

**THE INFLUENCE OF PEOPLE-CENTRED LEADERSHIP STYLES ON OWNER'S
JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE: AN SME
PERSPECTIVE**

HLUMELA ZUKISWA SILWANA

2015

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JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE: AN SME
PERSPECTIVE**

By

HLUMELA ZUKISWA SILWANA

Dissertation submitted in fulfilment of the requirement for the degree of

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Supervisor: Prof S.M. Farrington

Co-Supervisor: Mr R. Lillah

Port Elizabeth

February 2015

DECLARATION

I, Hlumela Zukiswa Silwana 207067483, hereby declare that the dissertation entitled **The Influence of People-Centred Leadership Styles on Owner's Job Satisfaction and Perceived Financial Performance: An SME Perspective** for the Master of Commerce in Business Management to be awarded is my own independent work and has not been previously been submitted by me for a degree at any other university. All sources used or referred to have been indicated and acknowledged by means of a complete list of references. The opinions expressed and conclusions arrived at are those of the researcher and not necessarily those of the Nelson Mandela Metropolitan University.

A handwritten signature in purple ink that reads "Hlumela". The signature is stylized with a long horizontal stroke extending to the left.

Hlumela Silwana
PORT ELIZABETH
FEBRUARY 2015

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ABSTRACT

It is well supported in the literature that a positive relationship exists between effective leadership and business success. Given the importance of SMEs in South Africa, their large numbers, and the extent to which they positively influence the economy of the country, it is important to study leadership behaviour in the context of small and medium-sized businesses in an attempt to reduce their high failure rates. More specifically a need has been identified to research, develop, and implement more ethical and relational leadership styles among business owners. The focus of this study is therefore on several people-centred leadership styles, and their influence on selected outcomes among the owners of small and medium-sized businesses. Against this background, the primary objective is to assess the level of *Servant, Authentic, Ethical and Participative leadership* exhibited by SME owners in the Eastern Cape, and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses.

A quantitative research paradigm was adopted for this study. More specifically, an explanatory and descriptive study of a cross-sectional nature was undertaken. A comprehensive literature study was conducted using existing secondary sources. The primary data collection procedures involved selecting the population, the sample, and the sampling method, as well as the sample size for the study. For the purpose of this study, the population consisted of all small and medium-sized business owners operating businesses within the boundaries of the Eastern Cape Province. A sample of 500 of these businesses was selected by means of convenience sampling. In total 246 usable questionnaires were returned, on which to undertake the statistical analyses.

A survey was undertaken, and a structured, self-administered questionnaire was used to gather the necessary data. The scales for measuring the constructs under investigation were developed based on previous research. To assess the validity of the scales measuring the constructs in this study, an exploratory factor analysis was undertaken, and its reliability was tested by calculating Cronbach's alpha coefficients. Statistical analysis included descriptive statistics, Pearson's product

moment correlation, regression analyses (simple and multiple) and analyses of variance.

Five usable factors were extracted from the exploratory factor analysis; these corresponded with the theoretical dimensions of *Participative leadership*, *Perceived financial performance*, *Ethical leadership*, *Servant leadership*, and *Job satisfaction*. The items measuring *Authentic leadership* did not load as expected, and this construct was thus no longer included in empirical testing in this study. Satisfactory evidence of validity and reliability were provided for the other factors extracted.

The independent variables reported mean scores of between 3.760 and 4.548, with the majority of respondents agreeing with the statements measuring these leadership styles. The dependent variables *Job satisfaction* and *Perceived financial performance* returned mean scores of 4.508 and 3.962 respectively, with the majority of the respondents agreeing with the statements measuring these factors. All the independent variables (*Servant leadership*, *Ethical leadership* and *Participative leadership*) reported significant and positive relationships with each another. The correlation between the dependent variables (*Perceived financial performance* and *Job satisfaction*) was found to reflect a moderate positive association. *Job satisfaction* and *Perceived financial performance* both reported significantly positive associations with all the independent variables.

The simple regression analyses undertaken revealed a significant positive linear relationship between *Perceived financial performance* and *Job satisfaction*, as well as between *Perceived financial performance* and the *Job satisfaction* of SME owners. The multiple regression analysis undertaken revealed that significant positive linear relationships existed between two independent variables, *Servant leadership* and *Ethical leadership*, and the dependent variable *Job satisfaction*. A significant positive linear relationship was also reported between *Ethical leadership* and *Perceived financial performance*. No relationships were found between the independent variables *Servant leadership* and *Participative leadership* and the dependent variable *Perceived financial performance*. No relationship was found between the independent variable *Participative leadership* and the dependent variable *Job satisfaction*. The analysis of variance results revealed that *Gender*,

Qualification and the *Nature of the business* exerted a significant influence on *Servant leadership*. The results also showed that *Generation* exerted a significant influence on the perceived level of *Ethical leadership* displayed by the SME owner. In addition, the findings of the present study showed that the demographic variable *Nature of the business* exerted a significant influence on *Participative leadership*.

Investigating leadership styles among SMEs is a topic of significance and growing interest among researchers. Given the importance of SMEs to the economies of countries, investigating factors that influence their success is vital. The findings of this study showed that by adopting more people-centred leadership styles, the job satisfaction of SME owners was increased, and the financial performance of their businesses improved. It is hoped that the findings of this study will provide SME owners with practical suggestions on how to increase their levels of job satisfaction and the financial performance of their businesses, and that the suggestions for future research will inspire future researchers to further investigate the issue of leadership among SMEs.

KEYWORDS:

Small and medium-sized business, Leadership, Servant leadership, Authentic leadership, Ethical leadership, Participative leadership, Job satisfaction, Perceived financial performance

TABLE OF CONTENTS

	<u>Page</u>
DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	vi

CHAPTER ONE

INTRODUCTION, PROBLEM STATEMENT AND SCOPE OF THE STUDY

1.1	INTRODUCTION AND BACKGROUND TO STUDY	1
1.2	PROBLEM STATEMENT	3
1.3	PURPOSE OF THE STUDY	4
1.4	RESEARCH OBJECTIVES	4
1.4.1	PRIMARY OBJECTIVES	4
1.4.2	SECONDARY OBJECTIVES	5
1.5	RESEARCH QUESTIONS AND RESEARCH HYPOTHESES	5
1.5.1	RESEARCH QUESTIONS	7
1.5.2	RESEARCH HYPOTHESES	8
1.6	RESEARCH DESIGN AND METHODOLOGY	9
1.6.1	RESEARCH PARADIGM AND METHODOLOGY	10
1.6.2	SECONDARY DATA COLLECTION	11
1.6.3	PRIMARY DATA COLLECTION	11
1.6.4	POPULATION, SAMPLE AND DATA COLLECTION	12
1.6.5	THE MEASURING INSTRUMENT	13
1.6.6	DATA ANALYSIS	14
1.7	SCOPE AND DELIMITATIONS OF THE STUDY	15
1.8	SIGNIFICANCE OF THE STUDY	17
1.9	DEFINITION OF CONCEPTS	19
1.9.1	SMALL AND MEDIUM-SIZED BUSINESSES (SMEs)	19
1.9.2	LEADERSHIP	19
1.9.3	SERVANT LEADERSHIP	20
1.9.4	AUTHENTIC LEADERSHIP	20

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
1.9.5	ETHICAL LEADERSHIP	21
1.9.6	PARTICIPATIVE LEADERSHIP	21
1.9.7	JOB SATISFACTION	21
1.9.8	PERCEIVED FINANCIAL PERFORMANCE	22
1.10	STRUCTURE OF THE STUDY	22

CHAPTER TWO

THE NATURE AND IMPORTANCE OF LEADERSHIP AMONG SMALL AND MEDIUM-SIZED BUSINESSES

2.1	INTRODUCTION	25
2.2	THE NATURE OF SMALL AND MEDIUM-SIZED BUSINESSES	25
2.3	IMPORTANCE OF SMALL AND MEDIUM-SIZED BUSINESSES	27
2.4	CHALLENGES FACING SMALL AND MEDIUM-SIZED BUSINESSES	28
2.5	THE NATURE OF LEADERSHIP	32
2.6	LEADERSHIP VERSUS MANAGEMENT	33
2.7	THEORIES ON LEADERSHIP	35
2.7.1	GREAT MAN THEORY	36
2.7.2	TRAIT THEORY	36
2.7.3	BEHAVIOUR THEORY	38
2.7.4	CONTINGENCY THEORY	39
2.7.4.1	Fiedler's contingency model	40
2.7.4.2	Hersey and Blanchard's situational leadership model	40
2.7.4.3	House's path-goal model	41
2.8	CHARACTERISTICS OF A GOOD LEADER	41
2.8.1	INTEGRITY	43
2.8.2	INTELLIGENCE	43
2.8.3	SOCIABILITY	44
2.8.4	TRANSPARENCY	45

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
2.9	IMPORTANCE OF LEADERSHIP	45
2.10	SUMMARY	47

CHAPTER THREE

TRADITIONAL AND CONTEMPORARY STYLES OF LEADERSHIP

3.1	INTRODUCTION	48
3.2	LEADERSHIP STYLES	48
3.3	TRADITIONAL LEADERSHIP STYLES	50
3.3.1	AUTOCRATIC LEADERSHIP	50
3.3.2	DEMOCRATIC LEADERSHIP	51
3.3.3	PARTICIPATIVE LEADERSHIP	51
3.3.3.1	The nature of participative leadership	51
3.3.3.2	The history and development of participative leadership	53
3.3.4	LAISSEZ-FAIRE LEADERSHIP	54
3.4	CONTEMPORARY LEADERSHIP STYLES	54
3.4.1	TRANSFORMATIONAL LEADERSHIP	55
3.4.2	TRANSACTIONAL LEADERSHIP	55
3.4.3	SERVANT LEADERSHIP	56
3.4.3.1	The nature of servant leadership	56
3.4.3.2	The history and development of servant leadership	58
3.4.4	AUTHENTIC LEADERSHIP	59
3.4.4.1	The nature of authentic leadership	59
3.4.4.2	The history and development of authentic leadership	61
3.4.5	ETHICAL LEADERSHIP	62
3.4.5.1	The nature of ethical leadership	62
3.4.5.2	The history and development of ethical leadership	64
3.5	SUMMARY	66

TABLE OF CONTENTS (CONTINUED)

Page

CHAPTER 4

THE INFLUENCE OF PEOPLE-CENTRED LEADERSHIP STYLES ON JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE

4.1	INTRODUCTION	67
4.2	THE HYPOTHESISED MODEL	67
4.3	DEPENDENT VARIABLES	68
4.3.1	JOB SATISFACTION	69
4.3.2	PERCEIVED FINANCIAL PERFORMANCE	69
4.3.3	THE RELATIONSHIP BETWEEN JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE	70
4.4	THE INFLUENCE OF LEADERSHIP ON JOB SATISFACTION AND FINANCIAL PERFORMANCE	71
4.5	THE INFLUENCE OF LEADERSHIP STYLES ON JOB SATISFACTION AND FINANCIAL PERFORMANCE	73
4.6	THE INFLUENCE OF INDEPENDENT VARIABLES ON JOB SATISFACTION AND FINANCIAL PERFORMANCE	76
4.6.1	SERVANT LEADERSHIP	76
4.6.2	AUTHENTIC LEADERSHIP	78
4.6.3	ETHICAL LEADERSHIP	79
4.6.4	PARTICIPATIVE LEADERSHIP	80
4.7	THE INFLUENCE OF DEMOGRAPHIC VARIABLES ON LEADERSHIP STYLES DISPLAYED BY SMALL AND MEDIUM- SIZED BUSINESS OWNERS	82
4.8	SUMMARY	84

TABLE OF CONTENTS (CONTINUED)

Page

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1	INTRODUCTION	85
5.2	RESEARCH DESIGN AND METHODOLOGY	86
5.2.1	RESEARCH PARADIGM AND METHODOLOGY	86
5.3	DATA COLLECTION	90
5.3.1	SECONDARY DATA COLLECTION	90
5.3.2	PRIMARY DATA COLLECTION	91
5.3.2.1	Population studied	91
5.3.2.2	Sample and sampling method	91
5.3.2.3	Sample size	94
5.3.2.4	Method of data collection	95
5.3.2.5	Measuring instrument development	96
5.3.2.6	Qualifying questions	97
5.3.2.7	Scale development and operationalisation	98
5.3.2.8	Data collection and administration of the measuring instrument	103
5.3.2.9	Missing data	104
5.3.2.10	Method of data analysis	104
5.4	ETHICAL CONSIDERATION	111
5.5	SUMMARY	113

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
CHAPTER SIX		
EMPIRICAL RESULTS		
6.1	INTRODUCTION	115
6.2	DEMOGRAPHIC INFORMATION	116
6.3	VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT	119
6.4	RESULTS OF THE VALIDITY AND RELIABILITY ASSESSMENTS	119
6.4.1	PARTICIPATIVE LEADERSHIP	121
6.4.2	PERCEIVED FINANCIAL PERFORMANCE	122
6.4.3	ETHICAL LEADERSHIP	123
6.4.4	SERVANT LEADERSHIP	124
6.4.5	JOB SATISFACTION	125
6.5	REVISED THEORETICAL MODEL AND HYPOTHESES	126
6.5.1	SUMMARY OF REVISED HYPOTHESES TO BE TESTED	127
6.6	EMPIRICAL RESULTS	128
6.6.1	DESCRIPTIVE STATISTICS	128
6.6.2	PEARSON'S PRODUCT MOMENT CORRELATIONS	130
6.6.3	REGRESSION ANALYSIS	131
6.6.3.1	Results of the simple regression analysis for the dependent variables	131
6.6.3.2	Results of the multiple regression analysis for the independent variables	132
6.7	THE RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND LEADERSHIP STYLES	134
6.7.1	RESULTS OF THE ANALYSIS OF VARIANCE (ANOVA)	135
6.7.1.1	Demographic variables and Servant leadership	135
6.7.1.2	Demographic variables and Ethical leadership	137
6.7.1.3	Demographic variables and Participative leadership	138
6.8	SUMMARY	139

TABLE OF CONTENTS (CONTINUED)

		<u>Page</u>
CHAPTER SEVEN		
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		
7.1	INTRODUCTION	140
7.2	OVERVIEW OF THE STUDY	140
7.3	DISCUSSION OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS	150
7.3.1	LEVEL OF LEADERSHIP	151
7.3.2	THE INFLUENCE OF LEADERSHIP STYLES ON JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE	151
7.3.2.1	Servant leadership	152
7.3.2.2	Ethical leadership	154
7.3.2.3	Participative leadership	155
7.3.3	DEMOGRAPHIC VARIABLES AND LEADERSHIP STYLES	156
7.3.3.1	Servant leadership	157
7.3.3.2	Ethical leadership	158
7.3.3.3	Participative leadership	158
7.4	CONTRIBUTIONS OF THIS STUDY	159
7.5	LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH	160
7.6	CONCLUDING REMARKS	162
	LIST OF REFERENCES	164
	ANNEXURE A: BUSINESS OWNER QUESTIONNAIRE	194
	ANNEXURE B: ETHICAL CLEARANCE FORM	199

LIST OF FIGURES

	<u>Page</u>
FIGURE 1.1: Leadership styles influencing the personal and business outcomes of small and medium-sized businesses	7
FIGURE 2.1: Situational factors influencing a leader's effectiveness	39
FIGURE 4.1: Leadership styles influencing the personal and business outcomes of small and medium-sized businesses	68
FIGURE 6.1: Revised Theoretical Model: Leadership styles influencing the personal and business outcomes of small and medium- sized businesses	127
FIGURE 7.1: Summary of significant relationships	147

LIST OF TABLES

	<u>Page</u>
TABLE 2.1: Leadership versus management	34
TABLE 2.2: Traits and characteristics of leaders	37
TABLE 3.1: Characteristics of participative leadership	52
TABLE 3.2: Characteristics of servant leadership	57
TABLE 3.3: Characteristics of authentic leadership	60
TABLE 3.4: Characteristics of ethical leadership	63
TABLE 5.1: Differences between quantitative and qualitative research	88
TABLE 5.2: Probability sampling methods	92
TABLE 5.3: Non-Probability sampling methods	93
TABLE 5.4: Response rate	95
TABLE 5.5: Operationalisation of Servant leadership	99
TABLE 5.6: Operationalisation of Authentic leadership	100
TABLE 5.7: Operationalisation of Ethical leadership	101
TABLE 5.8: Operationalisation of Participative leadership	102
TABLE 5.9: Operationalisation of Job satisfaction	102
TABLE 5.10: Operationalisation of Perceived financial performance	103
TABLE 6.1: Demographic information pertaining to the respondents	117
TABLE 6.2: Demographic information pertaining to the business	118
TABLE 6.3: Factor Structure – dependent and independent variables	120
TABLE 6.4: Validity and Reliability of Participative leadership	122
TABLE 6.5: Validity and Reliability of Perceived financial performance	123
TABLE 6.6: Validity and Reliability of Ethical leadership	123
TABLE 6.7: Validity and Reliability of Servant leadership	124
TABLE 6.8: Validity and Reliability of Job satisfaction	125
TABLE 6.9: Reformulated operational definition	126
TABLE 6.10: Descriptive statistics (N=246)	129
TABLE 6.11: Relationships between dependent and independent factors	130
TABLE 6.12: Influence of Perceived financial performance on Job satisfaction	132
TABLE 6.13: Influence of Job satisfaction on Perceived financial performance	132

LIST OF TABLES (CONTINUED)

TABLE 6.14:Influence of the independent variables on Job satisfaction	133
TABLE 6.15:Influence of the independent variables on Perceived financial performance	134
TABLE 6.16:Demographic variables and Servant leadership	136
TABLE 6.17:Demographic variables and Ethical leadership	137
TABLE 6.18:Demographic variables and Participative leadership	138
TABLE 7.1: Summary of hypotheses tested in the theoretical model	148
TABLE 7.2: Summary of null hypotheses tested	149
TABLE 7.3: Study secondary objectives achieved in the relevant chapters	150

CHAPTER ONE

INTRODUCTION, PROBLEM STATEMENT AND SCOPE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

The modern business world has been hit by a spate of public scandals that places the magnifying lens on the behaviour and ethics of leaders in business (Hackett & Wang 2012:868). There is an increase in documented unethical behaviour of modern business leaders (Odendaal 2013; Hackett & Wang 2012:868; Brown & Treviño 2006:596; Spreier, Fontaine & Malloy 2006:72), which include large-scale fraudulent activities perpetrated by leaders of some of the largest companies in the world (Investopedia 2011), so much so that in the United States the passing of the Sarbanes-Oxley Act, designed to protect shareholders from unscrupulous company directors, was a direct result of Enron's leaders' fraudulent activities (Investopedia 2011; Brown & Treviño 2006:595).

South Africa is not exempt from this type of behaviour by business leaders. Some of South Africa's most publicised leadership scandals include the conviction of Fidentia boss Arthur Brown for fraud, as well as the 98.7 million Rand fine given to Tiger Brands for contravening the Competitions Act (Business Day Live 2013; Mail and Guardian 2007).

Despite these convictions and fines, unethical behaviour by business leaders still persists. A study undertaken by Ernst and Young found that approximately 40 percent of management and board members surveyed knew there were irregularities regarding the financial reporting in their businesses (Odendaal 2013). According to Odendaal (2013), the reason for these irregularities is the heavy pressure to perform that is placed on business leaders. Spreier *et al.* (2006:72) attribute the cause of unethical behaviour by business leaders to their desire to achieve. Although this desire to achieve causes innovation, sustained growth and performance, the abovementioned author's contend that the "dark side" of ambition can make leaders take shortcuts or disregard the stakeholders of a business. The manner in which a leader leads is influenced by the motives of that leader (Spreier *et al.* 2006:75).

According to Valdiserri and Wilson (2010:47), in the past, business owners envisioned economic growth for their businesses and the general economy, but recently this vision has stagnated as a result of leaders focusing on their personal interests rather than stakeholder interests.

Brown and Treviño (2006:596) contend that unethical behaviour by leaders is found in all types of businesses irrespective of industry or size. Unethical behaviour is the direct result of poor leadership, and is only one of the outcomes of poor leadership that may be the cause of business failure. Studies show a relationship between the effectiveness of leadership and the outcomes of a business (Jing & Avery 2008:68; Kaiser, Hogan & Craig 2008:96; Pedraja-Rejas, Rodríguez-Ponce & Rodríguez-Ponce 2006:500). Valdiserri and Wilson (2010:48) attest to this relationship by highlighting the importance of leadership for small business success. According to Kokemuller (2014) and Breshears (2013), poor leadership has negative influences on a business, including poor financial performance, high employee turnover rates, high recruitment costs, lack of synergy, low morale among employees, loss of expert employees to competitors, loss of customers, and costs associated with bad reviews from former employees. The rise of unethical behaviour among leaders has negatively influenced both employment and capital investment for businesses (Valdiserri & Wilson 2010:47). Leaders who concentrate on their own personal achievement can damage the working climate of the business (Spreier *et al.* 2006:75). As leadership is positively related to small business performance (Pedraja-Rejas *et al.* 2006:303), it becomes increasingly important to focus on leadership as a means to ensure the success and longevity of SMEs (Valdiserri & Wilson 2010:65).

Small and medium-sized enterprises (SMEs) are recognised as the driving force behind the economic development of many countries. SMEs are a major source of technical advancement, job creation, wealth formation and redistribution, and increased social stability in all modern economies of the world, including South Africa (Venter 2009:4; Zahra, Rawhouser, Bhawe, Neubaum & Hayton 2008:117). The number of SMEs in South Africa has gradually increased over the years (Venter 2009:4) and given the relationship between leadership and business success, effective leadership among small businesses is of great importance to the economy and to South Africans in general.

Despite their importance, five out of seven SMEs in South Africa fail within their first year of operation (Peyper 2013). Furthermore, between the years of 2008 and 2012 more than 440 000 small businesses in the country closed their doors (Adcorp 2012:2). According to Watson, Hogarth-Scott and Wilson (1998:224), the problems facing SMEs are financial or accounting-based, marketing, management or leadership related. Bosch, Tait and Venter (2011:294) identify several factors as contributing to SME failure in South Africa, namely the inability to access or penetrate markets, poor location, stringent regulatory requirements, insufficient financial support, lack of education and training, limited access to infrastructure, resources, technology and services, poor financial management and poor management skills. The abovementioned authors add that the last two mentioned factors are most commonly experienced by SMEs. Leadership is an important management skill essential for business success (Kaiser *et al.* 2008:96).

Following recent high profile leaderships scandals such as Enron and WorldCom, where executives deliberately hid losses from shareholders, leading to billions of dollars' worth of savings being wiped out, there has been a need to research, develop and implement more ethical, dyadic, inclusive and relational leadership techniques (Investopedia 2011, Valdiserri & Wilson 2010:47; Avolio, Walumbwa & Weber 2009:422-423; Brown & Treviño 2006:595-596). In summary, more research is needed on improving leadership among business owners (Kaiser *et al.* 2008:96).

1.2 PROBLEM STATEMENT

According to several authors (Valdiserri & Wilson 2010:65; Fernandez 2008:175; Jing & Avery 2008:68; Pedraja-Rejas *et al.* 2006:503), a positive relationship exists between effective leadership and business outcomes. Effective leadership takes place through the use of different leadership orientations and different leadership behaviours, and it is not possible to suggest that a single leadership style can always be applied to make leaders more effective (Somech & Wenderow 2006:747). Given the importance of SMEs in South Africa, their large numbers and the extent to which they positively influence the economy, it is important to study leadership behaviour in the context of small and medium-sized businesses, and attempt to reduce their high failure rates.

Given the need to research, develop and implement more ethical and relational leadership styles (Investopedia 2011, Valdiserri & Wilson 2010:47; Avolio *et al.* 2009:422-423; Brown & Treviño 2006:595-596) among business owners, the focus of this study is on several people-centred leadership styles and the influence thereof on selected outcomes among small and medium-sized business owners. Against this background, the purpose and objectives of this study are formulated.

1.3 PURPOSE OF THE STUDY

Given the lack of research on leadership in the context of SMEs, as well as the increased interest in leadership styles among researchers, the purpose of this study is to provide more insights into the influence that several people-centred leadership styles have on *Job satisfaction* of SME owners and the *Perceived financial performance* of their businesses in the Eastern Cape area. Adopting a leadership style that is focused on stakeholders could lead to the achievement of both business and personal outcomes.

According to Avolio *et al.* (2009:422), leadership has transformed from an individual characteristic to a model based approach. Model based leadership styles include *Servant, Authentic, Ethical* and *Participative* leadership styles, styles that are dyadic, systematic and socially dynamic. It is these leadership styles that will be investigated in this study.

1.4 RESEARCH OBJECTIVES

The primary and secondary objectives of this study are discussed below.

1.4.1 PRIMARY OBJECTIVES

The primary objective of this study is twofold, namely to assess the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SME owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses.

1.4.2 SECONDARY OBJECTIVES

To achieve the primary objective of the study, the following secondary research objectives have been formulated:

Secondary objective 1: To conduct a literature review on the nature and importance of small and medium-sized businesses as well as the various challenges they face. The study will also explain leadership; its nature, the various theories associated with it, the characteristics of a good leader, and the importance of leadership. In addition, the existing traditional as well as the people-centred leadership styles will be discussed.

Secondary objective 2: To develop a theoretical model of hypothesised relationships between the leadership styles investigated in this study and selected business and personal outcomes.

Secondary objective 3: To determine the most suitable research methodology to be used in conducting this study.

Secondary objective 4: To construct a measuring instrument that will be used to test the relationships as hypothesised in the theoretical model.

Secondary objective 5: To source primary data from SME business owners and to analyse the data so as to test the hypotheses; and

Secondary objective 6: To provide guidelines on leadership to SME business owners so as to increase their chances of achieving the selected outcomes.

1.5 RESEARCH QUESTIONS AND RESEARCH HYPOTHESES

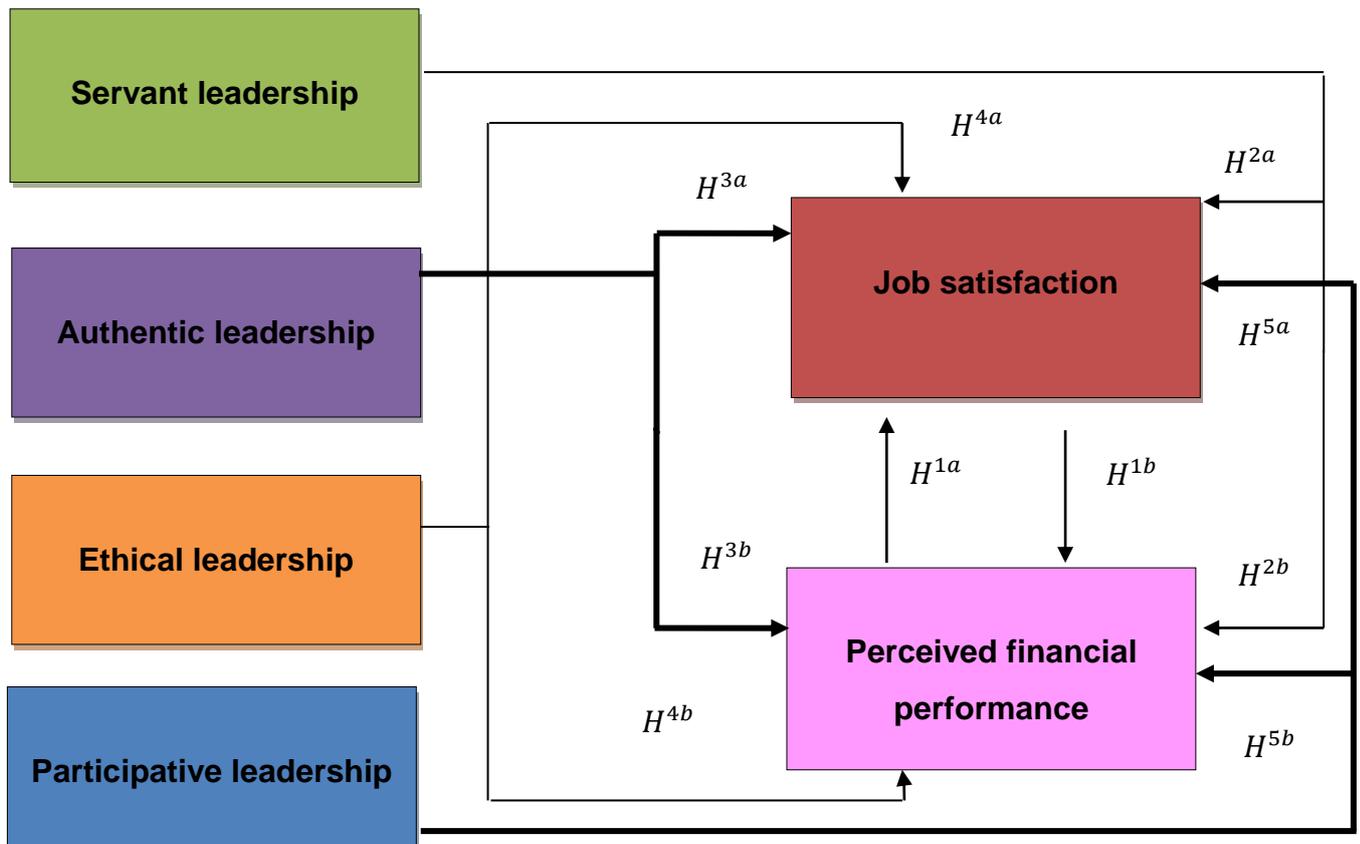
As mentioned above, the primary objective of this study is twofold, namely to assess the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SME owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial*

performance of their businesses. The four leadership styles investigated in this study, namely *Servant*, *Authentic*, *Ethical* and *Participative* leadership serve as the independent variables in this study. The *Perceived financial performance* of the business and the *Job satisfaction* of the business owner serve as the dependent variables.

Perceived financial performance refers to measures of profitability and includes the maximisation of financial indicators such as sales growth and return on investment (Rauch, Wiklund, Lumpkin & Frese 2009:770). Similarly, Wiklund and Shepherd (2005:80) refer to perceived financial performance as measures of gross margin, cash flows and profitability of a business relative to its competitors. To shed further light on perceived financial performance, Valdiserri and Wilson (2010:54) add that profitability is the measurement of a business's financial performance, and is driven by the efficient obtaining of targets. In this study *Perceived financial performance* refers to the SME as being profitable, successful and financially secure, as well as experiencing growth in profits, turnover and employee numbers over the last two years (Eybers 2010; Farrington 2009).

According to Zopiatis, Constanti and Theocharous (2014:131), job satisfaction refers to the attitude that someone has and the degree of positivity displayed towards their job. The abovementioned authors add that job satisfaction is comprised of extrinsic or external factors such as salary and working conditions, as well as intrinsic or internal factors such as the work itself, personal growth and recognition. Long, Yusof, Kowang and Heng (2014:121) agree, indicating that job satisfaction is comprised of intrinsic and extrinsic satisfaction, and general satisfaction. Ahmad and Rainyee (2014:2) define job satisfaction as a "specific attitude that an individual may have towards the work that they do". In line with Ahmad and Rainyee's definition, Yeh (2014:94) describes job satisfaction as the "positive emotional state of an individual regarding their working environment, work duties and the business in general". For the purpose of this study *Job satisfaction* refers to the SME owner as experiencing his or her involvement in the business as satisfying, enjoyable, rewarding and fulfilling (Letele-Mataboee 2012, Eybers 2010, Farrington 2009). The proposed theoretical model summarising the relationships to be tested is depicted in Figure 1.1.

FIGURE 1.1: Leadership styles influencing the personal and business outcomes of small and medium-sized businesses



(Source: Researcher's own construction)

In order to establish the influence of the leadership styles investigated in this study on the *Perceived financial performance* of the business and the *Job satisfaction* of the business owner, several research questions and hypotheses are formulated in the paragraphs below.

1.5.1 RESEARCH QUESTIONS

Based on the primary and secondary objectives, as well as the above theoretical model, the following research questions are proposed:

- (a) What is the influence of the *Perceived financial performance* of the business on the *Job satisfaction* of SME owners?
- (b) Does the *Job satisfaction* of SME owners influence the *Perceived financial performance* of their businesses?

- (c) Does the level of *Servant leadership* displayed by SME owners influence their level of *Job satisfaction* and the *Perceived financial performance* of their businesses?
- (d) Does the level of *Authentic leadership* displayed by SME owners influence their level of *Job satisfaction* and the *Perceived financial performance* of their businesses?
- (e) Does the level of *Ethical leadership* displayed by SME owners influence their level of *Job satisfaction* and the *Perceived financial performance* of the businesses?
- (f) Does the level of *Participative leadership* displayed by SME owners influence their level of *Job satisfaction* and the *Perceived financial performance* of their businesses?

