



2015

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Recommended Citation

Garnjost, P., Brown, S.M., Andreassi, J.K. (2015). National culture and leadership style in a multicultural environment: The Luxembourg case. *Journal of Leadership and Management* 2(4), 61-74.

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NATIONAL CULTURE AND LEADERSHIP STYLE IN A MULTICULTURAL ENVIRONMENT THE LUXEMBOURG CASE

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ABSTRACT

Hofstede's research on cultural differences and its implication for management style has been reviewed and acknowledged for decades. His findings suggest cultural dimensions have strong impact on expected behavior of supervisors and subordinates. The GLOBE survey identified leadership styles that work in any cultural environment. There is a strong indicator that in addition to cultural specific leadership styles there is also a universal one. The leadership categories identified by GLOBE as universally effective, were very similar to the dimensions of transformational leadership. This paper analyzes nationality as a predictor of Transformational Leadership style with a sample of 250 managers from Luxembourg; an EU country with a highly international workforce comprised of 69.5% foreigners. The results based on regression show, that there is no prediction of national culture regarding preferred leadership style. This finding is of high implication for a multicultural business environment as it is in Luxembourg. This research suggests a diminishing influence of national culture in such a multicultural business environment.

KEYWORDS: cultural differences, leadership styles, Luxembourg, multicultural business environment

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Article info:

Available online: 26 June 2015
Editor: Adam Szpaderski

Journal information:

©2015 Published by Institute
of Leadership in Management Inc.
Journal homepage:
www.leadership.net.pl

1. Introduction

Over the last 40 years research on cultural differences and its implications for leadership styles was based on the assumption that “there are no such things as universal management theories” (Hofstede 1993: 81). Management was seen as a phenomenon that can be isolated from other processes taking place in society (Hofstede, 1993; Hofstede, 2010). As national culture determines values of an individual and values determine behavior, not every management styles works in every culture (Hofstede, 2010). However, Hofstede never empirically analyzed manage-

ment styles matching certain national cultures in one survey. This was done on a large scale by the GLOBE survey in the 1990, where cultural dependent and universal leadership styles were identified (Javidan, Dorfman, de Luque, House, 2006: 75).

Informed by these findings, this study investigates research questions related to nationality as a predictor of transformational leadership and investigated in the multicultural business environment of Luxembourg, a very small but also very international EU-country with 46% foreign residents and 69.5% foreign workforce.

2. The Grand Duchy of Luxembourg

The Grand Duchy of Luxembourg, a representative democracy with a constitutional monarch, is in many ways significantly different from other EU states. First, it is the second smallest EU member state with only half million inhabitants. Second, it has three official languages, Luxembourgish, French and German and third it experienced a significant economic growth other the past three decades

Being depended agricultural and heavy industries mainly steelworks up to the 1970, Luxembourg developed into an economy that is mainly driven by the service sector and financial services in particular. The contribution of the industrial sector to the gross added value in 2009 was less than 8% (15% in 1995). The share of the gross value added of the commercial sector has remained the same (around 20%), other service activities ranged between a share of 15 – 17,5% and the construction kept a constant share of about 5.5% to 6%. The share of the financial and corporate service sector is outstanding with a total gross value added of 48% in 2009 (39% in 1995) (STATEC, 2009: table E 2304).

The economical growth over the past 30 years was due to the development of the financial sector over compensated the decline in industry. The main focus of around 150 banks located in Luxembourg is private banking, but even more important is the investment fund sector, being the second largest in the world after the US.

Table 1. Luxembourg's working population by sector

Working population by branches 2010	Number of employees
Agriculture	5.200
Industry	36.400
Construction	38.700
Trade	92.400
Financial, real estate, renting and business activities	103.300
Other service activities	81.700
Total (including cross border)	357.800

Source: ABBL, 2011

In 2007, € 87 billion investments have been made into the country, which is similar to big EU countries (e.g., France 109.5, Germany 37.1, Spain 39.1), and can mainly be explained by the importance of Luxembourg's financial intermediation activities with special purpose entities accounting for approximately 85-90% of Luxembourg's FDI inflows and outflows (Eurostat 2008). Luxembourg is a financial hub, and benefits from the easy access to decision makers as well as the stable social environment and the state of the art infrastructure (Muntendam and Hockelmann, 2010: 18).

Table 2. Luxembourg's economic performance of the last two decades

Economic past and future (% change unless stated)						
	1985-2007	2006	2007	2008	2009	2010
GDP	5.4	6.1	4.5	3.0	4.0	3.5%
Employment	3.4	3.7	4.3	3.8	3.0	
Unemployment rate	2.9	4.8	4.2	4.0	4.4	6%
Inflation	2.1	2.7	2.3	3.6	2.7	2.30%
Average salary costs	4.0	4.5	3.4	2.9	3.5	

Source: STATEC, 2010

The economic growth was possible through attracting foreigners into the Luxembourg labor market. Over the past 30 years the ratio of foreigners increased from 26.3% in 1981 to 43.2 % in 2011. The largest foreign population is Portuguese, followed by French and Belgium. In addition to these foreign residents, around 150.000 commuters (76.000 from France, 39.000 from Belgium and from Germany) cross the border every day to work in Luxembourg, which adds up to a foreign labor force of 69.5%. As a consequence, Luxembourg has developed into a multicultural society.

