

AN INVESTIGATION ON LEADERSHIP STYLES FOR THE BUSINESS PRODUCTIVITY AND SUSTAINABILITY OF SMALL MEDIUM ENTERPRISES (SME'S)

Azam Malik, Prince Sattam Bin Abdulaziz University

Nasreen Khan, Al Baha University

Shaha Faisal, Prince Sattam Bin Abdulaziz University

Sarfaraz Javed, Mazoon College, Alseeb

Mohammad Rishad Faridi, Prince Sattam Bin Abdulaziz University

ABSTRACT

This paper focuses to add an understanding of leadership styles of entrepreneurs in SMEs as well as their influence on thriving businesses for sustainability. This study points out the way leadership style can impact the development and accomplishment of entrepreneurship role in SME's in India. This study examines whether leadership styles can have an influence on the development and execution of medium and small-sized enterprises and their impact on company performance in Aligarh District. The outcome of the study reveals that completely different conceptions of leadership could affect the company's productivity. Transformational leadership has much more to do with business productivity than transactional leadership, which have a positive correlation with performance-focused on business creation and in help improving business productivity and sustainability.

Keywords: Leadership Styles, Transformational, Transactional, Small Medium Enterprises SME's, Productivity and Sustainability.

INTRODUCTION

An efficient leader is one who influences his subordinates in a favored way to attain the desired target. The divergent leadership styles have their influence on organizational efficiency or performance (Mahdinezhad & Suandi, 2013). The styles of leadership might assist to endorse small business advancement but only that connection is intervened by cooperation within the members of small-medium business. Leadership's contribution to the team or organizational consequences is influenced by subordinate behaviors and their level of cooperative behavior (Yukl, 1998). Entrepreneurial orientation is a widely used determination of the concept of entrepreneurship in the literature (Hodgetts & Kuratko, 2001) and its orientation is the nature of entrepreneurship at an organizational level (Wiklund & Shepherd, 2005). Entrepreneurs played a crucial role in economic development and contemporary enterprises (Sathe, 2003; Ali & Malik, 2012). Most of the entrepreneur is capable to approve definite styles of leadership or behavior to stimulate the employees or team to work as a group to create modernization or innovation for small businesses (Lee et al., 2005). Many schools of thought on entrepreneurship have been

developed for the past many years, fusing psychological attributes with styles of leadership and management. The most important business practices are the search for opportunities, the need to achieve set goals, to be competitive, to take risks, and to innovate (Lepnurm & Bergh, 1995; Malik et al., 2019). To achieve the desired goals, an effective leader influences people in the desired way. Different styles of leadership can affect organizational effectiveness or efficiency (Mahdinezhad & Suandi, 2013) pioneers of economic growth and current enterprises have become entrepreneurs (Sathe, 2003). A frequently used indicator in the literature is entrepreneurial orientation ((Hodgetts & Kuratko, 2001; Wiklund & Shepherd, 2005). The purpose of the study was to investigate how leadership styles in SMEs of Aligarh District, India could influence the growth, development, and implementation of entrepreneurship in Small and Medium Enterprises (SMEs). Due to its large area and trade, SMEs exerts a strong influence on India's economy. It also investigates the impact on the business productivity of the company by orientation and leadership styles. The observations can provide new insights in the area of leadership and entrepreneurship, particularly in entrepreneurship Leadership styles. Today SME's constitute the most dynamic and vibrant sector in any economy. This sector has made significant contribution in the sustainable economic development. Globalization and the current economic order have exposed SME's to global business environment. The networked global economy has dismantled all barriers, harmonized trade policies and procedures, and made free movement of factors of production a reality. These aspects are posing challenges of a different dimension for SME's (Faisal & Sulphrey, 2018). In addition to these, the regulations imposed by WTO regime is pressuring SMEs to enhance product/service obligations, seeking conscious efforts to take on competitions.