1.5.2 RESEARCH HYPOTHESES

The following hypothesised relationships will be subjected to empirical testing in this study:

- H^{1a} : There is a positive relationship between the *Perceived financial performance* of SMEs and the *Job satisfaction* of their owners.
- H^{1b} : There is a positive relationship between the *Job satisfaction* of SME owners and the *Perceived financial performance* of their businesses.
- H^{2a} : There is a positive relationship between the level of *Servant leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{2b} : There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.
- H^{3a} : There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{3b} : There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.
- H^{4a} : There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and their level of *Job satisfaction*.

- H^{4b}*: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.
- H^{5a}*: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{5b}*: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

Although the primary objective of this study is to investigate and empirically test the level of *Servant, Authentic, Ethical and Participative leadership* exhibited by SMEs owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses, the influence of selected demographic variables on the leadership styles displayed by SME owners will also be investigated. In this regard the following null-hypotheses are formulated and will be tested:

- H^{0a}*: There is no relationship between demographic variables and the level of *Servant leadership* displayed by SME owners.
- H^{0b}*: There is no relationship between demographic variables and the level of *Authentic leadership* displayed by SME owners.
- H^{0c}*: There is no relationship between demographic variables and the level of *Ethical leadership* displayed by SME owners.
- H^{0d}*: There is no relationship between demographic variables and the level of *Participative leadership* displayed by SME owners.

1.6 RESEARCH DESIGN AND METHODOLOGY

The following section will present the research design and methodology adopted for this study.

1.6.1 RESEARCH PARADIGM AND METHODOLOGY

According to Greener (2008:38), a research design is a well written plan on how to go about conducting research on a topic in question. This involves selecting the research paradigm and methodology to be adopted for a study. Collis and Hussey (2003:47) state that there are two main types of research paradigms namely, a quantitative paradigm (positivistic) and a qualitative paradigm.

According to Collis and Hussey (2003:53), a quantitative or positivistic research paradigm is referred to as scientific research. Zikmund (2003:111) refers to quantitative research as being useful during the determining of quantity or explaining of a phenomenon in a numerical manner. Quantitative research is defined as the collecting, measuring and analysing of data using numerical means (Bryman 2012:13; Denzin & Lincoln 2008:14; Collis & Hussey 2003:13). The aforementioned authors further state that quantitative research can be used as a tool to highlight the relationships between variables. Qualitative research refers to the analysis of observations in order to extrapolate some understanding from a study. This type of research focuses on the analysis of words rather than on numerical findings and is based upon socially created dispositions of reality (Bryman 2012:35; Denzin & Lincoln 2008:14; Collis & Hussey 2003:13).

When conducting research a researcher may choose one of three research strategies, namely exploratory, descriptive or causal research. Firstly, Zikmund, Babin, Carr and Griffin (2010:652) states that *exploratory research* is conducted to clarify situations that are not specified or for discovering ideas that are identified as potential business opportunities. Zikmund *et al.* (2010:652) describe *descriptive research* as describing characteristics of objects, people, groups, organisations or environments to illustrate a given situation. Lastly, *causal research* (also known as explanatory research) designs are studies that identify cause-and-effect relationships between variables; these designs are focused on eliminating alternative explanations of causality (Denscombe 2002:9; Terre Blanche & Durrheim 1999:40).

In summary, to achieve the objectives of this study a quantitative research paradigm is adopted, more specifically a descriptive and explanatory study will be undertaken.

Given the nature of the problem statement, the researcher has chosen this method of research because the study will be undertaken on a large scale and it is necessary to establish the relationships between variables. Quantitative research requires the use of a large sample to ensure that the findings are taken to be true for an entire population, and to ensure that the envisioned statistical analysis are possible (Zikmund *et al.* 2010:146), which is the case in this study.

1.6.2 SECONDARY DATA COLLECTION

Zikmund *et al.* (2010:161), as well as Lamb, Hair, McDaniel, Boshoff and Terblanche (2008:151) state that secondary data consists of all data that has been previously collected by researchers. Secondary data is then made available to other researchers for them to understand their own research problems (Lamb *et al.* 2008:151). According to Zikmund *et al.* (2010:161-163), accessing secondary data is easier and less costly than accessing primary data. Secondary data will be used to undertake the current literature study.

To ensure that the objectives of this study are achieved, the literature study will be conducted in an attempt to find support for the relationships between the various leadership styles investigated in this study and the *Job satisfaction* of SME business owners and the *Perceived financial performance* of their businesses. The secondary data collected will be used to support the proposed hypotheses. In this study a comprehensive literature study will be conducted using existing secondary sources related to the topic under investigation. Various types of sources will be consulted, including academic journal articles, newspaper articles, the internet and textbooks found through the Nelson Mandela Metropolitan University (NMMU) library.

1.6.3 PRIMARY DATA COLLECTION

According to Burt, Barber and Rigby (2009:18), primary data is raw data obtained by researchers to answer specific research questions. After consulting secondary sources of data, the researcher will focus on collecting the primary data. Collecting primary data is necessary for obtaining findings that are relevant to achieving the objectives of the study. In the present study the primary data will be quantitative in

nature and will be collected by undertaking a survey. The primary data collected will be used to empirically test the hypothesised relationships.

1.6.4 POPULATION, SAMPLE AND DATA COLLECTION

In scientific research the population refers to any complete group of people or businesses who share a common set of characteristics (Zikmund 2003:368). According to McIntyre (2005:231), the population is also known as the “universe”, which consists of a set of people, things and groups that are of interest for research purposes. The first step in defining a research sample is to define the population. In this study the population will consist of all small and medium-sized businesses operating within the boundaries of the Eastern Cape Province.

Greener (2008:49) defines a sample as a specific section of the population to be investigated in a study. Lamb *et al.* (2008:151) define a sample as a “subset of a population”. Two types of sampling techniques exist for identifying a sample namely: probability sampling and non-probability sampling. According to Zikmund (2003:397) probability sampling gives all members of a population a known, non-zero chance of being selected. There are several types of probability sampling techniques that exist, these include simple random sampling, cluster sampling, stratified sampling and systematic sampling amongst others (Myers & Hansen 2011:121; Ary, Jacobs, Razavieh & Sorensen 2009:150). Non-probability sampling involves selecting a sample on the basis of personal judgement or convenience and the probability that an item will be selected is unknown. According to McMurray, Pace and Scott (2004:84) there are different types of non-probability sampling techniques, these include convenience sampling, judgemental sampling, quota sampling and snowball sampling.

A sample of small and medium-sized business owners operating within the boundaries of the Eastern Cape Province will be selected to participate in this study. This selection will make use of the non-probability sampling technique, namely convenience sampling. According to Greener (2008:48) convenience sampling takes place when a sample is selected based on convenience and not randomly.

Convenience sampling allows for easy access to respondents but relies on the availability of the respondents (Babbie 2010:192).

According to Aron, Aron and Coups (2008:216), the sample size is the number of people that are subjects in a research study. For the purpose of this study a sample of 500 small and medium-sized business owners operating within the boundaries of the Eastern Cape Province will be invited to participate. As such the unit of study is the owner of the business.

1.6.5 THE MEASURING INSTRUMENT

The measuring instrument will consist of a cover page and three sections. The first section (Section A) will request demographic information from respondents. Demographic information will relate to both the respondent and the business of the respondent.

Section B will consist of 44 items measuring the *Servant*, *Authentic*, *Ethical* and *Participative* leadership styles of respondents. Section C will include 11 statements that assess the *Job satisfaction* of the business owners and 5 statements that assess the *Perceived financial performance* of the business. Sections B and C consist of statements that utilise a five-point Likert-type scale. The scale is interpreted as 1 representing *strongly disagree* and 5 representing *strongly agree*. As such an ordinal scale will be used in each of these sections. The statements in sections B and C are randomised within their respective sections.

Two types of questions can be used when drawing up of a questionnaire, open-ended and closed-ended questions. According to Zikmund *et al.* (2010:338), open-ended questions are those where the respondent is given questions that pose a problem, and closed-ended questions are those where the respondent is given specific limited responses from which to choose. In this study the self-constructed measuring instrument will comprise closed-ended questions. The items selected to measure the various leadership styles investigated in this study will be sourced from previous studies.

1.6.6 DATA ANALYSIS

Data analysis is the reduction of data to simple elements, which entails reducing the amount of data collected to insure that the necessary statements pertaining to the data are made (Hardy & Bryman 2009:4). Primary data collected will be analysed using a descriptive method. The data collected via the questionnaires will be captured onto a Microsoft Excel spread sheet. The data will be statistically analysed using the statistical programme STATISTICA version 12.

The data analysis will firstly include assessing the validity and reliability of the measuring instrument. De Vaus (2002:53) defines validity as a measure that tests whether the measuring instrument tests what it is supposed to measure. For the purpose of this study, the validity of the scales measuring the dependent variables, *Job satisfaction* and *Perceived financial performance*, and the independent variables (leadership style) will be assessed by performing an exploratory factor analysis. Factor loadings that are greater than 0.5 will be considered significant in this study, and will judge the scale as providing evidence of validity (Hair, Black, Babin & Anderson 2010:117; Mustakallio, Autio & Zahra 2002:212).

The reliability of the measuring instrument will be tested to ensure consistency during the measurement of a concept. Landy and Conte (2007:73) refer to reliability as the consistency, dependability and duplicability of a measure. For the purposes of this study Cronbach's alpha coefficients will be calculated to ensure the reliability of the scales measuring the various independent and dependent variables. Nunnally (1978) asserts that a Cronbach alpha coefficient greater than or equal to 0.7 is an acceptable score to consider a scale as being reliable. For the purpose of this study the researcher will follow Hair, Black, Babin, Anderson and Tatham (2006:137) who also recommend 0.7 as an acceptable significance level.

Descriptive statistics will be calculated to summarise the data into an understandable manner. In this study both measures of central tendency and dispersion will be calculated. Descriptive statistics will be used to determine the levels of *Servant*, *Authentic*, *Ethical* and *Participative* leadership displayed by SME owners in the Eastern Cape. In addition, Pearson's product moment correlation will be calculated

to determine whether associations exist between the various factors under investigation as well as the strength of these associations (Jackson 2011:159).

Simple regression analysis is used to describe the relationship between one independent variable and a single dependent variable (Hardy & Bryman 2009:166). In this study simple regression analyses will be used to establish the influence of SME owner *Job satisfaction* on the *Perceived financial performance* of their businesses and vice versa. Multiple regression analysis is a statistical method implemented to identify whether relationships exist between several independent variables and a single dependent variable (Chatterjee & Hadi 2006:2). In the present study multiple regression analyses will be used to establish the influence of *Servant, Authentic, Ethical* and *Participative* leadership styles displayed by respondents on the *Perceived financial performance* of the business and the *Job satisfaction* of the owners.

Although the focus of the study is on providing the researcher with insights into the leadership styles adopted by SME business owners, the influence of several demographic variables will also be investigated. An analysis of variance (ANOVA) will be conducted to achieve this. According to Keller and Warrack (2003:472), an ANOVA test is defined as a statistical test that determines whether a difference exists between two or more population means. In order to identify whether differences exist, the researcher will measure the relationship between several demographic variables, as independent variables, on several dependent variables, namely the *Servant, Authentic, Ethical* and *Participative* leadership styles of the respondents. The *post-hoc* Sheffé test will be conducted to identify where the differences lie.

1.7 SCOPE AND DELIMITATIONS OF THE STUDY

Small and medium-sized businesses play a dominant role in the South African economy; therefore the empirical research of this study will be limited to SMEs only but will not be limited to a specific industry. In addition, the geographic scope of this study will be limited to SMEs operating within the boundaries of the Eastern Cape Province. This is mainly because the Eastern Cape Province has been identified by

several sources as one of the poorest provinces in South Africa (Yu 2013:15; Statistics South Africa 2009:11) and because of the high unemployment poverty rate the province is plagued by poverty (Yu 2013:15). SMEs play an important role in poverty alleviation and job creation, therefore SMEs could play a leading role in addressing these problems in the Eastern Cape Province.

In recent times emphasis has been placed on poor leadership (Hackett & Wang 2012:868; Valdiserri & Wilson 2010:47; Brown & Treviño 2006:596). Poor leadership is characterised by unethical behaviour, a narrow and intense focus on individual achievement, a focus on self instead of stakeholders, a lust for and abuse of power, a high focus on economic growth, de-motivation and misery among subordinates, sabotaging job satisfaction and well-being of subordinates, a lack of integrity and values, and a clear lack of accountability (Valdiserri & Wilson 2010:47; Kaiser *et al.* 2008:98; Einarsen, Aasland & Skogstad 2007:208; Spreier *et al.* 2006:72-74; Hogan & Kaiser 2005:169). Given the importance of effective leadership to the sustainability of businesses, as well as the increase in the number of unscrupulous leaders, this study focuses on several leadership styles that are people-centred and orientated towards stakeholders, namely: *Servant*, *Authentic*, *Ethical* and *Participative* leadership.

The leadership styles chosen for investigation are each composed of several dimensions. These dimensions are described in the literature (Chapter Three). In order to achieve the objectives of this study only selected dimensions from each style will be empirically examined. The following paragraph explains the reasoning for this.

Northouse (2010) explains that leadership is viewed as either a process of influencing others or as a person's trait or characteristic. Page and Wong (2000:70,71) also distinguish between leaders based on the type of person a leader is and how a leader relates to others. Leadership as a process is different from leadership as a trait. The view of leadership as a process entails that leadership is an incidence found in the context of interactions between leaders and followers (Northouse 2010). On the other hand leadership as a characteristic contends that an individual possesses personal characteristics or traits that distinguish him or her as a

leader. This trait perspective, as Busch, McMahon, Unger, May and Wang (2013) explains, refers to one or more properties that an individual has in varying degrees.

To achieve the objectives of this study the dimensions selected for each leadership style are those associated with the trait perspective, namely the dimension describing the type of person a leader is. The objective of the study is to generally evaluate several leadership styles and not to conduct an in-depth analysis on one particular style. It was thus decided to focus on those dimensions related to a leader in general, namely the dimension associated with character.

The leadership styles investigated in this study consist of multiple underlying dimensions, as can be attested by (Page & Wong 2000:69; Stare, Pezdir & Boštjančič 2013:414). To fulfil the purpose of this research each investigated leadership style will, however be measured as a single higher order construct. The use of a composite measure during the evaluation of leadership styles is common practice in literature (Yukl, Mahsud, Hassan & Prussia 2013). Cooper, Scandura and Schriesheim (2005:481) add that current literature regarding leadership styles treat the concepts as a single construct. Furthermore, there are various documented studies that have examined leadership styles as a single construct containing multiple dimensions (Wang, Sui, Luthans, Wang & Wu 2014; Ponnu & Tennakoon 2009; Cooper *et al.* 2005; Avolio, Luthans & Walumbwa 2004).

Although several business and personal outcomes can be identified, in this study, *Job satisfaction* and *Perceived financial performance* will be investigated. In the literature on leadership styles, the relationships between leadership and factors such as *Perceived financial performance* and *Job satisfaction* are prominently identified (Valdiserri & Wilson 2010:47; Pedraja-Rejas *et al.* 2006:502).

1.8 SIGNIFICANCE OF THE STUDY

This study attempts to make a contribution to the field of small and medium-sized businesses. Small and medium-sized enterprises have increased over the years, and are recognised as the driving force behind the economic growth and development in South Africa (Ramasobana & Fatoki 2014:283; Abor & Quartey

2010:218; Venter 2009:4). The researcher will specifically investigate several leadership styles and how these styles influence success among SMEs operating within the boundaries of the Eastern Cape Province. If certain styles are identified as having a greater influence on business and personal outcomes, recommendations can be sought to improve the ability of SME owners to lead accordingly.

The study aims to add value to research in two ways. Firstly, by adding to the body of knowledge regarding leadership among SMEs and how business and personal outcomes can be achieved (Yammarino 2013:152; Gooty, Serban, Shumski, Gavin & Yammarino 2012). Secondly, according to the abovementioned authors, this study further adds value by testing a model of relationships and making suggestions to improve leadership through adopting leadership styles that are more people-centred and stakeholders orientated.

Although much research already exists investigating the influence of leadership on organisational performance (Yang, Huang & Hsu 2014:40; Valdiserri & Wilson 2010:50; Jing & Avery 2008:670) as well as leadership on the job satisfaction of employees (Long *et al.* 2014:118; Mustafa & Lines 2014:26; Letele-Mataboee 2012:54), few studies have focused on the relationship between leadership and the job satisfaction of the leader. Previous research focused on job satisfaction and the performance of employees and disregarded the influence that business leaders may have on the more holistic notion of job satisfaction and the perceived financial performance of the business (Michel, Lyons & Cho 2011:504; Jing & Avery 2008:74). In addition, as far as can be established no study in South Africa has specifically investigated people-centred leadership styles in the context of SMEs using a large sample size.

As the business environment has evolved over the last few years, the focus of research relating to leadership styles has also gravitated from the traditional styles to focusing on more people-centred styles (Stone, Russell & Patterson 2004:350). Avolio *et al.* (2009:422) add that leadership in the business world has developed from concerning itself with individuals to include dynamics such as peers, followers and supervisors. As such, the researcher endeavours to provide SME owners in the

Eastern Cape Province with insights on how more stakeholder or people-orientated styles can increase the possibility of success in their businesses.

1.9 DEFINITION OF CONCEPTS

Several concepts require clarification in this study, these are summarised below.

1.9.1 SMALL AND MEDIUM-SIZED BUSINESSES (SME's)

According to The National Small Business Act 102 of 1996 SME's are divided into two different categories namely: small and medium-sized enterprises. Furthermore the act states that, small enterprises employ a maximum of 50 employees and have an annual return of less than 2 million Rands or 25 million Rands, depending on the industry in which they operate. Medium enterprises employ between 100 and 200 employees depending on the industry in which they operate (Bosch *et al.* 2011:579; Abor & Quartey 2010:221; The National Small Business Act 102 of 1996), and have a managerial team that is decentralised (The Banking Association of South Africa 2013).

For the purpose of this study, SMEs are defined as businesses that employ more than five employees but less than 200 full-time employees. The businesses must have been in operation for a period longer than one year, and the owner must be actively involved in daily running of the business.

1.9.2 LEADERSHIP

Leadership is defined as a business owner's or manager's ability to communicate well with his or her employees, be accountable and motivating, while ensuring that the objectives of the business are carried out effectively and efficiently (Bosch *et al.* 2011:315; Du Brin 2004:3). Furthermore, Yammarino (2013:150) adds that leadership is a process that occurs between an individual or a group and its followers who have a common purpose.

For the purpose of this study leadership will be described as business owner's ability to work with his or her subordinates, to ensure a healthy working environment for everyone, and to achieve all the goals set out (Yammarino 2013:150; Hellriegel, Slocum, Jackson, Louw, Staude, Amos, Klopper, Louw, Oosthuizen, Perks & Zindiye 2012:9).

1.9.3 SERVANT LEADERSHIP

According to Van Dierendonck (2011:1228), leaders that display humility, authenticity and stewardship towards their employees are described as servant leaders. Van Dierendonck (2011:1228) further explains that these types of leaders ensure that their employees develop continuously and remain empowered. With servant leaders, priority is given to the needs and satisfaction of all business stakeholders (Walumbwa, Christensen & Hailey 2011:111; Sendjaya, Sarros & Santora 2008:403).

For the purpose of this study *Servant leadership* refers to a business owner that displays humility, servanthood and cares for others (emotional healing) (Liden, Wayne, Zhao & Henderson 2008; Barbuto & Wheeler 2006; Page & Wong 2000).

1.9.4 AUTHENTIC LEADERSHIP

Authentic leadership refers to the ability of a leader to be transparent, stand for his or her values and beliefs, and display self-awareness towards employees or any other stakeholders involved with the business (Walumbwa, Avolio, Gardner, Wernsing & Peterson 2008:104; Brown & Treviño 2006:599). Authentic leadership involve leaders and employee that are able to lead or follow in a manner that ensures each individual's unique identity is expressed at all times (Gardner, Cogliser, Davis & Dickens 2011:1142; Jensen & Luthans 2006:648).

For the purpose of this study *Authentic leadership* refers to a SME owner that demonstrates relational transparency, and an internalised moral perspective (Northouse 2012; Walumbwa *et al.* 2008; Page & Wong 2000).

1.9.5 ETHICAL LEADERSHIP

An ethical leadership style is displayed by leaders that possess characteristics such as honesty, caring, ethical standards and fair decision-making. These characteristics are practised throughout the running of the business by both the business owners and their employees (Brown & Treviño 2006:597). According Yukl *et al.* (2013:38) ethical leadership is displayed through integrity, ethical standards and the fair treatment of employees in the workplace.

For the purpose of this study *Ethical leadership* refers to the SME owner displaying integrity and ethical commitment (Yukl *et al.* 2013; Kalshoven, Den Hartog & De Hoogh 2011(a):351; Khuntia & Suar 2004).

1.9.6 PARTICIPATIVE LEADERSHIP

Pedraja-Rejas *et al.* (2006:502) and Somech (2005:778) refer to participative leadership as the ability of leaders to share decision-making with their employees, therefore leading to high quality decisions and increased employee motivation. Participative leadership is seen as providing a working environment that allows for collaboration between the employer and their employees, and is described as a democratic process (Spreier *et al.* 2006:77).

For the purpose of this study *Participative leadership* refers to a SME owner displaying management participation and allowing autonomy in his or her business (Kalshoven, Den Hartog & De Hoogh 2011(b):61; Liden *et al.* 2008; Khuntia & Suar 2004).

1.9.7 JOB SATISFACTION

In general, job satisfaction is defined as the behaviour that both employees and employers demonstrate as a result of experiencing good working condition from the work completed (Byars & Rue 2006:406). According to Buitendach and De Witte (2005:28), job satisfaction can also be measured by comparing an individual's observation of their job to that which they expect from it, as well as their values and

their needs. Job satisfaction measures an individual's attitude towards their work as well as their personal and psychological experiences at work (Werner, Bagraim, Cunningham, Potgieter & Viedge 2009:334).

For the purpose of this study *Job satisfaction* refers to the SME owner as experiencing his or her involvement in the business as satisfying, enjoyable, rewarding and fulfilling (Letele-Mataboee 2012; Eybers 2010; Farrington 2009).

1.9.8 PERCEIVED FINANCIAL PERFORMANCE

The financial performance of a business is often reflected by means of several indices including as return on equity, asset utilisation, growth, solvency, liquidity and risk/market measure (Griffin & Mahon 1997:11). For the purpose of this study *Perceived financial performance* refers to the SME as being profitable, successful and financially secure, as well as experiencing growth in profits, turnover and employee numbers over the last two years (Eybers 2010; Farrington 2009).

1.10 STRUCTURE OF THE STUDY

The structure of the research will be as follows:

Chapter one will include an introduction and background to the study. The problem statement as well as the primary and secondary research objectives will be formulated. Following this the researcher will discuss the research questions and hypotheses and also describe the research design and methodology that will be used for the purpose of this study. The research methodology together with the data collection methods, the measuring instrument and sample, and the data analysis methods to be employed will be highlighted. Thereafter, the scope (demarcation) of the study will be discussed and the significance highlighted. Key concepts will be defined and lastly the structure of the study will be presented.

Chapter two will provide an overview of the nature and importance of leadership among small and medium-sized businesses. The chapter will begin by discussing the nature and the importance of SMEs. Following this, the challenges facing SMEs

will also be highlighted. The chapter will also include a discussion on the nature of leadership in general and how it differs from management. Theories on leadership as well as characteristics of a good leader will be discussed. Lastly, the importance of leadership will be discussed.

Chapter three will focus on the leadership styles that can be adopted by leaders. More specifically the history and development, and characteristics of the various styles will be described. Both traditional and contemporary leadership styles will be elaborated on. The leadership styles investigated in this study will be described in more detail.

In **Chapter four** several hypotheses which are subjected to further empirical testing in this study will be presented. The influence of people-centred leadership styles on job satisfaction and perceived financial performance will be discussed. The dependent variables will then be described and an attempt will be made to show whether a relationship exists between these dependent variables. Following this, the influence of leadership and leadership styles on the dependent variables will be discussed. Finally, the influence of demographic variables on leadership styles displayed by SME business owners will be discussed. Both empirical and anecdotal evidence will be provided to support these relationships. Based on this evidence a model will be developed and relationships hypothesised.

Chapter five will describe the research design and methodology adopted to achieve the objectives of this study. More specifically the research paradigm and methodology will be described and motivated. The chapter will also describe the secondary and primary data collection methods as well as the design of the measuring instrument. In the primary data collection the population studied, sampling and sampling techniques, the sample size, and the methods of data collection will be elaborated on. Also, discussions will follow on the measuring instrument development, the qualifying questions, operationalisation, data collection and administration as well as dealing with missing data will be explained. Furthermore, the statistical techniques used to analyse the data collected will be described.

Chapter six will present the results of the empirical investigation.

Chapter seven will provide a summary of the study as a whole. The main conclusions will be drawn and several recommendations will be made. The limitations of the study will be addressed and future research possibilities will be highlighted.

CHAPTER TWO

THE NATURE AND IMPORTANCE OF LEADERSHIP AMONG SMALL AND MEDIUM-SIZED BUSINESSES

2.1 INTRODUCTION

As described in Chapter One, the objective of this study is twofold, namely to assess the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SME owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. It is well supported in the literature (Valdiserri & Wilson 2010:48; Jing & Avery 2008:68; Kaiser *et al.* 2008:96; Pedraja-Rejas *et al.* 2006:500) that effective leadership has a positive influence on business performance, including small and medium-sized businesses, and contributes to their long-term survival. This chapter aims to explore leadership in general and contextualise it to the SME context.

In order to provide a theoretical context for this study, Chapter Two will commence by describing the nature and importance of small and medium-sized businesses, followed by a discussion on the challenges these businesses face. Poor leadership is specifically described as a challenge facing these businesses. The concept of leadership, several theories of leadership and a comparison between leadership and management are then described. In addition, a discussion on the characteristics of a good leader and the importance of leadership will be presented.

2.2 THE NATURE OF SMALL AND MEDIUM-SIZED BUSINESSES

Although many definitions of an SME can be found in the literature (Abor & Quartey 2010:219; Farrington 2009:30; Sha 2006:25; OECD 2005:17), to date no universal definition exists. Stokes and Wilson (2006:4) suggest that to make it easier for researchers to classify and understand different types of businesses, businesses should be defined according to their size. Ayyagari, Beck and Demirguc-Kunt (2007:416) state that different countries make use of different criteria to describe

SMEs. According to Tuaño, Goerge and Villamil (2014:2) and Ayyagari *et al.* (2007:416), the following criteria are some of the most commonly used to describe SMEs: the number of employees; the total net assets; and the sales and investment levels. In South Africa, the National Small Business Amendment Act of 2003 defines a small and medium-sized business according to the size of the business, the sector in which the business operates, the total turnover, the total gross asset value, and the number of employees (National Small Business Amendment Act 2003). The values associated with the aforementioned criteria vary between micro, very small, small, and medium-sized businesses.

Stokes and Wilson (2006:4) and Nieman, Hough and Nieuwenhuizen (2003:10) explain that when defining an SME, both quantitative and qualitative criteria can be used. Quantitative criteria include variables that can be easily measured, such as the annual sales turnover and the total number of full-time employees working in the business (Bosch *et al.* 2011:579; Cronjé, du Toit, Marias & Motlatla 2004:45; National Small Business Amendment Act, 2003). Qualitative criteria include variables such as the involvement of the owner in the daily running of the business and the structure of the business (Bosch *et al.* 2011:579). However, both Bosch *et al.* (2011:579) and Farrington (2009:30) contend that qualitative criteria are difficult to measure.

Although many variables are used to define an SME, the number of employees is the criterion that will be used in this study as it is the most convenient and useful discriminator in the context of management research (Nwankwo & Gbadamosi 2010:2; Levy & Powell 2004:20; Fischer & Reuber 2000:2). For the purpose of this study an SME is defined as businesses that employ more than five employees but fewer than 200 full-time employees. The businesses must have been in operation for a period longer than one year, and the owner must be actively involved in the daily running of the business. Despite no clear and universal definition existing for an SME, the contribution of these businesses to the society and economy of a country is well recognised (Kayadibi, Polat & Fidan 2013:3; Sherazi, Iqbal, Asif, ur-Rehman & Shah 2013:1325; Farrington 2009:31). Some of these contributions will be discussed in the paragraph below.

2.3 IMPORTANCE OF SMALL AND MEDIUM-SIZED BUSINESSES

Small and medium-sized business enterprises are, due to their lack of resources, limited in their individual power to generate large revenues (Anantadjaya, Finardi & Nawangwulan 2011:27). In spite of this disadvantage, small and medium-sized business enterprises play a vital role in the business world and in the economies of countries (Small Business Project 2013:1; Anantadjaya *et al.* 2011:27). According to Fatoki and Garwe (2010:729), without the creation of new SMEs, South Africa would be at risk of economic stagnation. SMEs are important to governments, large corporations and local communities (World business council for sustainable development 2007:2-3). SMEs are important worldwide, especially in developing countries where they carry the hopes and burdens of these countries by contributing to the country's economic growth and creating job opportunities (McIntyre 2001:1).

The Banking Association of South Africa (2013) and the National Credit Regulator (2011:7) conclude that SMEs currently make up 91 percent of formalised businesses in South Africa. It is because of these numbers that SMEs are specifically recognised for their contribution to the economic growth of the country (Bosch *et al.* 2011:580; Mutula & Van Brakel 2006:403). SMEs contribute between 52 and 57 percent towards the country's Gross Domestic Product (GDP) (National Credit Regulator 2011:7). According to Scholasticus (2010), in addition to economic development, South African SMEs contribute to the social development of the country, and have the ability to improve innovation and growth in the economy as well as reducing problems such as unemployment and poverty.

According to Hlonitshwayo (2012), SMEs contribute to economic development through contributing to both rural and urban employment, enabling growth in the labour force, providing sought-after sustainability, and providing the needed innovation in the economy. Kayadibi *et al.* (2013:1) are also of the view that SMEs drive the development of the economy as they generate income, decrease unemployment, foster profits, and endorse social responsibility. The ability of SMEs to decrease unemployment exists because they are more labour intensive and have a general tendency to employ people who have been retrenched or are without employment (Small Business Project 2013:4). The economy is one of the main

sources of support for South Africa's large welfare expenditure, and as a result SMEs are needed to provide robust employment growth to ease this expenditure (Small Business Project 2013:2).

SMEs in South Africa are a major source of job creation, wealth formation and redistribution, and increasing social stability (Venter 2009:4; Zahra *et al.* 2008:117). Small and medium-sized business enterprises also contribute to increased job opportunities, decreasing poverty and stimulating the market by pumping cash back into the economy (Ahunjonov, Asa & Amonbeyev 2013:129; Sefiani & Bown 2013:298). SMEs contribute towards 37 percent of the country's employment (Masocha & Charamba 2014:61).

Apart from job creation, SMEs influence the success of large and multinational businesses by growing these businesses through innovation and creativity (Kayadibi *et al.* 2013:3). SMEs in South Africa are also a major source of technical advancement (Venter 2009:4; Zahra *et al.* 2008:117). Fatoki and Garwe (2010:729) maintain that new SMEs are a significant source of innovation, which leads to new products and technologies. According to, Kayadibi *et al.* (2013:2), it is because of their flexibility and adaptability that SMEs provide a significant portion of production in rapidly changing and competitive economies.

SMEs allow for competitive markets, which result in better prices and quality products and services for consumers (Bengesi & Le Roux 2014:156; Kayadibi *et al.* 2013:2; Bosch *et al.* 2011:580; Naidoo 2006:91).

Despite their importance, like any other-sized business, SMEs face several challenges during their life cycle, which at times may influence their success if not dealt with accordingly and in time. It is these challenges that will be discussed in the sections that follow.

2.4 CHALLENGES FACING SMALL AND MEDIUM-SIZED BUSINESSES

Despite the important role of SMEs in economic growth and job creation, SMEs worldwide face several challenges that are problematic and contribute to their high

failure rates (Bosch *et al.* 2011:593; Abor & Quartey 2010:224; Farrington 2009:66; Venter 2003:27-28). According to Peyper (2013), 75 percent of SMEs in South Africa fail within their first year of operation. In total 440 000 SMEs in South Africa closed their doors between 2008 and 2012 (Adcorp 2012:2). These figures are supported by others who suggest that an estimated 70 to 80 percent of SMEs operating in South Africa fail as a result of the challenges they face (Bosch *et al.* 2011:594).

