that there are those who refuse menial jobs, depriving them of needed income. In such cases, the culprit may not be manual work, but one's pride or peer pressure.

**Solutions to Poverty**

Several authorities have offered their own solutions in solving the poverty issue. We shall now turn to these.

The first solution was offered by Clouse (1984), who stated that the affluent return to "simple living" (p. 150). His solution was supported by Poole (2001) who argued for "wealth reduction," i.e., the rich should share their wealth with the poor (p. 14). Fuller, mentioned in the previous page, would concur. Pope John VI agreed as well when he addressed the rich, "You have been appropriating things that are meant to be for the common use of everyone" (as cited in Dionisio, 2011). In essence, the path to solving income inequality is wealth distribution.

The second solution was offered by Dang (2009), who explained that NGOs work hand-in-hand with the government to alleviate poverty by providing "income-generating livelihood" (p. 68) and "low-interest loans" (p. 70). These two solutions appear to be a better solution than simply handouts. Incidentally, IST is fully involved in these two efforts.
The third solution was offered by Calix (2008), who argued that the national government set aside a larger share of the budget for social programs (p. 11) and prevent the "misuse of state resources" (p. 17). Fortunately, the first recommendation is currently being applied in the Philippines. In President Aquino 2012 Budget Message, “The Social Services sector continues to receive the lion’s share of 31.7 percent of the National Budget.” By way of clarification, President Aquino is the incumbent President.

The fourth solution was offered by Sider who proposed that controlling population growth would allow more resources to go around. Singapore would be a good example; having experienced robust economic growth under ex-Prime Minister Lee Kuan Yew because of his "Stop-at-Two" family policy (Lee, 2000, p. 140). According to a recent article in the Wall Street Journal, dated April 14, 2013, The Philippines has "one of the highest population growth rates in Asia, expanding by 1.9% a year, compared with 0.5% in China." The Philippines needs to take steps to curve population growth.

Sider also presented the fifth solution, which is the failure to contextualize. So often, the West impose their programs. But simply accepting the Western socio-economic strategies may not work in Eastern cultures. The model must be contextualized before it can be transferred cross-culturally. Good News to the Poor (2011), an IST booklet, warned against fully copying western ways, "The path to growth what the West has taken cannot be universal" (p. ix). It must adapt to each geography.

The sixth solution was offered by Fernandez (1997), who recommended that policy-makers avoid a “bureaucratic perspective,” i.e., proposing solutions without consent and counsel from the poor themselves (p. 47). Fernandez advocated that the poor be included in the planning, organizing and implementing stages; after all, it is the poor who best
understand their plight. In combating poverty collaboration works best.

The seventh and final solution was offered by Miranda-Feliciano (2001), who stated that Christians must stop oppressing household help and farm tenants. Christians decry human rights violations abroad without realizing that they too are guilty by abusing their help. This must end. Miranda-Feliciano, an advocate of the social rights for the poor, was critical of Christians who contributed to poverty and injustice.

Third Pillar: Credit Cooperatives

IST sought to combat poverty by implementing credit coops among the poor and marginalized. While credit coops and microfinance are often thought of as synonymous, they are not. In microfinance the net profit is distributed to the shareholders as owners of the lending institution. Credit coops, on the other hand, share their surplus revenue with its partners who are the borrowers. But in every other facet they are congruent. There are three reasons why microfinance was selected. First, microfinance was the first outreach program of IST, its biggest and most effective. Secondly, according to Counts, microfinance has both transactional and transformational qualities. And thirdly, microfinance is not limited to one geography; it works cross-culturally. Microloans, originally formulated by Grameen Bank, has now been implemented worldwide.

According to Counts,

It has been a long and improbable road to building the Grameen empire to where it is today, reaching into remote villages of Bangladesh, poverty-stricken islands of the Philippine archipelago, clusters of mud hunts in Malawi, and decrepit slums in Chicago, Los Angeles, and Paris. (p. 30)
Microfinance empowers the poor in three ways. First, it lifts them economically. "Microfinance should be seen primarily as a way of enabling the poor to lift themselves out of poverty" (Good News to the Poor, n.p.). Secondly, unlike banks that require collateral, it provides affordable, low-interest loans sans collateral. And thirdly, it prevents abuse. Without microcredit the poor are forced to borrow from loan sharks at exorbitant rates. And unable to pay that loan, they borrow from a second loan shark at higher interest rates to pay off the first loan, thus exacerbating the problem and continuing the destructive cycle of debt bondage. Despite its many success stories, microfinance has its detractors. "Microfinance has had no overall discernible impact on poverty" (Polak & Warwick, 2013, p. 48). These researchers highlighted Bangladesh as an example, home of the microcredit movement. In 1991 Bangladesh ranked 136th on the U.N. Development Programme's Human Development Index. Twenty three years later it ranked 146th (pp. 48-49). It may be possible that the decline was not because of the failure of microfinance, but external factors, such as economic crisis, political instability, government regulations or tariff restrictions.

We shall now look at how microfinance fits into the five transformational and one transactional components.

Idealized Influence (Attribute)

Transformational leaders demonstrate discipline and hard work. Mohammad Yunis, the founder of microfinance in Bangladesh, labored hard to build Grameen Bank, the legal entity that disbursed small loans. Counts reported that it was Yunis' custom to work until late while others at the office had already left. Transformational leaders also demonstrate sacrifice. Counts wrote that even though Yunis enjoyed his role as a
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professor of Chittagong University and head of the Economic Department, he resigned this comfortable job to establish a microfinance venture to assist the poor.

Idealized Influence (Behavior)

One idealized behavior is setting the example. Counts wrote concerning Yunis that "he merely tried to lead by example" (p. 28). Another idealized behavior is choosing to do what is right. According to Barling, leaders should “consistently choose to do the right thing rather than the merely expedient” (p. 3). Serving the poor, despite much opposition from civil leaders, educators and friends in the early days, was the right thing.

Inspirational Motivation

Transformational leaders inspire followers to reach the shared vision. Wilkes (1998) proposed that the mission should motivate followers. For microfinance to work effectively members must be motivated to repay their loans. By assigning individual members into groups, members motivate each other to make timely payments.

Intellectual Stimulation

Grameen Bank, the premier microcredit bank in Bangladesh, discovered that the number one reason for repayment failures was family illness. Counts recounted how Grameen Bank solved this pressing dilemma by establishing a network of clinics adjacent to bank branches. Leaders find solutions that work.

Individual Consideration

Counts recorded how Grameen Bank, in the early days, was able to solve problems in the local level by listening to ideas from clients and staff. Harris (2006) accentuated the need for leaders to listen, "The leader's ability to listen has great symbolic value to others in the organization" (p. 29). By listening to others Yunis discovered viable
solutions. Moreover, Yunis affirmed that “local problems needed to be solved by local people” (as cited in Counts, p. 56). Those at the front lines are more aware of the day-to-day struggles; they are best able to offer solutions because they have witnessed the trials first-hand.

Contingent Reward

Transactional leadership rewards outstanding performance. Members who repay their loans in a timely manner are rewarded by access to future, larger loans. At the same time, at the end of each year borrowers share in the surplus revenue as partners. IST is a nonprofit; it cannot legally make a profit. Thus, what IST distributes to its partners is not profit but "net surplus." Annually rewarding partners who repay loans is a bonus.

Microfinance is here to stay. Sullivan (2007) predicted that the future of microfinance is promising because "hundreds of millions if not billions are yet to be served by microcredit" (p. 161). And as the world population continues to increase exponentially, so will the demand for microcredit.

Summary

In this chapter we have examined transformational leadership, poverty and microfinance. And by integrating these three constructs, one can better understand the work of the Institute of Social Transformation. Transformational leadership is a vehicle used to transform lives beset in poverty through the ministry of microloans.
CHAPTER 3: METHODOLOGY

Introduction

This chapter will cover the following topics: research design, survey, participants, site, researcher’s role, data collection, data analysis, trustworthiness, personal bias, ethical issues, time, commitment and compensation, and lastly, translation issues respectively.

Research Design

This project was a qualitative, exploratory case study of a Philippine nonprofit; exploratory because findings and its interpretations are still to be discovered. In addition, this is a basic research whose goal is the extension of knowledge, in contrast to applied research whose goal is the application of discoveries. Survey results were cross-tabulated to compare transformational leadership in a metropolitan city and a rural area.

This case study employed multiple research sources, which included but was not limited to: Multifactor Leadership Questionnaire, Interpersonal Trust Measure Questionnaire, The Core Self-Evaluation Scale, document review, personal notes and observations, and interviews.