REVIEW OF LITERATURE

Entrepreneurial leadership encompasses coordinating and encouraging a group of people through innovation, risk optimization, taking advantage of opportunities, and planning the creative organizational environment to attain common objectives. Schumpeter (1934) opinioned that entrepreneurship is the idea of innovation. Casson (2005) entrepreneurs are the people who take benefit of emerged opportunities in the market. Shane (2003) observed that entrepreneurial activity derives from an insight into the nature of opportunities or a situation where assets are turned into a profitable business. Nanjundeswaraswamy & Swamy (2012) define entrepreneurship as advancement in strategy renewal. Cunningham & Lischeron (1991) claimed that entrepreneurial leadership styles are committed to setting goals, providing opportunities, encouraging people, maintaining organizational trust, and establishing a system of human resources. Ireland et al. (2003) examined that entrepreneurial leadership requires the ability to influence others to efficiently leverage resources to demonstrate both the quest for opportunities and the search for advantages. Enterprise leadership includes shaping and guiding group members ' success towards achieving organizational objectives including identification and utilization of entrepreneurial opportunities (Malik, 2016; Javed et al. 2020). In the current scenario, companies are looking for competent leaders who recognize the complexity of the fast-changing international environment. Various types of leadership styles can affect the efficiency, performance, and productivity of the organization (Mahdinezhad & Suandi, 2013). Leadership styles and leadership business productivity is the ' very clear pattern of behavior that defines a leader (Dvir et al. 2002). Transformation and transactional leadership theories have usually

tended throughout the past few years to have been of great interest in leadership studies (Avolio & Bass 2004). This research focuses on three different types of leadership: the Multifactor Leadership Questionnaire's transformational leadership and transactional leadership (Avolio & Bass, 1995). Numerous studies suggest evidence of superior transformative leadership over transactional leadership (Dvir et al., 2002). Transformational or transactional leadership is not seen as contrasting leadership styles. The Leaders could also have the quality of leadership styles of transactional and Transformational and change (Lowe et al. 1996). Researchers believe that the style of transformation leadership is generally more prominent than that of the styles of transactional leadership (Gardner & Stough, 2002; Malik, 2015).

Leadership Styles

Coaching Leadership: The person or a leader who can easily understand the abilities, limitations, and motives of their team members to help develop each person in the organization (Robertson, 2016). **Visionary Leadership:** A visionary kind of leaders seems to have a powerful productivity driving capability by empowering workers and building confidence in innovative ideas in temporary moments. A creative leader can also build a solid interpersonal bond. They aim to promote trust among both coworkers and colleagues (Van & Stam 2014). **Servant Leadership:** A Servant style of leaders functions with a first-person mentality and assume that when members of the team feel satisfied personally and professionally. A servant leadership style is prevalent in nonprofits organizations (Dennis et al., 2010). **Autocratic Leadership Style:** Autocratic leadership style is a sort of leader performance based or productivity more or less completely. They frequently make the decisions on their own without the minor, reliable group and assume employees doing precisely what they are ask to just do (Chukwusa, 2018). **Democratic Leadership Style:** A democratic leadership style is one who invites for suggestions and believes ideas from their peers before taking a decision (Bhatti, 2012). **Laissez-faire Style:** This leadership style relies on delegating most responsibilities to staff members and having little or no supervision (Chaudhry & Javed 2012). **Pacesetter Leadership Style:** Among the most effective in pushing accelerated performance is the pacesetting style of leadership. Such leaders ' primary focus is on efficiency. They often establish higher standards and maintain the accountability of members of their group to accomplish their targets (Goleman, 2000). **Bureaucratic Leadership Style:** A bureaucratic style of leadership is identical to authoritarian leaders as they desire that their team members to obey exactly the plans, policies and procedures which is particularly assign to them (Ojokuku, 2012). **Transformational Leadership Style:** The philosophy of transformational style of leadership is parallel manager because it relies on clear communication, setting goals and encouraging employees. In place of giving most of the effort into the personal goals of each worker, though, the transition manager is motivated by a dedication to organizational objectives (Nielsen et al., 2008). Transformation leadership is a style of leadership which encourages promotes and motivates employees to innovate new changes that will help promote and impact the future performance of the company (www.cio.com). Transformational leadership is a leadership style that can encourage big changes in the members. In particular, transition managers are energetic, optimistic, and emotional. Such leaders are indeed concerned and engaged in the process; they are also committed to helping every group member to excel (Bass, 1998). Beyond leading day-to-day actions and planning strategy, a transformational leader continues in taking his business, entity or team work to the next level of

success and profitability. Transformational leadership styles focus on building teams, motivating and participating employees at various levels of a business to bring about positive change (Dvir et al., 2002). Transactional Leadership: A transactional Style of leader is one who is like a pacesetter that is more focused on success. The manager creates predetermined rewards under this leadership style-especially in the variety of financial remuneration for performance and remedial act for failure (Nguni et al., 2006). A transactional leader is one who priorities order and structure. They are probable to control conflict operations, build large businesses, or lead worldwide projects needing regulations and systematize to fulfill speedy goals, or arrange people and supplies (What is Transactional Leadership?, November, 2014). Rewards and penalties in transactional leadership depend on the quality of the participants. The leader defines the relationship between superiors and subordinates as just an exchange – in the order, "you give me something back." They earn rewards if employees performed effectively and punished in a certain way when underperforming.

