Comparative Study of Leadership Style and Competitiveness of SMEs: The Case of SMEs in the Greater Accra Region of Ghana

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Abstract This study sought to establish the relationship between leadership style and competeness of SMEs in the Greater Accra Region. The probability sampling technique known as stratified sampling technique was employed to select the SMEs to participate in the study. SMEs were divided into two categories; comprising 10 small scale and 10 medium scale organisations. From each of the stratum, a simple random sampling technique is employed to select 6 staffs. From the 6 selected staff 2 staffs comprising lower level of management, 2 for middle level management and the last 2 for staff at the top level of management as respondents. The study revealed that the leadership style that makes room for participation and inclusivity turn to be more competitive than SMEs that has strict leadership and very little participation by employees.

Keywords: *leadership, competeness, SMEs, Accra, Ghana*

1. Introduction

The impact of leadership and business strategy on organisational performance is a subject that has gained so much attention, particularly in this era of increasing globalisation and market competition [1], are of the view that the leadership behaviors of the top management of small/medium-sized enterprises (SMEs) can have a strong impact on the performance and level of innovation of the firms; therefore, as the business becomes globally competitive, SMEs need to develop new sets of vision to sustain their businesses and to become more competitive. [2] also postulated that the leadership behaviours of the business owner or manager play a major role in providing the needed direction and a clear vision, which must be shared by all the employees in the establishments.

According to [3], transformational leadership is believed to have a positive impact on the performance of SMEs and that relationship is found to be significant. On the contrary, the findings on how transactional leadership impacts on organisational performance appear less significant, meaning transactional leadership does not impact significantly the performance of SMEs.

More specifically, [3] found a significantly positive relationship (although small) between transactional leadership and the performance of SMEs, meanwhile the same research found a significantly negative relationship between the same variables. Another study conducted by [4] also, found that only the transformational leadership was the significant predictor of organisational performance

but transactional leadership was not. Perhaps these differences in the findings could be accounted for by the research setting or the industry concerned.

It needs to be emphasized that, the performance of SMEs is also a product of strategy, in which the business owner or manager plays an important role in the formulation of the firm's strategy [5]. The owner/manager's competitive development and personal goals determine the understanding and use of strategic management and planning [6]. A meta-analysis of existing studies by [2] has indicated a positive linkage between strategy and growth. Confirming this accession, the studies of [7] revealed that strategy leads to superior and sustainable performance. As a result, when a company develops and implements effective long-term strategies, it could impact on the competitive positioning of that company on the market. However, it must be emphasized that the role of business owners in the formulation and implementation of business strategies can have adverse impact on organisational performance in the absence of any mediating factors between strategy formulation, implementation, and organisational performance. What defines these mediating factors may depend on several considerations including the leadership style of the business owner, the extent to which other managers can influence the behaviour of the business owners and the business environment generally among others.

As much as the leadership styles adopted by leaders of SMEs influence the extent to which they become innovative, transformational and attain a competitive advantage in the market. It is imperative such leadership styles are tested empirically from amongst SMEs operating

in the Greater Accra so that such great leadership styles that result in superior and excellent performance replicated by others and further add to knowledge.

2. Theories Oriented to the Leader

Theories oriented to the leader are characterized by the focus on the leader, assuming that leadership is mainly a personal quality. They include the following:

2.1. Trait Theories

During World War II, many researchers were interested in identifying individual traits of effective leaders. These studies were based on the idea that leaders not only had common traits, but these traits were different from those who were not leaders. Therefore, defining leadership traits would make possible to identify individuals with leadership potential and develop them as leaders in the military and other organisations. However, [8] reviewed more than 100 articles written about the trait theory and concluded that a person does not become a leader by possessing certain traits. Personality traits are not sufficient for becoming a leader, as Stogdill found, but some traits are necessary according to [9]. Avolio estimated that about 30 % of leadership development is due to innate personality features. Therefore, although the trait theory is not accepted today as it was originally proposed it remains partially valid in the sense that leaders really need some personality traits to be effective.

2.2. Behaviour Approaches

[10], worked in a different direction from the trait theory, looking for the appropriate behavior to be a good leader. These authors considered that leaders were either autocratic or democratic, and later [11], suggested that a combination of both styles was possible and desirable depending on organisational circumstances. [12] proposed a slightly different approach, analysing when leaders should give more attention to the task or to the people depending on the context

2.3. Contingency Theories

[13] was a pioneer in the field of contingency theories of leadership. Although somewhat similar to the behaviour approaches, Fiedler and his followers were interested in showing that certain behaviour does not always determine effective leadership, since the style should be appropriate to the situation. [14] defended the validity of the contingency theory of leadership and in particular Fiedler's ideas about the influence of contingent factors as the leader's relationship with subordinates and the power of the leader, as well as his argument that instead of the leader changing his or her style according to the situation is easier to select the leader whose style has a better fit to a given situation.