Table 3. Luxembourg population 1981-2011

Years:	1981	1991	2001	2006	2008	2011
Total population	364.6	384.4	439.5	469.1	483.8	511.8
Women	186.7	196.1	223.0	237.0	244.2	257.2
Luxembourgers	268.8	271.4	277.2	277.8	277.9	290.5
Foreigners	95.8	113.0	162.3	191.3	205.9	221.3
Of which:						
Portuguese	29.3	39.1	58.7	70.8	76.6	81.3
Italian	22.3	19.5	19.0	19.1	19.1	17.7
French	11.9	13.0	20.0	24.1	26.6	31.0
Belgian	7.9	10.1	14.8	16.5	16.5	17.00
German	8.9	8.8	10.1	10.9	11.6	12.1
British	2.0	3.2	4.3	4.8	5.0	5.6
Dutch	2.9	3.5	3.7	3.7	3.8	3.8
Other EU	10.6	6.6	9.2	14.5	17.9	21.7

Source: STATEC, 2010

Luxembourg was hit by the financial crisis; however, policy support from accommodative euro monetary policy and a fiscal stimulus package helped to stabilize the economy. The OECD predicts, that growth in the years to come will be lower than before the crisis, but with a remaining high standard of living (OECD, 2010). As a reaction to the crisis, Luxembourg's companies have focused significantly on improving profitability, reducing costs and maintain their workforces as far as it was possible (Deloitte, 2011: 4). In order to be able to continue with the growth path, even at a moderate pace, young professionals need to be attracted to work (and live) in Luxembourg, as well as senior leader as the baby boomers generation reaches retirement age (Deloitte, 2011: 7). There is a high anticipation within the country that there is a high risk of shortage of leaders and managers (Deloitte, 2011: 8).

3. Background

3.1. Hofstede's six dimensions

Hofstede's academic research on cultural differences was first published 1980 based on a surveys of 117,000 employees of IBM conducted between 1968 and 1972 in 66 countries (Hofstede, 1980: 39). He identified four main dimensions plus two which dominate the value systems in the participating countries and affect human thinking, organizations, and institutions in predictable ways (Hofstede, 1980: 11). These dimensions were labeled:

- Power Distance.
- Individualism/Collectivism.
- Masculinity/Femininity.
- Uncertainty Avoidance.
- "Long-term vs. short term orientation".
- "Indulgence vs. restraint".

Power Distance as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede, 1980: 65).

Individualism/Collectivism characterizes the ties between individuals and the group. Individualism cultures are loose and everyone is expected to look after himself or herself and his or her immediate family. Whereas collectivism stands for a strong and cohesive ingroups, which continue throughout people's lifetime to protect them in exchange for unquestioning loyalty (Hofstede, 1980: 148).

Masculinity/Femininity is a value that indicates the socialization patterns of a culture. Masculinity describes the extent to which the dominant values of a society are assertive and competitive based on material success and distinctive social gender roles. Whereas femininity pertains to societies in which social gender roles overlap, men and women are supposed to be modest, tender and concerned with the quality of life (Hofstede, 1980: 176).

Uncertainty avoidance is defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations and try to avoid them (Hofstede, 1980: 110).

"Long-term vs. short term orientation" was added based on the results of a new questionnaire called Chinese Value Survey (CVS) conducted by M. Bond and added in 1991 (Hofstede, 1993).

"Indulgence vs. restraint" added around 20 years later was based on an analysis of the World Value Survey (WVS)

by Minkov. Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun while restraint reflects a conviction that such gratification needs to be curbed and regulated by strict social norms" (Hofstede, 2010: 281).

Looking at the different scores of the six dimensions for

Table 4. Hofstede's index scores for Luxembourg and its neighboring countries

Country	PDI	IDV	MAS	UAI	LTO	Indulgence vs. restraint*
Luxembourg **)	40	60	50	70	-	56
France	68	71	43	86	39	48
Germany	35	67	66	65	31	40
Belgium	65	75	54	94	38	57
Portugal	63	27	31	104	30	33
Italy	50	76	70	75	34	30
US	40	91	62	46	29	68

Source: Hofstede, 2001: 500; *) Hofstede 2010: 282.

**) Luxembourg was not in the original IBM set, however, there are estimations available based on observation and clustering in European Union (Hofstede, 2001: 502).

Luxembourg and its foreign workforce the scores for Power Distance, Individualism, and Uncertainty Avoidance have the highest variation.

"Managers and leaders, as well as the people they work with, are part of national societies. If we want to understand their behavior, we have to understand their societies". (Hofstede, 2010: 25). Therefore, Hofstede relates certain scores or combinations of scores of his cultural dimensions to country specific management/leadership behavior. For example, values about appropriate power distance are present among superiors and subordinates in a specific country, both share a country specific expectation regarding appropriate behavior in the workplace (Hofstede 1980: 258).

Table 5. Expected management practices

Dimension	Low Score	High Score
PDI (Hofstede, 1980: 107; Hofstede, 2001: 107f)	Hierarchy in organizations means an inequality of roles, established for convenience. Decentralization is popular. Narrow salary range between top and bottom of organization. Subordinates expect to be consulted. The ideal boss is a resourceful democrat. Privileges and status symbols are frowned upon.	Hierarchy in organizations reflects the existential inequality between higher-ups and lower-downs. Centralization is popular. Wide salary range between top and bottom of organization. Subordinates expect to be told what to do. The ideal boss is a benevolent autocrat or good father. Privileges and status symbols for managers are both expected and popular.

Source: Own compilation and research

Table 5. Expected management practices - cont.

Dimension	Low Score	High Score
IDV/COL (Hofstede, 1980: 173f; Hofstede, 2001: 236)	Collectivist. Relationship employer-employee is perceived in moral terms, like a family link. Hiring and promotion decisions take employees' in-group into account. Management is management of groups. Relationship prevails over task.	Individualist. Relationship employer-employee is a contract supposed to be based on mutual advantage. Hiring and promotion decisions are supposed to be based on skills and rules only. Management is management of individuals. Task prevails over relationship.
MAS/FEM (Hofstede, 1980: 207f; Hofstede, 2001: 311ff)	Feminine. Managers use intuition and strive for consensus. Stress on equality, solidarity, and quality of work life. Resolution of conflicts by compromise and negotiation.	Masculine. Managers expected to be decisive and assertive, stress on equity, competition among colleagues, and performance. Resolution of conflicts by fighting them out.
UAI (Hofstede 1980:142f; Hofstede 2001: 169f)	There should not be more rules than is strictly necessary. Time is a framework for orientation Comfortable feeling when lazy; hardworking on. Precision and punctuality have to be learned when needed. Tolerance of deviant and innovative ideas and behavior. Motivation by achievement and esteem or belongingness.	Emotional need for rules, even if these will never work. Time is money. Emotional need to be busy; inner urge to work hard. Precision and punctuality come naturally. Suppression of deviant ideas and behavior; resistance to innovation. Motivation by security and esteem or belongingness.
LTO (Hofstede, 2001: 359f)	Short term. Main work values include freedom, rights, achievement, and thinking for oneself. Leisure time is important. Focus is on bottom line. Importance of this year's profits. Managers and workers are psychologically in two camps.	Long term. Main work values include learning, honesty, adaptation, accountability, and self-discipline. Leisure time is not important. Focus is on market position. Importance of profits ten years from now. Owner manager and workers share the same aspirations.
IND vs. Rest. (Hofstede, 2010: 294f)	High score on indulgence. Expectation to exude joy and optimism even if the individual privately is worried about what is going on.	High score on restraint. Leaders are not expected to smile, especially not at strangers.