The Survey

Three different questionnaires were used. The Multifactor Leadership Questionnaire (MLQ) and the Interpersonal Trust Measure were given to partners to measure their leaders. The leaders, on the other hand, took two questionnaires as self-evaluations: the Multifactor Leadership Questionnaire and the Core Self-Evaluation Scale (CSES). By administering the survey to both leaders and partners, personal perceptions from both sides were assessed. Participation was voluntary.
The three questionnaires were field tested on Sunday, September 22, with Edna Mariano, a Filipina mother with limited education, who acted as a microcosm of the participants. She found little difficulty undertaking and answering the English questionnaires.

*The Multifactor Leadership Questionnaire*

The Multifactor Leadership Questionnaire (MLQ) contained 28 true, false, and undecided questions. According to Den Hartog, Van Muijen, & Koopman (1997), the MLQ “is a widely-used instrument for assessing leadership style” (as cited in Thompson). There is strong support for the Multifactor Leadership Questionnaire from academia in the social science field as well, such as: Northouse, and Bass and Riggio. In addition, Bass and Avolio (2003) supported this tool, “The MLQ is the best researched measure of leadership (especially Transformational Leadership). It shows strong validity, reliability, and evidence of prediction of organizational effectiveness” (p. 11). Of the 28 questions the odd numbers measured transactional and the even numbers transformational leadership. In order to determine the transactional leadership score, the researcher counted the number of true responses and subtracted the false responses in odd-number questions. The difference was the transactional leadership score. The transformational leadership score employed the same procedure, using even numbers instead. The maximum score in each category was +14 and the minimum is -14.

Mind Gardens, the MLQ producers, granted permission to use and reproduce up to 50 copies of the MLQ test. In addition, they set up restrictions, forbidding that the entire instrument of 28 items be displayed in a thesis or dissertation either in the body or as an appendix.
The Interpersonal Trust Measure

The Interpersonal Trust Measure consisted of 11 items on a five point Likert scale, ranging from "Strongly agree" to "Strongly disagree." Regarding validity of the Interpersonal Trust Measure, McAllister (1995) "reported internal consistency estimates of .89 and .91 for the affect and cognitive-based measures, respectively" (as cited in Thompson). In the questions where the pronoun "we" was used, the pronoun was changed to "my community leader and I" to avoid ambiguity. For instance, in the item "We have a sharing relationship. We can both freely share our ideas, feelings and hopes," this was altered to "My community leader and I have a sharing relationship. We can both freely share our ideas, feelings, and hopes." This eliminated uncertainty of who the leader was.

The Core Self-Evaluation Scale

The Core Self-Evaluation Scale (CSES) consisted of 12 items on a five point Likert scale, ranging from "Strongly agree" to "Strongly disagree." CSES is a determinant of how a leader sees himself and his abilities, and indirectly, measures his efficacy as a leader. This test measured four variables: self-esteem, self-efficacy, emotional stability, and locus of control.

All three measures were close-ended. There were advantages to asking close-ended questions. According to Fraenkel and Wallen (2009), “A close-ended questionnaire was used because it enhanced consistency of responses across respondents” (as cited in Smith, 2010). But according to McMillan and Schumacher (2010), closed-ended questions have disadvantages, such as: they do not allow the researcher to probe and clarify answers given, and the respondents must be literate.
Participants

Participants consisted of twenty two (22) adults involved in microfinance: one leader and her ten followers from a metropolitan city, and another leader and her ten followers in a rural area. The leaders were employed at least one year with IST and ministered the programs directly to the people. Followers, referred to in this study as partners, were non-staff adults who were recipients of the microfinance outreach.

Setting/Site

This was an on-site inquiry in order for the researcher to observe first-hand the inner workings and subtleties of the organization in the field. By being on-site the researcher better understood the traits of transformational leadership in vivo. Merriam used the phrase coined by Cronbach, “interpretation in context” (p. 42). To fully understand the context the researcher was present.

Researcher’s Role/Personal Biography

Growing up in a developing country I faced poverty all around me. It struck me how a country so rich in natural resources could be subject to so much poverty. It seemed to me that the adage, “The rich get richer and the poor get poorer,” was a truism in the Philippine islands. There appeared little impetus, in general, to raise the people out of impoverishment, from the poor themselves, and many of the wealthy who daily witnessed the plight of the poor.

I have lived in the United States since 1986 and enjoyed the blessings that a developed country has to offer. However, as I face retirement, I would like to invest the remainder of my life helping the impoverished. Thus, I was impressed with the holistic work of the Institute of Social Transformation and their work to integrate "theology and
sociology" (Greenway, 1998, pp. 133-134). It is my desire that I work to alleviate poverty in the Philippines with a holistic approach after completing my studies.

My role as a researcher was to personally observe and research transformational leadership in action. Denzin and Lincoln (2005) explained, “Qualitative research is a situated activity that locates the observer in the world” (as cited in Merriam).

Data Collection

In order to be useful, data collection must be followed by interpretation. Merriam stipulated, “A second characteristic of all forms of qualitative research is that the researcher is the primary instrument for data collection and analysis” (p. 15). All interviews and questionnaires were conducted and distributed in-person. Each participant was assigned a pseudonym and an audio recording was used.

Data Analysis

Each participant completed two questionnaires. The leaders were given two surveys each: the Multifactor Leadership Questionnaire with answers ranging from "True," "False" or "Uncertain," and the five-point Likert scale Core Self-Evaluation Questionnaire with answers ranging from "Strongly disagree" to "Strongly agree." In both tests leaders evaluated themselves. The partners completed the Multifactor Leadership Questionnaire and the five-point Likert-scale Interpersonal Trust Measure ranging from "Strongly disagree" to "Strongly agree." These tests were purely objective. There was no solicitation for comments and none were given. While the questionnaires did not solicit comments, leaders offered their own comments as the researcher interfaced with them before and after the tests. Their comments are recorded in chapter 4 of this research.
Answers were embedded in Minitab, a statistical analysis software, in order to determine mean measurements. Besides mean, no other statistical measure was employed. Measurements are important for any organization. Burnison emphasized, "All companies do the expected: they measure the top and bottom lines, margins, costs, and so forth" (p. 69). In other words, measures are necessary to evaluate the effectiveness of strategies (Jacobson, p. 155). Kevin Plank, CEO of athletic apparel and accessories, is a vehement proponent of measurements, having stated that "measurement is the heart and soul of what we do" (as cited in Burnison). Goals and strategies must be measurable. Hesselbein (2002) articulated that a company cannot embark on its journey without "goals and measures in place" (p. 69). Much of the observations and conclusions in this research were based on measurements derived from the responses of participants.

Pseudonyms were used throughout the surveys, with the letter "C' representing city participants and "R" for rural participants. CL and RL referred to city leader and rural leader respectively. C1-C10 referred to the 10 city partners and R1-R10 to the 10 rural partners.

Trustworthiness and Credibility

Trustworthiness and credibility are two essential dynamics in sound research. There existed a threat of internal validity because the questions solicited were subjective in nature. It is possible that recipients provided answers that satisfied the researcher and pleased their leader. McMillan and Schumacher (2010) referred to this as "faking and social desirability" (p. 212). Respondents could give answers that conform to social norms. If these were true, results, conclusions, and interpretations would have been tainted. Fernandez (1997) warned, “the respondents are likely to give you information
that they believe you want” (p. 23). Every safeguard was imposed in this study to address this salient issue. One safeguard was anonymity and confidentiality. The second safeguard was honesty. Respondents were urged to provide accurate responses, emphasizing that truthfulness was essential to maintain external validity. A third safeguard was reflexivity, which was elucidated in the next section.

In any qualitative study confidentiality and anonymity are important. “Researchers have a dual responsibility: to protect the individuals’ confidence from other persons in the setting and to protect the informant from the general reading public” (McMillan & Schumacher, 2010, p. 339). The assurance of confidentiality was clearly expressed at the start of each encounter. Each participant was assigned a pseudonym. “Confidentiality means no one has access to individual data or the names of the participants except the researcher(s)” (McMillan & Schumacher, 2010, p. 122). The translator did not have access to hard data except for translation purposes only.

Credibility is an important element in a qualitative study. According to McMillan and Schumacher (2010), credibility is “The extent to which the results of a study approximate reality and are thus judged to be trustworthy and reasonable” (p. 486). This case study utilized several source-gathering and cross-checking techniques, including: observation, data triangulation, peer debriefing, and random sampling. Member checking was not used; I did not return to the site to confirm and validate the responses of the partners.

1. Observation. “A technique fundamental to most qualitative research is field observation – direct eyewitness accounts taking the form of field notes. The researcher relies on careful observation as he or she explore several areas of interest at a site”
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(McMillan & Schumacher, p. 42). A notebook was kept to jot down notes.

2. Data triangulation. “In data triangulation the researcher investigates whether the data collected with one procedure or instrument confirm data collected using different procedure or instrument” (Ary, Jacobs, & Sorensen, p. 499). Data collected from participants in the same outreach was analyzed to determine if there was conformity in both sites. Furthermore, the data collected was compared to transformational qualities displayed by its leaders in the organization.