Small and medium-sized businesses operating in South Africa have faced numerous economic challenges as a result of the skewed policies in the country (Masocha & Charamba 2014:60; Kamp 2014:1), amongst others. In recent years SMEs have, however, reported increased earnings which have had a positive impact on the total returns of small businesses (Kamp 2014:1). Despite these positive changes, SMEs in South Africa have the lowest survival rate when compared to other countries worldwide (National Credit Regulator 2011:7).

The plight of SMEs in South Africa has been recognised and attempts by the government to assist them have been initiated. The government has for example introduced a Ministry of Small Business Development to assist small businesses and the development of this sector (Modise 2014:1). Fredericks (2014:2) adds that the purpose of this ministry is to improve current policies relating to SMEs, the function of existing small business agencies and to address the current problems facing SME development programmes. The ministry has been formed with the sole purpose of having a department that serves the interests of the SMEs and the economy by allowing direct communication between the department and small business owners (Fredericks 2014:2-3). The ministry also wishes to ensure that the National Development Plan (NDP) objective of creating 11 million jobs by 2013 is achieved (Modise 2014:1).

According to Kamp (2014:1), during the National Treasury's 2014 Budget Review, it was announced that more emphasis would be placed on the promotion and development of SMEs in South Africa. Furthermore, Kamp (2014:2) states that this development will take place through lowering the tax rates currently imposed on SMEs, increasing funding support through institutions such as the Industrial Development Corporation, the Department of Trade and Industry and the Small

Enterprise Financing Agency, as well as promoting venture capital initiatives between SMEs and other companies.

It is vital that the government and all relevant stakeholders be aware of the challenges facing SMEs in the country, and undertakes all efforts to assist them in overcoming them. Kamp (2014:2) explains that reasons for the high failure rate among SMEs in the country are a slow domestic demand growth environment and the increase in the interest rate. Factors such as the inability to attract financing, poor marketing, management and leadership, are all issues that have been identified as contributing to the high failure rate amongst SMEs (Watson *et al.* 1998:224). Bosch *et al.* (2011:294) further identify poor location, the inability to penetrate markets, lack of education and training, limited access to infrastructure, resources, technology and services, as well as poor financial and management skills, as issues contributing to this high failure rate. According to Cant and Wiid (2013:708-709) and Masocha and Charamba (2014:61), other challenges facing South African SMEs include economic factors such as inflation, volatile interest and exchange rates, the high level of crime, HIV/AIDS, poor ethics, and expensive technology being used.

Some of the most commonly cited challenges amongst SMEs are the inability to obtain financing, numerous legal and regulatory requirements, the lack of marketing skills and strategic planning, as well as a lack of managerial skills (Tuaño *et al.* 2014:10-11; Abor & Quartey 2010:224; Scarborough & Zimmerer 2003:24). These challenges will be elaborated on in the following sections.

In South Africa SMEs often experience a lack of finance (Masocha & Charamba 2014:61; Bosch *et al.* 2011:594; Abor & Quartey 2010:224), which limits their growth and development (Abor and Quartey 2010:224). According to Sha (2006:46), inadequate finances lead to businesses not being able to attract qualified staff for the business, market the business and its products, and acquire the necessary resources to run the business.

According to Abor and Quartey (2010:225) and Malagas (2003:47), legal and regulatory requirements facing SMEs include bureaucratic hurdles and government policies such as tax regulations, business permits and fines issued to SMEs. SMEs

are faced with high registration and licence fees as well as taxes that need to be paid (Fakoti & Garwe 2010:733). Although SMEs were previously exempted from several government regulations, today SMEs face many of the same regulations that larger firms do (Sha 2006:47). Complying with the numerous legal and regulatory requirements is time-consuming and costly, and requires certain skills that SMEs may not have (Bosch *et al.* 2011:580).

According to Bowler, Dawood and Page (2007), in any business it is important that the managers have marketing skills in order for the business to be successful. Van Scheers (2011:5049-5050) adds that SMEs are unable to implement marketing tasks such as selling, increasing market share, and building consumer relationships that are necessary for a successful business.

According to Hove and Chikungwa (2013:62) as well as Sha (2006:51), all businesses should participate in strategy implementation. These authors add that it is important for businesses to decide on strategic issues such as their operating hours, location, and product lines. In addition, the decisions made by the owners/managers to identify opportunities, develop strategies, to assemble resources and to take initiatives, have an influence on business success (Hove & Chikungwa 2013:62). Lastly, it is important that employees are made aware of the business's strategic plans to ensure that they are implemented by everyone in the business, and properly to achieve the final goal.

A lack of managerial skills is a challenge commonly cited among SMEs (Abor & Quartey 2010:224; Sha 2006:46; Scarborough & Zimmerer 2003:24). In South Africa, the lack of managerial skills has been identified as a significant challenge facing SMEs, and occurs because of a lack of education and training among new business owners (Fatoki & Garwe 2010:731). According to Hellriegel *et al.* (2012:8) and Bosch *et al.* (2011:299), managerial skills include the ability to plan, organise, lead, and control.

According to Bosch *et al.* (2011:315) and Du Plessis (2010:17), the ability to lead is an important management skill as it involves not only the leader but also how leaders work with their teams and deliver the necessary services. Research conducted by

Valdiserri and Wilson (2010:49) indicates a prevalence of poor leadership practices among SMEs. Moreover, Valdiserri and Wilson (2010:49) attribute most small business failures to poor leadership practices. According to Masocha and Charamba (2014:61), poor leadership practices in SMEs may include issues such as the inability of leaders to control business growth, planning forward, management commitment, and not being able to adapt. Wong (2005:267) adds that leadership influences the success of SMEs by having leaders exhibit the appropriate behaviour and actions towards employees

Despite several challenges having been identified as influencing the success of SMEs in South Africa, this study will focus on the challenges associated with poor leadership.

2.5 THE NATURE OF LEADERSHIP

Although the concept of leadership has been around for millennia, it still lacks a clear definition, and several different versions exist (Hough, Thompson, Strickland & Gamble 2011:285). For example, Du Brin (2004:3) defines leadership as a “the ability to motivate, inspire and influence followers”. Hellriegel *et al.* (2012:9) define leadership as “the ability to communicate with and motivate followers while ensuring that business goals are met in accordance with the organisation’s culture”. Yammarino (2013:150) describes leadership as a leader-follower interaction where these two groups share a purpose and willingly attempt to accomplish things together. Hellriegel *et al.* (2012:374) share similar sentiments, and describe leadership as the “influencing of others to attain a common goal” and “falls under the premise of interpersonal relationships”. According to Kaiser *et al.* (2008:96), leadership involves influencing people to “willingly contribute to the good of the group and coordinating these efforts towards the achievement of business goals”. For this study leadership is described as business owner’s ability to work with his or her subordinates, to ensure a healthy working environment for everyone, and to achieve all the goals set out (Yammarino 2013:150; Hellriegel *et al.* 2012:9).

According to Northouse (2001), much research has been conducted on the topic of leadership, but it still presents a major challenge to both practitioners and

researchers interested in understanding its nature. Leadership is a constantly evolving concept which has become increasingly complex and is used in many applications (Avolio *et al.* 2009:422; Covey 2007:3).

According to Yammarino (2013:149-150), before the nineteenth century, no systematic and scientific research on leadership had taken place. Leadership was associated with those in positions of power, such as royalty. The introduction of a more scientific notion of leadership came to light during the nineteenth century. As a result, an increase in scholarly research on leadership took place, and the concept was no longer associated with high positions or noble positions only. The need for an in-depth review of leadership was further fuelled by commercialisation. The interests of researchers later shifted towards the various models and pillars of interest pertaining to leadership (Yammarino 2013:150).

According to Avolio *et al.* (2009:422), business leadership has developed from concerning itself with individual leaders to including other dynamics such as peers, followers and supervisors. Avolio *et al.* (2009:423) further explain that leadership not only describes an individual's characteristics but also an individual's ability to strategise social dynamics. Leaders in businesses are not just identified by their characteristics but also by their followers and the leader's cultural background (Van Dierendonck 2011:1234).

2.6 LEADERSHIP VERSUS MANAGEMENT

Over time much debate has taken place relating to the concepts leadership and management (Nyengane 2007:11). This debate has revolved around the similarities and differences between these two concepts, as well as the relationship between them. Table 2.1 summarises different descriptions of leadership and management in terms of two distinct categories of behaviour.

TABLE 2.1: Leadership versus management

Source	Leadership Behaviours	Management Behaviours
Zaleznik (1977)	Adopts a personal and active attitude toward goals, is proactive, develops fresh ideas, explores new options, develops excitement in others, accepts high levels of risk, seeks out opportunities, is concerned with ideas, relates to people in intuitive ways, focuses on what events mean to people, attracts strong feelings of identity, is able to intensify individual motivation.	Adopts an impersonal/passive attitude toward goals, reactive, emphasis on rationality and control, focuses on strategies and decision making, planning, rewarding, punishments, emphasis on acceptable compromises, limits choices, operates using a survival instinct, tolerates mundane and practical work, relates to people according to the other person's role, focuses on how things get done, communicates to subordinates indirectly, uses inconclusive signals.
Bennis and Nanus (1985)	Innovative, original thinking, develops, focuses on people, inspires trust, long-range perspective, originates, challenging, does the right thing.	Administers, copies, maintains, focuses on systems and structure, relies on control, short-range view, imitates, accepts status quo, does things right.
Kotter (1990)	Coping with change, setting a direction, aligning people, motivating and inspiring.	Coping with complexity, planning and budgeting, organising and staffing, controlling and problem solving.
Eicher (1998)	Guiding others and the organisation, personally developing others, promoting opportunities for growth, embracing uncertainty, communicating organisation direction, developing key relationships, inspiring others.	Administering rules and policies, demonstrating and clarifying expectations, setting standards of performance, improving operations, maintaining focus on present needs, directing operations, developing the organisation, reinforcing performance.

(Source: Nyengane 2007:13)

From the descriptions tabled, it can be seen that leadership involves leaders who are personal and have an active attitude towards achieving business goals, are innovative and focused individuals, are able to cope and motivate others should any change occur, and lastly guide their employees and the business. On the other hand, management involves individuals who are impersonal and have a passive attitude towards achieving businesses goal; they administer and maintain business processes, cope with complexity and the strategies of the business, and finally follow rules and policies to clarify what is expected from employees.

According to Burke and Cooper (2006:7), leadership is defined as the ability to establish a business's vision and to identify the means and strategies necessary to achieve that vision. On the other hand, management involves the implementation of that vision and controlling the means to reach the vision set by the leader (Burke & Cooper 2006:7). Leadership involves a leader influencing his or her followers so that they voluntarily act towards achieving a specific goal (Hellriegel *et al.* 2012:374). Busch *et al.* (2013:5) define management as a process that involves reducing chaos that may occur in a business, which ultimately leads to a more effective and efficient business. Managers provide order and consistency in businesses, and by so doing, their employees are led in the right direction which ensures that their tasks are done in the correct manner (Busch *et al.* 2013:5).

Management is a process that entails the planning, organising, leading and controlling of a business's functions (Hellriegel *et al.* 2012:8; Bosch *et al.* 2011:299). As such, leadership is one of the tasks required of managers (Bosch *et al.* 2011:300). According to Nyengane (2007:12), leadership demonstrates behaviour that is task-orientated, whereas management is more relations-orientated. However, this author adds that some other studies suggest that leadership and management may represent a mixture of both task-orientated and relations-orientated behaviours. Although differences between leadership and management are highlighted in the literature, Fernandez (2008:177) contends that both leadership and management are necessary for business success.

2.7 THEORIES ON LEADERSHIP

Over time, several theories on leadership have emerged. According to Covey (2007:8), theories on leadership demonstrate the concept of leadership, which develops and evolves continuously. Each of the main theories on leadership will briefly be discussed below, namely the great man theory, trait theory, behaviour theory, and contingency theory.

2.7.1 GREAT MAN THEORY

The great man theory was the first leadership theory, and was developed in the 1900's (Du Plessis 2010:17; Covey 2007:8). Early studies on leadership represented the belief that leaders were born with certain leadership traits, and not everyone had those traits (Daft 2005:24). In addition, leadership was for the more privileged individuals who were geniuses, because leadership was considered an art (Covey 2007:8). Moreover, individuals who could be leaders were people in the military or in politics, financially affluent, the cultural elite and industrial leaders (Du Plessis 2010:17; Covey 2007:8).

These privileged individuals were studied to identify common traits/characteristics that existed among them, and from this researchers explained what leadership is and what it entails. However, this approach to understanding leadership was flawed in that different leaders were found to possess different traits (Dambe & Moorad 2008). Consequently, more research was undertaken, leading to the development of the trait theory.

2.7.2 TRAIT THEORY

According to Covey (2007:8), the trait theory on leadership involves identifying universal traits, characteristics, skills, and abilities that are common amongst leaders. The trait theory emerged in the 1940's-50's as interest in the characteristics of effective leaders increased (Du Plessis 2010:17; Patti 2009:146). However, different characteristics were identified and no specific definition was forthcoming. Several of these traits and characteristics associated with successful leaders are tabled on the following page.

TABLE 2.2: Traits and characteristics of leaders

Northouse (2004:19)	Du Brin (2004:33)	Gill (2006:38)	Grout & Fisher (2007:197)
<ul style="list-style-type: none"> • Intelligence • Self-confidence • Determination • Integrity • Sociability 	<ul style="list-style-type: none"> • Intelligence • Initiative • Insight • Responsibility • Persistence • Sociability • Self-confidence 	<ul style="list-style-type: none"> • Self-confidence • Humility • Trustworthiness • Extroversion • Assertiveness • Emotional stability • Enthusiasm • Warmth • Sense of humour • High tolerance of frustration 	<ul style="list-style-type: none"> • Integrity, Energy and Maturity • Deep understanding of organisation and strong profit orientation • Lead teams, coach, and motivate • Curiosity and high intellectual capacity • Trustworthiness, listening, being decisive and incisive • Superior judgement • Appetite to accomplish and get results • Motivate to grow and convert learning into practice

(Source: Researcher's own construction)

From Table 2.2 several common characteristics of successful leaders are identified, namely intelligence, self-confidence, trustworthiness, sociability and integrity. The attributes in the table also show that leaders not only develop themselves but also those around them, such as their employees and their communities.

The trait theory has both shortcomings and strengths. According to Du Plessis (2010:18) and Du Brin (2004:56), this theory is not able to show which traits are necessary for effective leadership, and researchers have not been able to establish how much of a specific trait is needed. Despite these shortcomings, the trait theory clearly shows that leaders possess certain traits that non-leaders do not have, and that individuals who are leaders are prepared for the responsibilities associated with leadership as well as the challenges they face (Du Plessis 2010:18; Du Brin 2004:56).

According to Du Brin (2004:56), the traits of a leader do not guarantee the success of a business. This, together with the inability of the trait theory to produce a clear

definition of leadership, led to a shift of interest towards the organisational impact of a leader on his or her employees (Nyengane 2007:18).

2.7.3 BEHAVIOUR THEORY

In the 1960's the behaviour theory on leadership emerged (Covey 2007:9). According to Du Plessis (2010:19), this theory was the result of the inability of researchers to clearly define leadership. As a result, researchers started examining the behaviour of leaders, and how this behaviour influenced business success (Nyengane 2007:18; Daft 2005:54). The behaviour theory moved away from the notion that leaders were born with certain innate traits, towards a view that leaders could be made by acquiring the necessary skills and knowledge (Wibbeke 2009:37; Covey 2007:9). Hellriegel *et al.* (2012:380) contend that the behaviour theory has been of great importance in ensuring a better understanding of leadership.

According to Hellriegel *et al.* (2012:378) and Northouse (2001), the behaviour theory considers two types of leadership behaviours, namely consideration and initiating structure. Consideration involves a leader's ability to show concern over their employees in matters such as the employees' well-being, status and comfort (Hellriegel *et al.* 2012:378). These authors describe initiating structure as a leader's ability to actively make the necessary plans, organise, control and co-ordinate all employees' activities, an example of initiating structure is the leader's ability to assign employees to their particular tasks. These two types of behaviour refer to the manner in which leaders influence their followers to ensure that business goals are achieved.

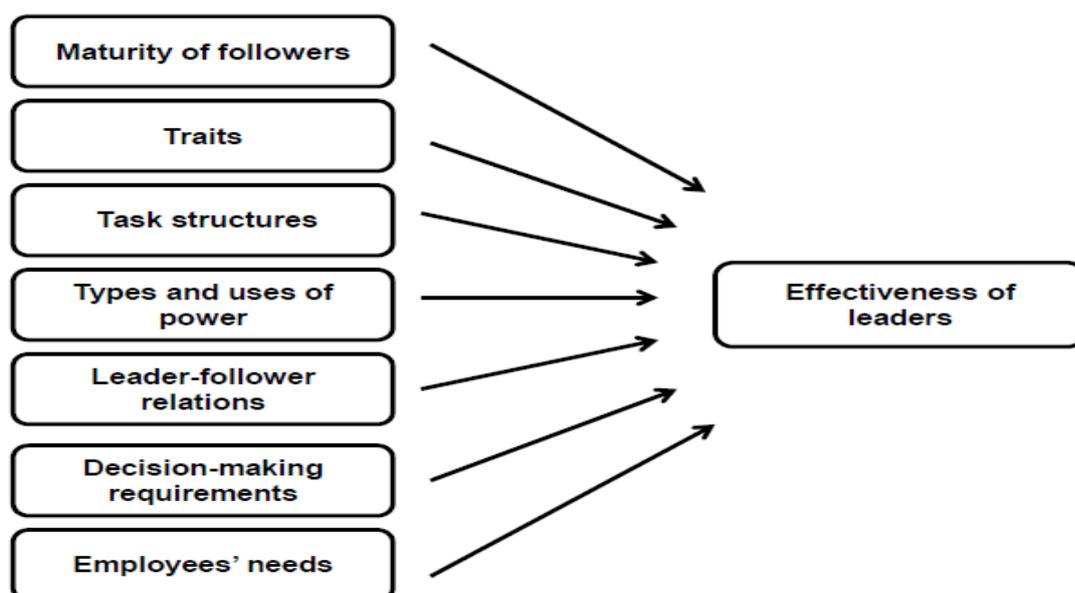
The behaviour theory of leadership is mainly concerned with comparing what it is that leaders do that is seen to be effective, and what is seen to be ineffective (Nyengane 2007:20). However, Hellriegel *et al.* (2012:380) contends that appropriate leader behaviour in one situation may not be appropriate for another, giving rise to the contingency theory of leadership.

2.7.4 CONTINGENCY THEORY

The contingency theory of leadership was developed to demonstrate that both the personal characteristics and the behaviour of leaders influence leadership effectiveness (Du Plessis 2010:21). According to Covey (2007:9) and Hellriegel *et al.* (2012:381), the main purpose of the contingency theory is to establish the best leadership behaviour for the situation at hand.

According to Leithwood, Day, Sammons, Hopkins and Harris (2006:11), the contingency theory of leadership consists of two types of leadership, namely a task- and relationship-orientated leadership style. Task-orientated leaders have more control over the work situation of employees, whereas relationship-orientated leaders are less concerned with the work and more with the relationships built with their employees (Avery 2004:82). Hellriegel *et al.* (2012:381) identify several situational factors that influence a leader's effectiveness (see Figure 2.1). These factors are identified from several different contingency models. These situational factors include the maturity of the followers, the traits of the leader, task structures in place, the different types and uses of power, the presence of leader-follower relationships, decision-making requirements, and being aware of employees' needs (Hellriegel *et al.* 2012:381).

FIGURE 2.1: Situational factors influencing leader effectiveness



(Source: Hellriegel *et al.* 2012:380)

According to Hellriegel *et al.* (2012:381) and Nyengane (2007:21), various models exist within the contingency theory of leadership. Of these, Fiedler's contingency model, Hersey and Blanchard's situational leadership model, and House's path-goal model, are three of the well-known situational theory models, each of which is discussed below.

2.7.4.1 Fiedler's contingency model

Hellriegel *et al.* (2012:381) refer to Fiedler's Contingency Model as one of the first contingency models to be developed. The model suggests that the effective performance of a group depends not only on the leader's personality but also the situation at hand (Nyengane 2007:21). Fiedler identifies three factors that describe the leadership situation (Hellriegel *et al.* 2012:381; Du Plessis 2010:21; Patti 2009:149-150), namely leader-member relationship; how structured the task is; and the leader's position. These three factors together describe how much control a leader has over a specific situation (Du Plessis 2010:21).

2.7.4.2 Hersey and Blanchard's situational leadership model

The Hersey and Blanchard's situational leadership model proposes that a leader's behaviour should vary, by taking the maturity of the followers (employees) into consideration (Nyengane 2007:21). In this model, leadership behaviour is classified as directive or supportive (Hellriegel *et al.* 2012:383; Nyengane 2007:21). Directive behaviour involves one-way communication from the leader to the employee, is similar to initiating structure, and is product-centred. Initiating structure involves looking at the extent to which a leader is task-orientated and how much the leader is able to guide his or her followers when conducting their work (Du Plessis 2010:19). Supportive behaviour on the other hand, involves two-way communication between leaders and their employees, is considerate and employee-centred (Hellriegel *et al.* 2012:383; Nyengane 2007:22). According to Du Plessis (2010:19), being considerate is the degree of sensitivity a leader is able to show towards his or her followers and establish a relationship of mutual trust.

In contrast to Fiedler's contingency model, the Hersey and Blanchard's situational leadership model is more flexible, and is able to adapt to changing situations (Hellriegel *et al.* 2012:383).

2.7.4.3 House's path-goal model

Robert House developed the House's Path-Goal model of leadership (Hellriegel *et al.* 2012:385), which proposes that effective leaders specify their responsibilities to ensure high productivity and morale (Du Plessis 2010:21). Du Brin (2004:140) adds that under House's Path-Goal model of leadership, the leader clearly explains the goals of the business to his or her followers, while ensuring employees are well aware of what they need to do to attain job satisfaction and performance (Hellriegel *et al.* 2012:385; Du Brin 2004:140). Further, Nyengane (2007:22) explains that under this theory, leaders provide coaching, guidance and personal support to their followers.

The path-goal model identifies four styles of leadership that are the most appropriate for certain situations, namely achievement-orientated; directive; participative; and supportive (Hellriegel *et al.* 2012:385). These authors further explain that achievement-oriented leadership is used when followers are given jobs that are not challenging and need to be encouraged; directive leadership is more useful when completing jobs that are of an ambiguous nature; participative leadership is more appropriate when followers are not happy about the procedures and decisions made by leaders, and finally, supportive leadership is used to increase the confidence of followers. Finally, the model suggests that leaders are able to change their behaviour depending on the situation they are facing (Daft 2005:96).

Several characteristics have been identified in effective business leaders, some of which will be elaborated on in the sections that follow.

2.8 CHARACTERISTICS OF A GOOD LEADER

Despite several theories on leadership existing, there is a good deal of research on the characteristics and behaviours of effective leaders (Hwang, Quast, Center,

Chung, Wolkittel & Phillips 2013:4; Yammarino 2013:151; Northouse 2012:27; Nieman & Bennett 2007:97; Burke & Cooper 2006:6,19). Some of the most important characteristics and behaviours identified in these studies include motivation, intelligence, cooperativeness, tolerance, knowledge and experience, communication, responsibility, self-confidence, consideration for others, charisma, cognitive ability, adaptability, conscientiousness and integrity, to name a few. In addition to these, several other authors state that some of the characteristics of a good leader include humility, caring for others, integrity, sociability, listening, stewardship, assertiveness, self-confidence, warmth, transparency, honesty, responsibility, values and beliefs (Walumbwa *et al.* 2008:103-104; Du Brin 2004:33; Page & Wong 2000). Moreover, Nieman and Bennett (2007:96) suggest that no one set of characteristics and behaviours can be identified that is best for all situations.

In other words, different situations require a different set of characteristics and behaviours for a leader to be effective. For example, Hwang *et al.* (2013:3) assert that effective leaders need to be cognisant of the culture in which they work, especially leaders of businesses that operate in different parts of the world (Hwang *et al.* 2013:3). Similarly, Burke and Cooper (2006:151) contend that researchers have not been able to find a single set of characteristics that are universal among all good leaders.

Bosch *et al.* (2011:315) assert that leadership is a managerial task, without which a manager is usually rational, rigid, authoritative, and acts like a boss. However, Yammarino (2013:149) states that leaders are not found only in management, but are also people who acquire leadership informally. As a result leaders tend to be visionary and courageous, and act in the capacity of a mentor or coach (Bosch *et al.* 2011:315).

Twenty-two characteristics necessary for good leadership have been identified among managers from around the world (Northouse 2012:27). Given this number of characteristics, Northouse (2012:27) queried which were the most necessary. Although characteristics such as humility, caring for others, transparency, honesty and value (Walumbwa *et al.* 2008:103-104; Du Brin 2004:33; Page & Wong 2000) have been identified as characteristics of effective leaders, both Northouse (2012:27)

and Burke and Cooper (2006:6-7) highlight the following as most important: integrity, intelligence, sociability and transparency. The aforementioned characteristics will be discussed briefly below.

2.8.1 INTEGRITY

Northouse (2012:32) defines integrity as the adherence to moral principles or values such as honesty. Northouse (2012:32) adds that integrity characterises leaders who are trustworthy and honest. A leader who has integrity has the ability to determine and engage in behaviour that is morally correct even if external factors try to make them act in an immoral manner (Resick, Hanges, Dickson & Mitchelson 2006:346). Leaders who act with integrity make fair decisions, do not participate in favouritism, are honest and accountable for their actions, and are trustworthy (Kalshoven *et al.* 2011(b):53). Leaders who possess this trait also inspire confidence in others owing to the trustworthiness built by the leader's actions (Northouse 2012:32). Resick *et al.* (2006:346) state that integrity is necessary to develop leader trustworthiness which in turn makes it easier for followers to accept the vision and mandate of the leader. Burke and Cooper (2006:153) explain this trust-building phenomenon as follows: A leader possessing integrity gives as much as he or she gets, ensuring that followers are adequately compensated for their efforts. In turn, followers who feel that they have adequate returns are vindicated and give a meaningful contribution to the goals set by the leader.

According to Northouse (2012:33) and Yukl *et al.* (2013:38), integrity forms the cornerstone of leadership. In other words, this characteristic is the premise for all good leaders (Yukl *et al.* 2013:38). Integrity is fundamental to the ability of a leader to influence others (Northouse 2012:33).

2.8.2 INTELLIGENCE

Burke and Cooper (2006:120) define the cognitive intelligence of a leader as the ability to recognise, understand and utilise information about themselves and their environment so as to bring about effective performance. Intelligence includes how leaders obtain, store, categorise and use information; in other words, intelligence

involves the manner in which leaders think about things (Yammarino 2013:151). Northouse (2012:28) explains that intelligence includes a leader's skills such as perceptual skills, language skills and the ability to perceive and comprehend situations. Burke and Cooper (2006:159) maintain that although skills such as perception occur naturally, one may acquire intelligence through experience. Intelligent leaders are not only aware of their environment, they are aware of themselves and others, and fully understand the task at hand (Northouse 2012:28). Leaders exhibiting intelligence are well informed and continuously work at being well informed (Northouse 2012:28). Northouse (2012:28) adds that acquiring more knowledge regarding the positions leaders find themselves in puts them in a better position to become good leaders.

2.8.3 SOCIABILITY

According to Burke and Cooper (2006:124), in recent times there has been a growth in the importance of social objectivity, teamwork and empathy among leaders. The use of teams in business has increased and there is more interdependence on fewer people owing to delayering and downsizing. This phenomenon results in a need for more sophisticated skills when working with other people (Burke & Cooper 2006:124). The ability of a leader to forge pleasant and meaningful social relationships is a characteristic known as sociability (Northouse 2012:31). Leaders who are sociable possess interpersonal skills that help them create conducive and cooperative work environments so that teams reach set goals efficiently (Northouse 2012:31).

In order to work with a variety of people, one has to have the ability to be sensitive to others (Burke & Cooper 2006:124). Social leaders are people who are diplomatic, friendly, tactful, show empathy towards the well-being of others, and are sensitive to the needs of other people (Northouse 2012:31). They place emphasis on the needs of employees as well as their emotional needs, and are effective at dealing with those in personal crises (Spreier *et al.* 2006:82).

2.8.4 TRANSPARENCY

The transparency of a leader refers to their true presentation of themselves to others by expressing their true feelings and thoughts (Walumbwa *et al.* 2008:95). Walumbwa *et al.* (2011:112) describe transparency as a leader openly disclosing information and expressions in order to foster positive relationships with others. A transparent leader is committed to helping others see both positive and negative aspects of themselves and the manner in which they conduct work activities (Gardner, Avolio, Luthans, May & Walubwa 2005:357).

According to Gardner *et al.* (2005:357), transparency not only involves presenting one's true self through selective disclosures, but encouraging others to do the same. However, Roux (2010:43) adds that transparency also involves a leader's attempt to minimise the display of any inappropriate emotions displayed by frustrated employees at the workplace. Transparency is a leader characteristic that satisfies followers' trust (Gardner *et al.* 2011:1139). Followers are more readily able to trust a leader's decisions and future decisions if they can understand the leader's thinking and motives (Smith, Vogelgesang & Avey 2009:232).

2.9 IMPORTANCE OF LEADERSHIP

According to Burke and Cooper (2006:1), nothing can be accomplished efficiently and effectively without leadership. Similarly, Mills (2005:10) suggests that few things in society and business are as important as leadership, which is a key element in the social fabric of many businesses (Casimir & Waldman 2007:48). Given the importance of leadership, it is not surprising that it is one of the most researched areas in all organisational studies (Yammarino 2013:149). According to Belias and Koustelios (2014:27), the role of leadership is an important one to consider in any business. Leadership entails how people are able to influence their followers in reaching the goals set (Hellriegel *et al.* 2012:374). Kaiser *et al.* (2008:105) add that leadership influences strategic goals and structuring in a business, as well as staffing and setting policies for the business. Successful leadership can be identified by the leader's ability to communicate, make the right decisions, direct and encourage their followers (Hellriegel *et al.* 2012:374).

In the following statements, Bosch *et al.* (2011:315) and Denton and Vloeberghs (2003:92-93) outline some features of leadership that explain its importance in business. Leaders exert influence over others in order to guide them towards common goals. Leaders are the main source of motivation, and provide the coordination needed to reach set targets. Leaders view themselves as agents of change, taking the responsibility of making change in a business. Leaders are accountable for the actions taken by themselves as well as their followers. Lastly, leaders possess the ability to comprehend and cope with complex and uncertain situations arising from a constantly changing world.

Effective leadership results in situations characterised by high and consistent performance, cohesive work teams, and high follower morale (Burke & Cooper 2006:1). Through effective communication, leaders motivate and inspire employees, bringing out the best qualities of their followers to achieve results (Bosch *et al.* 2011:315). Leaders affect the climate of a business. They exert a direct influence on their followers by giving direction, and an indirect influence by treating them fairly and rewarding performance (Stare *et al.* 2013:414).

However, poor leadership can lead to business failure. Poor leadership may negatively influence the business and can lead to issues such as poor financial performance, high employee turnover rates and recruitment costs, lack of synergy, low morale, loss of customers, and loss of expert employees (Kokemuller 2014; Breshears 2013). Also, poor leadership can lead to a decrease in the capital investment of a business (Valdiserri & Wilson 2010:47). Unethical behaviour is one of the most common outcomes of poor leadership, and often results in the business's failure (Brown & Treviño 2006:596). Stare *et al.* (2013:414) are of the opinion that leadership is a crucial factor for the success or failure of a business. Top-performing businesses have robust leaders who employ effective management practices (Denton & Vloeberghs 2003:93). Conversely, poor leadership or the absence of leadership makes businesses stagnant, react slowly to their environment, and lose their way (Mills 2005:10). Valdiserri and Wilson (2010:49) also note that poor leadership in business is a main reason why businesses fail.

As in the case of larger businesses, leadership plays an important role in the success of SMEs, the lack of which has been identified as a problem facing these businesses (Valdiserri & Wilson 2010:50; Watson *et al.* 1998:224). In addition, several studies among SMEs report a positive relationship between leadership and business success (Jing & Avery 2008:68; Kaiser *et al.* 2008:96; Pedrajas-Rejas *et al.* 2006:500).

2.10 SUMMARY

The focus of this chapter was on describing the nature and importance of SMEs and identifying the challenges they face. For the purpose of this study, an SME was defined as a business that employs more than five but fewer than 200 full-time employees. The businesses must have been in operation for a period longer than one year, and the owner must be actively involved in the daily running of the business. Leadership was specifically highlighted as a challenge facing these businesses

Leadership was defined and a comparison between leadership and management presented. Four leadership theories that have developed over time were described, namely: great man theories, trait theories, behaviour theories, and contingency theories. Lastly, the characteristics of a good leader and the importance of leadership were discussed.