Objectives of the Study: To study the styles of leadership Transformational style of leadership and Transactional style of leadership leads to higher productivity in the company.

Hypothesis: 1 Transformational style of leadership and Transactional style of leadership leads to higher productivity in the company.

RESEARCH METHODOLOGY

The present study uses quantitative methods of research to analyze the correlation between styles of leadership and organizations' productivity in SMEs at Aligarh. The samples were collected from the managers, founders or head of the business unit of the SME's in the Aligarh industrial area. Managers and business owners are the people who are appropriately informed about the business and the overall business activities. The manager's and owner's responses are collected on the questionnaire. Twenty-one items portray the style of leadership senior management that is transformational and transactional (Avolio & Bass, 2004) on a 5-point scale.

DATA ANALYSIS AND RESULTS

A sample of 154 responses was collected by convenient sampling and directly interviewing the managers and owners of the SME's and examined for accuracy of data's reliability and validity. The three variables are taken in the study i.e. transformational leadership, transactional leadership, business productivity. Overall 170 questionnaires were distributed and 154 responses were collected, 6 questionnaires out of 170 were rejected as not filled properly. The data which is collected run on the SPSS used to conduct the statistical analysis. The Cronbach's alpha after the analysis found was 0.79. The business productivity Cronbach's alpha's coefficient was found at 0.91. The coefficients exceeded the recommended minimum level of 0.7 (Nunnally, 1978) and were found to be greater than 0.70. The outcomes of reliability evidence were similar to previous research studies two types of instruments are using in this research questionnaire on Leadership styles and questionnaire on entrepreneurship (Covin & Slevin, 1989; Bass & Avolio, 1995) respectively.

Demographic profiles of the respondents are as follow which is collected by the researcher in the Industry Area of Aligarh.

| Particulars | | Number of Respondents | Percentage |
|---------------------------|-------------------------|-----------------------|------------|
| Gender | Male | 154 | 100 |
| | Female | 0 | 0 |
| Region Wise Distribution | Uttar Pradesh (Aligarh) | 137 | 89 |
| | Others | 17 | 11 |
| Age | 20-30 | 35 | 22.72 |
| | 30-40 | 53 | 34.41 |
| | 40-50 | 41 | 26.62 |
| | 50-60 | 25 | 16.23 |
| Educational Qualification | Metric | 12 | 7.79 |
| | Intermediate | 24 | 15.58 |
| | Graduate | 72 | 46.75 |
| | Post Graduate | 46 | 29.87 |
| Experience in Years | 0-10 | 41 | 26.62 |
| | Oct-20 | 67 | 43.5 |
| | 20-30 | 33 | 21.42 |
| | 30 and Above | 13 | 8.4 |

Researchers Compilation

The Table 1 exhibits that all the respondents (154) were males and no female manager or proprietor were found in the study. This may be considered as a limitation of this study.

The region wise distribution of the managers indicates that the majority of managers 137 (87%) belongs locally from Aligarh and 17 (11%) are located outside Aligarh. Regarding the age of the respondents majority is in the age group 30-40 (34.41%) the lowest are in the age group of 50-60 i.e. 25 (16.23%). This also indicates that most of the entrepreneurs are young and highly motivated. The educational profiles of the respondents reveals that majority of the managers are only graduates 72 (46.75%), followed by the post graduates 46 (29.87%) and the lowest educational qualification recorded was metric and the number of respondents belongs to this

category are only 12 (7.79%) only. The experience as an entrepreneur the numbers of respondents have the highest was 67 (43.50%) between 10-20 years and the lowest experience number of respondents are between 30 and above i.e. 13 (8.4%).