2.3.1. Leader's Virtues

In the current stage of leadership research, it is commonly accepted that leaders should: a) be authentic, acting as they are, without trying to imitate anyone [15]

(b) have an ethical behaviour, so that people can trust them [16]; c) be responsible, making business decisions that takes into account not only the interests of shareholders, but also other stakeholders such as employees, customers, the environment, the community and future generations [17]; d) be able to handle crisis and survive to them [18]; and e) show adaptability, applying creativity to decision making in a difficult and unexpected context in order to cope with complexity [19]

2.3.2. Women Leadership Theories

[20] argued that there are many barriers for women to be leaders, but simply identifying existing prejudices can help men and women understand what happens, and in particular free women to focus more on leadership and less on how they are perceived. The effectiveness of women as leaders depends on their own attitude and the acceptance of their leadership style in a given context.

3. Methodology

3.1. Research Design

This study follows a qualitative and quantitative approach to data collection and analysis to examine the relationship between leadership style and organisational competitiveness, using SME's in the manufacturing sector of Ghana as the population of interest, whereas SMEs in the manufacturing sector in the Greater Accra Region of Ghana is considered the sample frame from which the sample size has been drawn. Both primary and secondary data (by means of questionnaires) and time-series data were collected and analysed to determine the influences of leadership and strategy on organisational performance of the sampled SMEs. The performance measures used were the number of employees, sales and net profit before taxes. Transactional and transformational leadership styles were the measures used to determine their influences on performance. In relation to strategy, the measures were based on [21] generic competitive strategy model, consisting of cost leadership, differentiation and focus strategy elements.

3.2. Sampling Procedure

There are a total of 641 active SMEs in the manufacturing sector identified in the Greater Accra Region. These SMEs constitute the list from which the sample size of 20 SMEs was selected. The researcher used a probability sampling technique known as stratified sampling technique to select the SMEs to participate in the study.   SMEs were divided into two categories; comprising 10 small scale and 10 medium scale organisations. From each of the stratum, a simple random sampling technique is employed to select 6 staffs. From the 6 selected staff 2 staffs comprising lower level of management, 2 for middle level management and the last 2 for staff at the top level of management as respondents.

3.3. Analytical Tool

The researcher used the Statistical Package for Social Sciences (SPSS) as the analytical tool to analyse the data

collected from the survey. A multiple regression analysis model will be used to test and analyse the hypotheses regarding the relationship between leadership styles and SMEs performance.

4. Results and Discussions

4.1. Demographic Variables

Age

The first category were respondents who are aged between 18-25 years, the second category were respondents who are aged 25-35 years, whereas the third category were 35-45 years and the last category were those aged 45 years and above.

Table 1. Frequency distribution of respondents by Age

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
18-25	33	25.4	25.4	25.4
25-35	59	45.4	45.4	70.8
35-45	29	22.3	22.3	93.1
45 and above	9	6.9	6.9	100.0
Total	130	100.0	100.0	

Source: Field Data, 2017.

From Table 1 above, it is observable that 33 respondents representing 25.4% out of the 130 respondents are aged between 18-25 years. 59 representing 45.4% were aged between 25-35, whereas 29 representing 22.3% were aged between 35-45 and 9 representing 6.9% were aged 45 and above. Largely, all the respondents who participated in the survey from the five SMEs selected are largely youth. A cumulative figure of 121 representing 93.1% out of the 130 respondents surveyed fall in the age categories of 18-45.

Gender

This variable sought to solicit information on the number of male and female respondents who availed themselves for the survey.

Table 2. Frequency distribution of respondents by Gender

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Male	77	59.2	59.2	59.2
Female	53	40.8	40.8	100.0
Total	130	100.0	100.0	

Source: Field Data, 2017.

From the table it can be seen that 77 of the respondents representing 59.2% were males whereas the remaining 53 representing 40.8% were females. This indicates that there were more male respondents who participated in the study than female.