Leadership is evident through the style adopted by a leader; in Chapter Three the various leadership styles will be discussed. Specific emphasis will be on the leadership styles investigated in this study, namely: *Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership*.

CHAPTER THREE

TRADITIONAL AND CONTEMPORARY STYLES OF LEADERSHIP

3.1 INTRODUCTION

In Chapter Two the concept of leadership was introduced. More specifically, the role of effective leadership in the success of businesses was highlighted. As mentioned in Chapter Two, the leadership that exists in a business is evident in the style adopted by its leader.

Chapter Three presents the concept of leadership style. Several traditional and contemporary styles can be identified. This study focuses on several people-centred leadership styles, one of which is a more traditional style, namely *Participative leadership*, and the other three are more contemporary styles, namely *Servant*, *Authentic*, and *Ethical leadership*. The styles to be investigated in this study will be elaborated on in detail.

3.2 LEADERSHIP STYLE

According to Obiwuru, Okwu, Akpa and Nwankwere (2011:100), the definition of a leadership style varies from one person to another and from one situation to another. A leadership style refers to the behaviour that a leader exhibits when dealing with his or her employees (Shiri, Zahed-Babelan & Sattari 2014:3). Northouse (2012:52) defines leadership styles as “the behaviour put forth by leaders, by observing what the leaders do, as well as how they act”. Du Brin (2001:121) also defines leadership styles as the behaviour that characterises a leader.

According to Avolio *et al.* (2009:428), leadership styles can be grouped into two categories, namely those that relate to “traditional theories of leadership” and those that relate to “new genre leadership theories”, the latter being more contemporary theories, including more people-centred styles of leadership. For the purpose of this study, leadership styles are categorised as traditional or contemporary.

According to Avolio *et al.* (2009:428), traditional leadership styles are leader-follower models where the leader is the sole provider of direction, support, targets to be reached, and the reinforcement of behaviour in the business. Traditional leadership focuses on the power that leaders exert on their employees, and is less concerned with ethics and morals (Du Plessis 2010:25). Autocratic leadership is a style of leadership where a leader exerts power over his or her followers (Puni, Ofei & Okoe 2014:178; Kalshoven *et al.* 2011(b):55). According to Yang, Huang and Wu (2011:259), empathy also plays an important role in traditional leadership styles. Some traditional leadership styles also encourage leader-follower interaction within the business environment (Yammarino 2013:149).

Examples of traditional leadership styles include autocratic, democratic, participative and laissez-faire styles (Belias & Koustelios 2014:28; Sorenson 2000:184). According to Belias and Koustelios (2014:28), these styles have been under investigation since the first decades of the 20th century (1939) and have turned out to be influential to different leaders.

Avolio *et al.* (2009:428) describe contemporary leadership as being more concerned with the symbolic aspects of leadership behaviour, such as morality and values, individualised attention and inspiring others, emotional awareness and the intellectual stimulation of people (Avolio *et al.* 2009:428). Contemporary leadership styles include transformational, transactional, servant, authentic and ethical leadership (Sendjaya *et al.* 2008:403). These styles are more concerned with serving and leading followers instead of overpowering their followers (Du Plessis 2010:25). Du Plessis (2010:25) explains that due to the increased complexity of businesses and their environments, it has become increasingly necessary to employ these leadership styles. According to Michel *et al.* (2011:493) and Nyengane (2007:10), transformational and transactional are the well-known contemporary leadership styles among researchers. Other more recent contemporary leadership styles that have emerged are ethical, authentic and servant leadership.

Several traditional and contemporary leadership styles can be identified in the literature. However, it is not possible to suggest that any one style contains all the

principles necessary for an effective leader. Some styles may be more appropriate than others under different circumstances (Somech & Wenderow 2006:747).

According to McCrimmon (2004), leadership styles based on power models are not compatible with modern-day organisations because of the shift in power and authority from the top to the bottom that has occurred in recent times. This shift has led to the need for a leadership model which is more contemporary and promotes good ethics and high moral standards (Hackett & Wang 2012:868). Therefore the focus of this study is on several people-centred leadership styles, which include styles that are of a traditional (participative leadership) and a contemporary nature (ethical, authentic and servant).

Over time, numerous researchers have investigated the leadership styles of leaders by studying the qualities and traits of successful leaders and effective leadership (Yammarino 2013:149). The qualities and traits associated with the different leadership styles are described below. The styles investigated in this study are elaborated on in more detail.

3.3 TRADITIONAL LEADERSHIP STYLES

The following sections discuss the traditional leadership styles, namely autocratic, democratic, participative and laissez-fair styles.

3.3.1 AUTOCRATIC LEADERSHIP

According to Sorenson (2000:185), autocratic leadership describes the behaviour of leaders of organisations where leaders are task-driven, focused on performance, and known for making decisions without consultation with followers (Sorenson 2000:186). Autocratic leaders put effective structures in place and determine what needs to be done and when (Giltinane 2013:36).

However, Sorenson (2000:186) is of the opinion that autocratic leaders lack the ability to focus and be flexible. Autocratic leaders reward their employees for compliance but are known for punishing them for disobedience (Giltinane 2013:36).

3.3.2 DEMOCRATIC LEADERSHIP

According to Giltinane (2013:37) and Northouse (2012:56), democratic leadership involves providing information, guidance and suggestions to employees, without giving orders or applying unnecessary pressure. Giltinane (2013:37) adds that democratic leaders are considerate, and share responsibilities with their employees, leading to better working relationships. Employees working under democratic leaders are likely to display greater group satisfaction, commitment, cohesiveness, friendliness, have greater work motivation, and are more willing to participate in group matters (Northouse 2012:56-57).

Democratic leadership is, however, time-consuming, and slows down the decision-making process because of having to consult with different parties (Giltinane 2013:37).

3.3.3 PARTICIPATIVE LEADERSHIP

A participative leadership style is considered a people-centred style for the purpose of this study and is therefore discussed in more detail. The nature of participative leadership as well as the history and development of this style are explained in the paragraphs that follow.

3.3.3.1 The nature of participative leadership

Participative leadership involves leaders that focus on encouraging their followers and allow for both leaders and followers to learn from each other (Somech & Wenderow 2006:748). Participative leaders share organisational decisions with their subordinates (Pedraja-Rejas *et al.* 2006:502; Somech & Wenderow 2006:748; Somech 2005:778). Employees are actively involved in managerial tasks, and are given independence to make decisions that best achieve the objectives of the business (Khuntia & Suar 2004:15; Fields & Herold 1997:569). According to Spreier *et al.* (2006:80), participative leadership has similar attributes to democratic leadership, and they are sometimes identified as being one and the same style instead of two.

According to Michel *et al.* (2011:495), consulting, empowering, supporting, developing, recognising and leading by example, are characteristics of participative leaders. Allowing followers to participate in the decision-making process and sharing decision-making responsibilities are also characteristics of participative leaders (Pedraja-Rejas *et al.* 2006:502; Somech 2005:783). Table 3.1 summarises several of the characteristics associated with participative leadership.

TABLE 3.1: Characteristics of participative leadership

Characteristics	Authors				
	Michel <i>et al.</i> (2011)	Pedraja-Rejas <i>et al.</i> (2006)	Somech & Wenderow (2006)	Somech (2005)	Sorenson (2000)
Management participation		•	•	•	•
Autonomy		•		•	•
Empowering	•			•	•
Developing	•	•	•		
Consulting	•				•
Motivation		•	•	•	

(Source: Researcher's own construction)

According to Ebener and O'Connell (2010:322), participation occurs when a group of individuals are involved and take part in the formal activities of a business. Bowditch and Buono (2005) add that participation in the work place leads to businesses that are more effective. *Management participation* includes the participation of both managers and employees, who assist each other in achieving the objectives of the business effectively.

According to Piccolo, Greenbaun, Den Hartog and Folger (2010:262), *autonomy* refers to the extent to which employees are allowed freedom, independence and discretion to schedule their own work, as well as the freedom to make decisions and select the method they adopt to ensure that their work tasks are performed well. These authors add that *autonomy* refers to the flexibility with which one carries out work, and the interpersonal relationship one has with co-workers.

Ebener and O'Connell (2010:321) describe *empowering* as the development or enhancement of an individual's capacity to the benefit of themselves as well as the business. Empowering also refers to the sharing of power between managers and employees, by involving employees in decision-making processes that influence the achieving of business goals and the building of capacity to get job done (Ebener & O'Connell 2010:321). According to Burke and Cooper (2006:10), *development* involves the development of both individuals and the process for creating, directing, alignment and commitment. According to Luthans and Avolio (2003:243), participative leaders develop their employees into leaders.

Burke and Cooper (2006:11) maintain that when leaders consult with others, more meaningful connections between individuals in the business and the goals of the business are created. In *consulting*, participative leaders are motivated by the desire to serve others, and in doing so are also known to motivate their employees to achieve the goals of the business (Ebener & O'Connell 2010:319). It is important to note that leaders do not *motivate* their followers for personal gain, positional power, or status, but do so for the personal gain of the employees as well (Ebener & O'Connell 2010:319).

Participative leadership, in this study, refers to a leadership style in which a leader displays management participation and autonomy in his or her business (Kalshoven *et al.* 2011(b):61; Liden *et al.* 2008; Khuntia & Suar 2004). In this study, management participation and autonomy are deemed the most important characteristics that describe what kind of person the leader is (Northouse 2010) and it is these dimensions of participative leadership that are empirically investigated in this study.

3.3.3.2 The history and development of participative leadership

According to Bell and Mjoli (2014:451), participative leadership has a rich and varied history. Belias and Koustelios (2014:28) add that at the beginning of the 20th century three researchers, namely Kurt Lewin, Ronald Lippitt and Ralph White, made significant inroads in identifying three major leadership styles (autocratic, participative and laissez-fair leadership) of which participative leadership was one.

The interest in participative leadership gained momentum in the 1980s under the guise of management policy initiatives. Policy initiatives were inspired by the advent and increased popularity of human resource management and the new excellence movement (Bell & Mjoli 2014:451). Today, a good deal of research on participative leadership exists focusing on investigating relationships between participative leadership and factors such as follower satisfaction (Mustafa & Lines 2014:26), job satisfaction (Puni *et al.* 2014:177), and business performance (Abiodun & Siddiq 2013:4).

3.3.4 LAISSEZ-FAIRE LEADERSHIP

According to Giltinane (2013:36), laissez-faire leaders do not exert much control and direction over their employees, which could lead to an unproductive and inefficient working environment. These types of leaders tend to avoid decision-making and working with their followers (Stare *et al.* 2013:415; Nyengane 2007:11). Sorenson (2000:185) states that laissez-faire leaders clearly define the mission and goals of management, and entrust their employees with fulfilling these goals by themselves. Covey (2007:6) adds that laissez-faire leaders avoid confrontation, and avoid their supervisory duties as well as the help they could give employees to make necessary decisions.

Nyengane (2007:25) contends that laissez-faire leaders monitor negative employees' behaviour and exercise corrective actions. The process of undertaking corrective action is known as "management-by-exception". Nyengane (2007:25) explains that laissez-faire leaders only intervene when they notice that set goals are not being achieved, the latter being an example of laissez-faire leaders not performing their supervisory duties. Laissez-faire leadership is also described as non-leadership or the absence of leadership (Amin, Shah & Tatlah 2013:100).

3.4 CONTEMPORARY LEADERSHIP STYLES

In this study, the following contemporary leadership styles will be discussed: transformational, transactional, servant, authentic and ethical leadership. Transformational and transactional leadership will merely be introduced, whereas

servant, authentic and ethical leadership are considered people-centred and are therefore described in more detail.

3.4.1 TRANSFORMATIONAL LEADERSHIP

Transformational leaders are known for motivating their employees to perform beyond what is expected of them at all times (Avolio *et al.* 2009:423). According to several authors (Nyengane 2007:28; Arnold, Turner, Barling, Kelloway & McKee 2007:193), transformational leaders motivate and increase the level of confidence of their subordinates, leading to better performance by both subordinates and the business as a whole. Rafferty and Griffin (2004:330) add that transformational leaders are concerned with the attitude and beliefs of their followers. Stare *et al.* (2013:414-415) state that transformational leaders are highly regarded by their employees, and because of this have a strong influence over their employees, provide inspirational motivation, encourage intellectual stimulation, and have individual consideration for each employee in the work place.

Employees of transformational leaders have high levels of trust and confidence in their leaders, and are proud of being identified with them. These leaders are also concerned with needs such as esteem and self-actualisation (Nyengane 2007:29,31).

3.4.2 TRANSACTIONAL LEADERSHIP

Transactional leaders focus on ensuring that their employees are clear about what the rules are, what is required of them, and on earning rewards for work which has been completed (Avolio *et al.* 2009:427). Transactional leaders are task orientated and ensure that deadlines are met effectively (Giltinane 2013:36). Stare *et al.* (2013:415) as well as Covey (2007:6) consider that transactional leadership consists of two components, namely, contingent rewards and management by exception (active or passive) towards their employees. Contingent rewards are expressed as rewards or incentives given to employees for having accomplished the work given to them, and is known to have an influence on the employees' behaviour (Stare *et al.* 2013:415). Management by exception is divided into two categories: passive and

active (Stare *et al.* 2013:415; Covey 2007:6). Passive management by exception occurs when leaders use punishment to deal with employees who do not perform well, whereas active management by exception occurs when leaders actively monitor the work done by employees and use corrective methods to maintain the businesses standards when necessary (Stare *et al.* 2013:415).

According to Giltinane (2013:36) and Nyengane (2007:10-11), transactional leaders identify and order subordinates' tasks. These leaders also provide rewards to subordinates for tasks completed as desired. As a result, employees of transactional leaders adhere to negotiated levels of performance (Howell & Avolio 1993:892).

3.4.3 SERVANT LEADERSHIP

According to Page and Wong (2001), servant leadership best represents the principles which reflect a variety of personality characteristics and other dimensions of human performance. Discussion follows on the nature of servant leadership as well as the history and development thereof.

3.4.3.1 The nature of servant leadership

Daft (2005:230) defines servant leadership as “leadership by which a leader transcends self-interest to serve the needs of others, help others grow, and provide opportunities for others to gain materially and emotionally”. According to Du Plessis (2010:24), servant leaders assist their followers by ensuring that they achieve both personal and business goals instead of focusing only on their own personal goals. Page and Wong (2000) add that servant leaders are known for their ability to pay attention to the emotional needs of their followers. Several authors refer to servant leadership as not only serving employees, but also consumers and communities (Du Plessis 2010:29; Liden *et al.* 2008:161). Moreover, servant leaders are described as leaders driven by their need to satisfy the needs of others in a morally correct way and also to develop ways to ensure that the needs of others are met (Daft 2005:106).

Van Dierendonck (2011:1228) and Page and Wong (2000) describe servant leaders as individuals who have characteristics such as serving the needs of others, integrity, humility, caring for others, and authenticity. The most common characteristics of servant leadership as described by several authors (Van Dierendonck 2011; Kelshoven *et al.* 2011(b); Liden *et al.* 2008; Barbuto & Wheeler 2006; Page & Wong 2000) are summarised in Table 3.2. Each characteristic is elaborated on in the paragraphs that follow.

TABLE 3.2: Characteristics of servant leadership

Characteristics	Authors				
	Van Dierendonck (2011)	Kelshoven <i>et al.</i> (2011(b))	Liden <i>et al.</i> (2008)	Barbuto & Wheeler (2006)	Page & Wong (2000)
Humility	•		•		•
Servanthood			•	•	•
Care for others		•	•	•	
Integrity					•
Listening	•			•	•
Empathy	•		•	•	
Building communities	•		•	•	

(Source: Researcher's own construction)

Leaders display *humility* when they are open to listening to the opinions of their employees, whether their employees agree with the views of their leader or not (Waddell 2006). They also display humility when they are prepared to work without expecting any rewards in return (Sendjaya *et al.* 2008:407). According to Liden *et al.* (2008:162), leaders display *servanthood* when they serve others first and would make personal sacrifices if necessary. *Caring for others*, also known as affection, entails expressing personal care, concern and support for other people (Ebener & O'Connell 2010:326). According to Emler and Cook (2001), *integrity* involves not being influenced by external pressures, and involves determining and engaging in morally correct behaviour. Ebener and O'Connell (2010:318) explain that integrity is developed by leaders through practising virtues and acting on the values that are shared by both leaders and their employees.

Van Dierendonck (2011:1232) describes *listening* as the ability of a leader to ensure that channels of communication between them and their employees are open. According to Joseph and Winston (2005:10), *empathy* is the ability of a leader to understand and empathise with others, and more importantly, accept them for who and what they are (Van Dierendonck 2011:1232). Dennis and Bocarnea (2005:603) state that empathy is a form of altruism. According to Liden *et al.* (2008:162) servant leaders *build communities* by building relationships with not only their employees but also with the communities in which they work, by serving their community as a whole. These authors add that building communities is done by having “service”-orientated leaders.

In this study, *Servant leadership* is described as an attitude of a leader that demonstrates humility, servanthood and care for others (Liden *et al.* 2008; Barbuto & Wheeler 2006; Page & Wong 2000). These dimensions of *Servant leadership* describe what kind of person the leader is and were also identified by several authors. Therefore, they were considered for investigation in this study.

3.4.3.2 The history and development of servant leadership

Servant leadership as the world knows it today was introduced by Robert Greenleaf in his seminal work titled “The Servant as Leader” in 1970 (Van Dierendonck 2011:1230). Greenleaf developed the concept against the backdrop of anti-authoritative and anti-establishment university youth, who were hyper-critical of established leaders at the time (Adjibolosoo 2000:79). As a management consultant for businesses and universities, Greenleaf was commissioned to find a solution to the upheaval caused by students terrorising universities during the late 1960’s and early 1970’s (Smith 2005:11; Adjibolosoo 2000:79). Greenleaf found that the students were reading philosophical books that fuelled their anti-authoritative behaviour; among them a German book that captured his imagination and amalgamated his thoughts into the birth of servant leadership (Smith 2005:11). The book, authored by Hermann Hesse, “Journey to the East” described a servant who ultimately becomes a leader through serving others while on a pilgrimage (Sendjaya *et al.* 2008:405). Greenleaf envisioned a profound and seemingly counterintuitive notion that there exists a sense of leadership that arises from a natural yearning to

want to serve first, and maintain a conscious choice to do so (Sendjaya *et al.* 2008:405). Based on this, Greenleaf developed a leadership style where leaders focus their efforts on serving first and with skill, understanding and spirit, and where followers respond to capable servants assigned to lead them (Adjibolosoo 2000:79).

3.4.4 AUTHENTIC LEADERSHIP

The nature of authentic leadership as well as the history and development of the style are described in the paragraphs that follow.

3.4.4.1 The nature of authentic leadership

According to Gardner *et al.* (2005:345), authentic behaviour can be identified by four components: awareness, unbiased processing, action, and rationale. These components are evident in authentic leaders. Ilies, Morgeson and Nahrgang (2005:376) contend that authentic leaders are positive leaders and play an important role in the development of an organisation. Authentic leadership is a process that involves both the authenticity of the leader and the followers, and authentic relationships are formed (Gardner *et al.* 2011:1124).

According to Walumbwa *et al.* (2008:94), authentic leadership may result in followers exhibiting characteristics such as self-awareness, rational transparency, and the fostering of positive self-development. Authentic leaders are transparent with their subordinates, and display internalised moral perspective as well as rational transparency (Roux 2010:4; Walumbwa *et al.* 2008:104; Gardner *et al.* 2005:345). Avolio and Gardner (2005) declare that authentic leaders are not charismatic or inspirational. Authentic leaders do, however, display traits such as openness, transparency, encouraging of self-development, and self-awareness (Roux 2010:4; Walumbwa *et al.* 2008:91; Gardner *et al.* 2005:345). Table 3.3 summarises some of the most common characteristics displayed by authentic leaders, all of which are briefly described in the paragraphs that follow.

TABLE 3.3: Characteristics of authentic leadership

Characteristics	Authors				
	Northouse (2012)	Gardner <i>et al.</i> (2011)	Roux (2010)	Walumbwa <i>et al.</i> (2008)	Avolio & Gardner (2005)
Rational transparency	•		•	•	•
Internalised moral perspective	•	•	•	•	•
Self-awareness		•	•	•	•
Openness		•			
Respect			•		
Self-regulated		•		•	•

(Source: Researcher's own construction)

Relational transparency refers to one being one's real self and not a fake persona, which allows for some openness with others in the work environment (Roux 2010:43). *Internalised moral perspective* is a form of self-regulation that can be presented as the form of moral standards, values and societal pressures when making decisions (Roux 2010:43). *Self-awareness* is described as the ability to demonstrate one's understanding of the world and how it affects the way an individual sees themselves and their views over time (Walumbwa *et al.* 2008:95). Yukl *et al.* (2013:40) explain that self-awareness may seem similar to the traits and skills included in emotional maturity and emotional intelligence.

A study conducted by Luthans and Avolio (2003) defines *openness* as the process that allows both leaders and employees to participate or share information, their perceptions and feelings in issues that affect the business. Burke and Cooper (2006:380) add that openness allows for both employees and leaders to analyse business results or decisions, and make the necessary suggestions to improve the business. According to Page and Wong (2001), *respect* refers to how members in a business should be treated. *Respect* involves respecting and understanding all employees as unique individuals (Spears 2004), and the sharing of information between employees and their leaders, as well as ensuring that everyone works together to accomplish the business objectives (Page & Wong 2001). According to Walumbwa *et al.* (2008:93), the term *self-regulated* in leadership is conduct that is

guided by the internal values of a leader, and not external threats, inducements or social expectations and rewards.

For the purpose of the current study, authentic leadership is shown in a leader demonstrating relational transparency and having an internalised moral perspective (Northouse 2012; Walumbwa *et al.* 2008; Page & Wong 2000). These dimensions describe what kind of person the leader is, and were also identified by three or more authors. These two dimensions are investigated in this study.

3.4.4.2 The history and development of authentic leadership

The origins of authenticity can be traced back to ancient Greek philosophy where the adage of “be true to one’s own self” was carved in the temple of Apollo (Roux 2010:21; Gardner *et al.* 2005:344). According to Gardner *et al.* (2011:1121), the concept authentic functioning is found in “Socrates’ emphasis on the analysis of one’s self” where he describes a life without analysing oneself as a life not worth living. Gardner *et al.* (2011:1121) add that an awareness of one’s self arises from a person effectively completing activities relating to their true calling.

Given Greek origins of the concept authenticity, Gardner *et al.* (2005:344) observe that the modern version of this concept has developed over the last 80 years. The evolution of authenticity into the twentieth century can be viewed in the fields of psychology and philosophy where authors such as Maslow and Carl Rodgers fixated on the development of self-actualised people (Avolio & Gardner 2005:320). Self-actualised people are free from others’ expectations and are therefore able to make more sensible personal choices (Avolio & Gardner 2005:320). Gardner *et al.* (2011:1121) add that the evolution of modern day authenticity is owed to the works of philosophy and ontology where the nature of being and existentialism are widely discussed. Roux (2010:21) describes authenticity in twentieth century modernism as dealing with the principles of consistency, trustworthiness and self-direction. The ideas of authenticity generated from humanistic psychology provide the premise for thoughts regarding authentic leadership and its development (Avolio & Gardner 2005:320).

According to Avolio and Gardner (2005:320), the application of authenticity to leadership began with a focus on the inauthenticity of leaders who conducted themselves in a stereotypical manner. This approach to viewing authentic leadership has since fallen out of favour and in more recent times authentic leadership is viewed as a component of positive leadership (Clapp-Smith, Vogelgesang & Avey 2009:229). Jensen and Luthans (2006:647) confirm this perspective by stating that positive psychology, which highlights building people's strengths rather than eliminating weaknesses, has recently surfaced in the authentic leadership literature. According to this new perspective, a leader showing authenticity is one who is optimistic, hopeful, confident, transparent and resilient (Jensen & Luthans 2006:647). However, Walumbwa *et al.* (2008:92) do not agree that these characteristics define authentic leadership. Walumbwa *et al.* (2008:92) suggest that a more focused model of authentic leadership is one that includes authentic relational orientation, unbiased processing, self-awareness and authentic behaviour/acting.

3.4.5 ETHICAL LEADERSHIP

The nature of ethical leadership as well as the history and development of this style are described in the paragraphs that follow.

3.4.5.1 The nature of ethical leadership

Ethical leadership involves leading a group of people and ensuring that their individual rights and their dignity are not disrespected at any point in time (Resick *et al.* 2006:346). Brown, Treviño and Harrison (2005:120) define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making”. Hackett and Wang (2012:876) assert that ethical leadership is more concerned with a leader's intention and behaviour than their positive characteristics. In recent times, research on ethical leadership in businesses has increased (Kalshoven *et al.* 2011(b):51; Toor & Ofori 2009:533). This increase in research has occurred due to the increased level of unethical behaviour among business leaders (Philipp & Lopez 2013:304; Toor & Ofori 2009:533). Treviño and Brown (2004), however, argue that unethical behaviour

has always existed and is not a new problem. Furthermore, Toor and Ofori (2009:533) suggest that the growth in unethical leadership among SMEs is the result of the increased complexity of doing business, increased pressure to perform, and the amount of information made available to leaders.

Ethical leaders display attributes such as fairness, integrity, ethical guidance, power sharing, moral principles, openness, prudence, pride and honesty (Yukl *et al.* 2013:38; Kalshoven *et al.* 2011(b):51; Khuntia & Suar 2004:15). Table 3.4 summarises several characteristics associated with ethical leadership, each of which is described below.

TABLE 3.4: Characteristics of ethical leadership

Characteristics	Authors				
	Yukl <i>et al.</i> (2013)	Kalshoven <i>et al.</i> (2011(b))	Toor & Ofori (2009)	Brown & Treviño (2006)	Khuntia & Suar (2004)
Integrity	•	•		•	•
Ethical commitment	•	•	•		•
Honesty		•	•	•	•
Moral standards			•	•	•
Fairness	•	•			
Trust			•	•	•
Caring	•			•	

(Source: Researcher's own construction)

Integrity is observed in leaders that keep their promises and are known to act in a manner that is consistent and predictable. Moreover, what the leaders say is in line with what they do (Kalshoven *et al.* 2011(b):54). *Ethical commitment* is evident in ethical leaders who try to incorporate their moral principles with their beliefs, values and behaviour (Khuntia & Suar 2004:15). According to Zaleznik (1990), ethical leadership contains both an intellectual and emotional commitment from all individuals involved, therefore both employees and leaders are “reciprocally co-responsible in the pursuit of a common enterprise” (Gini 1997:326). Kar (2014:114) adds that ethical leadership begins with an understanding of commitment in accordance with the core values of an individual. Patti (2009:153) defines *honesty* as

an individual who is truthful, ethical, has principles, and is worthy of another individual's trust. Brown *et al.* (2005) state that having *moral standards* involves making morally correct choices for the business, for example making the correct choices as to what is the right or wrong course of action to take. Ethical leaders expect both leaders and followers to maintain high moral standards of conduct in a business, and are expected to carry themselves in a manner that demonstrates the values of the business (Mayer, Kuenzi, Greenbaum, Bardes & Salvador 2009).

Fairness refers to treating individuals “fairly” as well as treating them “identically” (Gersick, Davis, Hampton & Lansberg 1997:159). According to Farrington (2009:180), fairness does not necessarily imply equality. However, fairness can also have an influence on how different individuals make principled and fair choices, which are trustworthy and honest, do not show any favouritism, and are responsible for their actions (De Hoogh & Den Hartog 2008; Brown *et al.* 2005; Treviño, Brown & Hartman 2003).

According to Waddell (2006) and Joseph and Winston (2005:7), *trust* between leaders and their employees is an important characteristic of ethical leaders. These authors further state that trust allows for cooperation and team building within businesses. A study conducted by Politis (2003:57) explains that having trust between co-workers and having “faith in the trustworthy intentions of others” results in more reliable employees. Ethical leadership involves leading others while maintaining some level of care for an individual’s rights, dignity and welfare (Doh & Stumpf 2005:161), especially with regard to followers or employees (De Hoogh & Den Hartog 2008).

For the purpose of this study, *Ethical leadership* refers to a leader demonstrating integrity and ethical commitment (Yukl *et al.* 2013:38; Kalshoven *et al.* 2011(a):351; Khuntia & Suar 2004:15).

3.4.5.2 The history and development of ethical leadership

The issue of ethics can be traced as far back as ancient Greece where philosophers such as Plato and Aristotle studied ethics (ta ethika) in the form of Greek values and

ideals (Zimmerli, Richter & Holzinger 2007:15). Toor and Ofori (2009:533) point out that unethical behaviour has occurred since the existence of people. Similarly, Treviño and Brown (2004:77) contend that unethical practices in business go as far back as business itself. Ancient Jewish text, "The Talmud", contains commandments that govern how business leaders should conduct themselves. These commandments were set up because it was said that the activity of business reveals a person's character and tests their morals more than any other human activity (Treviño & Brown 2004:77).

In the 18th and 19th centuries, researchers believed that a strong moral character was the most crucial aspect to achieving wealth. However, the early 20th century saw a shift in focus from a person's moral character to their personality (Zimmerli *et al.* 2007:68). Zimmerli *et al.* (2007:68) further noted that leadership theory followed a similar pattern where researchers also began focusing more on the personality traits of a leader than on a leader's values.

The research and focus on ethical leadership has been somewhat increased vastly over the course of more recent history. Yukl *et al.* (2013:38) maintain that over the last half century research on ethical leadership has lagged behind research on other leadership styles. Brown *et al.* (2005:118) suggest that the reason for this lag is that the ethical aspects of leadership in research have been entrenched within transformational and charismatic leadership. Brown and Treviño (2006:598) add that spiritual leadership is also a paradigm that is has ethical elements embedded in it, and that transformational, spiritual and authentic leadership paradigms address the moral aspects of leadership.

According to Toor and Ofori (2009:533), the general environment (including business, politics and the social environment) is rapidly changing and has become more complex; as a result it provides people with more ethical dilemmas and chances to show greed. Therefore, research on the precursors, processes and consequences of ethical leadership during the past decade has increased (Yukl *et al.* 2013:38).

3.5 SUMMARY

In Chapter Three, leadership style in general was defined, and several traditional and contemporary leadership styles were identified. The styles investigated in this study, namely those of a people-centred nature, were elaborated on in detail, while the other styles identified were only introduced.

Chapter Four will present anecdotal and empirical evidence to support the relationships hypothesised between the leadership styles investigated in this study, namely *Servant*, *Authentic*, *Ethical* and *Participative leadership* and the dependent variables, *Job satisfaction* and *Perceived financial performance*. The dependent variables will also be elaborated on.

CHAPTER 4

THE INFLUENCE OF PEOPLE-CENTRED LEADERSHIP STYLES ON JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE

4.1 INTRODUCTION

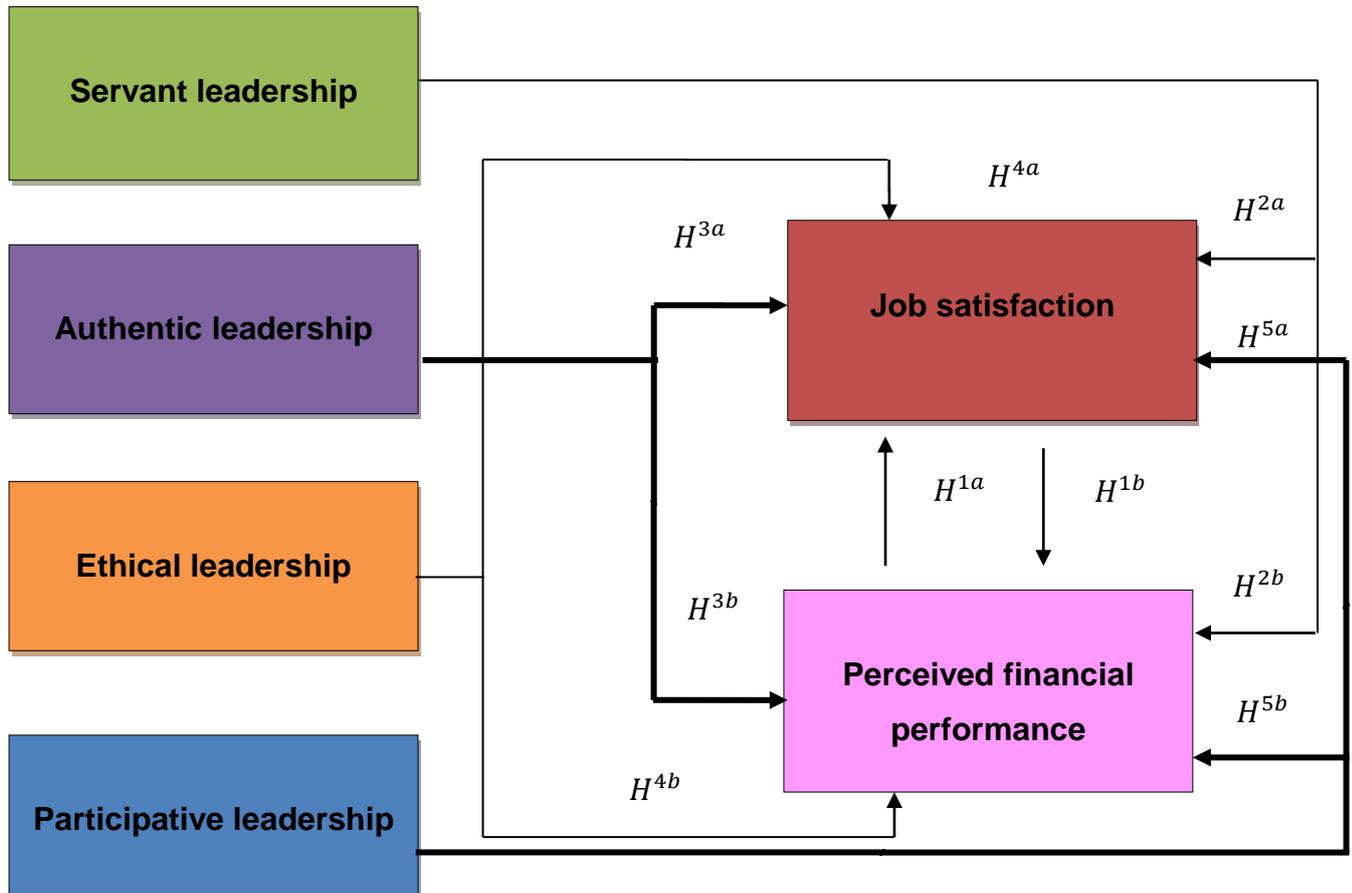
Against the theoretical background of Chapters Two and Three as well as the primary objective formulated in Chapter One, Chapter Four presents the hypothesised model and several hypotheses that will be subjected to empirical testing in this study.