Source: Own compilation and research

Looking at the country specific scores for the dimensions, differences in leadership style can be expected when French, German, Belgium and US people work together. This is particularly true for PDI as France and Germany

score high and low respectively on it. Based on the PDI scores, a typical managerial behavior of French manager would be autocratic, or paternalistic, telling the employees what to needs to be done. "Organizations may be centralized; or at least have 'coordinated decentralized' or 'loose-tight' characteristics based on clearly specified and universally applied core values and core systems to which all are expected to adhere. Management style will tend towards Theory X, the explorative-authoritative or the benevolent-authoritative, and/or the paternalistic" (Morden, 1995: 18). As a consequence, management style may be more in accordance to Theory Y when the culture can be characterized by a high power distance, and greater degree of masculinity. The German management behavior, for example, would be more participative with a strong trend towards a democratic leadership style. In addition, based on the different scores on Masculinity between the French on the one side and the German and Belgium employees on the other side, the level of assertiveness and performance orientation of the later ones create conflicts in working together with French employees in the same group. The French might perceive this behavior as irritating as they thrive for consensus and look for compromises. In addition, Portuguese people score very low compare to the other nationalities when it comes to Individualism that creates different expectations regarding the appropriate way to be addressed. The chart above allows us to assume what kind of management practice might create misunderstanding and what practice will lead to success.

Hofstede's cultural framework has been accepted as important and reasonable for describing differences among nations, but little empirical research has used the Hofstede dimensions to investigate the efficacy of different management practices on performance in different culture groups (Newman, 1996: 756) Newman closed that gap by conducting a survey which tested 176 work units of one large US based corporation. The work units were located in eighteen European and Asian countries including all nationalities represented in the Luxembourg workforce except for Luxembourg itself, and nearly all participants were citizens of the country which the entity was located at (Newman, 1996: 759). For three dimensions the cultural score and certain management practices had a clear implication for performance:

- In low power distance countries, more participative work units performed higher, and the contrary was evident for high power distance countries.
- Individualistic countries prefer the emphasis on individual responsibility whereas it is the opposite for collectivist countries.

- Masculine countries perform better with merit-based reward for pay and promotion and vice versa.
- Long-term-orientated countries work better with longer-term outlook.

Only for uncertainty avoidance, was there no clear evidence. Only high uncertainty avoidance cultures perform better if they have a clear sense of direction whereas there is no such interdependence for low uncertainty avoidance with a particular management practice (Newman 1996: 761f). Newman concludes, “that management practices should be adopted to the local culture to be most effective” (Newman, 1996: 762). However, this conclusion is based on work-units employing a workforce that shares the same cultural background as the location of the entity.

3.2. The GLOBE survey

The GLOBE survey was an initiative of 170 researchers working together for 10 years to answer the question of universal and culture specific aspects of leadership. The driving force of that endeavor was their assumption, that business people in today’s global business environment find plenty of general advice how to perform in foreign settings, however that this information lacks of scientifically compiled information, is not detailed enough, and not context-specific (Javidan, Dorfman, Sully de Luque, House, 2006: 68).

As Hofstede, the GLOBE team started off with the basic assumption that there is “... substantial empirical evidence (which) indicates that leader attributes, behavior, status, and influence vary considerably as a result of culturally unique forces in the countries or regions in which the leaders function” (Javidan, Dorfman, de Luque, House, 2006: 72). The group conducted a large-scale survey that included 17,300 middle managers working in 951 organizations, located in 62 societies. The data collection was conducted between 1993 and 2003 with a focus on the food processing, the financial services and telecommunications industries which are present in all countries of the world. In order to identify universal and culture specific aspects of leadership, they conceptualized and developed measures of cultural dimensions based on a review of the work of Hofstede, Trompenaars, Kluckhohn and Strodbeck. They extracted 9 cultural dimensions, listed in the table 5 below in comparison with the 5 Hofstede dimensions.

Table 6. Comparison of Hofstede and GLOBE dimension

GLOBE dimension	Definition	Hofstede's dimension
Power Distance	expect power to be distributed equally	Same label
Uncertainty Avoidance	relies on social norms, rules and procedures to avoid unpredictability of future events	Same label
Future Orientation	enables people to delay gratification, and invest in future	Rename of Long-Term orientation
Institutional Collectivism	encourage and rewards collective distribution of resources and collective actions	Individualism-Collectivism
In-Group Collectivism	expressing pride, loyalty and cohesiveness in their organizations and families	
Performance Orientation	encourages and rewards performance improvement and excellence	Masculinity-Femininity
Assertiveness	results in assertive, confrontational and aggressive relationships with others	
Humane Orientation	encourages being fair, altruistic, generous and caring	
Gender Egalitarianism	minimized gender inequality	

Source: Own compilation based on Hofstede 2010b.

Based on these 9 cultural dimensions, GLOBE was able to empirically identify 10 cultural clusters out of the 62 participating cultures. Those relevant to this study are listed in the table 6 below.

Table 7. Cultural cluster of the GLOBE survey

Cluster	Countries belonging to this cluster
Eastern Europe	Hungary, Russia, Greece, Albania, Georgia, Kazakhstan, Poland, Slovenia, Romania, Czech Republic, Lithuania, Latvia, Estonia, Serbia
Anglo	Australia, England, Ireland, New Zealand, South Africa, USA, Canada
Germanic Europe	Austria, Netherlands, Switzerland, Germany, Belgium
Latin Europe	France, Italy, Portugal, Spain, Swiss (French and Italian speaking)
Nordic Europe	Finland, Sweden, Denmark Norway

Source: Javidan, Dorfman, de Luque, House, 2006: 87.