3. Peer debriefing. “Colleagues or peers are provided with the raw data along with the researcher’s interpretation or explanation. Discussions then determine whether the reviewer(s) considers the interpretation to be reasonable, given the evidence” (Ary, Jacobs, & Sorensen, p. 499). The researcher used his translator, a college graduate, as his peer. While the translator did not have access to the analysis of the data, he remained a valuable source of the nuances and subtleties of the organization. For example, he explained how sites are chosen, what values are accentuated and how collection is passed from partner to coordinator.

Personal Bias

Personal bias is a factor that may taint the study. The researcher was born and raised in the Philippines, and returned “home” to observe, interview and gather data from fellow-countrymen. Therefore, without due diligence, personal biases based on similar ethnicity might have adulterated the interpretations. In order to offset this issue, the researcher applied reflexivity. “Reflexivity is the use of self-reflection to recognize one’s biases and to actively seek them out” (Ary, Jacobs, & Sorensen, p. 501). In addition, biases were monitored as they appeared. “Rather than trying to eliminate these biases or
‘subjectivities,’ it is important to identify them and monitor them as to how they may be shaping the collection and interpretation of data” (Merriam, p. 15). Since the questionnaires were objective in nature, there was not much leeway for biases to contaminate the research.

Ethical Issues

Several ethical conditions were applied in regard to this project.

First, written permission to do this case study was received from IST's Director and securely filed. A copy is found in Appendix A.

Second, the researcher explained the purpose of this study to all participants and accentuated the need for truthfulness. The need for honest answers was reiterated.

Third, confidentiality and privacy are essential; therefore, each participant was assigned a pseudonym. Throughout this paper all proper names are pseudonyms, specifically, the name of the organization, all persons mentioned and field locations.

Lastly, openness is another essential criterion for the success of this case study. This study, once completed, will be distributed to IST’s Director.

Time Commitment and Compensation

Two half-days were used to select the participants, explain the purpose, issue and collect the questionnaires. We arrived at around 10:10 am on the morning of September 26 at the metropolitan city. At the rural site we arrived shortly before 9:00 am on September 30. The survey took approximately 45 minutes to answer in the city and a shorter time in the rural area. This was because the person who read the questions in the city read slower and paused longer between questions.

The participants were not compensated for their time as compensation might have
colored their responses. “Some subjects may increase positive or desirable behavior simply because they know they are receiving special treatment” (McMillan & Schumacher, 2001, p. 114). At the end of the survey the participants simply received a hearty "thank you."

Translation Issue

All three measurements were translated into Tagalog by Sandra Castro, who completed her certification in medical interpreting for Filipino-speaking patients at Stanford University Hospital. She also currently serves at City Colleges of San Francisco as a certified translator. The translator’s goal was accuracy towards the text and comprehension, using the spoken vernacular of the Filipino people. Castro mentioned that she read the entire text first to receive a general overview of the questions, translated the text, and then went over the translation to ascertain it was true to the original (personal communication, July 30, 2013). However, another translation was used instead as explained below.

On September 17, before leaving for the Philippines, I emailed the series of questions to Dawn Umbria, Executive Assistant to the Director, to pilot test the Tagalog translation. On September 19, Junior replied, stating that he was IST's Partnership Church Relations Officer, and was assigned to be my companion and translator. In his reply dated September 19, Junior stated that there were problems with the Tagalog translation and that he would discuss it with me further upon my arrival. In his email he was "sensing that explanations were needed for some of the questions and that there is a need to adopt to CCT context" (personal communication, September 19, 2013). In addition, he
translated the English more to the vernacular of the respondents, as he had been connected with them for the past nine years.

Summary

In this chapter we examined research design, indicating that this was an exploratory, qualitative case study. Much data was collected from the three surveys and were inputted into a statistical software to measure the mean of each scale. The mean measurements of city and rural leaders were then compared. In addition, the sites were specified, my role as an active observant articulated, and methods of data collection and analysis elaborated. Trustworthiness and credibility were emphasized through the use of observation, data triangulation, peer debriefing, and reflexivity. Personal biases were contained, ethical issues discussed, time commitment stipulated, compensation presented, ethical issues examined, and lastly, translation issue considered.
CHAPTER 4: RESULTS

I landed in Manila on Wednesday, September 25, 2013. The following day Junior met me at 8:00 a.m. at my lodging. As we drove together to the IST main office we discussed his concerns and went over his translation. In his opinion, the original Tagalog translation forwarded to him was too academic. Upon advice, Junior translated the English into simpler Tagalog for better comprehension. It was this version which was used in both the city and rural sites. Junior also articulated during the ride to the head office that the academic Tagalog version was "masyadong matigas" (literally, "too hard").

Upon our arrival at the IST headquarters, I was shown a short and stirring DVD briefly describing IST's group of ministries. At 9:25 a.m. Junior informed me that he had contacted the leader of the first site, and that we needed to leave immediately. We arrived at this first site, named Barangay Matibay, on Thursday, September 26, at 10:10 a.m. The Fellowship Meeting had just ended, and the group leader, Josie, a staff of IST, had requested 10 volunteers to stay behind to participate in my research study. Ann, branch manager, was also present. After introducing myself, the goal of my study, and accentuating the need for complete honesty, Junior handed the questionnaires to 11 people: the leader as a self-evaluation and the 10 partners. All the participants were women who had been with IST for over a year. Because there were those who had difficulty reading, Junior verbally read out each question in Tagalog to the group. After collecting the questionnaires, I thanked everyone for their help.

On Monday, September 30, I met Daisy, Community Center Coordinator, and Priscilla, branch manager, at 8:25 a.m. at Robinsons, a popular mini mall near the second site. From there we drove to the rural site, named Barangay Samaka, where the group
consisted of nine women, eight partners and the leader. Of the eight partners, three were new, having just joined the group a month before. Daisy handed the questionnaires to the five remaining partners who had been with IST for over a year and herself as the leader. Priscilla read the Tagalog questions to them verbally.

Fortunately, there was a second group that met just a mile away also led by Daisy and in the same site, Barangay Samaka. In essence, it was the same group that met in two separate homes. There were nine partners in this group, all women. Daisy, the group leader, who had already taken the survey earlier, was not present. She arrived shortly before we left. Since I wanted to have 10 partners from the rural area to match the 10 in the city, and 5 were tested earlier, I requested that 5 remain who had been with IST the longest and knew their leader the most. Of the 5 who had been with IST the longest, one left to do errands, so another partner took her place. Again, Priscilla verbally read the questions to the group as she had earlier. Question 21 was the most unclear to this group and stirred the most discussion because it was stated in the negative form ("People are hesitant ..."). Priscilla paused to clarify this question to the satisfaction of the group.

Participants in this case study were not selected randomly because there were too few partners to select from. With a small pool for random selection, participants were voluntary. Upon arrival at my first site in the city on September 26, the group leader had already asked for 10 volunteers out of about 20 present to remain for the case study. In the second site, a rural area, out of 8 partners, only 5 were potential candidates because they had been connected with IST for over a year.
The Multifactor Leadership Questionnaire

**Research Question 1**

How well did this nonprofit implement transformational leadership principles?

The Multifactor Leadership Questionnaire was used to score transactional and transformational leadership. In this 28-item test, even numbers measured transformational, and odd items transactional leadership. There were a total of 22 participants: the leader and her 10 members in the city, and another leader and her 10 members in the rural area. Appendix H provides the responses of the city participants and Appendix I the responses of the rural area participants.

Before proceeding with answering research question 1, two observations were evident regarding the MLQ questionnaire. First, respondent "C3" answered "T" ("True") to all 28 questions (see Appendix H). There were three possible reasons for this to occur. First, the respondent did not fully understand the questions. This may have skewed the results slightly. Second, the respondent wanted to provide answers that the leader wanted to hear. Like the first reason, this may have also skewed the results slightly to the benefit of the leader. Third, the respondent was being totally honest; she had the highest regard for her leader, giving her the highest scores in both transactional and transformational abilities.

The second observation pertains to respondent "R5," who marked "?" ("undecided") 13 times, in the 28 MFQ items, for a total of 46% (see Appendix I). Unfortunately, I did return to investigate the reason for this occurrence. Perhaps the respondent may simply have had "test anxiety" (McMillan & Schumacher, 2010, p. 212). Fortunately, there were
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In response to Research Question 1, four conclusions are presented. First, both leaders displayed strong transformational leadership scores. Leaders evaluated themselves, and gave themselves a perfect score of 14 (Appendices J & K). They believed they possessed strong transformational leadership skills. Their followers also gave their leaders high transformational scores, above 12 points out of 14 in both instances. In the city, members gave their leader a score of 12.8 (Appendix J); and the rural members gave their leader a score of 12.1 (Appendix K). When assessed by themselves and their followers, both leaders scored in the upper quartile.