Relationships are hypothesised between several leadership styles and the levels of *Job satisfaction* and *Perceived financial performance* among SME owners. The independent and dependent variables, which form the basis of the model, as well as the resulting hypothesised relationships and evidence supporting these relationships, are discussed in the paragraphs that follow.

4.2 THE HYPOTHESISED MODEL

The hypothesised relationships and proposed hypothesised model subjected to empirical testing in this study are depicted in Figure 4.1. From Figure 4.1 it can be seen that the leadership styles, *Servant*, *Authentic*, *Ethical* and *Participative leadership* serve as the independent variables and *Job satisfaction* and *Perceived financial performance* serve as the dependent variables.

Figure 4.1: Leadership styles influencing the personal and business outcomes of small and medium-sized businesses



(Source: Researcher's own construction)

Support for the hypothesised relationships between the independent and the dependent variables have been found in both the management and leadership literature. In addition to presenting support for the hypothesised relationships, the dependent variables *Job satisfaction* and *Perceived financial performance* are described in the paragraphs that follow.

4.3 DEPENDENT VARIABLES

As mentioned above and illustrated in Figure 4.1, the dependent variables in this study are *Job satisfaction* and *Perceived financial performance*. The study investigates the influence of several leadership styles on two dependent variables, separately, each of which will be described in the sections that follow.

4.3.1 JOB SATISFACTION

Job satisfaction is a widely studied phenomenon and is derived from an employee's appreciation for his or her work experience (Belias & Koustelios 2014:34). According to Mustafa and Lines (2014:26), job satisfaction has to do with the extent to which an individual is happy or unhappy with his or her job. Buitendach and De Witte (2005:28) contend that "job satisfaction has to do with an individual's perception and evaluation of his or her job; these perceptions are influenced by an individual's unique circumstances such as their needs, values and expectations". In this study, *Job satisfaction* refers to the SME owner as experiencing his or her involvement in the business as satisfying, enjoyable, rewarding and fulfilling (Letele-Mataboee 2012; Eybers 2010; Farrington 2009; Dua 1994).

Belias and Koustelios (2014:34) explain that job satisfaction is affected by the relationship between a person's job expectation and their actual experience. According to Mosadeghrad, Ferlie and Rosenberg (2008:211), job satisfaction is of great importance for attracting and retaining well-qualified and hardworking employees. It leads to happy employees who value their jobs and who are less likely to seek employment elsewhere (Ibrahim & Boerhaneoddin 2010:47; Marrelli & Hilliard 2004:180). According to Vallejo (2009:138), it is crucial for family owned businesses to maintain high levels of job satisfaction, especially among non-family employees.

4.3.2 PERCEIVED FINANCIAL PERFORMANCE

According to Abiodun and Siddiq (2013:3), business performance is mainly concerned with achieving the objectives of a business which can be of either a financial or non-financial nature (Casillas, Moreno & Barbero 2010:28,30; Rauch *et al.* 2009:765). Abiodun and Siddiq (2013:3) explain that financial measures of performance include sales, profits and growth, whereas non-financial measures of performance are success, satisfaction and goal achievement. Wilkund and Shepherd (2005:80) assert that performance has a multi-dimensional nature and can include several dimensions of performance.

According to Wilkund and Shepherd (2005:800), growth is one of the most important measures of performance for small businesses. Growth is regarded as a more accurate and accessible measure of performance than financial performance. Several authors have, however, used financial performance as a means of assessing competent successors and successful family businesses (Maas, Van der Merwe & Venter 2005:6; Sharma 2004:6; Goldberg 1996:186). According to Soininen, Puumalainen and Sjogren (2012), perceived measures of performance are based on the perceptions of the business owner about both the growth and financial performance of the business.

Against this background, the dependent variable, *Perceived financial performance*, will measure aspects of both growth and financial performance, and will be based on the perceptions of the owner. More specifically, *Perceived financial performance* refers to the SME as being profitable, successful and financially secure, as well as experiencing growth in profits, turnover and employee numbers over the last two years (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).

4.3.3 THE RELATIONSHIP BETWEEN JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE

According to Brooks (2014:14), over the years several studies have investigated the relationship between job satisfaction and business performance. For example, Kidd (2006) reports a significant relationship between certain facets of job satisfaction and firm performance. Brooks (2014:23) states that financial performance can be measured by various means, one of which is by measuring business excellence. Tutuncu and Kucukusta (2006:44) are of the opinion that business excellence is related to both quality performance and customer satisfaction. Tutuncu and Kucukusta (2006:51) report a positive relationship between job satisfaction and business excellence. Furthermore, in their study, Sarmiento, Beale and Knowles (2007) found a strong correlation between job satisfaction and both individual and organisational performance among SMEs.

Despite several studies reporting a positive relationship between job satisfaction and financial performance, Imran, Arif, Cheema and Azeem (2014:139) report a weak but

significant relationship between these constructs among SMEs. Similarly, studies undertaken by Ren (2001) and Lawler and Porter (1967) conclude that the relationship between employee satisfaction and business performance could not be proved and the reason for this could be the small sample size used in their studies.

Eyupoglu and Saner (2009:686) suggest that the interest among researchers in the relationship between job satisfaction and financial performance is due to the implications that job satisfaction has on-job-related behaviours such as productivity, employee absenteeism and turnover, as well as good employee relations. Each of these behaviours influences business performance. A study conducted by Erbas and Arat (2012:138) states that financial and non-financial incentives are known to be effective and lead to increases in both business performance and job satisfaction. Judge, Bono, Thoresen and Patton (2001) further explain that leaders should be encouraged to define job performance in more detail as this will lead to an increase in job satisfaction across the entire business.

According to Kidd (2006), a significant relationship also exists between firm performance and job satisfaction. Similarly, Adendorff (2004:426) reports a positive relationship between profitability and the ability to satisfy stakeholders' interests.

Based on the discussion above, the following hypotheses have been formulated and will be subject to empirical testing:

H^{1a}: There is a positive relationship between the *Perceived financial performance* of SMEs and the *Job satisfaction* of their owners.

H^{1b}: There is a positive relationship between the *Job satisfaction* of SME owners and the *Perceived financial performance* of their businesses.

4.4 THE INFLUENCE OF LEADERSHIP ON JOB SATISFACTION AND FINANCIAL PERFORMANCE

According to Obiwuru *et al.* (2011:102), it is important to understand the influence of leadership on performance because leadership can be seen as a key element in improving a business's performance. Abiodun and Siddiq (2013:3) state that

leadership is a process that involves communicating the business goals to employees and encouraging them to be independent and complete tasks allocated to them. Northouse (2012:6) states that “leadership is a process whereby an individual influences a group of individuals to achieve a common goal”. As mentioned in Section 2.5 of Chapter Two, leadership in this study is described as a business owner’s ability to work with his or her subordinates, to ensure a healthy working environment for everyone, and to achieve all the goals set out for the business (Yammarino 2013:150; Hellriegel *et al.* 2012:9).

According to Belais and Koustelios (2014:27), leadership plays an important role for the effective functioning and welfare of businesses. Belais and Koustelios (2014:27) further contend that effective leadership results in the achievement of desired outcomes for both individuals and the business as a whole. According to Aronoff and Baskin (2005:1), leadership is the ability of leaders to communicate and work with their followers, and ensure that the business's goals are achieved. Letele-Mataboee (2012:112) and Fernandez (2008:175) contend that effective leadership results in positive outcomes, including business performance and job satisfaction.

According to Jing and Avery (2008:68), leadership is an important management skill that influences the success or failure of a business. Jing and Avery (2008:68) add that today’s business environment is dynamic, innovation-based, price-competitive, and characterised by decreasing returns. In light of these adversities, it is necessary to employ effective leadership practices to facilitate increased performance. According to Valdiserri and Wilson (2010:65) as well as Pedraja-Rajas *et al.* (2006:303), leadership is associated with SME performance and is an important factor in ensuring success. In addition, Jing and Avery (2008:69) maintain that an effective combination of leadership, skills, competence, motivation and culture directly lead to financial performance and job satisfaction.

Shiri *et al.* (2014:3) contend that when implementing a leadership style within an organisation, it is important for the leader to consider both the business goals and the responsibilities of the employees to ensure a successful business and satisfied employees. Mustafa and Lines (2014:26) add that a leader’s characteristics and

behaviour play an essential role in followers' job satisfaction, thus contributing to increased job satisfaction and business success.

Several empirical studies (Abiodun & Siddiq 2013; Popa 2012:123; Michael 2010; Avolio, Walderman & Einstein 1988; Thorlindsson 1987) have reported significant positive relationships between leadership and business performance. However, Fenwick and Gayle (2008) report that the relationship between leadership and business performance is inconclusive, and is difficult to interpret.

In summary, several authors support a relationship between effective leadership and job satisfaction as well as between leadership and business success (Mustafa & Lines 2014:26; Amin *et al.* 2013:107; Letele-Mataboee 2012:112). Given the importance of effective leadership to business success and to job satisfaction, the paragraphs below will focus on the influence of leadership styles on these constructs.

4.5 THE INFLUENCE OF LEADERSHIP STYLES ON JOB SATISFACTION AND FINANCIAL PERFORMANCE

According to Yang (2008:258), in today's world it is very important that businesses have effective leaders that are able to understand the complexity and rapid change occurring in the global environment. A leader and the leadership style implemented within an organisation play an important role in the performance of the business and its employees (Shiri *et al.* 2014:3). Eggers and Leahy (1995) contend that different management and leadership skills are very important for the growth of small and medium-sized businesses. In addition, Aziz, Mahmood and Abdullah (2013:2) and Nahavandi (2002) agree that the style of a leader is known to influence the performance of a business. According to Purcell, Kinnie, Hutchinson, Rayton & Swart (2004), by employing an intangible asset like leadership styles, businesses are able to increase the businesses' performance. Further, Northouse (2004) and Bass (1990) state that the style adopted by a leader can influence the level of job satisfaction in businesses. Similarly, Chen and Silverthorne (2005) assert that leadership styles influence several factors within a business, including job

satisfaction, performance, stress and turnover intention, all of which are known to contribute towards business success (Rad & Yarmohammadian 2006).

Both anecdotal and empirical evidence support a relationship between the leadership style adopted in a business and the performance of that business. Evidence of these relationships with regard to transformational, transactional, laissez-faire, autocratic and democratic leadership styles is presented below.

Transformational leadership is known for promoting and encouraging cooperative decision-making and problem solving between leaders and their employees (Feinberg, Ostroff & Burke 2005). According to Aziz *et al.* (2013:4), previous studies (Avolio 1999; Bass 1998) have established a strong correlation between transformational leadership and business performance. Similarly, Aziz *et al.* (2013:8) report that transformational leadership is positively and significantly related to business performance. Obiwuru *et al.* (2011:107) add that transformational leadership not only enhances effective business performance but also leads to increased job satisfaction. This is supported by Long *et al.* (2014:119), who report that several studies have found relationships between transformational leadership and job satisfaction. According to Amin *et al.* (2013:102), a transformational leadership style has a stronger relationship with job satisfaction than a transactional leadership style.

Transactional leadership describes leaders that are focused on specific goals and agreed-upon rewards for their employees, and because of this, these leaders are considered to be effective, which in turn leads to higher business performance (Belias & Koustelios 2014:29). Aziz *et al.* (2013:8) and Koech and Namusonge (2012:9) state that transactional leadership is positively and significantly related to performance. According to both Belias and Koustelios (2014:36) and Amin *et al.* (2013:102), transactional leadership is positively related to job satisfaction. However, Grosso (2008:104) contradicts these findings and maintains that transactional leadership does not have a significantly positive relationship with job satisfaction.

Laissez-faire leadership occurs when leaders do not intervene in the work affairs and responsibilities of their employees. These leaders are less likely to build relationships with their employees (Koech & Namusonge 2012:4). According to Puni *et al.* (2014:179), laissez-faire leadership places little emphasis on performance and people, and is known for working with whatever structures are in place without criticism or suggestion. This style of leadership allows both leaders and employees to make the right decisions, leading to employees that are responsible and successful at decision-making (Nemaei 2012:22). According to Sorenson (2000:186), if laissez-faire leaders establish the right boundaries and successfully motivate employees, increased job satisfaction will occur. Similarly, Sorenson (2000:192) reports that laissez-faire leadership is positively and significantly related to job satisfaction. Despite a positive influence on job satisfaction, Koech and Namusonge (2012:9) contend that laissez-fair leadership is not significantly correlated with business performance.

According to Belias and Koustelios (2014:28), autocratic leadership involves leaders that make decisions independently with little or no input from employees. Puni *et al.* (2014:178) agree that autocratic leadership places more emphasis on performance and less emphasis on people. This low emphasis on people may lead to a low level of business financial performance and job satisfaction (Sorenson 2000:186; Nemaei 2012:21). However, Sorenson (2000:192) found that autocratic leadership is positively related to business performance. Gustainis (2004) adds that productivity increases when a leader is present, as this leads to improved employee performance and ultimately business performance,

Democratic leadership has been found to be the most effective leadership style (Belias & Koustelios 2014:28-29). Democratic leaders not only offer guidance to their employees but also allow input from them. Several authors contend that democratic leadership results in increased employee involvement, cooperation, trust and motivation, which lead to increased productivity, job satisfaction and commitment (Puni *et al.* 2014:179; Nemaei 2012:22). A study conducted by Savery (1994) found that a democratic leadership style is positively related to job satisfaction.

Ample anecdotal and empirical evidence also exists supporting positive relationships between the leadership styles investigated in this study and positive business outcomes. These leadership styles form the independent variables in this study and will thus be discussed in more detail in the paragraphs that follow.

4.6 THE INFLUENCE OF INDEPENDENT VARIABLES ON JOB SATISFACTION AND FINANCIAL PERFORMANCE

As illustrated in Figure 4.1 *Servant leadership, Authentic leadership, Ethical leadership* and *Participative leadership* serve as the independent variables in this study. These leadership styles are hypothesised as having a positive influence on both job satisfaction and financial performance. The following sections will define each of these independent variables and provide anecdotal and empirical evidence supporting the hypothesised relationships.

Although most of evidence presented supports a relationship between the leadership style displayed and the job satisfaction of the employees, this study focuses on the job satisfaction of the business owner or leader. For the purpose of this study the assumption is made that business owners are employees in their own businesses, and the leadership styles that they display will influence their own levels of job satisfaction.

4.6.1 SERVANT LEADERSHIP

According to Ding, Lu, Song and Lu (2012:209), servant leadership is mainly concerned with ensuring that employees receive the highest level of commitment from their leaders. Du Plessis (2010:24) defines servant leaders as individuals who assist their followers by ensuring that their followers achieve both personal and business goals, instead of focusing on their own personal goals only. In this study, *Servant leadership* refers to a business owner who displays humility, servanthood and a caring for others (emotional healing) (Yukl *et al.* 2013; Kalshoven *et al.* 2011(b); Liden *et al.* 2008; Barbuto & Wheeler 2006; Khuntia & Suar 2004; Page & Wong 2000).

According to Page and Wong (2000), displaying characteristics associated with servant leadership increases the likelihood of job satisfaction and business success. Servant leaders are able to develop and maintain relationships with their followers, serve their communities, and are not concerned with economic incentives or the authority vested in their positions (Liden *et al.* 2008:163). Servant leaders allow for increased knowledge and informed experiences which result in better decision-making (Barbuto & Wheeler 2006:300). Leaders that display humility, servanthood, community involvement and self-motivation produce employees who display job commitment and high performance (Liden *et al.* 2008:163; Barbuto & Wheeler 2006:302). Joseph and Winston (2005:16) contend that servant leadership has the potential to improve a business's productivity and business performance.

Several empirical studies report a positive relationship between servant leadership and job satisfaction as well as between servant leadership and financial performance (Ding *et al.* 2012:210; Melchar & Bosco 2010; Joseph & Winston 2005:16). According to Mishler (2012:27), servant leaders give their subordinates their full attention, which in turn results in increased levels of employee job satisfaction and ultimately business success. Mayer, Bardes, and Piccolo (2008) found that servant leadership influences the levels of job satisfaction displayed by employees. Similarly, Van Dierendonck (2011:23) contends that servant leadership influences employee attitudes and performance, and vice versa. Furthermore, both Van Dierendonck (2011:23) and Melchar and Bosco (2010:77) contend that leaders who display servanthood assist in building a business climate that generates employee empowerment and ultimately improved business performance (Liden *et al.* 2008:163).

Based on the empirical and anecdotal evidence presented above, the following hypotheses have been formulated:

- H^{2a}*: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{2b}*: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

4.6.2 AUTHENTIC LEADERSHIP

As mentioned in Chapter Three, authentic leadership is a process that includes the authenticity of leaders and followers; as a result authentic relationships are formed (Gardner *et al.* 2011:1124). For the purpose of the current study, authentic leadership is seen in an SME owner who demonstrates relational transparency and an internalised moral perspective (Yukl *et al.* 2013; Northouse 2012; Walumbwa *et al.* 2008; Page and Wong 2000).

Walumbwa *et al.* (2008:94) contend that authentic leadership allows for a positive working environment. According to Jensen and Luthans (2006:650), by displaying the characteristics of authentic leadership, owners of SMEs can develop improved entrepreneurship and leadership, and ultimately strengthen their business. Another advantage of authentic leadership is that employees increase their work engagement, also leading to stronger businesses (Roux 2010:102). Jensen and Luthans (2006:658) contend that authentic leadership results in higher levels of organisational commitment and job satisfaction, and may result in increasing the performance of the business.

Several empirical studies have identified a positive relationship between authentic leadership and job satisfaction as well as between authentic leadership and financial performance (Azanza, Moriano & Molero 2013:47; Tonkin 2013:48; Tapara 2011:43; Walumbwa *et al.* 2008). Peterson, Walumbwa, Avolio and Hannah (2012:509) report that authentic leaders exhibit characteristics that facilitate positive motivation between employees, and result in increased performance. Similarly, Vilas Boas and Cavazotte (2011:10) add that authentic leadership leads to improved employee performance. Empirical research done by Tapara (2011:43), finds support for a positive relationship between the level of authentic leadership displayed by a leader and team performance and his or her level of job satisfaction. However, Khan (2010:170) believes that the empirical relationship between authentic leadership and employee performance has not been fully investigated.

Despite the contentions of Khan (2010), the following hypotheses will be subjected to empirical testing in this study:

- H^{3a}*: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{3b}*: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

4.6.3 ETHICAL LEADERSHIP

According to Yur (2012:14), ethical leadership has become a common practice in today's business environment. In Chapter Three of this study, Hackett and Wang (2012:876) explain that ethical leadership is concerned with a leader's intentions and behaviour rather than with his or her characteristics. For the purpose of this study *Ethical leadership* refers to the SME owner displaying integrity and ethical commitment (Yukl *et al.* 2013; Kalshoven *et al.* 2011(b); Liden *et al.* 2008; Khuntia & Suar 2004; Page & Wong 2000).

Brown and Treviño (2006:608), as well as Khuntia and Suar (2004:16) associate ethical leadership with employee satisfaction, motivation and organisational commitment. Furthermore, ethical leadership is related to effective leadership within businesses and is found to contribute towards effective businesses (Hackett & Wang 2012:869; Brown and Treviño 2006:613). Mitchell (2001:6) adds that businesses whose leaders provide ethical leadership report better financial performance than those whose leaders do not. According to Bello (2012:230), it is important that leaders recognise the influence that positive relationships (respect, trust) with employees have on the success of the business. The ethical behaviour of a leader is known to have either a direct or an indirect impact on an employee's job satisfaction (Neubert, Carlson, Kacmar, Roberts & Chonko 2009).

Ample evidence exists to support a positive relationship between ethical leadership and job satisfaction as well as between ethical leadership and financial performance (Kalshoven *et al.* 2011(b):51; Kim & Brymer 2011:1022; Khuntia & Suar 2004:13). Kim and Brymer (2011:1022) report that the ethical behaviour of executives has a positive influence on the job satisfaction of middle managers, ultimately positively influencing a firm's performance. Yur (2012:60) and Yates (2011:68) report that

ethical leadership demonstrates both a positive and moderate correlation with job satisfaction. The study by Ghahroodi, Ghazali and Ghorban (2013:93) finds that the ethical leadership of business owners is positively relates to the level of manager job satisfaction. However, Shin, Sung, Choi and Kim (2014) report that the level of ethical leadership displayed by top management does not have a direct influence on the financial performance of a business. Shin *et al.* (2014), further suggest that ethical leadership may have an influence on financial performance via a climate of procedural justice.

Against this background, the following hypotheses have been formulated:

H^{4a}: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and their level of *Job satisfaction*.

H^{4b}: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

4.6.4 PARTICIPATIVE LEADERSHIP

According to Belias and Koustelios (2014:29), participative leadership involves leaders who encourage their employees to participate in the decision-making process in the business, but the leader has the final say over the decision-making process. In Chapter Three participative leadership was described as encouraging employees and having leaders and employees learn from each other (Somech & Wenderow 2006:748). *Participative leadership* in this study refers to an SME owner displaying management participation and autonomy in his or her business (Kalshoven *et al.* 2011(b); Liden *et al.* 2008; Khuntia & Suar 2004; Page & Wong 2000; Fields & Herold 1997).

Spreier *et al.* (2006:77) contend that participative leadership provides a positive working environment that allows for collaboration between employers and their employees. Several authors (Yiing & Ahmad 2009:54,56; Aamodt 2004:323; Byars & Rue 1991:303) contend that participative leaders are able to influence their employees as well as their employees' levels of job satisfaction. Both Letele-

Mataboee (2012:112) and Barling, Weber and Kelloway (1996) assert that participative leadership influences job satisfaction. Avolio and Gardner (2005:332) further state that participative leadership can result in better leaders as well as the development of followers, allowing for more effective organisations (Somech 2005:794). Participative leadership leads to positive attitudes, ultimately leading to increased business success (Michel *et al.* 2011:503; Byars & Rue 2006:406; Sorenson 2000:183).

Ample evidence exists to support a positive relationship between participative leadership and business performance. For example, Pedraja-Rejas *et al.* (2006:503) report that participative leadership is positively associated with the effectiveness of small businesses. Similarly, Sorenson (2000:192) found that participative leadership is significantly and positively related to the financial performance of family businesses. Yusuf, Idowu and Bolarinwa (2014:530) also report a positive association between participative leadership and budget performance. In contrast to the aforementioned, Mulki, Caemmerer and Heggde (2014:9) report no significant relationship between participative leadership and business performance. In his study, Gordon (1998:91) demonstrates a strong correlation between participative leadership and job satisfaction, whereas Ashraf, Farooq and Din (2014:430) and Kim (2002:235) report that positive relationships exist between participative leadership and job satisfaction.

Against this background, the following hypotheses have been formulated and will be subject to empirical testing in this study:

H^{5a}: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and their level of *Job satisfaction*.

H^{5b}: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

4.7 THE INFLUENCE OF DEMOGRAPHIC VARIABLES ON LEADERSHIP STYLES DISPLAYED BY SMALL AND MEDIUM-SIZED BUSINESS OWNERS

Although the primary objective of this study was to investigate and empirically test the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SME owners in the Eastern Cape, and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses, the influence of selected demographic variables on the leadership styles displayed by SME owners was also investigated. Support for these relationships is presented below.

According to Kotur and Anbazhagan (2014:34), studies indicate that *Gender* has a significant influence on the leadership style of a leader, and several studies (Tapara 2011:87) report differences between male and female leaders. For example, female leaders are reported to be significantly more authentic in their leadership styles than male leaders. Several studies also show that women are more likely to adopt an interpersonal leadership style than males (Snaebjornsson & Edvardsson 2013:90; Barbuto, Fritz, Matkin & Marx 2007:72; Rosener 1990:121). In contrast, Kaifi, Noor, Nguyen, Aslami and Khanfar (2013:36) found that males score higher on situational leadership than females. Barbuto *et al.* (2007:72) and Rosener (1990:121) further suggest that men are more likely to adopt leadership styles that are autocratic and controlling than women. However, Brown and Treviño (2006:612) found no significant differences between male and female leaders, and concluded that there was no relationship between gender and ethical leadership.

According to Barbuto *et al.* (2007:71), several studies have explored the relationship between leadership and *Age* (Kotur & Anbazhagan 2014; Chin 2013; Sawati, Anwar & Majoka 2013; Snaebjornsson & Edvardsson 2013; Simon 2008). According to Kearney (2008:804), leadership styles often differ when taking into consideration the age of leaders. Sawati *et al.* (2013) and Snaebjornsson and Edvardsson (2013) found a positive significant relationship between age and leadership style. Similarly, Kotur and Anbazhagan (2014:80) report a significant relationship between the age of leaders and the leadership ratings by followers. According to Kotur and Anbazhagan

(2014:30) older individuals often make better leaders than younger leaders in general because they are able to understand their followers better and deal with them in a more positive way. However, Sawati *et al.* (2013:410) report no significant relationship between leadership style and age.

According to Sawati *et al.* (2013) and Simon (2008), little research has been done examining whether a relationship exists between the level of education of a leader and the type of leadership style adopted. However, Kotur and Anbazhagan (2014:80) did find that leaders, who have a higher *Qualification*, exhibited higher ratings for the leadership styles they implemented in their businesses. Also, leaders with a higher education level are less likely to implement directive leadership than those that are less educated (Ekaterini 2010:7-8). According to Sawati *et al.* (2013:407) and Simon (2008:158), no significant relationship exists between the qualifications of a leader and the leadership style of that leader. Moreover, a study conducted by Vecchio and Boatwright (2002) contends that employees with higher levels of education and greater job tenure preferred less leader structuring (task-orientated behaviours). Simon (2008:158) further found no significant relationship between the *tenure* of a leader and the leadership style adopted in the business.

Various studies report that culture is a factor that influences how leaders behave (House, Hanges, Javidan, Dorfman & Gupta 2004; Schein 2004; Hofstede 1996). However, Cleveland, Stockdale and Murphy (2000) and Butterfield and Grinnell (1999) state that *Ethnicity* in relation to leadership styles has not received much attention from researchers. Bartol, Martin and Kromkowski (2003) report that leaders of a dominating ethnicity are rated better leaders than those of a minority ethnicity, and also majority females are rated higher than minority males.

Empirical evidence exists (Kotur & Anbazhagan 2014:33) supporting the contention that the *Number of employees* in a business has a significant influence on leadership style exhibited in the business. Also, a study conducted by Azanza *et al.* (2013:48) reports that the *Nature of the business* and business size were found to be positively related to authentic leadership.

Given the contradictory evidence presented regarding the influence of demographic variables on leadership styles, the following null-hypotheses have been formulated and will be subjected to empirical testing in this study:

H^{0a} : There is no relationship between demographic variables and the level of *Servant leadership* displayed by SME owners.

H^{0b} : There is no relationship between demographic variables and the level of *Authentic leadership* displayed by SME owners.

H^{0c} : There is no relationship between demographic variables and the level of *Ethical leadership* displayed by SME owners.

H^{0d} : There is no relationship between demographic variables and the level of *Participative leadership* displayed by SME owners.

4.8 SUMMARY

In this chapter the relationships hypothesised between the leadership styles investigated in this study and the levels of *Job satisfaction* and *Perceived financial performance* among SME owners were discussed. Evidence supporting these relationships was also presented. The influence of selected demographic variables on the leadership styles displayed by SME owners was also investigated.

Chapter Five will present the research design and methodology adopted to achieve the objectives of this study. Specific attention will be given to describing the sample and sampling technique, the data collection method, the reliability and validity of the measuring instrument, and the statistical techniques employed to analyse the data.

CHAPTER FIVE

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

According to Nirmala and Silvia (2011:4), research involves reviewing and synthesising existing knowledge, investigating an existing problem, and providing solutions to the problem in a systematic manner. Research entails exploring and analysing issues to construct or to explain phenomena (Collis & Hussey 2003:2). Zikmund *et al.* (2013:5) define business research as using a scientific method to identify the truth about a business phenomenon. According to Hair, Babin, Money and Samouel (2003:5), business research entails gathering, analysing, interpreting and reporting information to ensure that businesses operate more effectively.

The primary objective of this study was presented in Chapter One, namely to assess the level of *Servant, Authentic, Ethical and Participative leadership* exhibited by SME owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. The purpose of this chapter is to describe the research design and methodology adopted to achieve this primary objective. First the research paradigm and methodology adopted are explained and justified. Following this secondary and primary data will be explained. Thereafter, an introduction to the population studied, a description of the sampling method used and the sample size will be provided. A description of how the measuring instrument was developed, the operationalisation of the independent and dependent variables, and the data collection process will be provided. The techniques employed to assess the validity and reliability of the measuring instrument will be described, and a brief description of the statistical techniques used to analyse the data will be given. Finally all ethical considerations taken into account will be explained.

5.2 RESEARCH DESIGN AND METHODOLOGY

A research design involves specifying the methods and procedures for obtaining information, and provides the directions needed to carry out a study (Acharyulu & Reddy 2009:33; Hair *et al.* 2003:57). According to Greener (2008:38), a research design is a well-written plan which outlines how to go about conducting research on a particular topic. According to Bellamy (2011:20), research design is the description of the method in which research data is created, collected, constructed, coded, analysed and interpreted. In summary, a research design is a systematic plan to study a scientific problem and includes describing the research paradigm and research strategies, as well as the data collection and data analysis processes.

What follows is a description of the research paradigm as well as the secondary and primary collection methods used in this study.

5.2.1 RESEARCH PARADIGM AND METHODOLOGY

Collis and Hussey (2003:47) state that there are two main types of research paradigms, a qualitative paradigm (phenomenological) and a quantitative paradigm (positivistic). These two types of research paradigms have played a big part in the discussions of research methods (Hakim 2012; Collins & Hussey 2003:47). Phenomenological research paradigms are found in a number of subject fields such as management sciences, anthropology, psychology, education, and history (Struwig & Stead 2001:11). On the other hand, positivistic research paradigms are rooted in the scientific research method (Collis & Hussey 2003:53).

When adopting a qualitative research paradigm, a qualitative research design is implemented. Similarly, when adopting a quantitative research design, a quantitative research design is adopted. Each of these will be discussed in the paragraphs that follow.

Qualitative research designs involve research that analyses observations in order to extrapolate some understanding from a study. Various authors argue that qualitative research is very difficult to define (Gill & Johnson 2010:148). Qualitative research

focuses on the analysis of words rather than on numerical findings, and is based on socially created dispositions of reality (Bryman 2012:35; Denzin & Lincoln 2008:14; Collis & Hussey 2003:13). Myers (2009:5) adds that qualitative research methods are designed to assist researchers in understanding people, by investigating what they say and do. In comparison to quantitative research, qualitative research is more difficult to understand, and consists of using non-numerical data collected either visually or orally in the form of text (Zikmund *et al.* 2010:146; Struwig & Stead 2001:11). An advantage of qualitative research is that it is more subjective, and involves examining and reflecting on individual perceptions (Collis & Hussey 2003:13). According to Krauss (2005:759), qualitative researchers believe that the best way to understand a phenomenon is to view it in its context and experience its meaning by being a part of it. Qualitative researchers do not construct a fixed set of questions to collect data, but allow for questions to surface while the research process unfolds.