Educational Level

From the table and pie chart above it is observable that, majority of the respondents who participated in the survey were degree holders. 78 of the respondents representing 60% had degrees, 18 representing 13.8% and 12.3% were

WASSCE and Diploma holders respectively whereas 16 representing 12.3% had Master's degrees**.**

Table 3. Frequency distribution of respondents by Educational Qualification

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
WASSCE	18	13.8	13.8	13.8
Diploma	16	12.3	12.3	26.2
Degree	78	60.0	60.0	86.2
Master's Degree	18	13.8	13.8	100.0
Total	130	100.0	100.0	

Source: Field Data, 2017.

4.2. Democratic Leadership Style and Competitiveness

Majority of them thus 125 representing 96.1% indicated they are motivated towards the accomplishment of goals. Respondents were further asked whether they are allowed to use their judgement in solving problems. In responding to that 128 representing 98.5% indicated they are allowed to use their judgement in solving problems. Respondents were also asked whether, they get support for building teams. Indeed, all the 130 respondents representing 100% indicated they get support always for building teams. Now from the forgoing it is conclusive that employees in SMEs are treated with respect in order to have good work relationship. It also indicates that SME employees are encouraged to work together in order for members of the team to be capable of accomplishing tasks. Furthermore, employees in the selected SMEs are allowed to give their ideas in the implementation of the organisation vision so as to encourage organisational growth. The analysis also show that management of SMEs fosters creative thinking among the employees in solving organisation problems so as to encourage innovativeness in the business creating more growth chances. It is more so evident from the findings that, the companies encourage innovation among employees towards organisation growth. On the delegation of responsibilities in the companies, the study results show that SME managers encourage employees to give their own input at work as indicated in the analysis. Also, according to the respondents, employees are delegated risky decisions in the organisation so as to make them involved in management. Employees are also allowed to be more productive in solving organisation problems. Findings further illustrate that the management of selected SMEs communicate constantly with the employees on issues that affect their work. The management of the selected SMEs takes responsibility for employee's mistakes for a positive work climate.

4.3. Laissez Faire Leadership and SMEs Competeiveness

Out of the 130 respondents, 74 of them representing 56.9% expressed that they always get the freedom to do their work, meanwhile 56 representing 43.1% said they occasionally get the freedom they need or require to perform their task or duty. Employees are left to handle the business by themselves in their areas of operation as

128 representing 98.5% out of the 130 people surveyed expressed that they always get the opportunity to work the best way possible. Only two people representing 1.5% said they never get the opportunity to work the best way possible. Further, the management offers employees much freedom as possible to carryout responsibilities on their behalf.

The findings illustrate that employees of selected SMEs are provided little direction to accomplish organisation goals in their respective organisations. In the organisations studied, employees are trustworthy and experienced and know exactly what their mandates are in accomplishment of tasks. The managers as well only help employees when they encounter difficulties in the operations. Among the companies, findings show that employees solve business problems on their own. The findings further illustrate that employees are allowed to appraise their own work. The respondents as well strongly agreed that in most situations, the employees prefer little input from the leaders for the performance of the organisation. However, some of the managers did not advocate for the laissez faire type of leadership as they termed it as not suitable for growth of any organisation. The managers said that they always create a conducive work environment for the employees, which resultantly led to employee productivity. According to the respondents, laissez-faire style of leadership in an organisation allows full freedom to the team decisions without the managers' participation and opinion. Due to this therefore, employees and other low level management staffs are free to do what they want and what is best for them. This may lead to managers not being accountable to what employees do.

4.4. Transformational Leadership and SMEs' Competiveness

Out of the 130 respondents who participated in the survey, all of them representing 100% indicated they are always motivated towards the accomplishment of goals. From the analysis above it is clear that SME leaders also show interest in the well-being of the employees in order for them to give their best. For instance, respondents were asked whether they are satisfied with the way disputes and conflicts are settled by management or leadership. Out of the 130 respondents surveyed, 57 representing 43.8% expressed they are always satisfied with the way and manner disputes are settled by leadership. Meanwhile, 56 of them representing 43.1% said they are occasionally satisfied with the way disputes are settled. However, 17 representing 13.1% indicated they are never satisfied with the way and manner disputes and conflicts are settled. Out of the 130 respondents who participated in the survey, unsurprisingly, all the 130 respondents representing 100% were of the view that they are doing exactly what they were employed to do. Respondents were also asked whether they are encouraged to use corporate procedures and standards in the execution of their duties. Out of the 130 respondents, 128 representing 98.5% said they always get the encouragement to use corporate procedures and standards, however, only 2 representing 1.5% said they never get encouragement to use companies' standards and procedures. From this, it is clear that, SME leaders encourage the exchange of views among the employees for organisational change and also feel satisfied when

employees meet agreed upon standards in order to solve organisation problems. The findings revealed that management of selected SMEs recognises the strengths and weaknesses for collaborative relationship with the employees. The managers (leaders) also sacrifice ones' personal gain for the empowerment of the employees so as to achieve the organisation vision. As well, leaders provide a sense of joint mission and ownership in the accomplishment of the organisation vision.