Second, in the area of transformational leadership style, the city leader did slightly better than the rural counterpart. The city leader with his followers scored 12.9 (Appendix J), while the rural leader with his followers scored 12.2 (Appendix K). With a possible difference of 14 points, a difference of 0.7 was insignificant.

Third, the city leader showed very strong transformational leadership abilities. As shown in Appendix H, there were 8 items, questions 2, 4, 6, 12, 20, 24, 26 and 28, where all 11 respondents (including the leader) answered "T" ("True").

Fourth, the rural leader also showed very strong transformational leadership abilities. As shown in Appendix I, there were 2 items, questions 2 and 10, where all 11 respondents (including the leader) answered "T" ("True").

Transformational and transactional leadership will now be examined. There was a greater difference between transformational and transactional scores in the city and rural areas. In both cases, the city leader scored higher than her rural counterpart. In the city,
the transformational score of leaders and members was 12.9; the transactional score was 9.0, for a difference of 3.9 points (Appendix J). In the rural area, the transformational score of leaders and members was 12.2; the transactional score was 9.3, for a difference of 2.9 points (Appendix K).

**Research Question 2**

How well did this nonprofit implement transactional leadership principles?

Two observations were observed, followed by two conclusions.

First, the city leader showed very strong transactional leadership abilities. As shown in Appendix H, there were 3 items, questions 1, 19 and 25, where all 11 respondents (including the leader) answered "T" ("True").

Second, in question 27, "People often try to avoid responsibility for their actions," both leaders possessed high transactional leadership abilities. There was a strong leaning towards "F" (False). In the city, of the 11 respondents (including the leader), 8 answered "F." And in the rural area 10 of the 11 answered "F." Since this question was presented in its negative form, a "false" answer was a positive indication.

Two conclusions were evident from this study.

First, mean transactional leadership scores of both city and rural areas were very similar in range: 9.0 in the city (Appendix J) and 9.3 in the rural area (Appendix K). The rural leader did slightly better than the city leader, but the difference was small (0.03 points).

Second, both leaders displayed above average transactional leadership scores. Again, leaders evaluated themselves. Both city and rural leaders gave themselves a score of 9 out of a maximum of 14 (Appendix T). The scores of leaders with their members in
the city and rural area were also in the third quartile range: 9.0 in the city and 9.3 in the rural area (Appendix T). When leaders assessed themselves, and were assessed by themselves and their followers, both leaders in both circumstances scored in the third quartile.

Interpersonal Trust Measure

Research Question 3

How well did this nonprofit implement personal trust?

Trust is not only a primal quality of an effective transforming leader but is needed today more than ever before. According to Datamonitor, a global research company, "86% of the consumers in the United States and Europe were less trusting of companies than they had been just five years ago" (Horsager, 2009, p. 33). There were 2 scales in this 11-item survey. The first scale, items 1-5, measured affect-based trust while the second scale, items 6-11, measured cognition-based trust.

Before answering research question 3, seven observations were presented, followed by four conclusions.

First, in the city, items 2, 7, and 10 scored 4 or higher in a scale of 1-5 among all 10 respondents (Appendix N). The three items were:

Q2: "I can talk freely to my leader about difficulties I am having at work and know that he/she will want to listen."

Q7: "Given my leader's track record, I see no reason to doubt his/her competence and preparation for the job."

Q10: "Other work associates of mine, who must interact with my leader, consider
him/her to be trustworthy."

Second, respondent "C1" failed to answer item 11, leaving it blank. Not wanting to ignore this question, I transposed the number "3" in the blank, signifying neither agree or disagree, a neutral position. This would have been, in my opinion, the safest option. A "0" could not have been inserted since valid answers only ranged from 1-5. Due to the fact that there were nine other respondents who each answered all eleven questions, the overall significance of this one unanswered item, and selecting a neutral position, would be insignificant.

Third, in the rural area, 6 items out of 11 scored 4 points or higher, indicating that the leader had a high trust level as perceived by his followers (Appendix Q). The six items with a score of 4 or higher among the 10 respondents were:

I4: 'If I shared my problem with my leader, I know that he/she would respond constructively and caringly."

I5: "I would have to say that my leader and I have both made considerable emotional investments in our working relationships."

I7: "Given my leader's track record, I see no reason to doubt his/her competence and preparation for the job."

I8: "I can rely on my leader not to make my job more difficult by careless work."

I9: "Most people, even those who are not close friends of my leader, trust and respect him/her as a coworker."

I11: "If people know more about my leader and his/her background, they would be more concerned and monitor his/her performance more closely."

Fourth, in the rural area there were 3 blank responses, namely:
R3 left item 6 blank; "3" (a neutral position) was inserted;
R7 left item 3 blank, "3" (a neutral position) was inserted;
R8 left item 10 blank, "3" (a neutral position) was inserted.

Fifth, in regard to cognitive-based trust in the rural area, one respondent, R6, gave her leader the maximum grade, "5" in questions 6-11 (Appendix S). Her cognitive-based trust in her leader was unquestionable.

Sixth, in the city setting, as shown in Appendix N, only one respondent, C10, gave her leader a score of "1" ("strongly disagree"). That was item 3 and reads, "We would both feel a sense of loss if one of us was transferred and we could no longer work together."

Seventh, in the rural setting, as shown in Appendix Q, no respondent gave her leader a score of "1." This was a positive sign in favor of the leader.

Four conclusions became evident from this research.

First, the overall interpersonal trust was higher in the rural area than in the city. In the rural area the overall interpersonal trust score was 4.20 (Appendix Q), and 3.92 in the city (Appendix N). The difference was very slight, 0.28 points. With a maximum score of 5, both leaders scored in the upper quartile.

Second, the affect-based trust measure was higher in the rural area than in the city. In the rural area the affect-based trust score was 4.0 (Appendix R), and 3.7 in the city (Appendix O). The difference was very slight, 0.3 points. Both leaders scored in the upper quartile.

Third, the cognitive-based trust measure was higher in the rural area than in the city. In the rural area the affect-based trust score was 4.2 (Appendix S), and 3.9 in the city
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(Appendix P). The difference was very slight, 0.3 points. Both leaders scored in the upper quartile.

Fourth, in all three measurements, overall, affect-based, and cognitive-based trust, the rural leaders scored higher than the city leader, but only by a small margin.

The Core Self-Evaluation Scale

Research Question 4

How well did this nonprofit implement the core self-evaluation scale?

The 12-item self-evaluation tool, with 3 items in each of the 4 scales (self-esteem, self-efficacy, emotional stability, and locus of control), was given to the leaders of the city and the rural area. This was a subjective, 5-point Likert scale (from "strongly disagree" to "strongly agree"). The leaders in both sites were females. Appendix V is the record of their individual responses.

Two observations were evident, followed by three conclusions.

First, both the city and rural leaders scored "1" ("strongly disagree") in item 8. The item was: "I am filled with doubt about my competence." This was a positive response. By strongly disagreeing, the two leaders were indicating that they felt competent in performing their jobs.

Second, the rural leader did not place a score of "5" ("strongly agree") in any of the 12 items; she did not see herself as excelling in any of the categories. The city leader, on the other hand, placed a "5" in three items (3, 7 and 9). Despite the fact that the city leader gave herself a maximum score of "5" three times, yet overall, her overall mean was lower than the rural leader (see Appendix V). The three items were:
Item 3: When I try, I generally succeed.

Item 7: Overall, I am satisfied with myself.

Item 9: I determine what will happen in my life.

Item 3 was related to self-efficacy, item 7 to self-esteem, and item 9 to locus of control. By placing a "5," the city leader was evaluating herself high in these three items.

Three conclusions were evident.

First, in this research both city and rural leaders scored lower than the mean average in another research study. According to Judge, Erez, Bono, and Thoresen (n.d.), the means range on their four samples was from 3.78 to 4.03, with an average of 3.87. As shown in Appendix V the mean of the responses of the city leader was 2.83 (1.04 points below the average of the other research), and for the rural leader 3.25 (0.62 below the average of the other research).

Second, the rural leader displayed a stronger self-evaluation score than her city counterpart by a small margin of 0.42 points (3.25 scale for the rural leader and 2.83 for the city leader), as shown in Appendix V.

Third, only in two items, 1 and 8, were the responses of the two leaders identical. In item 1 both gave themselves a score of "4" ("Agree"); and in 8 both gave themselves a score of "1" ("Strongly disagree"). The two items were:

I1: I am confident I get the success I deserve in life,

I8: I am filled with doubts about my competence.

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Research Question 5
How well were these four transformational leadership components exemplified in this nonprofit?