A quantitative research design involves the collecting, measuring and analysing of data, using numerical values (Bryman 2012:13; Denzin & Lincoln 2008:14; Collis & Hussey 2003:13). These authors add that quantitative research can be used as a tool to highlight the relationships between variables. Zikmund (2003:111) refers to quantitative research as being useful during the determining of quantity or explaining of a phenomenon in a numerical manner. Quantitative data is data that explains a phenomenon in an orderly and meaningful way (Zikmund *et al.* 2010:146). Hopkins (2002) explains that the main objective of quantitative research is to establish relationships between independent and dependent variables. Kumar (2010:167) further comments that in quantitative research the researcher is able to explore, measure, determine the intensity of and combine attitudes to different aspects of an issue to arrive at one indicator that is reflective of the overall attitude.

According to Struwig and Stead (2001:7), quantitative research makes use of structured questions, and provides the respondents with a fixed set of options to choose from when responding to questions, therefore yielding statistical data. Furthermore, quantitative researchers direct a significant amount of effort to measuring concepts with scales which can provide numerical values, directly or

indirectly (Zikmund *et al.* 2013:134). These numerical values can in turn be used in statistical computations and hypothesis testing.

Some of the main differences between quantitative and qualitative research are illustrated in Table 5.1.

TABLE 5.1: Differences between quantitative and qualitative research

Quantitative Research	Qualitative Research
Produces quantitative data.	Produces qualitative data.
Uses large samples (over 50).	Uses small samples (1-50).
Concerned with hypothesis testing.	Concerned with generating theories.
Data is highly specific and precise.	Data is rich and subjective.
Location is artificial.	Location is natural.
Reliability is high.	Reliability is low.
Validity is low.	Validity is high.
Generalises from sample to population.	Generalises from one setting to another.
Focuses on the outcomes of the research.	Focuses on process of the research.
Researcher is not directly involved in the process of data collection.	Researcher is directly involved in the process of data collection.
Structured data collection technique and objective ratings.	Unstructured data collection technique requires subjective interpretations.
Deductive approach.	Inductive approach.

(Source: Hair, Money, Samuel & Page 2007:152; Neuman 2006:54-59; Collis & Hussey 2003:55)

From the table above, the researcher is able to identify some of the important aspects that differentiate quantitative and qualitative research. Quantitative research produces data that is numerical and uses larger samples to give the researcher more relevant results which can be generalised to the population as a whole. Also, the validity of the measuring instrument used in quantitative research is lower than that of qualitative research. Whether researchers decide to use quantitative or qualitative research, both have their advantages and disadvantages. In fact, given the advantages and disadvantages of quantitative and qualitative research, it is clear that the weaknesses of the one can be considered as the strengths of the other, and vice-versa.

When conducting research, a researcher may choose between one of three research strategies. The strategy chosen depends on the purpose and objective of the research. The three strategies are exploratory, descriptive, and causal (explanatory) research.

Zikmund *et al.* (2010:652), as well as Collis and Hussey (2003:10) state that *exploratory research* is conducted to clarify situations that are not specified, or for discovering ideas that are identified as potential business opportunities. This type of study is mainly aimed at looking for patterns, ideas or hypotheses, instead of testing a hypothesis (Collis & Hussey 2003:10). The authors further explain that exploratory research makes use of techniques such as case studies, observations and historical analysis, which in turn provide both quantitative and qualitative data.

Descriptive research is defined as describing characteristics of objects, people, groups, organisations or environments to illustrate a given situation (Zikmund *et al.* 2010:652; Collis & Hussey 2003:11). Two types of descriptive studies exist, namely longitudinal and cross-sectional. Longitudinal studies refer to observational studies where researchers observe the same units of analysis over a period of time (Terre Blanche & Durrheim 1999:39). Cross-sectional studies refer to the observation of various groups of units at a specific point in time; these kinds of studies may not provide a definitive causal relationship because the units are not observed over time (Terre Blanche & Durrheim 1999:39). According to Collis and Hussey (2003:61) cross-sectional studies are designed to obtain the necessary information on variables in different contexts, but they do so at a given point in time. Cross-sectional studies are often associated with a positivistic methodology, but longitudinal studies are not always associated with a positivistic methodology (Collis & Hussey 2003:61, 64).

Causal research is also known as explanatory research and it involves studies that identify cause-and-effect relationships between variables; these designs are focused on eliminating alternative explanations of causality (Collis and Hussey 2003:10; Denscombe 2002:9; Terre Blanche & Durrheim 1999:40). According to Struwig and Stead (2001:5), causality explains the relationship between the dependent and independent variables by establishing why things are the way they are, by looking

into what caused the relationship. Zikmund *et al.* (2010:16) add that causal research is the only method of research that is able to take the form of experiments such as the testing markets.

To achieve the objectives of the present study a quantitative research paradigm and design were adopted; more specifically, explanatory and descriptive studies of a cross-sectional nature were undertaken. Given the nature of the problem statement, the researcher has chosen this design and methodology because the study was undertaken using a large sample, and the causes and facts behind phenomena are being investigated. Quantitative research requires the use of a large sample to ensure that the findings obtained are true for an entire population, and ensures that the envisioned statistical analyses are undertaken (Zikmund *et al.* 2010:146), which is the case in this study. The discussion below will address the various methods of data collection that are used when conducting quantitative research.

5.3 DATA COLLECTION

When undertaking quantitative research a researcher is required to make decisions regarding the collection of the data. These decisions include how both secondary and primary data will be collected.

5.3.1 SECONDARY DATA COLLECTION

According to Zikmund *et al.* (2010:161) and Struwig and Stead (2001:80), secondary data is data that already exists from various sources excluding the current project, and is classified into three categories, namely already existing raw data, summaries of data, and writer treatises such as books and articles. Secondary data is made available to other researchers to help with their own research problems (Lamb *et al.* 2008:151). For the purpose of this study, the following secondary data were used to undertake the literature study.

In this study a comprehensive literature study was conducted using existing secondary sources related to the topic under investigation. The literature study was conducted to find support for the relationships between the various leadership styles

investigated in this study on the *Job satisfaction* of SME business owners and on the *Perceived financial performance* of their businesses. Following this, the secondary data collected was used to support the proposed hypotheses. Various types of sources were consulted, which included academic journal articles, newspaper articles, the internet, and textbooks found through the Nelson Mandela Metropolitan University (NMMU) library.

5.3.2 PRIMARY DATA COLLECTION

Primary data collection involves selecting the population, the sample and sampling method, and the sample size to be adopted in a study. Thereafter, the data collection process, the administering of the measuring instrument, dealing with missing data and the method of data analysis used in a study should be described.

5.3.2.1 Population studied

In scientific research, population refers to “any complete group of people or businesses who share a common set of characteristics” (Zikmund 2003:368). Gravetter and Wallnau (2011:4) define a population as a “group of people that share a common interest relating to a particular study”. According to McIntyre (2005:231), the population is also known as the “universe”, which consists of a set of people, objects and groups that are of interest for research purposes. The first step in defining a research sample is to define the population.

For the purpose of this study, the population consists of all small and medium-sized business owners operating businesses within the boundaries of the Eastern Cape Province.

5.3.2.2 Sample and sampling method

Greener (2008:49) defines a sample as a specific section of the population to be investigated in a study. Gravetter and Wallnau (2011:5) as well as Lamb *et al.* (2008:151) define a sample as a “subset of a population”. Two types of sampling

techniques exist for identifying a sample from the population, namely probability and non-probability sampling.

According to Zikmund (2003:397), when using probability sampling, all members of a population have a known, non-zero chance of being selected. Probability sampling uses methods that are more rigorous and are known for being free from bias (Panneerselvam 2004:192). Bryman (2012:190) and Babbie (2010:196) state that probability sampling allows the researcher to utilise tests of statistical significance that allow inferences to be made concerning the sample. Babbie (2010:198) further states that the main purpose of probability sampling is to provide the researcher with a description of the total population that is useful for the study being conducted. There are several types of probability sampling techniques, which include simple random sampling, cluster sampling, stratified sampling and systematic sampling amongst others (Myers & Hansen 2011:121; Gratton & Jones 2010:111; Ary *et al.* 2009:150). These techniques are defined below in Table 5.2.

TABLE 5.2: Probability sampling methods

Probability Sampling	Description	Sources
Simple random sampling	Occurs when all the units of a population have an equal probability of being included in the same sample. Members of the sample are determined by using procedures that are random.	Bryman 2012:190; Greener 2008:49; Cohen, Manion & Morrison 2007:111; Collis & Hussey 2003:156.
Cluster sampling	Is commonly used when the population under study is very large. This method of sampling involves the selecting of a random sample of various groups of units and not an individual group.	Myers & Hansen 2011:121; Gratton & Jones 2010:112; Collis & Hussey 2003:158.
Stratified sampling	Involves selecting a population and dividing it into homogeneous groups, which are grouped in accordance with their similar characteristics. Stratified sampling is an improvised sampling method in simple random and systematic sampling.	Bryman 2012:192; Greener 2008:49; Cohen <i>et al.</i> 2007:112; Panneerselvam 2004:195; Collis & Hussey 2003:157.
Systematic sampling	Is a variation of simple random sampling which involves selecting a sample from a population in a systematic and non-random manner. The population is divided by the sample size and then chosen by taking every subject.	Bryman 2012:191; Frankfort-Nachmias & Leon-Guerrero 2011:203; Cohen <i>et al.</i> 2007:111; Collis & Hussey 2003:156.

(Source: Researcher's own construction)

Non-probability sampling involves selecting a sample on the basis of personal judgement or convenience, and the probability that an item will be selected is unknown (Wolverton 2009:374; Greener 2008:48). This method of sampling occurs when a sample has not been selected randomly. Non-probability sampling includes techniques that are not conducted according to the premise of probability sampling, but non-probability sampling attempts to represent the sample using the same population as that of probability sampling (Bryman 2012:201; Cohen *et al.* 2007:113). According to Gratton and Jones (2010:113), McMurray *et al.* (2004:84), as well as Panneerselvam (2004:200), several types of non-probability sampling techniques exist, namely convenience sampling, judgemental sampling, quota sampling and snowball sampling. These sampling techniques are described in Table 5.3.

TABLE 5.3: Non-probability sampling methods

Non-probability Sampling	Description	Sources
Convenience sampling	Takes place when a sample is selected based on convenience and not randomly. Convenience sampling allows for easy access to respondents but relies solely on the availability of respondents.	Babbie 2010:192; Gravetter & Forzano 2009:141 Burns & Burns 2008:302; Greener 2008:48; Zikmund 2003:380.
Judgemental sampling	Involves choosing participants based solely on their knowledge and experience about the phenomenon under investigation. The researcher conducts sampling that is judgemental based on the knowledge and expertise of the population for the purpose of the study.	Babbie 2010:193; McMurray 2004:84 Panneerselvam 2004:201; Collis & Hussey 2003:158.
Quota sampling	The total sample is chosen by considering that the units under study have the same characteristics. This sampling technique's main aim is to produce a sample that replicates a population in terms of the relative proportions of people in different categories required to fill a quota.	Bryman 2012:203; Babbie 2010:194; Kumar 2010:178; Greener 2008:48; Panneerselvam 2004:201.
Snowball sampling	Involves the selecting of respondents on the basis of referrals from other respondents and is similar to the way a snowball collects ice particles when rolling on ice. Snowball sampling is of great use when the population is hidden and difficult to identify. Also, the snowball sampling technique is mostly used for respondents that are not readily available.	Bajpai 2010:267; David & Sutton 2004:152; Gerber-Nel, Nel & Kotzé 2003:128.

(Source: Researcher's own construction)

A sample of small and medium-sized business owners operating within the boundaries of the Eastern Cape Province was selected to participate in this study. The selection took place by means of a non-probability sampling technique, namely convenience sampling. Convenience sampling was selected because it is an easier, less expensive and quicker technique to use for obtaining a large number of completed questionnaires in a short space of time (Gravetter & Forzano 2009:141; Zikmund 2003:380). In addition, the high failure rate of SMEs in South Africa makes it difficult to obtain a data base or sampling frame, which are necessary for probability sampling. This lack of database led to the researcher narrowing the scope of the study to a particular location, namely the Eastern Cape Province (Collis & Hussey 2014:131).

5.3.2.3 Sample size

Niedergassel (2011:172) as well as Swanson and Holton (2005:123) state that during multivariate analysis it is important to consider the sample size. The abovementioned authors explain that the size of a sample affects both the statistical power and the generalisability of the final results. According to Hair, Celsi, Money, Samouel and Page (2011:176) when deciding on a sample size, the researcher must consider various factors which make it difficult to determine. Factors such as time availability, high costs and estimation precision can be used to get a balance between these factors (Hair *et al.* 2011:176; Murthy & Bhojanna 2008:38-39; Swanson & Holton 2005:123). Tinsley and Brown (2000:175) observe that a sample size can be determined by considering the purpose of the specific research project. According to Hair, Black, Babin & Anderson (2014:100), 100 observations or more are the preferred sample size, and the general rule when deciding on a sample size is to have at least five times as many observations as the variables being analysed, and ensure that the final sample size has a ratio of 10:1.

Aron *et al.* (2008:216) define a sample size as the number of people that are subjects in a research study. According to Freund, Wilson and Mohr (2010:153), the best possible sample size, is a sample that has the largest number of observations. For the purpose of this study, a sample of 500 small and medium-sized business owners operating within the boundaries of the Eastern Cape Province were invited to

participate. Questionnaires were hand-delivered to the owners of the participating SMEs. From the 500 questionnaires, 300 were completed and returned. However, only 246 were usable for statistical analysis as some of the returned questionnaires were incorrectly completed or not completed at all. This is known as "the effective response rate" and can be calculated by obtaining the ratio of questionnaires returned to the sample size. For this study the effective response rate was 49.20 percent (see Table 5.4). According to Wilson (2010:205) the effective response rate reflects the number of respondents who participate in a study and can be presented in the form of a percentage or the number of the original sample that returns the usable questionnaires.

TABLE 5.4: Response rate

	Number of Respondents
Number of questionnaires distributed	500
Total number of questionnaires returned	300
Usable questionnaires returned	246
Response rate	60%
Effective response rate	49.20%

(Source: Researcher's own construction)

5.3.2.4 Method of data collection

Struwig and Stead (2001:80) define data collection as the process where a researcher obtains subjects and is then able to collect information from those subjects using particular research questions. There are numerous ways in which researchers can obtain the necessary data, which include surveys, interviews, observations, scales, and project techniques. Surveys are the oldest method used to collect quantitative data and are frequently used by researchers in the field of social sciences for exploratory, descriptive and explanatory purposes (Babbie 2010:254; Zikmund 2003:66).

According to Zikmund *et al.* (2013:185) and Collis and Hussey (2003:66), a survey is a method of collecting primary data based on communication with a representative sample of individuals. Collis and Hussey (2003:66) add that there are two major

types of surveys, namely descriptive and analytical surveys. Descriptive surveys are more concerned about identifying and counting frequencies of a population at one point or various times for comparison. On the other hand, analytical surveys are more concerned with determining whether a relationship exists between different variables (Collis & Hussey 2003:66). In the present study, an analytical survey technique was used to gather data on the leadership styles of small and medium-sized business owners in the Eastern Cape. As such, relationships between leadership styles and the business and personal outcomes of SME owners were investigated.

Questionnaires and interviews are techniques commonly used for collecting survey data (Connaway & Powell 2010:107; Collis & Hussey 2003:66). In this study a structured, self-administered questionnaire was used to gather the necessary data. According to Babbie (2010:256) and Zikmund *et al.* (2013:217), a questionnaire is a measuring instrument that allows respondents to read and answer questions given to them, and this information is used for analysis purposes. A questionnaire was made available to the respondents by personal delivery.

5.3.2.5 Measuring instrument development

The measuring instrument consisted of a cover page and three sections (see Annexure A). The cover letter described the purpose of the study and the type of information requested from the respondents. An assurance of confidentiality and instructions on how to go about completing the questionnaire were included in the cover letter. In addition, the cover letter included a definition of a small and medium-sized business in the context of this study. The survey was administered under the name of a registered research centre at the NMMU Unit of Applied Management Sciences.

The first section (Section A) of the measuring instrument requested demographic information from respondents. Demographic information relates to both the respondent and the business of the respondent, including the gender, age and ethnicity of the respondents, as well as how long the business has been operating and the number of employees currently employed by the business. This section also

requested information such as the industry in which the business operated and whether the business was a family business. In Section A, a nominal scale was used for collecting the data. A nominal scale has several categories that are named differently (example male or female) and does not have an arithmetical value. An ordinal scale is defined as a set of categories that are organised and can be measured differently at different points on a scale (Gravetter & Wallnau 2011:19; Gill & Johnson 2010:142).

Section B consisted of 44 items intended to measure the *Servant, Authentic, Ethical* and *Participative* leadership styles of respondents. Section C consisted of 11 statements that assessed the *Job satisfaction* of the business owners and 5 statements that assessed the *Perceived financial performance* of the business. Both section B and C used a five-point Likert-type response scale. The scale was interpreted as 1 *strongly disagree* and 5 *strongly agree*. The statements in sections B and C were randomised within their respective sections, and ordinal scales were used.

When drawing up of a questionnaire, two types of questions can be used, namely open-ended and closed-ended questions. According to Zikmund *et al.* (2010:338) and Gill & Johnson (2010:142), open-ended questions are those where the respondent is given questions that pose a problem, and closed-ended questions are those where the respondent is given specific limited responses from which to choose. In this study a self-constructed measuring instrument with closed-ended questions was used.

5.3.2.6 Qualifying questions

To ensure that the respondents qualified to participate in this study, Section A of the questionnaire included a question that required respondents to check whether their businesses were indeed SMEs. The respondents were presented with a certain criteria and asked to verify whether their business met the criteria provided. The qualifying question made it possible to minimise response error. The criteria for qualifying were the following:

- The business had to be in operation for more than one year;
- The business had to employ more than five but fewer than 200 full-time employees;
- The respondent had to be the owner of the business; and
- The respondent had to be actively involved in the daily running and managing of the business.

Based on these criteria, an SME was defined as a business that employed more than 50 but fewer than 200 employees, had been in operation for longer than one year, and in which the owner was actively involved in daily running and managing of the business.

5.3.2.7 Scale development and operationalisation

Operationalisation is described as the process of defining a construct while ensuring that rules are in place for making observations on how to determine when the instances of a concept have occurred empirically (Gill & Johnson 2010:48; Babbie 2007:44). According to Gravetter and Wallnau (2011:19), constructs are internal attributes that a researcher is unable to observe directly, but uses for explaining and describing behaviour. All observations, specifications and procedures must be clear so as to ensure that all researchers characterise constructs in the same way (Cooper & Schindler 2008:35). Gravetter and Wallnau (2011:19) as well as Gill and Johnson (2010:48) further explain that creating measures is necessary to empirically test a construct under observation and should be characterised by more than one attribute.

The scales for measuring the constructs under investigation in this study were developed based on previous research. Several of the items had been phrased to contextualise them to the present study. Each leadership style (*Servant, Authentic, Ethical* and *Participative leadership*) investigated in this study, the number of items used, the sources of the items and the operationalisation of each, are found in Tables 5.5 to 5.8.

Similarly, the dependent variables, *Job satisfaction* and *Perceived financial performance*, the number of items used, the sources of the items as well as the operationalisation thereof can be seen in Table 5.9 and Table 5.10.

(a) Servant leadership

To develop the scale for measuring the independent variable *Servant leadership*, previous studies investigating *Servant leadership* (e.g. Yukl *et al.* 2013; Kalshoven *et al.* 2011(b); Liden *et al.* 2008; Barbuto & Wheeler 2006; Khuntia & Suar 2004; Page & Wong 2000) were consulted.

TABLE 5.5: Operationalisation of Servant leadership

Servant Leadership	Item
Refers to a business owner that displays humility, servanthood and caring for others (emotional healing).	15
1. As the owner of the business I am a person who is always prepared to step aside for someone better qualified to do the job (Page & Wong 2000).	
2. As the owner of the business I am a person who works behind the scenes and lets others take the credit (Page & Wong 2000).	
3. As the owner of the business I am a person who does not seek recognition or reward in serving subordinates (Page & Wong 2000).	
4. As the owner of the business I am a person who learns from subordinates (Page & Wong 2000).	
5. As the owner of the business I am a person who finds it easier to celebrate the accomplishments of others than my own accomplishments (Page & Wong 2000).	
6. As the owner of the business I am a person who acknowledges my dependency on subordinates (Page & Wong 2000).	
7. As the owner of the business I am a person who is willing to make personal sacrifices to serve subordinates (Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008; Page & Wong 2000).	
8. As the owner of the business I am a person who has a desire to serve others (Page & Wong 2000).	
9. As the owner of the business I am a person who puts the interests of subordinates ahead of my own (Liden <i>et al.</i> 2008; Barbuto & Wheeler 2006; Page & Wong 2000).	
10. As the owner of the business I am a person who does everything I can to serve subordinates (Barbuto & Wheeler 2006; Page & Wong 2000).	
11. As the owner of the business I am a person who goes out of my way to help subordinates (Barbuto & Wheeler 2006; Khuntia & Suar 2004).	
12. As the owner of the business I am a person who genuinely cares for the welfare of my subordinates (Kalshoven <i>et al.</i> 2011(b); Liden <i>et al.</i> 2008; Page & Wong 2000).	
13. As the owner of the business I am a person who can be approached to assist with the personal problems of subordinates (Liden <i>et al.</i> 2008; Barbuto & Wheeler 2006; Page & Wong 2000).	
14. As the owner of the business I am a person who takes time to talk to subordinates on a personal level (Kalshoven <i>et al.</i> 2011(b); Liden <i>et al.</i> 2008).	
15. As the owner of the business I am a person who pays attention to the personal needs of subordinates (Kalshoven <i>et al.</i> 2011(b)).	

A 15-item scale was developed (see Table 5.5) based on these studies. Seven of the items were adapted from Page and Wong (2000) and two from Liden *et al.* (2008), Page and Wong (2000) and Barbuto and Wheeler (2006). The items and their sources, as well as the operational definition of *Servant leadership*, are shown on Table 5.5.

(b) Authentic leadership

An 8-item scale (see Table 5.6) was developed to measure the independent variable *Authentic leadership*. Three of the items were sourced from Northouse (2012), two items were taken from Walumbwa *et al.* (2008) and one item from Page and Wong (2000). One other item was sourced from several studies by Yukl *et al.* (2013); Walumbwa *et al.* (2008) as well as Page and Wong (2000). Another item was sourced from Yukl *et al.* (2013) and Walumbwa *et al.* (2008). The items and their sources, as well as the operational definition of *Authentic leadership*, are tabled below.

TABLE 5.6: Operationalisation of Authentic leadership

Authentic Leadership	Items
Refers to a SME owner that demonstrates relational transparency and an internalised moral perspective.	8
1. As the owner of the business I am a person who says exactly what I mean (Walumbwa <i>et al.</i> 2008).	
2. As the owner of the business I am a person who rarely presents a false front to subordinates (Northouse 2012).	
3. As the owner of the business I am a person who is genuine and candid with subordinates (Page & Wong 2000).	
4. As the owner of the business I am a person who readily admits when I am wrong (Yukl <i>et al.</i> 2013; Walumbwa <i>et al.</i> 2008; Page & Wong 2000).	
5. As the owner of the business I am a person who demonstrates actions that are consistent with my beliefs (Yukl <i>et al.</i> 2013; Walumbwa <i>et al.</i> 2008).	
6. As the owner of the business I am a person who makes decisions based on my core beliefs (Walumbwa <i>et al.</i> 2008).	
7. As the owner of the business I am a person who does not allow group pressure to influence me (Northouse 2012).	
8. As the owner of the business I am a person who is guided by my morals (Northouse 2012).	

(c) Ethical leadership

For the purpose of this study an 11-item scale was developed to measure the level of *Ethical leadership* shown by owners of SMEs. The studies by Yukl *et al.* (2013) and Kalshoven *et al.* (2011(b)) served as the basis for developing this scale. In addition, several items were sourced from the studies of Liden *et al.* (2008) as well as Page and Wong (2000). One item was also sourced from a study conducted by Khuntia and Suar (2004). The items and their sources, as well as the operational definition of *Ethical leadership*, are tabled below.

TABLE 5.7: Operationalisation of Ethical leadership

Ethical Leadership	Items
Refers to the SME owner displaying integrity and ethical commitment.	11
1. As the owner of the business I am a person who does what I say (Kalshoven <i>et al.</i> 2011(b); Khuntia & Suar 2004).	
2. As the owner of the business I am a person who is honest and can be trusted to tell the truth (Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008).	
3. As the owner of the business I am a person who keeps my promises (Kalshoven <i>et al.</i> 2011(b)).	
4. As the owner of the business I am a person who can be relied on to honour my promises and commitments (Yukl <i>et al.</i> 2013; Kalshoven <i>et al.</i> 2011(b)).	
5. As the owner of the business I am a person who practises what I preach (Page & Wong 2000).	
6. As the owner of the business I am a person who shows a strong concern for ethical and moral values (Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008).	
7. As the owner of the business I am a person who insists on doing what is fair and ethical even when it is not easy (Yukl <i>et al.</i> 2013).	
8. As the owner of the business I am a person who regards honesty and integrity as important personal values (Yukl <i>et al.</i> 2013).	
9. As the owner of the business I am a person who opposes the use of unethical practices to achieve success (Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008; Page & Wong 2000).	
10. As the owner of the business I am a person who values ethical behaviour more than business success (Liden <i>et al.</i> 2008; Page & Wong 2000).	
11. As the owner of the business I am a person who is more concerned about doing what is right than with looking good (Page & Wong 2000).	

(d) Participative leadership

A combination of items from several studies (Kalshoven *et al.* 2011(b); Liden *et al.* 2008; Khuntia & Suar 2004; Page & Wong 2000; Fields & Herold 1997) has been used to develop a 10-item scale for measuring the *Participative leadership* displayed

by SME owners (see Table 5.8) in this study. The items and their sources, as well as the operational definition of *Participative leadership* are tabled below.

TABLE 5.8: Operationalisation of Participative leadership

Participative Leadership	Items
Refers to a SME owner displaying management participation and autonomy in his or her business.	10
<ol style="list-style-type: none"> 1. As the owner of the business I am a person who involves subordinates in planning the actions that the business will take (Kalshoven <i>et al.</i> 2011(b); Fields & Herold 1997). 2. As the owner of the business I am a person who involves subordinates in decision-making (Kalshoven <i>et al.</i> 2011(b); Khuntia & Suar 2004; Page & Wong 2000). 3. As the owner of the business I am a person who involves subordinates in setting goals (Khuntia & Suar 2004). 4. As the owner of the business I am a person who allows subordinates to influence critical decisions (Kalshoven <i>et al.</i> 2011(b)). 5. As the owner of the business I am a person who gives subordinates the discretion to make their own decisions (Fields & Herold 1997). 6. As the owner of the business I am a person who gives subordinates a sense of ownership of the projects they work on (Fields & Herold 1997). 7. As the owner of the business I am a person who is willing to share my power and authority with subordinates (Page & Wong 2000). 8. As the owner of the business I am a person who places the greatest amount of decision-making in the hands of those most affected by the decision (Liden <i>et al.</i> 2008; Page & Wong 2000). 9. As the owner of the business I am a person who encourages subordinates to handle important work decisions on their own (Liden <i>et al.</i> 2008). 10. As the owner of the business I am a person who delegates challenging responsibilities to subordinates (Kalshoven <i>et al.</i> 2011(b)). 	

(e) Job satisfaction

In order to measure the dependent variable *Job satisfaction*, a 4-item scale was developed (see Table 5.9).

TABLE 5.9: Operationalisation of Job satisfaction

Job Satisfaction	Items
Refers to the SME owner as experiencing his or her involvement in the business as satisfying, enjoyable, rewarding and fulfilling.	4
<ol style="list-style-type: none"> 1. I experience my involvement in my business as rewarding (Letele-Mataboee 2012; Eybers 2010; Farrington 2009). 2. I enjoy working in my business (Dua 1994). 3. I experience my involvement in my business as fulfilling (Eybers 2010; Farrington 2009). 4. I am satisfied with the way that people work together in my business (Letele-Mataboee 2012; Eybers 2010; Farrington 2009). 	

Where necessary, these items were rephrased to make them more suited to the present study. One item was sourced from Dua (1994). The remaining three items were all sourced from the studies of Letele-Mataboee (2012), Eybers (2010) and Farrington (2009).

(f) Perceived financial performance

A 6-item scale was developed to measure the dependent variable *Perceived financial performance*. The items were sourced from Matchaba-Hove (2013), Eybers (2010) as well as Farrington (2009). These items were rephrased to make them appropriate for this study and can be seen in Table 5.10.

TABLE 5.10: Operationalisation of Perceived financial performance

Perceived Financial Performance	Items
Refers to the SME as being profitable, successful and financially secure, as well as experiencing growth in profits, turnover and number of employees over the last two years.	6
1. My business has experienced growth in profits over the past two years (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).	
2. My business has experienced growth in turnover over the past two years. (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).	
3. My business is profitable (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).	
4. I regard my business as being financially successful. (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).	
5. The financial well-being of my business is secure. (Matchaba-Hove 2013; Eybers 2010; Farrington 2009).	
6. My business has experienced growth in employee numbers over the past two years (Matchaba-Hove 2013; Eybers 2010; Farrington (2009).	

5.3.2.8 Data collection and administration of the measuring instrument

As previously mentioned, the potential respondents were identified by means of convenience sampling. Potential respondents were approached by fieldworkers from NMMU during the months of September and October 2014 and asked to participate in the study. The respondents who agreed to participate received their questionnaires in person. Of the 500 questionnaires that were distributed, 300 were collected upon completion. The questionnaires were examined for missing data and 246 questionnaires were then captured onto an Excel sheet. The data was then cleaned in preparation for the statistical analysis. Cleaning of data involves

examining the data for errors and for missing values, which are then edited if necessary (Cooper & Schindler 2008:415). Editing enables the researcher to check for data that is accurate, consistent with intended questions, uniformly entered and complete, as well as simplifying coding and tabulation (Cooper & Schindler 2008:415).

5.3.2.9 Missing data

Upon receiving the completed questionnaires, the questionnaires were all examined for missing data. Several questionnaires had missing information. In the case of the demographic data that was missing, these fields were left blank and were treated as information which the respondents were not willing to provide. However, in the case of the missing responses to statements in Sections B and C of the questionnaire, if fewer than three values were missing for a particular variable (item), the mean-substitution approach was used to replace any missing values. Questionnaires that had more than three values missing were put aside and not used for the analysis.

According to Hair *et al.* (2003:230), the mean-substitution approach is applied by substituting the missing values for a variable with a mean value. The mean value is calculated from all the valid responses for the specific variable. Kunapuli (2008:91) adds that this approach is commonly used for determining missing values because of its simplicity. However, Hair *et al.* (2006:61) state that this approach is only usable for metrically measured variables that are also relatively low.

5.3.2.10 Method of data analysis

Data analysis involves the reduction of data to simple elements, and entails reducing the amount of data collected to ensure that the necessary interpretations pertaining to the data can be made (Hardy & Bryman 2009:4). The data was analysed using the statistical programme STATISTICA version 12.

The data analysis first included assessing the validity and reliability of the measuring instrument. Thereafter, the analysis included calculating descriptive statistics to summarise the data. Pearson's product moment correlations were used to assess

the associations between the variables under investigation. Lastly, regression analyses and analyses of variance (ANOVA) were conducted to establish the influence of independent variables on dependent variables.

(a) Validity of the measuring instrument

Cooper and Schindler (2008:289) and De Vaus (2002:53) define validity as a test of whether the measuring instrument measures what it is supposed to measure. Leedy (1997:32) adds that a validity test considers the soundness and effectiveness of a test. Validity is greatly concerned with whether the data collected depicts a true picture of what is being studied (Collis & Hussey 2003:186). Furthermore, Hair *et al.* (2003:174) state that validity can be easily measured by making a comparison between the observed measurements and the true measurements.

Greener (2008:37-38) and Morgan, Gliner and Harmon (2008:129-130) state that there are different kinds of validity which include external and internal validity. External validity refers to the ability to generalise research findings across different people, settings and times; internal validity refers to ability of a research instrument to measure what it is actually meant to measure (Cooper & Schindler 2008:289). Cooper and Schindler (2008:290) and Hair *et al.* (2003:174) add that for research purposes validity can be assessed in three ways, namely, criterion validity, content validity and construct validity, and these will be discussed in the following paragraphs.