In order to be able to identify a match between certain cultural clusters and leadership style, the GLOBE looked at “implicit leadership theory where individuals hold a set of beliefs about the kinds of attributes, personality characteristics, skills, and behavior that contributes to or impede outstanding leadership” (Javidan, Dorfman, Sully de Luque, House, 2006: 72). They argued that structure and content of these belief systems would be shared among individuals in a common culture. GLOBE empirically identified six global leadership dimensions that differentiate cultural profiles of desired leadership qualities. These dimensions are de-

scribed in the table 7 below.

Table 8. Required leadership qualities

Style	Qualities
Charismatic/Value-based	reflects the ability to motivate and inspire
Team-oriented	emphasizes effective team building
Participative	involving others in making and implementing decision
Humane-oriented	supportive leadership including compassion
Autonomous	independent and individualistic leadership
Self-protective	ensuring safety and security of individuals, self-centered and face saving

Source: Javidan, Dorfman, de Luque, House, 2006: 73.

For all these clusters, the most appropriate leadership style was analyzed. In the table 8 below, the relevant differences regarding leadership style for Luxembourg and its foreign workforce are listed based on the results of the

Table 9. Leadership style and country cluster for Luxembourg

	Leadership style and country cluster for Luxembourg based on the:					
	Charismatic/Value Based	Team-Oriented	Participative	Humane Oriented	Autonomous	Self-Protective
Latin Europe	M/H	M	L	M	H/H	H
Anglo	H	M	H	H	M	L
Germanic Europe	H	M/L	H	M	H/H	L
Nordic Europe	H	M	H	L	M	L
Eastern Europe	M	M	L	M	H	H

Source: Javidan, Dorfman, de Luque, House, 2006: 74.

“The combined results of the GLOBE survey demonstrate that several attributes reflecting charismatic/ transformational leadership are universally endorsed as contributing to outstanding leadership” (Den Hartog, House, Hanges, Ruiz-Quintanilla, 1999: 250). These attributes of leadership are culturally convergent (Javidan, Dorfman, de Luque, House 2006: 75). These empirically identified universally perceived leadership attributes are listed below as universal facilitators of leadership effectiveness (Javidan, Dorfman, Sully de Luque, House, 2006: 75):

- Being trustworthy, just, and honest (integrity).
- Having foresight and planning ahead (charismatic-visionary).
- Being positive, dynamic, encouraging, motivating, and building confidence (charismatic-inspirational).
- Being communicative, informed, a coordinator, and team integrator (team builder).

4. Transformational leadership

4.1. Theories

Transformational leadership is a group of leadership theories that stress the charismatic attributes, vision, longer-term goals, group member rewards beyond individual rewards, and change or transformation of the organization. The transformational leader inspires the followers by connecting to their values and calls upon them to act upon higher values for the good of the group.

Transformational leadership first appeared in the literature in the book *Leadership* by Burns (Burns, 1978). In the book Burns not only described transformational leadership but put it at as the extreme at the end of the continuum with the construct of transactional leadership at the opposite end of the continuum and independent of each other (Avolio, Bass, and Jung, 1999). This dichotomy of transformational and transactional leadership being opposites existing in the literature for around twenty years, and still is in the theory in use in the practice field.

Burns differentiated between the two theories through what the leader and followers offered each other. Burns saw transactional leadership as less effective especially in bringing about significant change, and appealing to pure self-interest of the followers by using conventional rewards and punishment. Burns' work built upon earlier humanistic works that described individual characteristics of transformational leaders. These include Weber's (1924) concept of the charismatic authority and leadership. Burns also built on the ethical and motivational concepts of Abraham Maslow (Maslow, 1954). The Transformational leader appeals to the higher ideals and values of the followers. These being self-esteem and self-actualization in motivation and in values the Beta values found in Maslow's work.

Bass developed the theory of his Full Range Leadership Model (Bass, 1985) and the Multifactor Leadership Questionnaire (Bass and Avolio, 1994). He conceptualized transformational and transactional leadership as not being opposites but different parts of the full repertoire a leader can use. Additionally, he added a third leadership type of leadership in his model, that of the Laissez Faire Leader. This is a leader who demonstrates a lack of leadership behavior, avoidance of interventions, and no attempt to make agreements, motivate, set standards, give feedback or use authority.

Bass and his co-researchers found that four behavioral factors associated with transformational leadership. They are:

- Idealized Influence or Charisma is associated with leaders with vision and the ability to motivate others toward the vision. Through his trait the leader gains the trust and confidence of the followers and is seen as a role model.
- Inspirational Leadership is the ability of the leader to motivate the followers to believe they can achieve more than thought possible. The leader provides a clear strategy that often is a novel answer to the problem.
- Individualized Consideration is the respect and treated as an important individual. The leader builds trust with the followers and helps to develop them.
- Intellectual Stimulation is the leaders ability to communicate with the followers and help them see old problems in new ways and to conceive of new solutions. The leader encourages the followers to rethink their conventional practices.

Bass added to these four transformational leader behaviors two behaviors that are associated with transactional leadership. In his view, transactional leaders try to control followers through rational or economic means. (Bass and Avolio, 1990) The two factors are related to exchange in this economic means. The behaviors are:

Contingent Rewards in which leaders reward continual efforts of the followers through rewards such as pay, raises and promotions. The leader communicates how to gain rewards, and punishes undesired behavior of the followers.

The second is Management by Active or Passive Exception is when the leader intervenes only when followers deviate from expectations. The leader gives negative feedback after expectations are not met which is passive management by exception. The leader can anticipate mistakes or problems, which is active management by exception.

The full range theory of leadership was developed to separate the behaviors of effective and ineffective leaders. The full range consists of the four transformational behaviors, the two transactional behaviors and the *lassiez faire* behavior.

Bass in his model does not have transformation and transactional leadership as the extreme opposites but part of the full range of behaviors that a leader may exhibit. Bass wanted to find the most effective leadership behavior.