This research question was answered by triangulation, i.e., by fusing documents, personal observations, and interviews.

*Idealized Influence (Attribute)*

There were several idealized attributes that distinguished IST. One primal attribute was its emphasis on spiritual development. An IST booklet accentuated this element, "It would incorporate the one element missing from other development models - the spiritual" (Palugod, 2008, p. 21). Palugod added, "This meant elevating evangelism to a place it never had before in any development agenda" (p. 21). It was this spiritual emphasis that made IST different from many other social agencies.

A second idealized attribute was group-centeredness, i.e., placing the group's interest before one's own. In the formative years of IST, its founder's "own salary from teaching and consulting was put into IST" (Palugod, p. 27). This attribute has become widespread. IST has many volunteers who serve the poor rather than themselves. In addition, the needs of the whole take precedence over individual needs. Staff accepted new and challenging positions as the need arose. Palugod mentioned that many staff members were moved around from one position to another according to the need of the organization.

A third idealized attribute was a close leader-partner relationship. Several of the leaders were partners themselves at one time. IST has developed its own leadership pipeline. Coming from similar economic cultures the leaders could easily identify with those they serve. Ford (1994) elaborated that Jesus' leadership was culturally relevant.
A fourth idealized attribute was a strong trust in the Lord. As we rode in the car on the way to the first site in the city, we passed by an area near a beach. Junior mentioned that several years ago, IST planned to purchase property in that area for their ministry and its price range was in the low millions of pesos. The board set aside two hours to decide this issue. The first hour and a half was devoted to prayer and seeking God's will in this important matter. The last half hour was on the business at hand. Junior was relaying the fact that decisions at IST begin with and are based on prayer. Junior repeated this account by way of emphasis (personal communication, September 26, 2013). This trust in the Lord was not just talk, but accompanied by action. Business hours at the main office began each day with staff devotion. In addition, group meetings at each site also commenced with devotion as well. Each fellowship followed a pattern set up by the head office, referred to as the 5 W's, which were welcome, worship, Word, work and ending with a wrap-up. The influence that IST desired each fellowship to imbue was the importance of trusting in the Almighty.

The last idealized attribute was non-compromise. In the early years funding agencies advised, "Drop the spiritual emphasis and we would give you lots of money" (Good News to the Poor, p. 6). But despite financial pressures, IST stood its ground. IST refused to minimize or abandon the gospel in helping the poor; it was in their lifeblood. "Evangelism is a priority, not a strategy" (Palugod, Lavarias, & Baltazar, 2000, p. 62).

*Idealized Influence (Behavior)*

There were several idealized behaviors that distinguish IST. One such behavior was its preeminence on women leaders. Palugod resonated that "women have a place in the work of the Lord and in His plan" (p. 103). It is very possible that this match, women
leaders helping women partners, has contributed to the success of IST. After all, women are best able to empathize with the struggles of other women. Women occupy most of the leadership roles at IST. Fortunately, the observation by Chin (2011), did not apply at IST, "Women are still underrepresented in leadership in corporations, institutions of higher education, and the political sector, especially in light of the changing population demographics" (p. 1).

Another idealized behavior was servanthood. When asked how the leaders from IST were unique from other leaders, Daisy responded, "In business leaders are bosses. But we are servants, not bosses" (personal communication, September 30, 2013). This was epitomized by two moving paintings by Arlene Villaver, a prominent Filipina artist. The first painting was of Jesus washing the feet of the poor, and hung conspicuously on the foyer at the main office. The second painting that hanged in the main office, depicted a homeless youth inhaling "rugby," an inexpensive and common glue. The fumes of this product were popularly used by the homeless to get high and forget their hunger. These two paintings were a constant reminder to the staff of their primal ministry of serving the poor and homeless like Jesus.

*Intellectual Stimulation*

Intellectual Stimulation was one transformational component that distinguished IST. First, IST moved from the Grameen to the ASA (Association for Social Advancement) model. This decision increased the repayment rate from partners. According to Palugo, under the Grameen model, collection rate hovered around 50%. IST did not regret this decision. Today, "repayment rate increased to 99% from what used to hover between 50 to 60 percent" (*Good News to the Poor*, p. 25). This was validated by another research
by Palugod, Lavarias, and Baltazar (2000), "The repayment rate is impressive - 100% for the newly opened areas and close to 90% for the old, existing branches" (p. 10).

Secondly, moving from group to individual liability was another wise decision. According to Palugod, this change improved the organization structure. This made the fellowship groups happier because they were no longer penalized for the failure of one member. Under the old system, if one failed to make a payment, the entire group forfeited their chance to obtain further loans until the payment in arrears was made.

Thirdly, decentralization was a wise decision. Branches were given more autonomy in making policy decisions. This move was implemented to meet "the increasing complexity of a rapid growing organization" (Palugod, pp. 76-77). With so many groups of ministries in so many places scattered throughout the country, it became difficult to make all decisions at the main office.

Fourthly, challenging leaders to solve problems themselves was a wise decision. An IST booklet described how one Project Assistant encountered a rival microfinance organization recruiting members from IST's existing fellowships. According to Palugod, in order to stop this hemorrhaging, the Project Assistant met with the fellowship coordinators individually, listened to their concerns and convinced them to stay. By meeting with each fellowship coordinator one-on-one, the Project Assistant also applied the transformational component of individual consideration. While at the second site I asked Josie, Community Covenant Builder, how she resolved problems that arose. She replied that she "talks to her leader, Ann, to get advice" and "prays for wisdom to the Lord" (personal communication, September 30, 2013). Her response depicted good judgment as well.
Fifth, formulating a clear, focused and specific vision was a wise decision. IST's vision is "to see Christ-centered communities where Jesus Christ is honored and worshipped, and where people live with dignity and sufficiency in accordance with God's plan for a just, humane and caring society" (Good News to the Poor, p. vii). This is a vision that many staff could rally behind and become excited about.

Sixth, establishing the IST Training and Development Institute to train current leaders was another wise decision. According to Palugod, this is where staff developed their competencies and enhanced their effectiveness. Because of this institute IST developed potential leaders from within the organization. In addition to the training institute, professional development, with emphasis on discipleship, was offered to middle managers and staff (Serving Like Jesus, 2009).

Seventh, IST demonstrated intellectual stimulation by stipulating that group leaders meet with their groups before noon. This gave the leaders (covenant community builders) time to collect, count, record and deposit the monies from their fellowship groups before the banks closed. This practice eliminated carry-overs (Junior, personal communication, September 26, 2013).

Lastly, providing livelihood seminars was a good decision. The two most recent seminars were: fruit and vegetable processing and "moringa" capsule production. "Malunggay" is a nutritious native plant that is gathered, processed, produced in capsule form as a multivitamin, and sold to the public under the label of "moringa" (Daisy, personal communication, September 30, 2013). By starting and developing cottage industries, many of the poor faced a brighter future.
Inspirational Motivation

Successful leaders are able to inspire. Inspirational motivation is one transformational component that distinguished IST. IST employed many vehicles to motivate staff and volunteers. First, giving one's life to what will stand the test of time and have eternal consequences is inspirational. As one staff opined, she wanted to be "involved in something that has eternal value" (Palugod, p. 99).

A second motivation was the possibility of disqualification. Defaulting in payments disallowed the borrower from acquiring future loans. Strict adherence to this policy motivated partners to pay on time (Junior, personal communication, September 26, 2013). Priscilla mentioned that her rural site almost closed down because it showed 8 consecutive years of negative revenue; borrowers failed to pay their loans. She knew that closing the microfinance ministry would hurt the poor and struggling women in the community. Daisy and Priscilla worked together to motivate each partner to make timely payments in order to avoid closure. Because the partners were inspired, the payment rate has been 100% the past two years (Daisy, personal communication, September 30, 2013).

A third motivation was the oath partners recited each week, promising to repay their loans. The phrase in the "panata" ("solemn vow") that accentuated timely payments was, "magbayad ng aking responsibilidad sa takdang araw at oras" (literally, "pay what I owe in the appointed day and hour"). In addition, Daisy often reminded the partners whenever they met, "Hindi talaga payag ang past-due" (lit. "Past due will definitely not be tolerated") (personal communication, September 30, 2013). In the rural site, one partner exclaimed, "Kahit mahirap ngayon tuloy pa kami nagbabayad" (literally, "Even
though times are hard, we still pay”). Apparently, Daisy was effective in motivating her members.

**Individual Consideration**

IST exhibited individual consideration in many ways. First, members encouraged one another. Palugod exemplified how fellowship members "are encouraged by positive feedback from the partners" (p. 82). When one partner is despondent because she cannot pay her loan, all the other members come to her side and lift up her spirits.