According to Cooper and Schindler (2008:291) *criterion validity* is concerned with reflecting the success of measures that have been used for predicting outcomes or estimating the existence of a current behaviour. These authors further state that criterion measures are judged according to four qualities; relevance, freedom from bias, reliability, and availability. Hair *et al.* (2003:175) add that criterion validity identifies the correlations between measures, and that they are positive and significant.

Content validity is concerned with the assumptions of the measures and test construction, and not the assumptions made about test scores (Aamodt 2013:210).

According to Hair *et al.* (2003: 174) content validity involves not only systematic but also subjective assessment of a scale's ability to measure what it is supposed to measure. When evaluating the content validity of an instrument it is essential to first agree on the element which has a universal interest in the subject matter (Cooper & Schindler 2008:290). Hair *et al.* (2003:174) state that content validity is conducted by consulting a small sample of respondents that judge whether the items chosen to represent a construct, are suitable.

Construct validity measures the extent to which a measure verifies hypotheses based on theoretical concepts that have been set out (Zikmund 2003:303). According to Greener (2008:37) and Morgan *et al.* (2008:130), construct validity is the most complex measure of validity and is most likely to measure what the measuring instrument should measure. Construct validity is also defined as the degree to which a test measures the hypothetical construct it was designed to measure (Ary *et al.* 2009:291). Two types of construct validity exist, namely convergent and discriminant validity (also known as divergent validity) (Vogel, Maas & Gebauer 2011:341). Convergent validity attempts to prove that measures that should be related to one another are indeed related, whereas discriminant validity is more concerned with proving that measures that should not be related are not related in reality (Dmitrienko, Chuang-Stein & D'Agostino 2007:377; Trochim 2006). In this study, the researcher made use of construct validity to assess the validity of the measuring instrument.

The construct validity of the measuring instrument was assessed by means of undertaking a factor analysis. A factor analysis involves a process that identifies a smaller number of factors, if any, that are found common among a larger number of variables (Norris & Lecavalier 2010:8). Boyacioglu and Boyacioglu (2008:276) state that the general steps of a factor analysis can be summarised as follows:

- A correlation matrix is generated for all variables;
- Factors are then extracted from the correlation matrix based on the correlation coefficients of the variables; and
- Factors are then rotated to increase interpretability.

There are two reasons for undertaking a factor analysis to assess the validity of a measuring instrument. Firstly, a factor analysis is undertaken for the purpose of exploration and detection of a pattern of variables. This is done in order to ascertain new concepts and to reduce the data. This type of factor analysis is known as exploratory factor analysis (EFA). EFA is defined as a method that describes and summarises data into factors that are correlated (Tolmie, Muijs & McAteer 2011:290; Nugroho & Wihandoyo 2009:221; Cudeck & MacCallum 2007:58). An exploratory factor analysis can be used for various purposes which include the following (Nugroho & Wihandoyo 2009:221-222):

- Identifying the nature of the constructs underlying responses in a specific content area.
- Determining what sets of items “hang together” in a questionnaire.
- Demonstrating the dimensionality of a measurement scale.
- Determining what features are most important when classifying a group of items.
- Generating “factor scores” which represent values of the underlying constructs for use in other analyses.

The second reason is to test hypotheses regarding how variables are structured in terms of how many significant factors exist, otherwise known as confirmatory factor analysis (Miller & Salkind 2002:404-405). Confirmatory factor analysis confirms a specific pattern of relationships predicted on the basis of previous analytic or theoretical results (DeVellis 2012:151). Albright and Park (2009:3) add that a confirmatory factor analysis can either be theory- or hypothesis-driven, and allows researchers to:

- Specify the number of factors.
- Set the effect of a latent variable on observed variables to particular values.
- Test hypotheses about a particular factor structure.

The validity of the scales measuring the dependent variables *Job satisfaction* and *Perceived financial performance*, and the independent variables (leadership styles) were assessed by performing an exploratory factor analysis. Factor loadings greater than 0.5 were considered significant in this study, and will enable the researcher to judge the scales as providing evidence of validity for the measuring instrument (Hair *et al.* 2010:117; Mustakallio *et al.* 2002:212). In addition, only factors with three or more items loading onto them are considered for further analysis, and items that cross load onto more than one factor are eliminated.

(b) Reliability of the measuring instrument

The reliability of the measuring instrument was tested to ensure consistency during the measurement of a concept. This is the testing of the accuracy of data measurements. Landy and Conte (2007:73) refer to reliability as the consistency, dependability and duplicability of a measure. Bayens and Roberson (2011:85) state that the main purpose of reliability is to ensure that the same set of data will provide the same results no matter how many times it is measured. A measure is reliable when accurate and consistent results are provided over time.

According to Bryman and Bell (2007:162-164), reliability can be tested with the calculation and interpretation of Cronbach's alpha coefficients (CAs). Hartas (2010:74) states that reliability can also be tested by using the split-half reliability method. Both these methods are concerned with internal consistency, which is known to occur when items in a study are measuring the same construct (Lewis & Zibarras 2013:306). In this study, Cronbach's alpha coefficients were calculated to ensure the reliability of the scales measuring the various independent and dependent variables. According to Nunnally (1978) a Cronbach alpha coefficient greater than or equal to 0.7 is an acceptable score to consider a scale as being reliable. However, for the purpose of this study the researcher will follow Hair *et al.* (2006:137) who recommend 0.6 as an acceptable significance level.

(c) Analyses of empirical results

The primary data collected in this study was analysed using both descriptive and inferential statistics. The data collected was captured onto a Microsoft Excel spreadsheet. Descriptive statistics were calculated to summarise the data in an understandable manner. Descriptive statistics are generally divided into two sections namely, measures of central tendency and measures of dispersion. Measures of central tendency include the calculation of percentages, means, modes and medians, while measures of dispersion are associated with the calculation of variances and standard deviations (Keller & Warrack 2003:32). In this study both measures of central tendency and dispersion were calculated. Descriptive statistics were used to determine the levels of *Servant*, *Authentic*, *Ethical* and *Participative* leadership displayed by SME owners in the Eastern Cape.

In addition, inferential statistics were calculated; these included Pearson's product moment correlation, and regression analyses. Pearson's product moment correlations were calculated to determine whether associations exist between the various factors under investigation as well as the strength and direction of these associations (Jackson 2011:159; Wilson 2010:243). Pearson's product moment correlation is also known as the sample correlation coefficient (Pestman & Alberink 1998:146). The Pearson's product moment correlation coefficient, referred to as r , indicates the relationship between two variables and varies from -1 to +1 (Cooper & Schindler 2011:493; Gravette & Wallnau 2011:470; Collis & Hussey 2003:236,238). A positive value for r implies a positive association and the negative value of r will imply a negative relationship (SPSS Tutorial 2011; Greener 2008:62). Jackson (2011:159) adds that when r is positive, the variables under investigation will increase and decrease simultaneously. According to Gravetter and Wallnau (2011:469) a Pearson's product moment correlation coefficient can be interpreted as follows:

- -1.00 reflects a strong negative correlation;
- -0.40 reflects a relatively weak negative correlation;
- 0.00 reflects no linear trend;

- +0.90 reflects a strong positive correlation; and
- +1.00 reflects a perfect correlation.

According to Vanpool and Leonard (2011:48), correlations are known for their similarities with regressions; a regression analysis tests the influence of several independent variables on a dependent variable, whereas correlations test the associations between variables.

Simple regression analysis is a statistical method used to identify the relationship between one independent variable and a single dependent variable (Hardy & Bryman 2009:166). For the purposes of this study single regression analyses were conducted to determine the influence of *Job satisfaction* on *Perceived financial performance* as well as the influence of *Perceived financial performance* on *Job satisfaction*. Freund *et al.* (2010:354) state that a correlation coefficient is used as a tool to measure the strength of a linear relationship using two variables.

Multiple regression analysis is a statistical method implemented to identify whether relationships exist between several independent variables and a single dependent variable (Freund *et al.* 2010:378; Chatterjee & Hadi 2006:2). In the present study multiple regression analyses were conducted to establish the influence of *Servant, Authentic, Ethical* and *Participative* leadership on two dependent variables, namely the *Perceived financial performance* of the business and the *Job satisfaction* of the owner. Two regression analyses were undertaken. Multiple regression analysis is important when calculating the coefficient of determination (R^2), which describes the proportion of variation two variables have in common (Jackson 2011:161; Wheater & Cook 2000:97). Jackson (2011:161) adds that the coefficient of determination (R^2) is calculated by squaring the correlation coefficient (r). Furthermore, a multiple regression analysis calculates a beta statistic referred to as β . According to Rubin and Babbie (2011:559), the larger the beta weight, the greater the influence a variable has in explaining the variation in the dependent variable, given that the other independent variables are controlled.

The sample size also affects the generalisability of the ratio results of observations to independent variables (Hair *et al.* 2014:171). These authors add that the general rule regarding the sample size is that the ratio should never be below 5:1, in other words 15-20 observations are the desired level between independent variables. This technique allows for the strongest relationships to be chosen within the data set, therefore resulting in a greater tendency that is sample-specific (Hair *et al.* 2014:171). In the present study, the independent variables are multiplied by 20 (4x20) which is equal to 80 observations, which is far more than what the general rule required.

Although the focus of the study is on providing the researcher with insights into the leadership styles adopted by SME owners and the influence thereof on business and personal outcomes, the influence of several demographic variables on the leadership styles displayed will also be investigated. An analysis of variance (ANOVA) was conducted to achieve this. According to Keller and Warrack (2003:472), an ANOVA test is a statistical test that determines whether a difference exists between two or more population means. In order to identify whether differences exist, the researcher measured the relationship between the demographic variables, as independent variables, on several dependent variables, namely the *Servant*, *Authentic*, *Ethical* and *Participative* leadership styles. The *post-hoc* Sheffé test was conducted to identify where differences occur when using an independent variable with more than two categories. According to Gravetter and Wallnau (2011:396-397), post-hoc tests are an additional hypothesis test conducted after the ANOVA test to determine whether the exact mean differences are significant or not.

5.4 ETHICAL CONSIDERATION

Kakabadse, Kakabadse and Kouzmin (2002:108) define ethics as a system of moral values, rules or standards that govern the conduct of an individual both personally and with regard to their business activities. According to Bless and Higson Smith (2000), ethics in research are evaluated when collecting data and the following rules are important to remember: voluntary participation, the right to privacy, freedom, anonymity and finally confidentiality. In this study human participation was necessary, therefore several ethical considerations were taken into account in the

preparation and administration of the measuring instrument, as well as the storing of the data collected, each of which is described below.

Voluntary participation involves allowing respondents to decide whether they wish participate in the study of their own accord, after providing them with all relevant information and all potential risks (Rossi, Hallett, Rossini, Pascual-Leone, & The Safety of TMS Consensus Group 2009:34). In this study, relevant information was given by telling the respondents about the nature of the study and the type of questions to be asked in the questionnaire. In addition respondents were informed that they were free to decline from participating in this study and could withdraw at any stage in the process of completing the questionnaire.

Informed consent refers to making sure that all respondents fully understand what is being proposed or required of them, to avoid any misunderstanding, and to allow the researcher to use any information acquired for his or her research (Fouka & Mantzourou 2011:11). Burns and Grove (2001:196) explain that respondents have the power to choose their responses freely. In this study, the respondents were briefed on the objectives and purpose of the research on the cover page of the questionnaire. Respondents were made aware what the information will be used for, and they would then give consent to the researcher to have their information used for further analysis.

According to Bell and Bryman (2007:69), *anonymity* refers to protecting the identity of respondents (either a person or a business) by not mentioning their names or any other information that could lead to the respondents being identified. Neither the names of the respondents or any other revealing details were reported on in the study. This was done to ensure that no respondent's identity was disclosed. All data collected was password protected.

Bell and Bryman (2007:69) also state that *confidentiality* involves protecting the information that is received from the respondents from third-party individuals. In this study this was done by ensuring that all questionnaires as well as the data was guarded against any unauthorised access by a password protecting the data, and the

fact that the research data was only made available to the researcher and the supervisor.

Privacy is involved with affirming the right of privacy of a respondent (Fouka & Mantzourou 2011:6). According to Kelman (1977), the invasion of respondents' privacy occurs in situations when a respondent's private information such as their beliefs, attitudes, opinions and records, are made available to others without getting the respondent's consent or knowledge thereof. The researcher will maintain privacy in all matters concerning the respondents' feedback. Raw data will be protected from unauthorised persons and will not be shared, and no names will be linked to the data. Data will also be password-protected at all times.

In addition to the considerations outlined above, the study was subjected to the research ethics approval procedures at the Nelson Mandela Metropolitan University, and it was concluded that no potential harm to the respondents existed (see Annexure B).

5.5 SUMMARY

In this chapter, the research design and methodology adopted for the study were discussed. The differences between qualitative and quantitative research methods were described and the research paradigm adopted for this study motivated. Thereafter the population, the sampling and the sampling methods as well as the sample size used in this study were described. The method of data collection was then discussed. Thereafter, the development of the measuring instrument and qualifying questions were explained. In addition, the factors were operationalised by means of clear definitions.

The process of administering the questionnaires as well as the method used to deal with missing data was explained. The methods used to assess the validity and reliability of the measuring instrument were also described and discussed. An exploratory factor analysis was undertaken to assess the validity of the scales measuring the independent and dependent variables respectively, and Cronbach's alpha coefficients were calculated to assess the reliability of the measuring scales.

The statistical techniques used to analyse the empirical data were also described. These included descriptive statistics, Pearson's product moment correlations, regression analyses and ANOVAs.

Chapter Six will present and discuss the results of these various statistical analyses.

CHAPTER SIX

EMPIRICAL RESULTS

6.1 INTRODUCTION

In Chapter Five the research design and methodology adopted in this study were discussed. The present chapter focuses on the results of the empirical study, which aimed at assessing the level of *Servant, Authentic, Ethical and Participative leadership* exhibited by SMEs' owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. First, the demographic information sourced from the respondents (Section A) participating in this study will be presented. This information relates to both the respondent as an individual and his or her business. It includes data on the gender, age, ethnicity and education of the business owner. In terms of the information relating to the business, the following will be reported: whether the business is a family business and if so, which generation of the family started the business; how long the current owner has held the ownership of the business; the number of employees the business currently employs; and in which industry the business operates.

Thereafter, the validity and reliability assessments of the measuring instrument are discussed by reporting on the results of the exploratory factor analysis and the calculation of Cronbach's alpha coefficients. As a result of the validity and reliability assessment, the theoretical model is revised and new hypotheses formulated. Descriptive statistics that summarise the sample data are given in the form of means, standard deviations and frequency distributions. With regard to inferential statistics, Pearson's product moment correlations are tabled to report on the relationships between the various factors under investigation in this study.

The influence of the dependent variable (*Job satisfaction*) on the dependent variable (*Perceived financial performance*) and vice versa, are also discussed by showing the results of the simple regression analysis. In addition, the influences of the independent variables (*Servant, Ethical and Participative leadership*) on the

dependent variables (*Job satisfaction* and *Perceived financial performance*) are discussed by providing the results of the multiple regression analysis (MRA). Finally, to determine whether relationships exist between the demographic information sourced and the leadership styles investigated in this study, the results of the analysis of variance (ANOVA) tests are reported.

6.2 DEMOGRAPHIC INFORMATION

Section A of the questionnaire contained general information relating to both the respondent and the respondent in the context of the business. Table 6.1 summarises the biographical data collected about the business owners as individuals, while Table 6.2 summarises the information collected about the businesses. Both tables 6.1 and 6.2 will be discussed in the following paragraphs.

As seen from Table 6.1, the majority of the respondents were males (73%) while females only accounted for 27 percent of the sample. Most of the respondents were between the ages of 40 and 49 years (35.37%), followed by respondents between 50 and 59 years of age (25.61%). In terms of the ethnicity of the respondents, the majority were White (60.98%), followed by Black (19.51%), Asian (10.98%) and Coloured (4.88%).

The respondents were also asked to indicate whether they had obtained a post-matriculation qualification or not. The majority (67.07%) of respondents indicated that they had tertiary qualifications, and only 31.30 percent did not have them.

TABLE 6.1: Demographic information pertaining to the respondents

Gender	Frequency	Percentage
Male	180	73
Female	66	27
Total	246	100.00
Age	Frequency	Percentage
>20-29 years	24	9.76
30-39 years	44	17.89
40-49 years	87	35.37
50-59 years	63	25.61
60 > years	27	10.98
Missing	1	0.41
Total	246	100.00
Ethnicity	Frequency	Percentage
Asian	27	10.98
Black	48	19.51
Coloured	12	4.88
White	150	60.98
Missing	9	3.66
Total	246	100.00
Tertiary Qualification	Frequency	Percentage
Yes	165	67.07
No	77	31.30
Missing	4	1.63
Total	246	100

(Source: Researcher's own construction)

In terms of the profile of the businesses in this study (see Table 6.2), the majority were family-owned (61.79%), and most were started by the first generation of the family (43.09%). More than a third of the respondents (33.74%) had owned their businesses for between 1 and 6 years, while more than a quarter indicated that they had owned their businesses for between 6 and 10 (27.23%) years. The rest of the respondents had owned their business for more than 11 years.

The respondents were also requested to indicate the number of employees in their businesses. Most respondents indicated that they had between 6 and 10 (45.53%) employees, and only 3.25 percent of the respondents employed more than 50 employees. The respondents were also asked in which industry their businesses

operated. Most of the businesses operated in the service industry (38.62%), followed by the retail and wholesale industry (31.30%). A fifth of the businesses (20.33%) operated in an industry other than those listed, and only 9.76 percent were part of the manufacturing industry.

TABLE 6.2: Demographic information pertaining to the business

Family Business	Frequency	Percentage
Yes	152	61.79
No	94	38.21
Total	246	100
Generation	Frequency	Percentage
First Generation	106	43.09
Second Generation	27	10.98
Third Generation	19	7.72
Non-family Businesses	94	38.21
Total	246	100
Tenure (Length of Ownership)	Frequency	Percentage
1-5 years	83	33.74
6-10 years	67	27.23
11-15 years	39	15.85
20 + years	53	21.54
Missing	4	1.63
Total	246	100
Number of Employees	Frequency	Percentage
3-5	42	17.07
6-10	112	45.53
11-19	49	19.92
20-50	34	13.82
50 +	8	3.25
Missing	1	0.41
Total	246	100
Nature of the business	Frequency	Percentage
Retailer and/or Wholesaler	77	31.30
Manufacturer	24	9.76
Service Industry	95	38.62
Other	50	20.33
Total	246	100

(Source: Researcher's own construction)

6.3 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

A factor analysis was conducted to assess the validity of the measuring instrument used for this study. Gravetter and Wallnau (2011:475) as well as Cooper and Schindler (2008:289) define validity as the extent to which a measuring instrument measures what it is supposed to. Similarly, Leedy (1997:32) defines validity as examining whether the items in a measuring instrument capture what they were intended to measure and if so, whether the envisioned results are reached. To assess the validity of the scales measuring the dependent variables (*Job satisfaction* and *Perceived financial performance*) and independent variables (leadership styles), an exploratory factor analysis (EFA) was utilised. An EFA was performed to detect whether a pattern exists among the items used in this study.

For this study, factor loadings of greater than 0.5 were considered as practically significant. This value is based on the cut-off suggested by Hair *et al.* (2010:117), as well as Mustakallio *et al.* (2002:212). If two or less items load onto one factor, they were not considered for further analysis. In addition, items that loaded onto more than one factor were eliminated.

The reliability of the measuring scales was tested by calculating and interpreting Cronbach's alpha coefficients for the dependent and independent variables. Landy and Conte (2007:73) define reliability as the consistency, dependability, and the ability to reproduce the same results using a certain measure. Cronbach's alpha coefficient is a measure of internal consistency. A Cronbach's alpha coefficient greater than or equal to 0.7 is the generally accepted score to consider a scale as being reliable (Nunnally 1978; Slaughter 2009:114). This criterion was used in this study.

6.4 RESULTS OF THE VALIDITY AND RELIABILITY ASSESSMENTS

This section will discuss the results of the validity and reliability assessments of the measuring instrument (questionnaire) used for this study for both the dependent and independent variables. As mentioned above, an exploratory factor analysis was undertaken to establish the validity of the scales measuring the independent and

dependent variables. Principal component analysis was specified as the extraction method, and Varimax raw as the rotation method. The resulting factor structure is presented in Table 6.3. Six factors were extracted explaining 38.88 percent of the variance in the data. The fifth factor extracted had only one item loading onto it and was therefore not included in the statistical analysis. The five factors extracted corresponded with the theoretical dimensions of *Participative leadership*, *Perceived financial performance*, *Ethical leadership*, *Servant leadership* and *Job satisfaction*. The items measuring *Authentic leadership* did not load as expected, and none of the factors extracted corresponded with this style of leadership. *Authentic leadership* was thus no longer subjected to empirical testing in this study.

TABLE 6.3: Factor Structure – Dependent and independent variables

Items	PARTICI	FINPERF	ETHICAL	SERVANT	N/A	SATIS
PART1	0.6966	0.0723	-0.0458	0.2112	-0.1335	0.0128
AUTO5	0.6722	0.0767	0.1169	0.0716	-0.0199	-0.0054
AUTO1	0.6662	0.1074	0.0429	0.0577	0.1978	0.1463
PART2	0.6616	-0.0193	-0.0504	0.3259	0.0697	0.0570
HUM4	0.6038	0.0174	0.1332	0.0620	0.1956	0.1486
PART3	0.5816	0.0728	0.0801	0.1540	-0.3855	0.1289
PART4	0.5493	0.1278	-0.0368	0.2739	0.2400	-0.0715
AUTO2	0.5371	0.0887	0.1114	0.1745	0.2670	0.0476
AUTO3	0.5068	0.1152	-0.0548	0.3201	0.0760	0.1128
FIN2	0.1078	0.8552	0.0102	-0.0107	0.0727	0.0181
FIN3	-0.0335	0.8499	0.1013	0.1034	0.0468	0.1095
FIN1	0.1043	0.8444	0.0819	-0.0256	0.0056	0.1595
FIN4	0.0007	0.8114	0.1038	0.1610	0.0069	0.1015
FIN5	0.0027	0.6620	0.1122	0.1295	-0.1080	0.2779
FIN6	0.1183	0.6055	0.0348	0.0580	-0.1753	0.0240
ETHCOM1	0.1110	0.0935	0.7005	0.0701	0.1569	-0.0430
INTEG3	-0.0942	0.0963	0.6610	0.1786	-0.0332	0.2313
RELA1	-0.0175	0.1353	0.6323	0.2589	-0.0673	0.2082
ETHCOM3	0.2138	0.0397	0.6227	-0.1082	0.0096	-0.1077
INTEG1	-0.0469	0.2274	0.6156	0.1859	0.0072	0.0696
RELA3	0.1496	0.0505	0.5725	0.2668	0.1089	-0.1212
INTEG2	-0.0174	0.0216	0.5089	0.0812	0.1312	0.2953
CARE4	0.0409	0.0140	0.1111	0.8390	0.0074	0.0675
CARE2	0.1070	0.0918	0.0628	0.7732	0.0783	0.0596

**TABLE 6.3: Factor Structure – Dependent and independent variables
(CONTINUED)**

CARE1	0.1083	0.0026	0.2634	0.7094	0.0981	0.0572
SERV5	0.3038	0.1047	0.1459	0.6399	0.0508	0.1809
SERV3	0.1328	0.2309	0.0252	0.6244	0.1639	0.1764
SERV4	0.3577	0.1992	0.1772	0.5836	-0.1442	0.0028
SERV1	0.3187	0.0516	0.1395	0.5450	0.0850	0.1564
CARE3	0.1988	0.0958	0.1272	0.5297	0.0950	-0.0101
ETHCOM4	0.0575	0.0256	0.1396	0.0840	0.6396	-0.0334
SATIS3	0.1071	0.3215	0.0773	0.0778	0.0791	0.7546
SATIS2	0.1152	0.1882	0.1316	0.1778	-0.1359	0.7050
SATIS1	0.0653	0.4108	0.0325	0.0713	0.1012	0.6604
Expl. Var.	4.9902	4.6054	5.1631	5.4854	2.4542	2.8384
Prp. Total	0.0942	0.0869	0.0974	0.1035	0.0463	0.0536

(Source: Researcher's own construction)

Key: PARTICI = Participative leadership; FINPERF = Perceived financial performance; ETHICAL = Ethical leadership; SERVANT = Servant leadership; SATIS = Job satisfaction.

6.4.1 PARTICIPATIVE LEADERSHIP

The first factor extracted by the EFA corresponded with the theoretical dimension of *Participative leadership*. Eight of the original ten items intended to measure *Participative leadership* loaded together as expected. The item HUM4, which was originally intended to measure *Servant leadership*, also loaded onto this factor (see Table 6.4). Factor loadings of between 0.697 and 0.507 were reported for this factor. The items measuring *Participative leadership* explained 9.42 percent of the variance in the data. The evidence was sufficient to prove that this factor was valid. The Cronbach's alpha coefficient returned for *Participative leadership* was 0.880, providing evidence of a reliable scale. Given the results of the EFA, the operationalisation of *Participative leadership* had to be adapted slightly. For the purpose of this study a business owner who displays *Participative leadership* involves subordinates in planning, goal-setting and decision-making, is willing to share power, learns from subordinates, and gives them a sense of ownership.

TABLE 6.4: Validity and Reliability of Participative leadership

% of Variance: 9.42		Cronbach's alpha: 0.841		
Item	The owner is someone who.....	Factor loading	Item-total correl.	CA after deletion
PART1	Involves subordinates in planning the actions that the business will take.	0.697	0.631	0.816
PART3	Involves subordinates in settling goals.	0.582	0.476	0.833
PART4	Allows subordinates to influence critical decisions.	0.549	0.521	0.829
PART2	Involves subordinates in decision-making.	0.662	0.657	0.814
AUTO3	Is willing to share his/her/my power and authority with subordinates.	0.507	0.536	0.827
AUTO2	Gives subordinates a sense of ownership of the projects they work on.	0.537	0.533	0.827
AUTO1	Gives subordinates the discretion to make their own decisions.	0.666	0.569	0.823
AUTO5	Encourages subordinates to handle important work decisions on their own.	0.672	0.556	0.825
HUM4	Learns from subordinates.	0.604	0.510	0.829

(Source: Researcher's own construction)

6.4.2 PERCEIVED FINANCIAL PERFORMANCE

The second factor extracted corresponded with the theoretical dimension of *Perceived financial performance*. All six of the items intended to measure *Perceived financial performance* loaded together as expected. Factor loadings of between 0.855 and 0.606 were reported for this factor (see Table 6.5). The items used in this scale explained 8.69 percent of the variance in the data. This evidence was sufficient to prove that this factor was a valid measure of *Perceived financial performance*. The Cronbach's alpha coefficient returned for *Perceived financial performance* was 0.880, providing sufficient evidence that this scale was reliable. The operationalisation of *Perceived financial performance* remained unchanged, and for the purpose of this study refers to the business showing growth in employee numbers, profits and turnover, being profitable, financially successful and secure, as well as achieving its planned financial goals and growth rate.

TABLE 6.5: Validity and Reliability of Perceived financial performance

% of Variance: 8.69		Cronbach's alpha: 0.880		
Item		Factor loading	Item-total correl.	CA after deletion
FIN3	My business is profitable.	0.850	0.797	0.846
FIN4	I regard my business as being financially successful.	0.811	0.738	0.854
FIN2	My business has experienced growth in turnover over the past two years.	0.855	0.762	0.846
FIN1	My business has experienced growth in profits over the past two years.	0.844	0.784	0.842
FIN5	The financial well-being of my business is secure.	0.662	0.618	0.870
FIN6	My business has experienced growth in employee numbers over the past two years.	0.606	0.515	0.895

(Source: Researcher's own construction)

6.4.3 ETHICAL LEADERSHIP

The third factor extracted from the EFA corresponded with the theoretical dimension of *Ethical leadership*. Eleven items were intended to measure *Ethical leadership*, but only five of these items loaded together, and Table 6.6 presents the results.

TABLE 6.6: Validity and Reliability of Ethical leadership

% of Variance: 9.74		Cronbach's alpha: 0.799		
Item	The owner is someone who.....	Factor loading	Item-total correl.	CA after deletion
INTEG2	Is honest and can be trusted to tell the truth.	0.509	0.445	0.789
INTEG1	Does what he/she/I says.	0.616	0.553	0.770
INTEG3	Keeps his/her/my promises.	0.661	0.611	0.758
RELA1	Says exactly what he/she/I mean	0.632	0.596	0.761
RELA3	Is genuine and candid with subordinates.	0.573	0.506	0.780
ETHCOM3	Regards honesty and integrity as important personal values.	0.623	0.424	0.791
ETHCOM1	Shows a strong concern for ethical and moral values.	0.700	0.595	0.762

(Source: Researcher's own construction)

Two items (RELA1 and RELA3) which were originally intended to measure *Authentic leadership* also loaded onto *Ethical leadership*. As a result the definition of *Ethical leadership* for this research changed. Factor loadings of between 0.700 and 0.509 were reported for this factor in Table 6.6. *Ethical leadership* explained 9.74 percent of the variance in the data and sufficient evidence of discriminate validity for this construct was thus provided. The Cronbach's alpha coefficient returned for *Ethical leadership* was 0.799, therefore providing evidence that the scale measuring this factor was reliable. For this study *Ethical leadership* refers to a business owner who is trustworthy, honest, genuine and candid, and who has a strong concern for ethical and moral values.

6.4.4 SERVANT LEADERSHIP

The fourth factor was identified as *Servant leadership*. Eight of the original fifteen items intended to measure *Servant leadership* loaded together (see Table 6.7).

TABLE 6.7: Validity and Reliability of Servant leadership

% of Variance: 10.35		Cronbach's alpha: 0.866		
Item	The owner is someone who.....	Factor loading	Item-total correl.	CA after deletion
CARE2	Can be approached to assist with personal problems of subordinates.	0.773	0.672	0.844
SERV4	Does everything he/she/I can to serve subordinates.	0.584	0.603	0.853
CARE4	Pays attention to the personal needs of subordinates.	0.839	0.708	0.840
CARE1	Genuinely cares for the welfare of his/her/my subordinates.	0.709	0.649	0.849
CARE3	Takes time to talk to subordinates on a personal level.	0.530	0.489	0.862
SERV1	Is willing to make personal sacrifices to serve subordinates.	0.545	0.592	0.853
SERV5	Goes out of his/her/my way to help subordinates.	0.640	0.691	0.842
SERV3	Puts the interests of subordinates ahead of his/her/my own.	0.624	0.598	0.853

(Source: Researcher's own construction)

Factor loadings of between 0.839 and 0.530 were reported for this factor. *Servant leadership* explained 10.35 percent of the variance found in the data and together

with the factor loadings provided sufficient evidence that the scale measuring this factor was valid. The Cronbach's alpha coefficient for *Servant leadership* was 0.866, suggesting that the scale measuring *Servant leadership* was reliable. The items (HUM1, HUM2, HUM3, HUM4, HUM5, HUM6) which were intended to measure the humility dimension of *Servant leadership* did not load onto this factor. As a result the operationalisation of *Servant leadership* was changed. In this study *Servant leadership* refers to the business owner being approachable, making personal sacrifices and going out of his way to serve and help subordinates, caring for their welfare and paying attention to their personal needs.

6.4.5 JOB SATISFACTION

As mentioned above, the fifth factor extracted had only one item loading onto it and was thus not considered for further analysis. The sixth factor however corresponded with the theoretical dimension of *Job satisfaction* and this was presented in Table 6.8.

TABLE 6.8: Validity and Reliability of Job satisfaction

% of Variance: 5.36		Cronbach's alpha: 0.821		
Item		Factor loading	Item-total correl.	CA after deletion
SATIS2	I enjoy working in my business.	0.705	0.620	0.807
SATIS3	I experience my involvement in my business as fulfilling.	0.755	0.708	0.719
SATIS1	I experience my involvement in the business as rewarding.	0.660	0.705	0.723

(Source: Researcher's own construction)

Of the four items originally intended to measure *Job satisfaction*, only three items loaded together (SATIS2, SATIS3, SATIS1) as intended. The item intended to measure whether the business owner was satisfied with the way the people worked together in the business (SATIS4) did not load. In Table 6.8, factor loading of between 0.755 and 0.660 was reported for this factor. The items used to measure *Job satisfaction* explained 5.36 percent of the variance found in the data. Therefore, sufficient evidence existed to indicate that the scale measuring this factor was valid. The *Job satisfaction* scale had a Cronbach's alpha coefficient of 0.821 providing

evidence that the scale used to measure this factor was reliable. Given that all the items used to measure Job satisfaction did not load together as expected, the operationalisation of this factor had to be changed slightly. *Job satisfaction* for this study refers to the business owner experiencing his/her involvement in the business as rewarding, enjoyable and fulfilling.