4.5. Transactional Leadership and SMEs' Competiveness

All the 130 respondents representing 100% indicated that they are always rewarded for their performance. Transactional type of leadership is strictly based on rewards. With such kid of leadership, management (leaders) always explain to the employees how to attain and maintain rewards for the success of the organisation. So in such a case in the event of poor performance employees are punished. Further, employees are judged on their personal results and directed as what needs to be done as well as what new ways to be adopted to solve problems. The management as well explain to the employees which behaviors will lead to rewards. The respondents as well strongly agreed that the companies leaders monitor follower performance, provide instructions and clarify procedures, monitor closely the employees for efficiency as well, and that they address problems and concerns that arise at the workplace. The respondents also agreed that the management of the selected SMEs were proud to have committed and loyal employees, as well as, that they cared less much what others did unless the work was absolutely essential. Leaders must therefore assist employees in accomplishing their tasks.

5. Conclusions

With respect to the study findings, the study makes the following conclusions:

It was established from the findings that a democratic leader is a manager who maintains control of the group yet at the same time employees' opinions and views are encouraged. In such an environment managers ensure a clear channel of communication between them and the subordinates. The manager delegates authority and permission to the subordinates to participate in decision-making activities.

The study established that laissez-faire style of leadership in an organisation allows full freedom and power to employees, this motivates employees and other low level management to be creative and approach work in a manner that is best for them without the leaders' micro managing them. In transformational leadership style, the managers of an organisation motivates by making employees more aware of the importance of their outcomes and productivity in their tasks. The managers encourage employees to think outside the box and seek innovative methods to approach their work and assignments, resulting in intellectual stimulation and consequently outstanding performance of the organisation. The consideration and participation of employees and other junior staffs in decision-making ensures a two-way

conversation in a bid to exchange views between the leader and the followers so as to tackle a given challenge.

Transactional leadership on the other hand involves an exchange process that results in employee compliance with the instructions, which are not in any way designed to generate employee commitment to task but on the interest of the leader. The manager focuses on having internal actors perform the tasks required for the organisation to realise its goals and objectives thereof. Entirely, a transactional leader's objective will be to ensure that the path to the attainment of the set goals is clearly understood by the employees.

6. Recommendations

The researcher strongly believes that SMEs should endeavour to adopt the integrative leadership style going forward rather than sticking to one of the traditional approaches, which will fail to deliver all the real benefits of leadership:

- Create room for employees participation the decision making process since it motivates them and makes them more committed to organisational outcomes.
- Leaders of SMEs should create room for innovativeness and creativity or ingenuity so as to create value for customers.
- Allow visionary employees, freedom to work without interfering.
- Leaders should act as mentors, coaches and role models for followers especially where the leader deals more with middle level employees.
- In situations where SMEs hire employees on short contract basis, transactional leadership approaches should be adopted so as to deliver on specific assignments.
- Managers should be mindful of the organisational culture in order to manage a dynamic environment and to promote a positive organisational climate.
- Leaders should provide employees the needed attention during the work process so as to assist them in solving work related problems.

7. Suggestions for Further Research

Despite following an exhaustive research method and carrying out rigorous data analysis, however, the study experienced limitations, which serve as suggestions for future research as follows:

- Future studies could be conducted using quantitative research methodology to measure growth in sales, profits, number of staffs and return on assets.
- From a methodological point of view, the sample and context is considered a limitation. The sample size of 20 SMEs was relatively considering the entire population SMEs in the Tema Municipality.
- Secondly, the cross sectional nature of this study is also considered a limitation. A longitudinal study is suggested for future research so as to clearly understand the influence that leadership styles have on SMEs performance.

- A further comparative study can also be undertaken to investigate the different aspects of leadership styles in the large companies as compared to the SMEs, studying how different leadership styles affect growth of different organisations. This would lead to the suggestion of the suitable leadership styles for different levels of organisations.
- Lastly, to measure the influence of leadership styles on SMEs' performance, times series data could be considered and utilized in a future study.

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