Kouzes and Posner (Kouzes and Posner, 2002) have developed a conceptual model for exemplary leadership synonymous with transformational leadership. Since 1983, they have conducted research with over 75,000 leaders in various organizational settings, countries and cultures. They started by asking, "What values or traits (personal

traits or characteristics) do you look for and admire in your leader?" (Kouzes and Posner, 2002: 24) The results over time, country and position were incredibly consistent. The four attributes that consistently receive the vast majority of votes are: honest, forward-looking, competent, and inspiring. They also found that "more than anything, people want leaders that are credible. Credibility is the foundation of leadership". Above all else we must be able to believe in our leaders. We must believe that their word can be trusted, that they'll do what they say, that they're personally excited and enthusiastic about the direction in which we're headed" (Kouzes and Posner, 2002: 32).

Based on further investigation using subjects' stories about their personal best leadership experience, Kouzes and Posner developed a framework for designed to provide guidance to leaders "to get extraordinary things done" (Kouzes and Posner, 2007: 17). This framework has some assumptions worth making explicit. Kouzes and Posner believe leadership is not a position, but a set of behaviors and character tests. Leadership can be taught assuming the leader has credibility and personal character to lead. The five practices which they identify are an interrelated set of practices which a leader must follow all of them. A leader cannot pick and chose individual components of the model. In agreement with Burns, they acknowledge that leadership has a ethical component.

The framework consists of five practices that incorporate ten commitments of leaders. The practices are described below with the commitments.

Practice 1: Modeling the way. In this practice the leader becomes a role model for the group. The leader becomes the model for the idealized values of the group, and affirms the values by acting on the values. the first commitment is find your voice. leaders find their voice by clarifying their values, and expressing themselves. Kouzes and Posner further explain there is an assumption of competence in the practice: "Having a clear and authentic message is a necessary first step, yet the ability to consistently deliver the message and act on it takes a high degree of skill. Before you can do the right things, you have to know how to do them" (Kouzes and Posner, 2002: 33). Since Kouzes and Posner developed their framework there has been considerable writing on the topics in the first practice. Most notably is George and Sims (George and Sims, 2007) on the power of credibility and "telling your own story".

Practice 2: Inspire a shared vision. There are two commitments that comprise this practice. They are envision a future by imagining exciting and ennobling possibilities and enlist others in a common vision by appealing to shared aspirations. Exemplary leaders are forward looking and are able to imagine a future for the common good. The vision

symbolizes the highest ideals of the group and the followers can see a better future through the vision. Most importantly is the leader's ability to communicate the vision to all levels of the followers. As Kouzes and Posner say, "make use of this human longing by communicating the meaning of the organization's work so that people understand their important role in creating it" (Kouzes and Posner, 2007: 61).

Practice 3: Challenge the process. The leader is the facilitator of change and innovation: "the opportunity to change the business-as-usual-environment is fertile soil for leadership. The challenge of creating a new way of life is intrinsically motivating to leaders and constituents alike" (Kouzes and Posner 2002: 186). The commitments within this practice are: search for opportunities by seeking innovative ways to change, grow and improve and experiment and take risks by constantly generating small wins and learning from mistakes.

Practice 4: Enable others to act. The two commitments in this practice are: foster collaboration by promoting cooperative goals and building trust, and strengthen others by sharing power and discretion: "strengthening others by increasing self-determination and developing competence, exemplary leaders accept and act according to the paradox of power; they become more powerful when they give their power away, instead of hoarding it" (Kouzes and Posner 2007: 227).

Practice 5: Encouraging the heart. This practice is achieved by the two commitments of recognize contributions showing appreciation for individual excellence and celebrate the values and victories by creating a spirit of the community. Kouzes and Posner are the epitome of transformational leadership. They rely on charismatic leaders who give novel visions. The leaders are idealized versions of the followers, and they enforce the best of the values of the group. The leaders encourage innovation and change and empower followers and build community based on the group's values.

Transformational leadership has been tied to positive benefits in organizations (Ackfeldt and Leonard, 2005; Bolino, Turnley and Bloodgood, 2002), selfless behavior by individuals in organizations (Barksdale and Werner, 2001; Nguni, Slegers and Denessen, 2006) and most importantly to positive effect on employee performance (MacKenzie, Podsakoff and Ahearne, 1998). Posner, Kouzes and Schmidt (Posner, Kouzes and Schmidt, 1998) found transformational leadership impacts commitment, performance and motivation. Hatter and Bass (Hatter and Bass, 1988) and House and Shamir (House and Shamir, 1993) also found a relationship between transformational leadership and followers motivation.

4.2. Transformational leadership vs. transactional leadership

There was an assumption that transactional leadership would be more effective than transformational leadership (Wright and Pandey, 2009). However, some research findings suggest leaders are more successful in obtaining maximum follower performance and satisfaction through the augmentation of transformational leadership with contingent rewards (Bass and Riggio 2009; Avolio, Bass, and Jung, 1999; Howell and Avolio, 1989). The more successful leaders display behaviors of both transformational and transactional leadership models.

Early in the research in leadership, there was mounting evidence for the effectiveness for transformational leadership, and it being more effective than transactional leadership (Bass, 1985; Bass, 1990a; Burns, 1978; House, 1977; Shamir, House, and Arthur 1993; Yukl, 1998). Fiol, Harris, and House (Fiol, Harris, and House, 1999) did an analysis of research studies that in over 100 studies of charismatic leadership. They found positive effects on their organizations and followers, and the charismatic leaders were seen as effective leaders. However, these early studies were often conducted in USA, Canada, and Western Europe (Yukl, 1998).

It was postulated that characteristics of effective leaders may vary due to different cultural profiles of the countries (Bass, 1990; Hofstede 1993). The GLOBE study originally thought that culture would be an "influencer and inhibitor as belief systems and values are determinates of leadership style" (Den Hartog, House, Hanges, Ruiz-Quintanilla, 1999: 72). However, the GLOBE study did find that there were six universally perceived attributes of effective leaders. They are: charismatic/value-based, team-oriented, participative, humane-oriented, autonomous and self-protective. The first four line up with transformational behaviors/values.