Second, individual consideration prompted timely payments. According to Bass & Avolio (1994), "Transformational leaders do more than just recognize individual differences. They demonstrate specific consideration for each member" (pp. 74-75). By dividing a larger group into two smaller ones (eight in the first group and ten in the second), Daisy, the rural leader, was able to know and serve each person individually. Personal attention is vital in transformational leadership.

Third, individual consideration personalized policies. There were times when a borrower could not pay her loan due to unexpected and severe family illness. In such cases, the borrower availed to two options: take out an emergency, no-interest loan; or apply for temporary reprieve of payments, which had to be approved by the area manager in a case-by-case basis. Part of IST’s success in microfinance was because it worked closely with the individual and made adjustments accordingly.

Fourth, individual consideration was the engine that moved IST away from the Grameen model to the ASA model. Under this new model, only the individual who failed to make her payment was penalized, not the entire group (Junior, personal
communication, September 26, 2013). The leaders listened to and took the advice of those in the field.

*Contingent Reward*

IST exhibited contingent reward in many ways. According to Palugod, diligent work has its "sweet reward" (p. 29). Like many other organizations, "IST has a system of rewards and sanctions that encourage … specified performance standards" (Palugod, p. 115). Palugod went on to say that excellence is rewarded by promotion or other incentives, and "mediocre performance have their corresponding sanctions" (p. 115). Contingent reward is one of the strengths in this nonprofit.

The reward does not always have to be tangible. For instance, when everyone in the group made their payments, the leader announced "'Everybody's paid!' There is much clapping and congratulating all around" (Palugod, p. 125). Accomplishments are rewarded by celebration. At IST, small victories are recognized.

*Affect-Based Trust*

IST exhibited affect-based trust in their ministries. Affect-based trust is founded on affection. Palugod described how one leader prevented her groups from transferring to another credit cooperative. That leader met with her fellowship coordinators, reminded them how they had undergone the trials of life together, and reminisced how they had endured pain together. It was this leader's close relationship with her members that a special bond was cemented and trust on the leader established. And due to this heart-felt and deep trust, members did not join the competition.
Cognitive-Based Trust

IST exhibited cognitive-based trust. This trust is transactional, that is, based on the trust that the borrower will repay her loan. One of the partners was overwhelmed that IST trusted her enough to loan her, a stranger, money. She articulated, "Because they trusted me, I mustered enough courage to fulfill my obligations" (Palugod, Lavarias, & Baltazar, p. 25). In this case, cognitive-based trust had positive results.

Raquel Carmina, IST's founder, also practiced cognitive-based trust. Over the years, she interfaced with sponsor companies who she could not trust; they spoke one way but practiced the opposite. She explained, "Some companies would publicly support development values, but their own products, their own practices, were a betrayal of all that they were said to promote, and the opposite of all that we wanted to accomplish" (Palugod, p. 9). Because of this lack of cognitive-based trust, IST declined their requests for sponsorship.

Leadership Self-Evaluation.

The history of IST is replete with stories of microfinance beneficiaries who, due to personal development and self-evaluation, discovered and developed their skills. Several of them became staff members. Palugod gave an example of a woman named Vismin, who improved her life and moved upward from partner to teacher to administrative assistant. IST worked with partners to discover their abilities. And those with leadership potential were trained and offered jobs. Palugod described how many staff made the climb from beneficiary to staff based on the "strengths of their abilities, commitment, and industry" (p. 89). Organizations leverage their efficacy by matching personnel with their strengths. Daisy offered an excellent example. Daisy mentioned that one reason why
Luz was promoted to Covenant Community Builder over two other women her senior was because she had strong "self-confidence in herself" (personal communication, September 30, 2013). Daisy resonated that employees with positive self-esteem usually do better at work.

Several of the women who were in deep poverty had poor self-image. By improving their lives their self-esteem was enhanced. "In an early study of the role of faith in empowering IST women, it was found that many start with a poor self-image" (Good News to the Poor, p. 48). However, as they succeeded in their small businesses through microfinance, their self-image gradually improved. This was validated by one beneficiary. "Stella described her self-image thus: 'I could be likened to watermelon before, I was just creeping along ….' But then her eyes were opened, and she realized 'that I ought to stand up because if not, nothing will happen'" (Good News to the Poor, p. 50). Self-image is improved when women become successful. "Studies show, for instance, that the mere provision of credit has enabled many women to gain economic independence" (Good News to the Poor, p. 78). The weekly Bible studies also raised the self-image of many of the marginalized. According to the study on IST by Palugod, Lavarias and Baltazar, many of the women discovered their "true self-worth" through the weekly Bible studies (p. 25).

Summary

This chapter sought to answer research questions 1-5. In addition, four other relevant areas were covered in this chapter. First, a description of how the data was collected, reported and analyzed was discussed. Second, observations and conclusions were
presented. Third, the scales of each questionnaire were explained. And lastly, measurements were exhibited and reported in the Appendix section of this paper.
CHAPTER 5: DISCUSSION

The purpose of this research was to determine how well transformational leadership was exemplified in a Filipino nonprofit in two diverse settings. There has not been any previous study on transformational leadership by IST's leaders on the field, and so this research will also add to the current body of knowledge. This chapter will present literature pertinent to this study, explain methodology, extract findings, offer limitations and recommend studies for future research.

Literature Review

Much literature was reviewed in three areas: leadership, microfinance, and poverty. The leaders of this nonprofit employed microfinance as a tool to ameliorate poverty in this economically-distressed nation.

Leadership

Leadership is relational; it is people-oriented. Without people, one cannot be a leader. And without people a leader cannot reach the goals and vision of the organization. Thus, leaders must focus on their followers. With this in mind, Burnison articulated that a leader must be in the "people business" (p. 201).

Much of the current literature review accentuated the fact that not all leaders are born such; leadership can be developed. While there are persons born with certain leadership qualities, those who are not can still learn these same qualities as well. Consequently, leaders must continue to grow.

Due to recent, high-profile scandals among leaders, there is growing evidence that leadership can and has been abused. In order to prevent future abuses, there must be some form of check-and-balances from leaders themselves, the board, regulatory
government agencies or from the corporate industry themselves. Research has also discovered that charismatic leaders, without due self-diligence, have a greater propensity to abuse power and abuse it in greater intensities.

While there are many distinct forms of leadership, this paper narrowed its research on transformational leadership. Drucker (1992) posited, "An efficient leader knows that the ultimate task of leadership is to create human energies and human vision" (p. 122). This is what a transformational leader does; he equips followers to reach their full potential in order to attain the corporate vision.

Microfinance

Microfinance was the first vehicle used by IST to resolve the poverty conundrum in the Philippines. While research has demonstrated that microfinance may not solve poverty nationally or globally, it has undoubtedly helped many families rise above poverty. IST has a plethora of stories of many poor, struggling families who found economic hope through microfinance.

Research also indicated that microfinance has a bright future ahead. With over seven billion people in this planet today, only a fraction of the total poor have taken advantage of microfinance to improve their economic conditions. Many more individuals, perhaps in the low, single-digit billions, could still access microfinance as the driver out of poverty into prosperity.

Poverty

Poverty is widespread. Even the richest nations on earth have citizens living in poverty within their borders. It was enlightening to discover that, despite the many social programs and safety nets available to the poor in the United States, microfinance has also
worked well in this country. Evidence was presented that microfinance has effectively helped the poor in both developed and developing countries. Jesus said that we will always have the poor with us (Mark 14:7). If poverty is a struggle for each generation, then microfinance could be one viable solution.

Methodology

This study aimed to assess how well transformational leadership was exemplified in this nonprofit. Three close-ended surveys distributed to 22 participants were used to determine the degree of efficacy. The surveys were issued on-site; the researcher was present. A total of 51 items were asked: 28 "true," "false," and "undecided" questions, and 23 Likert-scale items. The questionnaires did not contain open-ended questions and none were given. Personal interviews and brochures were also used to supplement the surveys. All participants were volunteers; random selection was not applied because of the limited pool of available prospects. Answers to the survey questions, along with the interviews and brochures, formed the basis of the researcher's findings.

Discussion of Findings

Multifactor Leadership Questionnaire

The Multifactor Leadership Questionnaire measured both transformational and transactional leadership qualities. Research Question 1 measured transformational leadership and Research Question 2 measured transactional leadership abilities. This survey was given to leaders to measure themselves and to partners to measure their leader. Findings follow below.

Transformational leadership. As a self-test, both leaders scored exceptionally well, giving themselves a perfect score of 14. Partners also gave their leaders high
transformational scores; however, the city leader scored slightly higher than the rural leader. City partners gave their leader a mean score of 12.8 (Appendix J) while rural partners gave their leader a mean score of 12.1 (Appendix K). The range of scores of both leaders were in close proximity and both scores ranked in the highest quartile.