Entrepreneurial Leadership Styles and Business Productivity

| Variables | Lower Productivity in business | | Higher Productivity in business | |
|-----------------------------------|--------------------------------|------|---------------------------------|------|
| | Mean | S.D | Mean | S.D |
| Transformational Leadership Style | 2.76 | 0.55 | 3.2 | 0.48 |
| Transactional Leadership Style | 2.23 | 0.42 | 2.154 | 0.42 |

Researchers Compilation

The Table 2 exhibit that the higher productivity in business of SME's had higher transformational leadership styles scores i.e. (Mean = 3.20, S.D = .48) than transactional leadership style scores (Mean = 2.154, S.D = .42). Small and medium-sized businesses (SMEs) with lower productivity often receive higher scores on the forms of transformational leadership style (Mean = 2.76, S.D = .55) comparing with transactional leadership styles (Mean = 2.23, S.D = .42).

| Measure | Transformational Leadership Style | Transactional Leadership Style |
|-------------------------------------|-----------------------------------|--------------------------------|
| Business Productivity | 0.24** | 0.14** |
| * p < .05, ** p < .01. *** p < .001 | | |

Transformational Leadership has been highly correlated to the overall business productivity ($r = .24$, $p < .001$). The study found a weak, positive correlation between

productivity and leadership in transformational style. Transactional leadership correlated considerably with overall business productivity ($r = .14$, $p = .005$). There was a low positive correlation with the overall productivity of the company ($r=.14$, $p=.005$). Transactional leadership and business success also had a low, positive correlation. As indicated in table 3, transformational leadership is closely related to business productivity than transactional styles leadership, with both positive and slight correlations.

Leadership styles for Business Productivity and Sustainability

With business productivity as the dependent variable, a multiple regression was performed and the questionnaire scores (transformation leadership and transactional leadership as independent variables). An analysis was conducted to test assumptions to decrease the numeral of outliers and bring normality, homoscedasticity of residuals and linearity.

| Variables | B | SEB | (β) |
|-----------------------------------|----------|------------|-----------------------------|
| Transformational style Leadership | 0.55 | 0.014 | .27*** |
| Transactional style Leadership | -0.5 | 0.11 | -0.04 |

R2 = .071, adjusted R2 = .061 (N = 154, $p < .001$), *** $p < .001$.

Table 4 reveals the there is a correlations within variables, both unstandardized coefficient of regression (B) and standardized coefficients of regression (β). The transformational leadership style regression coefficient was dissimilar from 0 and 95 percent confidence limits were between 0.28 and 0.79. One independent variable, i.e. transformational leadership, contributed significantly to the forecast of business productivity. A total of 5 % adjusted R2 of business productivity variance was estimated on two independent variables by questionnaire scores. Transactional leadership was not good business productivity predictors. Managers' transformational leadership styles have created most of SME's company's productivity.

CONCLUSION, SUGGESTION AND IMPLICATION

The study outcome compares the mean of two styles of leadership, i.e. transformational style of leadership mean which is greater than the transactional leadership style's mean. The outcomes of the study are parallel to the results of a study with (Avolio & Bass, 2004) in which the result of the study showed the same comparison of the transformational leadership style was higher than the mean of transactional leadership style. Moreover, an evaluation between the proportions of entrepreneurial orientation explained the mean of inventiveness is higher than the

mean of risk-taking. The study's result indicates that increased levels of total entrepreneurial orientation be capable of making a contribution in a positive way to business productivity. An analysis of the two dimensions of entrepreneurship suggests that higher levels of creativity and risk-taking can make a positive contribution to business profitability. One of the aspects of risk-taking is significantly positively correlated with business productivity. Transformational styles of leadership are much more associated with business productivity than transactional styles of leadership. Transformation leadership is the best predictor of business productivity between the two different styles of leadership. Transformational styles of leadership show a strong association with transactional styles of leadership through advanced productivity (Lowe et al. 1996). The outcomes of the present study, i.e. identical traits in cooperation shared by entrepreneurs and leaders, reveal the cohesion between transactional and transformational leadership styles. These findings have been confirmed by the results of this study as key elements of transformational leadership include individualistic impact, inspiring motivation, companionship, and holistic recognition. The managers and the owner the business house of SMEs in the Aligarh industrial area are more strategic leaders and following the transformational leadership style that will be more dynamic and as well as successful in small scale Industry.

The implication of the results showed that managers follow leadership strategies to secure a strategic edge, company competitiveness and the long-term viability of their businesses. Based on the need, entrepreneurs will follow unique leadership styles, such as strategic experience, the ability to empower and motivate people, communication, customer relationship building and HRM resilience and agility, creative, technological and practical skills, and self-awareness. Observations on the practice and growth of leadership styles, if implemented, may increase the survival rate of small and medium-sized enterprises, while creating economic prospects such as jobs in individual communities. Application of effective leadership standards may minimize the social, emotional and financial distress suffered by individuals due to company collapse. Owner-managers who incorporate leadership styles and boost productivity throughout the organizations may strengthen their operations and sustainability. Business improvement and growth could contribute to revenue generation and sustainability, and employment prospects for individuals and communities in SME's.

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