In a follow-up to the GLOBE study (Den Hartog, House, Hanges, Ruiz-Quintanilla, 1999), universally endorsed leadership attributes were found. These attributes were:

- integrity, charismatic,
- inspirational visionary leadership,
- team-oriented,
- excellence-oriented.

Den Hartog, House, Hanges, Ruiz-Quintanilla summarize the findings: "In summary, the results presented here support the idea that many charismatic/transformational leadership attributes are universally endorsed as contributors to outstanding leadership by an international sample of middle managers" (Den Hartog, House, Hanges, Ruiz-Quintanilla, 1999: 240). The authors go on to say,

“a shared preference for transformational/charismatic attributes will be enacted in exactly the same manner across cultures or that similar meaning would be attached to all exhibited behaviors across all cultures” (Den Hartog, House, Hanges, Ruiz-Quintanilla, 1999: 242).

5. Methodology

5.1. Research questions

Based on the literature and the changing dynamics of business evidenced in Luxembourg, the following research questions were the focus of this research:

- Is nationality a predictor of transformational leadership?
- Is nationality predictive of one's preferred transformational leadership style?
- Is nationality predictive of one's perceived transactional leadership style?

5.2. Method

A survey was administered through Zoomerang, an online survey tool in 2010. The survey link was distributed to potential responders via announcement of the Chamber of Commerce Luxembourg, the American Chamber of Commerce AMCHAM, EU-institutions located in Luxembourg, Luxembourg Ministries and a student alumni network of a private University in Luxembourg. The target group of the survey was individuals working in a company or institution located in Luxembourg. Within a period of three month (January to March 2010), 250 completed questionnaires were collected. The data was imported into SPSS, where variables were computed, coded and analyzed.

5.2.1. Sample

Our resulting sample was 28% female and 72% male. The majority had a master's level education (55%), followed by a bachelor's degree (17%), a high school diploma (10%), a Ph.D., (8%) or a professional qualification (2%). The highest percentage of the respondents were in the 35-44 age bracket (39%), followed by 45-54 (34%), 25-34 (13%), 55-64 (12%) and 65+ (2%). most of the sample consisted either of middle managers (25%) or senior managers (25%), followed by CEO/general managers (15%), first level managers (10%), independents (10%), professionals (8%) and board members (5%). there was a relatively even distribution among industries with education/training/hr/healthcare the largest percentage (17%), followed by finance and accounting (14%), telecommunications/it (13%), legal/consulting (13%), banking/insurance (13%), other (12%), customer service (11%) and industry (9%). The breakdown of nationalities in the sample is shown in the table 8 below.

Table 10. Breakdown of nationalities in the sample

Country of origin (nationality)	Percentage
Anglo	19%
Luxembourg	17%
France	16%
Germany	14%
Belgium	12%
Others	10%
Dutch	6%
Missing	5%

5.2.2. Measures

Transformational leadership. A transformational leadership scale was constructed by two researchers of this study, who wrote items based on the transformational and transactional conceptualizations by Kouzes and Posner (Kouzes and Posner, 2002). After the items were constructed, four leadership experts rated the items as transformational or transactional. Only items where all four agreed were kept, resulting in 18 items from five dimensions: model the way (three items, for example, “I clarify priorities and direction”), inspire shared vision (two items, for example “I define corporate social responsibility goals”), challenge process (three items, for example “I value learning in the team”), enable others (six items, for example, “I do not interfere in the way people manage their unit”), and encourage heart (four items, for example, “I listen to personal problems”). The cronbach's alpha for this study was .85.

Each question's sub-items reflects at least one facet of one of Kouzes and Posner's practices (Kouzes and Posner, 2007) – thus we used these questions as indicators for transformational leadership:

Table 11. A transformational leadership scale

Dimensions	Questions		
	Category	Being ed	Preferred style (How to be led?)
1. Model the way	9-1, 9-9, 10-5,	14-4, 14-12 15-1,	n/a
2. Inspire a shared vision	10-6, 10-7,	15-3, 15-10,	19-5
3. Challenge the process	10-2, 10-9, 10-11,	15-4, 15-6, 15-11	19-2, 19-6,
4. Enable others to act	9-2, 9-7, 9-12, 10-1, 10-3, 10-8,	14-1,14-6, 14-11 15-2, 15-5,	19-10, 19-1, 19-3,
5. Encourage the heart	9-4 9-6, 10-4, 10-10, 10-12,	14-7 14-9, 15-8, 15-7, 15-9,	19-7, 19-4, 19-8

Transformational leadership subdimensions. The same method was used to determine items for the transformational leadership subscales. There are five sub dimensions of transformational leadership: model the way, inspire

a shared vision, challenge the process, enable others to act and encourage the heart. Model the way was measured with three items. Reliability analysis revealed an increase in the cronbach's alpha with the deletion of one item. Therefore the resulting scale was two items with reliability of .51. Inspire shared vision was measured with two items, and had a cronbach's alpha of .54. challenge process was originally measured with three items. Reliability analysis revealed an increase in the reliability with the deletion of one item. The resulting scale was two items, with a cronbach's alpha of .61. Enable others was measured with six items. One item was deleted to increase the reliability of the scale. The resulting scale was five items, with a cronbach's alpha of .64. Encourage heart was measured with five items. One item was deleted to increase the reliability of the scale. The resulting scale was four items, with a cronbach's alpha of .56.

Transformational leadership preferred style. Questions from the transformational leadership style were reworded in order to determine one's preference for being led in a transformational way. An example is "I like to speak up and present my own ideas". Eight items comprised this scale, with a cronbach's alpha coefficient of .682.

Transactional leadership. The transactional leadership scale was developed using the same method as the transformational leadership scale. Transactional leadership was measured with five items. The reliability increased when one item was deleted. The resulting scale was four items

with a cronbach's alpha of .67. An example of an item is "I often feel like I have to tell people what to do".