Transactional leadership. As a self-test, both leaders scored well. However, the leaders did not grade themselves as high in this category as they did in transformational attributes. While partners gave high transformational scores to their leaders, the rural leader scored slightly higher than the city leader. Rural partners gave their leader a mean score of 9.4 (Appendix K) while city partners gave their leader a mean score of 9.1 (Appendix J). The range of scores of both leaders were in close proximity and both scores ranked in the upper third quartile.

Interpersonal Trust Measure

Drucker (1992) resonated that "earning trust is a must" (p. 122). This 11-item, 5-scale Likert questionnaire was given to partners only and measured overall trust, affect-based trust, and cognitive-based trust. Items 1-5 measured affect-based trust while items 6-11 measured cognitive-based trust. Four findings follow below.

Overall trust. The overall trust score is the collective score of both affect-based and cognitive-based trust. Scores ranged from "1" to "5." In this category, the rural leader scored higher: 4.20 mean score for the rural leader (Appendix Q) compared to 3.92 mean score for the city leader (Appendix N). While the range of scores were close for both leaders, the rural leader scored in the highest quartile while the city leader scored in the upper third quartile.
Affect-based trust. While scores of the city and rural leaders were close in range, the rural leader scored slightly higher than his city counterpart. In this category, the rural leader scored a mean of 4.0 (Appendix R) while the city leader scored a mean of 3.7 (Appendix O). With a mere 0.3 points difference, the rural leader scored in the highest quartile and the city leader in the upper third quartile.

Cognitive-based trust. While scores of the city and rural leaders were also close in range, the rural leader scored slightly higher than her city counterpart. In this category the rural leader scored a mean of 4.2 (Appendix S) while the city leader scored a mean of 3.9 (Appendix P). With a mere 0.3 points difference, the rural leader scored in the highest quartile and the city leader in the upper third quartile.

Lastly, the rural leader scored higher than the city leader in overall trust, affect-based trust and cognitive-based trust. In each of these three categories, the difference in score was a mere 0.3 points or less.

Core Self-Evaluation Score

This 12-item questionnaire was given only to the leaders who evaluated themselves. The rural leader scored higher than the city leader by a mere 0.42 points. The rural leader scored a mean of 3.25 and the city leader a mean of 2.83 (Appendix V). The rural leader scored in the lower third quartile while the city leader in the upper second quartile.

Findings of all Three Measurements

In this research, a total of six components were measured: transformational leadership, transactional leadership, overall interpersonal trust, affect-based trust, cognitive-based trust, and core self-evaluation. Of these six components, the rural leader scored higher than the city leader in five (transactional leadership, overall trust, affect-
based trust, cognitive-based trust, and core self-evaluation). The city leader scored higher than the rural leader in only one component, transformational leadership.

Study Limitations

Member checking was not used to clarify answers. I did not return to the site to ask participants to elaborate on their responses, explain why some items were left unanswered, or hold a group feedback interview. Their feedback, naturally, would have been invaluable.

While several observations and conclusions were presented in this chapter, it must be understood that these assessments were based on microfinance in this Filipino, religious nonprofit. Other case studies in different ministries, locations or religious beliefs may produce different observations and conclusions.

Recommendations for Future Research

While research on leadership is growing leaps and bounds, the following are possible research topics.

1. Transformational leadership among leaders who began as partners would be a vital study. Some leaders were hired from outside; others came through the leadership pipeline. The latter would be an interesting study, as it would measure the efficacy of the leadership development from within.

2. Transformational leadership among leaders from other ministries would be another exciting study. This study was limited to the ministry of microcredit. IST has a strong vocational and technical program as well as a vibrant homeless ministry. Research on leadership in these ministries would be useful.
3. The efficacy of transformational leadership among women could become a worthwhile study. All the leaders and partners in this research were women. And as Chin (2011) pointed out, women intrinsically possess many of the transformational leadership styles. A study on how to leverage these traits to enhance a woman’s leadership effectiveness would form the basis of a good case study.

4. A comparison of leadership that would include a tribal group would become an absorbing study. There are numerous tribes, particularly in the northern and southern parts of the Philippines. This study was limited in that it only compared city and rural leaders. A case study including tribal groups could become an engrossing research.

5. A comparison case study in microfinance with divergent repayment constructs could become a goldmine of knowledge. Some fellowship groups have a 100% repayment rate, as witnessed in this case study. In contrast, another area may have a lower repayment rate. A case study comparing leadership in these two areas would be vital in the area of collection.

6. A longitudinal case study on one leader serving in two different sites would become valuable knowledge. Some leaders tend to perform better in one area or ministry than in another. The underlying reasons why a leader would excel in one area or ministry and not in another would be a stimulating research.

7. A comparison of transformational leadership in a religious and a secular organization in the same area of service would increase our understanding on effective leadership styles in divergent religious settings.
8. This research discovered that overall interpersonal trust, affect-based trust, and cognitive-based trust were higher in the rural terrain. A vital study would be if this same conclusion would also apply in other ministries.

Conclusion

This paper sought to answer five key research questions: a) How well did this nonprofit implement transformational leadership? b) How well did this nonprofit implement transactional leadership? c) How well did this nonprofit implement personal trust? d) How well did this nonprofit implement self-evaluation? and e) How were these four transformational leadership components applied in this nonprofit?

Three overall conclusions are presented. First, the leaders of the Institute of Social Transformation did indeed possess strong transformational and transactional leadership traits, as indicated by their responses on the Multifactor Leadership Questionnaire. Second, the leaders gained deep trust from their followers, as substantiated by their responses on the Interpersonal Trust Measure. And last, the many components of transformational leadership were aptly applied by the leadership of the Institute of Social Transformation.

Ministry to the poor must come from a heart of love, and IST's leadership demonstrated great love and concern for the marginalized people whom they serve. In essence, their love for the poor was a natural outflow of their love for the Lord. The leaders were not only transformational; they also viewed themselves as servants, called to serve the poor like Jesus. This was modeled by the director herself and deeply infused into the staff. In addition to love and servanthood, IST displayed a strong focus on professional and spiritual development. This was exemplified in four ways: daily office
devotion, bible study in each fellowship site, covenant community builders leadership monthly training, and middle managers and staff discipleship training led by board members.

What is the future of leadership? In this paper, we looked at the trait, style, situational, and the full range models of leadership. But Alimo-Metcalf foresees two new leadership paradigms in the horizon: public-integrative leadership and spiritual leadership (p. 35). It is yet to be determined if these two new paradigms will take root, blossom and be widely researched.
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APPENDIX A

LETTER OF CONSENT
APPENDIX A

LETTER OF CONSENT

Dear Ms. Callanta,
I am requesting your assistance in studying your organization to prepare my dissertation, which
will be presented to the faculty of the Leadership Department at Tennessee Temple University.

Purpose:
This research focuses on the impact of transformational leadership in a Filipino nonprofit
organization.

Study Procedures:
I will use three questionnaires: The Multifactor Leadership Questionnaire (28 items); the
Behavior Response and Interpersonal Trust Measure (11 items); and the Core Self-Evaluation
Scale (12 items).

Study Location:
In order to contrast transformational leadership in divergent localities, I would like to study one
site in the city and another in a rural area in the same ministry, such as microfinance.

Confidentiality:
The data collected in this study is for research purposes only. Each participant will remain
anonymous, assigning a pseudonym to each one. The questionnaires, personal notes and hard
data will be secured with a lock and key in my office. Findings will be secured in my email
inbox with a secure personal password.

Contact Number for Further Information:
If you would like further information about this study, please contact me at:
taylorc@temple.edu or carlosmt@sbcglobal.net

Please confirm your consent by signing in the space provided:

I thank you.

Signed ___________________________ Date 9 Sept 2013

______________________________
APPENDIX B

Sample items from the Multifactor Leadership Questionnaire (Avolio & Bass, 1992)

Instructions: The purpose of this questionnaire is to describe the leadership style of your community leader as you perceive him/her. Please answer all items in this answer sheet. Circle “T” for a true statement, “F” for a false statement, and “?” if you are undecided.

2. People go out of the way for the good of the team or organization.

12. We are encouraged to consider tomorrow’s possibilities.

14. New ideas are greeted with enthusiasm.

18. We strive to be the best in whatever we do.

22. The unwritten rule is to admit mistakes, learn from them, and move on.
APPENDIX C

Interpersonal Trust Measure (McAllister, 1995)

29. What is your gender?
   ___ Male
   ___ Female

30. How long have you been associated with your community leader?
   ___ 0-1 years
   ___ 1-2 years
   ___ 2-3 years
   ___ 3-4 years
   ___ 4-5 years
   ___ 5 years or more

Instructions: Below are some statements about your current community leader. Please indicate your level of agreement with the statement using the provided scale.

   1 – Strongly disagree
   2 – Disagree
   3 – Neither agree nor disagree
   4 – Agree
   5 – Strongly agree

   ____ 31. My leader and I have a sharing relationship. We can both freely share our ideas, feelings, and hopes.

   ____ 32. I can talk freely to my leader about difficulties I am having at work and know that he/she will want to listen.

   ____ 33. We would both feel a sense of loss if one of us was transferred and we could no longer work together.

   ____ 34. If I shared my problems with my leader, I know that he/she would respond constructively and caringly.

   ____ 35. I would have to say that my leader and I have both made considerable emotional investments in our working relationships.

   ____ 36. My leader approaches his/her job with professionalism and dedication.
37. Given my leader’s track record, I see no reason to doubt his/her competence and preparation for this job.

38. I can rely on my leader not to make my job more difficult by careless work.

39. Most people, even those who are not close friends of my leader, trust and respect him/her as a coworker.

40. Other work associates of mine who must interact with my leader consider him/her to be trustworthy.

41. If people knew more about my leader and his/her background, they would be more concerned and monitor his/her performance more closely.

Thank you for taking the time to complete this survey!
APPENDIX D


Instructions: Following are several statements about you with which you may agree or disagree. Using the response scale below, kindly indicate your agreement or disagreement with each item by choosing the appropriate number on each item.

1 – Strongly disagree
2 – Disagree
3 – Neither agree nor disagree
4 – Agree
5 – Strongly agree

_____ 1. I am confident I get the success I deserve in life.
_____ 2. Sometimes I feel depressed.
_____ 3. When I try, I generally succeed.
_____ 4. Sometimes I fail when I feel worthless.
_____ 5. I complete tasks successfully.
_____ 6. Sometimes I do not feel in control of my work.
_____ 7. Overall, I am satisfied with myself.
_____ 8. I am filled with doubts about my competence.
_____ 9. I determine what will happen in my life.
_____ 10. I do not feel in control of my success in my career.
_____ 11. I am capable of coping with most of my problems.
_____ 12. There are times when things look pretty bleak and hopeless to me.

Thank you for your honest answers and for taking the time to complete this survey.
APPENDIX E

What is your gender?
___ Male
___ Female

How long have you been associated with your community leader?
___ 0-1 years
___ 1-2 years
___ 2-3 years
___ 3-4 years
___ 4-5 years
___ 5 years or more

Multifactor Leadership Questionnaire - Tagalog

Tagubilin: Ang mga sumusunod na pangungusap ay tungkol sa iyong pinuno/lider sa komunidad. Mangyaring ipahiwatig ang antas ng inyong pagsangayon sa mga pahayag gamit ang sumusunod na pamantayan:

T - Totoo or Tama
F - Hindi Totoo
? - Hindi Ko Alam


T  F  ? 15. Ang isa o dalawang pagkakamali ay makakasira sa iyong karera o propesyon.


APPENDIX F

*Interpersonal Trust Measure* (McAllister, 1995) - Tagalog

Tagubilin: Ang mga sumusunod ay mga kataga na patungkol sa iyo na maaari kang sumang ayon o hindi sumang ayon. Gamit ang mga panukat na numero sa ibaba, sabihin ang iyong pag sang ayon o hindi sa pamamagitan ng pagpili ng nararapat na bilang sa bawat kataga.

1. Matinding hindi pag sang ayon
2. Hindi sang ayon
3. Maaring sang ayon o hindi sang ayon
4. Sang ayon
5. Matinding pag sang ayon

1. Mayroon kaming magandang samahan, kung saaan kami ay malayang nakakapagbahagi ng aming mga ideya at adhikain sa buhay.

2. Malaya ako ng nakikipag-usap sa aming pinuno, naipapahayag ko sa kanya ang aking mga paghihirap na nararanasan tungkol sa mga bagay na hindi ko masyadong naiintindihan sa aking trabaho at handa siyang making sa aking mga sinasabi.

3. Parehas naming nararamdaman na ang bawat isa sa amin ay isang kawalan kung sakaling maisip ng sino man sa amin na lumipat o umalis.

4. Alam ko sa aking sarili na kung sakaling ibahagi ko sa akin pinuno ang aking mga suliranin ay tutugon siya ng may pagmamahal at pagkalinga.

5. Masasabi ko na kami ng aking pinuno ay may magandang samahan tungo sa aking trabaho.

6. Ang aking pinuno sa komunidad ay nag tatrabaho ng may pag mamahal at dedikasyon.

7. Base sa nakalap na impormasyon, wala ako ng nakikitang dahilan uonang mag duda sa aking kakayahan bilng pinuno o gabay ng isang pamayanana.

8. Umaasa ako sa aking pinuno ng aming komunidad na hindi siya magpapadalos dalos ng desisyon upang ako’y pahiorapan sa aking tungkulin.
9. Karamihan ng aming mga katrabaho, malapit man o hindi sa aming pinuno ay may tiwala at respeto sakanya.

10. Ang iba sa aking mga kasamahan na nakakasalamuha an gaming pinuno ay agad nag tituwala sakanya.

11. Kung kilala lamang ng karamihan ang aming pinuno, maaaring maraming magmalasakit at sumubaybay sa kanyang tungkulin.
APPENDIX G

*The Core Self-Evaluation Scale* (Judge, Locke & Durham (1997) - Tagalog

**MGA ALITUNTUNIN SA PAGSAGOT**

Ang mga sumusunod ay mga kataga na patungkol sa iyo na maaari kang sumang ayon o hindi sumang ayon. Gamit ang mga panukat na numero sa ibaba, sabihin ang iyong pag sang ayon o hindi sa pamamagitan ng pagpili ng nararapat na bilang sa bawat kataga.

1 - Matinding hindi pag sang ayon
2 - Hindi sang ayon
3 - Maaring sang ayon o hindi sang ayon
4 - Sang ayon
5 - Matinding pag sang ayon

_____ 1. Naniniwala ako na matatanggap ko ang tagumpay na nararapat para sa akin.
_____ 2. Minsan ako ay nanglulumo o naghihina.
_____ 7. Sa kabuuan, ako ay nakakaramdam ng sapat tungkol sa aking sarili.
_____ 8. Ako ay puno ng alinlangan tungkol sa aking kakayahan.
_____ 11. May kakayahan ako ang harapin ang halos lahat ng aking mga suliranin o problema.
_____ 12. May mga pagkakataon na hindi malinaw ang mga pangyayari sa buhay ko na nagdudulot ng kawalan ng pag-asa.
# APPENDIX H

*Multifactor Leadership Questionnaire - City Responses*

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| TF Sc | 14 | 10 | 14 | 14 | 13 | 13 | 13 | 13 | 13 | 13 | 12  |

* Note: CL is the City Fellowship Leader*
## APPENDIX I

*Multifactor Leadership Questionnaire - Rural Response*

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| TF Sc | 14 | 14 | 13 | 13 | 11 | 4  | 14 | 11 | 14 | 14 | 13 |
**APPENDIX J**

*Multifactor Leadership Questionnaire - City Scores*

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APPENDIX K

*Multifactor Leadership Questionnaire - Rural Scores*

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## APPENDIX L

*Interpersonal Trust Measure Mean - City*

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## APPENDIX M

*Interpersonal Trust Measure Mean - Rural*

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<td>Q2 I can talk freely to my leader about difficulties I am having at work and know that he/she will want to listen.</td>
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<td>Q3 We would both feel a sense of loss if one of us was transferred and we could no longer work together.</td>
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<td>Q4 If I shared my problems with my leader, I know that he/she would respond constructively and caringly.</td>
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<td>Q5 I would have to say that my leader and I have both made considerable emotional investments in our working relationship.</td>
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<td>Q6 My leader approaches his/her job with professionalism and dedication.</td>
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<td>Q7 Given my leader's track record, I see no reason to doubt his/her competence and preparation for the job.</td>
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<td>Q8 I can rely on my leader not to make my job more difficult by careless work.</td>
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<td>Q9 Most people, even those who are not close friends of my leader, trust and respect him/her as a coworker.</td>
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<td>Q10 Other work associates of mine who must interact with my leader consider him/her to be trustworthy.</td>
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<td>Q11 If people knew more about my leader and his/her background, they would be more concerned and monitor his/her performance more closely.</td>
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APPENDIX N

*Interpersonal Trust Measure - City Responses*

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Mean of Line X: 3.92
APPENDIX O

Affect-Based Trust Measure - City Responses

Affect-Based Trust - City (Items 1-5)

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## APPENDIX P

**Cognitive-Based Trust Measure - City Responses**

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Mean of Line $X$: 4.20
### Appendix R

**Affect-Based Trust Measure - Rural Responses**

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Mean (X) of line X is 4.0
### Appendix S

*Cognitive-Based Trust Measure - Rural Responses*

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APPENDIX V

The Core Self-Evaluation Scale Responses of the City and Rural Leaders

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