Control variables. Control variables age, education, gender, managerial status, profession, linguistic identity, and organizational size were used in the study to control for demographic variables and organizational size, variables that have an effect on the leadership style. Variables were assigned dummy variables for the purposes of the regression analysis: gender (1=male, 2=female), age (1=25-34, 2=35-44, 3=45-54, 4=55-64, 5=65+), education (1=high school, 2=professional qualification, 3=bachelor degree, 4=master degree, 5=Ph.D./Doctorate), linguistic identity (1=Anglo, 2=French, 3=German, 4=Multi., 5=Latin/med., 6=Dutch & Scan., 7=other), corporation size (1=<50, 2=50-249, 3=250-499, 4=500-999, 5=1000-4999, 6=>5000), management level: (1=first level, 2=independent, 3=professional, 4=middle management, 5=senior management, 6=CEO/general manager, 7=board member), profession: (1=industry, 2=telecomm/IT, 3=cust. service, 4=banks/insurance, 5=fin./accounting, 6=legal/consulting, 7=educ./train./HR/health, 8=other), nationality (1=Lux., 2=France, 3=Germany, 4=Belgium, 5=Anglo, 6=Dutch, 7=others).

6. Findings

Table 1 presents the means, standard deviations and correlations for each of the variables in the study. Hierarchical multiple regression was used to test the study hypotheses.

Table 12. Basic Statistics and Correlations

Variables	Mean	SD	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Age	2.51	.94	248	-														
2. Education	3.41	1.10	247	-.125	-													
3. Gender	1.28	.45	248	-.06	.041	-												
4. Linguistic identity	2.95	1.95	248	.055	.121	-.021	-											
5. Corp. size	3.05	1.14	196	-.107	-.134	.060	-.026	-										
6. Mgmt. level	4.14	1.66	244	.271***	-.200**	-.101	.052	-.028	-									
7. Profession	4.75	2.22	248	.097	.008	.152*	.013	-.213**	.034	-								
8. Nationality	3.85	2.13	248	.053	-.070	-.057	.013	.054	-.055	.070	-							
9. Transf lead	3.30	.32	248	.205**	-.060	.053	-.050	-.137	.126	.174**	-.057	(.85)						
10. Transf_model way	3.34	.53	248	.218**	-.123	.015	-.043	-.159*	.214**	.227***	-.049	.690***	(.51)					
11. Transf_shared vision	2.91	.57	246	.260***	-.023	.085	-.035	-.150*	.159*	.180**	-.100	.614***	.517***	(.54)				
12. Transf_challenge	3.58	.45	247	.017	.029	.074	-.015	-.046	-.028	.064	-.060	.703***	.368***	.260***	(.61)			
13. Transf_enable others	3.38	.37	248	.178**	-.045	.043	.024	-.095	.087	.100	-.094	.867***	.473***	.412***	.618***	(.64)		
14. Transf_encourage	3.28	.42	248	.119	-.085	.110	-.138*	-.053	.051	.152*	.056	.801**	.479**	.348***	.522***	.592***	(.56)	
15. Transf_preferred	3.30	.34	245	.107	-.001	.017	.013	-.086	.018	.110	.020	.452***	.252***	.203**	.285***	.338***	.438***	(.68)

Note: Categorical variables: gender (1 = male, 2 = female); age (1=25-34, 2=35-44, 3=45-54, 4=55-64, 5=65+); **Education** (1=high school, 2=professional qualification, 3=bachelor degree, 4=master degree, 5=Ph.D./Doctorate); **Linguistic identity** (1=Anglo, 2=French, 3=German, 4=Multi., 5=Latin/med, 6=Dutch & Scan, 7=other); **Corporation size** (1=<50, 2=50-249, 3=250-499, 4=500-999, 5=1000-4999, 6=>5000); **Management level:** (1=first level, 2=independent, 3=professional, 4=middle management, 5=senior management, 6=CEO/general manager, 7=board member); **Profession:** (1=industry, 2=telecomm/IT, 3=cust. service, 4=banks/insurance, 5=fin./accounting, 6=legal/consulting, 7=educ./train./hr/health, 8=other); **Nationality** (1=Lux., 2=France, 3=Germany, 4=Belgium, 5=Anglo, 6=Dutch, 7=others); Reliability estimates are reported in parentheses along the diagonal.

* $p < .05$, two-tailed; ** $p < .01$, two-tailed, *** $p < .001$, two-tailed

Research question 1: Is country of origin related to a leader's perceived transformational leadership style (overall and at the dimension level)? The research question was tested using hierarchical linear regression analysis, with the control variables (age, education, gender, profession, management level, linguistic identity, and organizational size) entered in the first step of the regression, and the independent variable country of origin entered in the second stage of the model. There were six separate regression analyses computed, one with overall transformational leadership style as the dependent variable, and the other five represented each of the sub dimensions of transformational leadership. Tables 12 and 13 indicate the results of this analysis. Research question 1 revealed that nationality did not predict overall transformational leadership style above and beyond the effect of the control variables. As can be seen in Table III, nationality was positively related to the transformational leadership dimension "encourage heart" ($\beta = -.144, p < .05$).

Table 13. Hierarchical regression: Is nationality a predictor of transformational leadership?

IV	Nationality	
	Model 1	Model 2
Age	.133*	.138*
Education	-.011	-.013
Gender	.061	.057
Mgr. Status	.074	.066
Profession	.154**	.149**
Linguistic identity	-.049	-.044
Corp. size	-.092	-.089
Nationality		-.070
R ²	.046	.046
ΔR^2	.081	.005
ΔF	2.328	.950
DF'S	186	186

Note: * $p < .10$, two-tailed; ** $p < .05$, two-tailed; *** $p < .01$

Table 14. Hierarchical regression: Is nationality related to a leader's perceived transformational leadership style at the dimension level?

IV	Dependent Variables									
	Model the way		Inspire shared vision		Challenge process		Enable others		Encourage heart	
Age	.130*	.133*	.170*	.174*	.029	.034	.110	.121	.073	.070
Education	-.037	-.039	.011	.009	.019	.017	-.002	-.007	-.033	-.031
Gender	.009	.007	.075	.072	.097	.094	.083	.075	.114	.116
Mgr. status	.181**	.176**	.143**	.137*	-.031	-.038	.031	.015	.024	.029
Profession	.199***	.197***	.130*	.126*	.074	.070	.106	.096	.126*	.129*
Linguistic identity	-.065	-.063	-.027	-.022	.027	.032	.018	.028	-.119*	-.122*
Corp. size	-.104	-.102	-.099	-.096	-.034	-.031	-.060	-.054	-.027	-.029
Nationality		-.040		-.056		-.060		-.144**		.041
R ²	.110	.107	.075	.073	-.015	-.017	.009	.024	.023	.245
ΔR^2	.143	.002	.109	.003	.022	.004	.045	.020	.058	.002
ΔF	4.422***	.225	3.222***	.619	.595	.662	1.238	3.956**	1.643	.326
DF'S	186	.564	185	184	185	184	186	185	186	185

Note: * $p < .10$, two-tailed; ** $p < .05$, two-tailed; *** $p < .01$

Research question 2: Is nationality predictive of one's preferred transformational leadership style? The research question was tested using hierarchical linear regression analysis, with the control variables (age, education, gender, profession, management level, linguistic identity, and organizational size) entered in the first step of the regression, and the independent variable country of origin entered in the second stage of the model. One regression analysis was computed with preferred transformational leadership style as the dependent variable. Table 14 indicates the results of this analysis. The results indicated that country of origin does not significantly predict one's overall preferred transformational leadership style ($\beta = .003, n.s.$).

Table 15. Hierarchical regression: Is nationality a predictor of preferred transformational leadership style?

IV	Nationality	
	Model 1	Model 2
Age	.078	.078
Education	-.010	-.010
Gender	-.057	-.057
Mgr. status	-.034	-.034
Profession	.159*	.159*
Linguistic identity	.003	.003
Corp. size	-.041	-.041
Nationality		.003
R ²	.040	.040
ΔR^2	.040	.000
ΔF	1.110	.001
DF'S	185	184

Note: * $p < .10$, two-tailed; ** $p < .05$, two-tailed; *** $p < .01$

Research question 3: Is nationality predictive of one's perceived transactional leadership style? The research question was tested using hierarchical linear regression analysis, with the control variables (age, education, gender,

profession, management level, linguistic identity, and organizational size) entered in the first step of the regression, and the independent variable country of origin entered in the second stage of the model. One regression analysis was computed with perceived transactional leadership style as the dependent variable. Table 15 indicates the results of this analysis. The results indicated that country of origin does not significantly predict one's overall perceived transactional leadership style ($\beta = -.053$, n.s.).

Table 16. Hierarchical regression: Is nationality a predictor of perceived transactional leadership style?

IV	Nationality	
	Model 1	Model 2
Age	-.103	-.099
Education	.005	.004
Gender	.223***	.220***
Mgr. status	.183**	.177**
Profession	-.069	-.073
Linguistic identity	-.127*	-.123*
Corp. size	-.034	-.032
Nationality		-.053
R ²	.064	.062
ΔR^2	.098	.003
ΔF	2.880	.564
DF'S	185	184

Note: * $p < .10$, two-tailed; ** $p < .05$, two-tailed; *** $p < .01$

7. Discussion and conclusion

The three research questions were answered. Research question 1 asked whether country of origin was related to a leader's perceived transformational leadership style (overall and at the dimension level)? Nationality is not significantly predictive of one's perceived transformational leadership style after controlling for demographic variables and organizational size. However, when nationality was tested as a predictor of the subdimensions of leadership, it was found that even after controlling for demographic variables and organizational size, nationality was predictive of the perception of whether one engaged in the style referred to as "enable others". Research question 2 asked whether nationality was predictive of one's preferred transformational leadership style? Nationality did not predict the extent to which an individual preferred to be led in a transformational manner. Research question 3 asked whether nationality was predictive of one's perceived transactional leadership style? It was found that nationality did not account for differences in one's perception of whether a person led in a transactional manner.

The findings of this study do not support the theory of Hofstede but are consistent both the GLOBE study and the Kouzes and Posner (Kouzes and Posner, 2002) research, which both predict transformational leadership is preferred by people across cultures. It should be noted that

when the control variables were entered in the analysis of the regression model, professional was significantly related to transformational leadership ($p < .05$). Managerial status was significantly related to perception of one's transactional leadership style, with individuals perceiving themselves as more transactional as managerial level increases. Also, gender was significantly related, with females predicting a higher perception of a transactional score. Perhaps individuals who are in a higher status position feel more empowered to give directives, and females feel the need to be more directive since they inherently have less power in society. Future research should focus on demographic variables, in particular, profession, gender and managerial level as predictors of transformational and transactional leadership styles.

The GLOBE study states that the behavioral manifestations of a leadership style may differ by culture. For instance, enabling others may be a desired leadership trait across cultures, but may have different behavioral manifestations based on cultural differences such as power distance. Basically a leader in a high power distance culture might enable others by acting in a directive fashion, whereas a leader in a low power distance culture might enable others with a standoff approach. Both styles may be equally effective based on accepted power distance differences by culture. Future research should investigate further how nationality might differentially predict different facets of transformational leadership. This study has limits. There was no assumption of causality. It was survey research in which subjects assessed themselves. The sample was limited. There were approximately 40 responses per national group. Most importantly, all the respondents with the exception of the Luxembourgers were working in a country other than their own. There is reason to believe they may be different than their fellow countrymen who have stayed in their country.

However, the uniqueness of Luxembourg as a multicultural environment presents some interesting questions and opportunities for further study. Is there a transnational culture that is evolving in places where many nationalities work together? Or do we have to consider the individuals' cultural mosaic as Chao and Moon are suggesting (Chao, Moon, 2005). Luxembourg is one of these places, but not the only one. Singapore, Beijing and New York are others. Eventually, many cities will be more like this. Does Luxembourg give some indication of what a transnational culture will be like? This is worthy of study in Luxembourg and other places that mimic the multinational dynamic of Luxembourg. Especially as there is a predicted shift in talent mobility from an intra-continental pattern valid for the period of 1990-2010 to a fluid mobility of talents world-wide in 2020 (PwC Talent Mobility 2020: 18,19). This, obviously, begs for further research as the truly global workforce develops further.

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