6.5 REVISED THEORETICAL MODEL AND HYPOTHESES

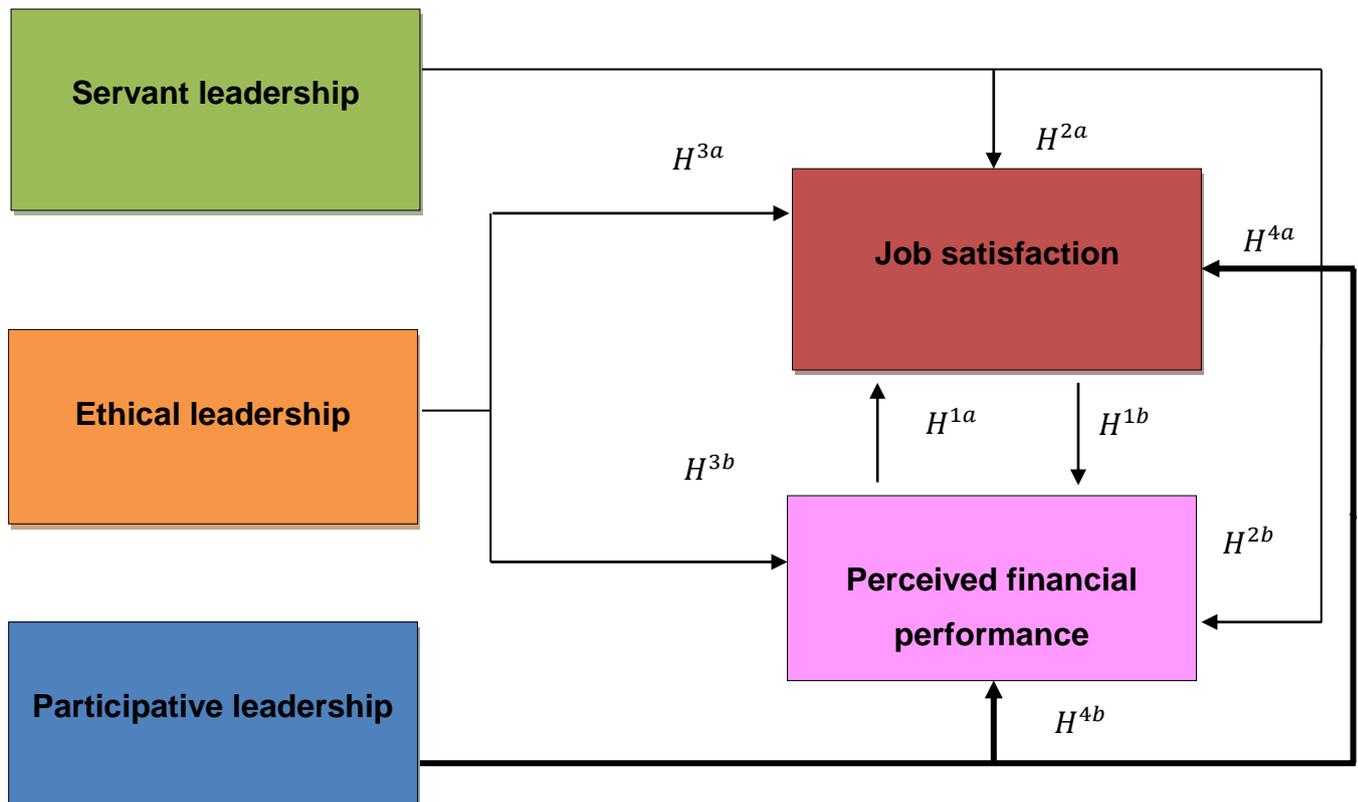
As a result of the validity and reliability assessments of the measuring instrument, the original theoretical model depicted in Chapter Four of this study had to be revised (see Figure 6.9) and the hypotheses renumbered. In addition the operational definitions were reformulated and are summarised in Table 6.9.

TABLE 6.9: Reformulated operational definitions

Factor	Operationalisation
Participative leadership	Refers to a business owner who involves subordinates in planning goal-setting, and decision-making, is willing to share power, learn from subordinates and give them a sense of ownership.
Perceived financial performance	Refers to the business showing growth in employee numbers, profits and turnover, being profitable, financially successful and secure, as well as achieving its planned financial goals and growth rate.
Ethical leadership	Refers to a business owner who is trustworthy, honest, genuine and candid, and who has a strong concern for ethical and moral values.
Servant leadership	Refers to a business owner being approachable, making personal sacrifices and going out of his way to serve and help subordinates, caring for their welfare and paying attention to their personal needs.
Job satisfaction	Refers to a business owner experiencing his/her involvement in the business as rewarding, enjoyable and fulfilling.

(Source: Researcher's own construction)

FIGURE 6.1: Revised Theoretical Model: Leadership styles influencing the personal and business outcomes of small and medium-sized businesses



(Source: Researcher's own construction)

6.5.1 SUMMARY OF REVISED HYPOTHESES TO BE TESTED

Given the revised theoretical model presented in Figure 6.1, the hypotheses to be tested in this study were renumbered as follows:

- H^{1a} : There is a positive relationship between the *Perceived financial performance* of SMEs and the *Job satisfaction* of their owners.
- H^{1b} : There is a positive relationship between the *Job satisfaction* of SME owners and the *Perceived financial performance* of their businesses.
- H^{2a} : There is a positive relationship between the level of *Servant leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{2b} : There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

- H^{3a}*: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{3b}*: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.
- H^{4a}*: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and their level of *Job satisfaction*.
- H^{4b}*: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the *Perceived financial performance* of their businesses.

6.6 EMPIRICAL RESULTS

The following sections present the results of the various statistical analyses conducted in this study. Descriptive statistics were calculated, and the mean scores, standard deviations and frequency distributions were reported for the dependent and independent variables. The Pearson's product moment correlation, regression analyses and analysis of variance (ANOVA) results will be presented.

6.6.1 DESCRIPTIVE STATISTICS

Descriptive statistics relating to the various factors were calculated and these include the means, standard deviations and frequency distributions. For discussion purposes, response categories on the 5-point Likert scale for the independent and dependent variables were categorised as follows: responses from 1 to <2.333 were categorised as disagree; 2.333 to <3.667 categorised as neutral; and 3.667 to <=5.000 categorised as agree using an ordinal scale. Table 6.10 contains the descriptive statistics relating to the data collected in Section B and Section C of the questionnaire.

TABLE 6.10: Descriptive statistics (N=246)

Factor	Mean	Std. Dev	Disagree %	Neutral %	Agree %
Participative leadership	3.760	0.611	1.626	32.927	65.447
Perceived financial perform.	3.962	0.774	2.846	21.545	75.610
Ethical leadership	4.548	0.403	0.000	2.846	97.154
Servant leadership	3.991	0.585	0.407	28.049	71.545
Job satisfaction	4.508	0.521	0.000	2.846	97.154

(Source: Researcher's own construction)

The independent variable *Participative leadership* returned the lowest mean score (\bar{x} =3.760), with most of the respondents (65.45%) agreeing with the statements used to measure this factor. A third of respondents (32.93%) were neutral with regard to the statements that measured *Participative leadership*.

A large majority of the respondents (97.15%) agreed with the statements measuring *Ethical leadership*. Of these respondents, 74.80 percent agreed and 24 percent strongly agreed with the statements measuring *Ethical leadership*. Table 6.10 shows that compared to the other styles of leadership, *Ethical leadership* returned the highest mean score of 4.548 with a standard deviation of 0.403.

Servant leadership returned a mean score of 3.991, with 71.55 percent of the respondents agreeing that they displayed this leadership style. However, 28.05 percent of the respondents were neutral about the statements measuring *Servant leadership*, showing some level of uncertainty from the respondents.

The dependent variables *Job satisfaction* and *Perceived financial performance* returned mean scores of 4.508 and 3.962 respectively. *Job satisfaction* returned a higher mean score than *Perceived financial performance*. Table 6.10 also shows that *Perceived financial performance* (0.774) reported a higher standard of deviation than *Job satisfaction* (0.521). A large majority of the respondents (97.15%) agreed with the statements measuring *Job satisfaction*. None of the respondent disagreed with these statements. Slightly more than three quarters of the respondents (75.610%) agreed with the statements measuring *Perceived financial performance* and 21.6 percent were neutral regarding these statements. In addition to these findings, only

2.85 percent of the respondents indicated that their businesses did not perform financially.

6.6.2 PEARSON'S PRODUCT MOMENT CORRELATIONS

To establish the correlation between the various factors under investigation, a Pearson's product moment correlation was undertaken. The results thereof are presented in Table 6.11.

TABLE 6.11: Relationships between dependent and independent factors

Factor	1	2	3	4	5
1 Servant leadership	1.000000	-	-	-	-
2 Ethical leadership	0.410583*	1.000000	-	-	-
3 Part. leadership	0.532029*	0.207674*	1.000000	-	-
4 Job satisfaction	0.321807*	0.299397*	0.246119*	1.000000	-
5 Perceived financial perform.	0.265189*	0.240421*	0.203775*	0.457994*	1.000000

(Source: Researcher's own construction) (* $p < 0.05$)

From Table 6.11 it can be seen that all the independent variables (*Servant leadership*, *Ethical leadership* and *Participative leadership*) reported significant ($p < 0.05$) and positive relationships with each another. The r -value (0.410583) reported for the association between *Ethical leadership* and *Servant leadership* reflected a moderate positive correlation (Gravetter & Wallnau 2011:469). Furthermore, the r -value (0.207674) returned for the relationship between *Ethical leadership* and *Participative leadership* showed that little or no association existed between these two factors (Gravetter & Wallnau 2011:469). The r -value reported between *Servant leadership* and *Participative leadership* was 0.532029, which reflects a strong positive association (Gravetter & Wallnau 2011:469) between these factors.

The correlation between the dependent variables *Perceived financial performance* and *Job satisfaction* was also significant ($p < 0.05$) and an r -value of 0.457994 was reported. This value reflects a moderate positive association between the variables.

The dependent variable *Job satisfaction* reported significantly positive associations ($p < 0.05$) with all the independent variables, namely *Servant leadership* ($r\text{-value} = 0.321807$), *Ethical leadership* ($r\text{-value} = 0.299397$) and *Participative leadership* ($r\text{-value} = 0.246119$). These relationships were however found to be of little or no association (Gravetter & Wallnau 2011:469). The dependent variable *Perceived financial performance* also reported positive associations with all the independent variables (*Servant leadership*, $r\text{-value} = 0.265189$; *Ethical leadership*, $r\text{-value} = 0.240421$; *Participative leadership*, $r\text{-value} = 0.203775$) and similarly these relationships were found to be of little association (Gravetter & Wallnau 2011:469).

6.6.3 REGRESSION ANALYSIS

Four regression analyses were undertaken. Firstly, two simple regression analyses were undertaken to assess the relationship between the dependent variables *Perceived financial performance* and *Job satisfaction* and vice-versa. Secondly two multiple regression analyses (MRA) were undertaken. The purpose of these analyses was firstly, to investigate the influence of the various independent variables (*Servant leadership*, *Ethical leadership* and *Participative leadership*) on the levels of owner *Job satisfaction*, and secondly to investigate the influence of these leadership styles on the *Perceived financial performance* of the business.

As such the researcher conducted four separate regression models, the results of which are tabled and discussed in the paragraphs that follow.

6.6.3.1 Results of the simple regression analysis for the dependent variables

In this study two simple regression analyses were undertaken. The relationships between the two dependent variables *Perceived financial performance* and *Job satisfaction* were investigated. In this regard the researcher conducted two separate regression models. The results of these analyses are tabled and discussed in the paragraphs that follow.

From Table 6.12 it is evident that *Perceived financial performance* explained 20.98 percent of the variance in *Job satisfaction*. The table below also reveals that a

significant positive linear relationship ($b=0.3087$; $p<0.001$) existed between *Perceived financial performance* and *Job satisfaction*. Based on this evidence, support is found for hypothesis H^{1a} stating that a positive relationship exists between the *Perceived financial performance* of the business and the *Job satisfaction* of its owner.

TABLE 6.12: Influence of Perceived financial performance on Job satisfaction

Dependent Variable: Job Satisfaction		R-Square= 0.2098	
Independent Variable	Beta	t-value	Sig.(p)
Intercept	3.2851	21.2166	0.0000
Perceived financial performance	0.3087	8.0478	0.0000***

(Source: Researcher's own construction) (* $p<0.05$; ** $p<0.01$; *** $p<0.001$)

From Table 6.13 it is evident that a significant positive linear relationship was reported between *Job satisfaction* ($b=0.6795$; $p<0.001$) and *Perceived financial performance*. *Job satisfaction* explained 20.98 percent of the variance in *Perceived financial performance*. As a result, support is found for hypothesis H^{1b} stating that a positive relationship exists between the *Job satisfaction* of the business owner and the *Perceived financial performance* of his/her business (see Table 6.13).

TABLE 6.13: Influence of Job satisfaction on Perceived financial performance

Dependent Variable: Perceived financial performance		R-Square= 0.2098	
Independent Variable	Beta	t-value	Sig.(p)
Intercept	0.8988	2.3457	0.0198
Job satisfaction	0.6795	8.0478	0.0000***

(Source: Researcher's own construction) (* $p<0.05$; ** $p<0.01$; *** $p<0.001$)

6.6.3.2 Results of the multiple regression analysis for the independent variables

A multiple regression analysis was undertaken to assess whether the independent variables (*Servant leadership*, *Ethical leadership* and *Participative leadership*) exerted a significant influence on the dependent variable, *Job satisfaction*.

The results of the MRA show that the independent variables explained 14.55 percent of the variance in the dependent variable *Job satisfaction*. Table 6.14 reveals that

significant positive linear relationships existed between the two independent variables, *Servant leadership* ($b=0.1616$; $p<0.05$) and *Ethical leadership* ($b=0.2621$; $p<0.01$), and the dependent variable *Job satisfaction*. Therefore, SME owners who perceive themselves as displaying greater levels of *Ethical* and *Servant leadership* are more likely to experience *Job satisfaction* working in their businesses. The findings also show that *Ethical leadership* has a greater influence on *Job satisfaction* than *Servant leadership* does. The results do, however, reveal that *Participative leadership* has no influence on the level of *Job satisfaction* of the business owners. This implies that whether business owners display *Participative leadership* or not has no influence on their level of *Job satisfaction*.

TABLE 6.14: Influence of the independent variables on Job satisfaction

Dependent Variable: Job Satisfaction		R-Square= 0.1455	
Independent Variable	Beta	t-value	Sig.(p)
Intercept	2.3260	6.2599	0.0000
Servant Leadership	0.1616	2.4096	0.0167*
Ethical Leadership	0.2621	3.1082	0.0021***
Participative Leadership	0.0918	1.5320	0.1268

(Source: Researcher's own construction) (* $p<0.05$; ** $p<0.01$; *** $p<0.001$)

Against this background, support is found for hypotheses H^{2a} and H^{3a} , but not for hypothesis H^{4a} .

The findings presented in Table 6.15 show that the independent variables explained 9.69 percent of the variance in *Perceived financial performance*. A significant ($p<0.05$) positive linear relationship was reported between *Ethical leadership* ($b=0.3060$; $p<0.05$) and the dependent variable *Perceived financial performance*. Therefore, SME owners who perceive themselves as displaying greater levels of ethical leadership are more likely to perceive their business as performing well financially.

TABLE 6.15: Influence of the independent variables on Perceived financial performance

Dependent variable: Perceived financial performance		R-Square= 0.0969	
Independent Variable	Beta	t-value	Sig.(p)
Intercept	1.3414	2.3670	0.0187
Servant Leadership	0.2008	1.9632	0.0508
Ethical Leadership	0.3060	2.3786	0.0182*
Participative Leadership	0.1138	1.2450	0.2143

(Source: Researcher's own construction) (*p<0.05; **p<0.01)

No relationship was found between the independent variables *Servant leadership* and *Participative leadership*, and the dependent variable *Perceived financial performance*. In other words, whether an SME owner perceives him/herself as displaying *Servant leadership* and *Participative leadership* or not, has no influence on the perceived financial performance of their business. Against this background, support is found for hypothesis H^{3b} stating that a positive relationship exists between the level of *Ethical leadership* displayed by SME owners and the *Perceived financial performance* of their businesses, but not for hypotheses H^{2b} and H^{4b} .

6.7 THE RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND LEADERSHIP STYLES

The primary objective of this study was to assess the level of *Servant*, *Authentic*, *Ethical* and *Participative leadership* exhibited by SMEs' owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. In addition to the primary objective, an analysis was also undertaken to establish the influence of several demographic variables on the independent variables investigated. As previously mentioned, *Authentic leadership* was not considered for further analysis because of validity issues, consequently the null hypotheses (H^0) were reformulated as follows:

H^{0a} : There is no relationship between demographic variables investigated in this study and the level of *Servant leadership* displayed by SME owners.

- H^{0b} : There is no relationship between demographic variables investigated in this study and the level of *Ethical leadership* displayed by SME owners.
- H^{0c} : There is no relationship between demographic variables investigated in this study and the level of *Participative leadership* displayed by SME owners.

To assess the influence of the demographic variables on the leadership styles investigated in this study, an analysis of variance (ANOVA) was conducted and the results thereof are tabled and discussed in the following paragraphs.

6.7.1 RESULTS OF THE ANALYSIS OF VARIANCE (ANOVA)

An analysis of variance was performed in order to establish whether demographic information sourced from the respondents exerted an influence on the levels of *Servant leadership*, *Ethical leadership* and *Participative leadership* displayed by the SME owners. The demographic information included data relating to the *Gender*, *Age*, *Ethnicity* and *Tertiary qualification* of the respondents. In addition, information on the *Nature of the business*, *Number of employees*, *Tenure* (length of ownership), whether the business was a *Family Business* or not, and what *Generation* started the family business, was requested from respondents. To establish significant differences between the various categories of demographic variables, the *post-hoc* Scheffé test was used (Gravetter & Wallnau 2011:399). The results of this analysis are presented and discussed below. It is important to note that the data collected for the variables *Ethnicity* and *Number of employees* was recategorised because of the low numbers reported in the various categories. The ethnic groups *Asian* and *Coloured* were combined into one category. Furthermore, the categories of *Number of employees*, namely 20 employees up to 50 employees and more than 50 employees, were combined into one category.

6.7.1.1 Demographic variables and Servant leadership

The analysis of variance (see Table 6.16) revealed that *Gender*, *Qualification* and the *Nature of the business* all exerted a significant ($p < 0.05$) influence on *Servant leadership*. *Generation*, *Age*, *Ethnicity*, *Tenure* and *Number of employees* and

whether the business was a *Family business* were found not to exert any significant influence on the independent variable *Servant leadership*.

TABLE 6.16: Demographic variables and Servant leadership

Dependent Variable: Servant Leadership		
Independent Variables	F-value	Sig.(p)
Gender	5.3540	0.0215*
Family business or not	2.0945	0.1491
Generation	0.89445	0.4110
Age	1.1718	0.3238
Ethnicity	0.0652	0.9369
Qualification	4.2753	0.0397*
Tenure	1.1587	0.3262
Number of employees	1.1270	0.3388
Nature of the business	3.1398	0.0260*

(Source: Researcher's own construction) (*p<0.05; **p<0.01)

The *post-hoc* Scheffé test revealed that at a 5 percent significance level ($p=0.0215$) a significant relationship existed between *Gender* and *Servant Leadership*. Female business owners reported a higher mean score ($\bar{x}=4.133$) than male ($\bar{x}=3.939$) business owner did; therefore the female owners of SMEs in the Eastern Cape perceived themselves as displaying higher levels of *Servant leadership* than their male counterparts.

The *post-hoc* Scheffé tests also revealed significant relationships ($p<0.05$) between *Tertiary qualification* and *Servant leadership* ($p=0.0397$) as well as between the *Nature of the business* and *Servant leadership* ($p=0.0436$). Business owners without a tertiary qualification ($\bar{x}=4.104$) perceived themselves as displaying *Servant leadership* more than those with a tertiary qualification ($\bar{x}=3.936$). The results also indicated that businesses owners who operated in the retail and wholesale industry had a significantly lower mean score ($\bar{x}=3.860$) than those in the service industry ($\bar{x}=4.114$). In other words, business owners who operated in the service industry perceived themselves as displaying higher levels of *Servant leadership* than their counterparts in the retail and wholesale industries.

Support is thus found for the null-hypothesis (H^{0a}) stating that there is no relationship between the demographic variables *Generation*, *Age*, *Ethnicity*, *Tenure* and *Number of employees* and whether the business is a *Family business*, and the level of *Servant leadership* displayed by SME owners, but not for the demographic variables *Gender*, *Qualification* and *Nature of the business*.

6.7.1.2 Demographic variables and Ethical leadership

From Table 6.17 it is evident that *Generation* ($p < 0.05$) and *Age* ($p < 0.05$) were the only demographic variables that exerted a significant influence on the perceived level of *Ethical leadership* displayed by the SME owner. Although the ANOVA test revealed that *Age* exerted a significant influence ($p < 0.05$) on *Ethical leadership*, the *post-hoc* Scheffé test revealed this influence not to be significant.

TABLE 6.17: Demographic variables and Ethical leadership

Dependent Variable: Ethical Leadership		
Independent Variables	F-value	Sig.(p)
Gender	2.9143	0.0891
Family business or not	1.2428	0.2660
Generation	3.8292	0.0239*
Age	2.8465	0.0247*
Ethnicity	0.4609	0.6313
Qualification	0.3576	0.5504
Tenure	1.9807	0.1175
Number of Employees	0.9621	0.4113
Nature of the business	0.8399	0.4732

(Source: Researcher's own construction) (* $p < 0.05$; ** $p < 0.01$)

The *post-hoc* Scheffé test did, however, reveal significant differences ($p < 0.05$) between the *Generation* that started the family business and the *Ethical leadership* displayed by the SME owner. *Ethical leadership* was significantly higher ($p = 0.0350$) in first *Generation* family businesses ($\bar{x} = 4.602$) than businesses managed by the second generation ($\bar{x} = 4.399$). This finding suggests that first generation family business owners perceive themselves as displaying more *Ethical leadership* than second generation family business owners. Based on the findings presented above,

support is found for the null-hypothesis (H^{0b}) stating that there is no relationship between the demographic variables *Gender*, *Ethnicity*, *Qualification*, *Tenure* and *Number of employees*, whether the business is a *Family business* and the *Nature of the business*, and the level of *Ethical leadership* displayed by the SME owner, but not for the demographic variable *Generation* and *Age*.

6.7.1.3 Demographic variables and Participative leadership

Table 6.18 shows that the demographic variable *Nature of the business* ($p < 0.05$) exerted a significant influence ($p = 0.0215$) on *Participative leadership*. It also shows that demographic variables such as *Gender*, *Family business*, *Generation*, *Age*, *Ethnicity*, *Qualification*, *Tenure* and the *Number of employees* exerted no significant influence on the independent variable *Participative leadership*.

TABLE 6.18: Demographic variables and Participative leadership

Dependent Variable: Participative leadership		
Independent Variables	F-value	Sig.(p)
Gender	3.4429	0.0647
Family business or not	1.2588	0.2630
Generation	1.3011	0.2754
Age	0.4422	0.7781
Ethnicity	0.2141	0.8074
Qualification	0.3845	0.5358
Tenure	2.4746	0.0622
Number of employees	0.2989	0.8262
Nature of the business	3.2840	0.0215*

(Source: Researcher's own construction) (* $p < 0.05$; ** $p < 0.01$)

Despite the significance shown by the ANOVA test, a *post-hoc* Scheffé test revealed no significant influence of the *Nature of the business* on the *Participative leadership* displayed by the SME owner. Support is thus found for the null-hypothesis (H^{0c}) stating that there is no relationship between demographic variables investigated in this study and the perceived level of *Participative leadership* displayed by an SME owner.

6.8 SUMMARY

Chapter Six presented the empirical results of this study. The chapter started by providing a summary of the demographic information collected from respondents. This information was presented in two tables: demographic information pertaining to the respondents as individuals and demographic information pertaining to the respondents in the context of the business.

Thereafter, the results of the measuring instrument's validity and reliability assessments were given. The results of the EFA led to *Authentic leadership* being eliminated from further analysis. The other factors provided sufficient evidence of having valid and reliable scales. The results of the descriptive statistics, the Pearson's product moment correlations, regression analyses and the analyses of variance were then presented.

The final chapter, Chapter Seven, will provide a brief summary of the entire study. Thereafter, the empirical results presented in Chapter Six will be interpreted and implications thereof as well as recommendations for SME owners will be put forward. The contributions of the study are then highlighted, and finally the limitations of the study are discussed and recommendations for future research are presented.

CHAPTER SEVEN

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

In Chapter Six, the empirical results were presented. In Chapter Seven, the final chapter of this study, the focus is to provide an overview and summary of the various chapters. In addition this chapter will summarise and interpret the most significant findings and provide recommendations to small and medium-sized business (SME) owners. The contributions and limitations of this study will be highlighted, and lastly, recommendations will be suggested for future research in this field.

7.2 OVERVIEW OF THE STUDY

In Chapter One the introduction and background to the study was presented. Given the importance of SMEs to South Africa, their large numbers and extent to which they positively influence the economy, it is important that all efforts be made to reduce their high failure rates. As leadership is positively related to small business performance, it is important to focus on leadership as a means to ensure the success and longevity of SMEs. A need was specifically identified to research, develop and implement more ethical and relational leadership styles among business owners. Therefore, the focus of this study was on several people-centred leadership styles and the influence thereof on selected outcomes among small and medium-sized business owners. Against this background the objectives of this study were formulated.

The primary objective of this study was twofold, namely to assess the level of *Servant, Authentic, Ethical and Participative leadership* exhibited by SME owners in the Eastern Cape and to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. To achieve the primary objective, the following secondary research objectives were formulated:

Secondary objective 1: To conduct a literature review on the nature and importance of small and medium-sized businesses as well as the various challenges they face. The study also explains leadership; its nature, the various theories associated with it, the characteristics of a good leader, and the importance of leadership. In addition, the existing traditional as well as the people-centred leadership styles will be discussed.

Secondary objective 2: To develop a theoretical model of hypothesised relationships between the leadership styles investigated in this study and selected business and personal outcomes.

Secondary objective 3: To determine the most suitable research methodology to be used in conducting this study.

Secondary objective 4: To construct a measuring instrument that will be used to test the relationships as hypothesised in the theoretical model.

Secondary objective 5: To source primary data from SME business owners and to analyse the data so as to test the hypotheses; and

Secondary objective 6: To provide guidelines on leadership to SME business owners so as to increase their chances of achieving the selected outcomes.

In Chapter One the research questions and hypotheses were presented, and the research design and methodology briefly described. The research paradigm and methodology together with the data collection methods, the measuring instrument and sample, as well as the data analysis methods to be employed, were highlighted. Thereafter, the scope and delimitation (demarcation) of the study was presented and the significance of the study highlighted. Key concepts were defined and the structure of the study was outlined.

The focus of Chapter Two was on describing the nature and importance of SMEs and identifying the challenges SMEs face. For the purpose of this study, an SME was defined as a business that employs more than five but fewer than 200 full-time

employees. The businesses must have been in operation for a period longer than one year, and the owner must be actively involved in daily running of the business. SMEs are important worldwide and contribute specifically to national economic growth and job creation, and allow for competitive markets, technical advancement and innovation, amongst others. Despite their importance, SMEs face several challenges, including legal and regulatory issues, a lack of finance, poor marketing and strategic planning, and a lack of managerial skills. Ineffective leadership was specifically highlighted as a challenge facing these businesses.

In Chapter Two, leadership was defined and a comparison between leadership and management was made. Leadership was defined as the ability to establish a business's vision and to identify the means and strategies necessary to achieve that vision, whereas management involves the implementation of that vision and controlling the means to reach the vision set by the leader (Burke & Cooper 2006:7). Four leadership theories developed over time were described, namely great man theories, trait theories, behaviour theories, and contingency theories. The characteristics of a good leader were discussed, with integrity, intelligence, sociability and transparency highlighted as some of the most important characteristics. Lastly, the importance of leadership was discussed. Poor leadership was found to have a negative influence on a business and could lead to poor financial performance, high employee turnover rates and recruitment costs, lack of synergy, low morale, loss of customers, and a loss of expert employees.

In Chapter Three, leadership styles in general were defined, and several traditional and contemporary leadership styles were identified. The following leadership styles were identified as traditional, namely autocratic, democratic, participative and laissez-faire leadership. Transformational, transactional, servant, authentic, and ethical leadership styles were identified as more contemporary styles. The styles investigated in this study, namely those of a people-centred nature, were elaborated on in detail, while the other styles identified were briefly introduced. Leadership styles based on power models are not compatible with modern-day organisations because of the shift in power and authority from the top to the bottom that has occurred in recent times. This shift has led to the need for a leadership model which is more people-centred and promotes good ethics and high moral standards (Hackett

& Wang 2012:868). Therefore the focus of this study was on servant, authentic, ethical and participative leadership styles. In completing Chapters Two and Three, the first secondary objective was achieved.

The next secondary objective was achieved in Chapter Four. In this chapter a theoretical model of hypothesised relationships between the independent (*Servant, Authentic, Ethical and Participative* leadership) and the dependent variables (*Job satisfaction and Perceived financial performance*) was proposed. Both empirical and anecdotal evidence was provided to support these hypothesised relationships. In addition, the influence of demographic variables on the leadership styles displayed by SME business owners was discussed, and both anecdotal and empirical support for these relationships was provided.

In Chapter Five, the research design and methodology of the study were described. The third and fourth secondary objectives were achieved in this chapter. First the research paradigm and methodology adopted were explained and justified. A quantitative research paradigm and design were adopted for this study; more specifically, an explanatory and descriptive study of a cross-sectional nature was undertaken. Given the nature of the problem statement, the researcher chose this design and methodology because the study was undertaken on a large sample, and the causes and facts behind phenomena were being investigated. The secondary and primary data collection procedures used in this study were described.

A comprehensive literature (secondary) study was conducted using existing secondary sources related to the topic under investigation (see Chapters One, Two and Three). The primary data collection procedures involved selecting the population, the sample and sampling method, and the sample size for the study. For the purpose of this study, the population consisted of all small and medium-sized business owners operating businesses within the boundaries of the Eastern Cape Province. A sample of 500 of these businesses were selected to participate based on the non-probability sampling technique, namely convenience sampling. An effective response rate of 49.20 percent was achieved.

The method of data collection, the development of the measuring instrument, and the administration of the measuring instrument were also described in Chapter Five. A survey was undertaken and a structured, self-administered questionnaire was used to gather the necessary data. The scales for measuring the constructs under investigation were developed based on previous research, several of which were contextualised to the present study. Upon collection, the questionnaires were examined for missing data and then captured onto an Excel sheet. The data was then cleaned in preparation for the statistical analysis. In addition, the techniques employed to assess the validity and reliability of the measuring instrument were described, and a brief description of the statistical techniques used was given.

To assess the validity of the scales measuring the constructs in this study an exploratory factor analysis (EFA) was undertaken. Factor loadings of greater than 0.5 were considered as practically significant. If two or less items loaded onto one factor, they were not considered for further analysis. In addition, items that loaded onto more than one factor were eliminated. The reliability of the measuring scales was tested by calculating and interpreting Cronbach's alpha coefficients for the dependent and independent variables. A Cronbach's alpha coefficient greater than or equal to 0.7 was the generally accepted score to consider a scale as being reliable.

The primary data collected in this study was analysed using both descriptive and inferential statistics. These various statistical analysis techniques were briefly described. Descriptive statistics involves assessing measures of central tendency and measures of dispersion. The inferential statistics undertaken included Pearson's product moment correlation and regression analysis (simple and multiple). Pearson's product moment correlations were calculated to determine whether associations exist between the various factors under investigation, as well as the strength and direction of these associations. Simple regression analysis was undertaken to establish whether relationships exist between the dependent variables and multiple regression analyses to identify whether relationships exist between the independent and the dependent variables. In addition, an analysis of variance was conducted to determine the influence of several demographic variables on the leadership styles displayed by SME owners. In addition to this, the *post-hoc* Scheffé test was used to

establish significant differences between the various categories of the demographic variables. Finally, the ethical considerations taken into account for the purpose of this study were described.

In Chapter Six, the fifth secondary objective was achieved by presenting the results of the statistical analyses. The chapter started with a summary of the demographic information collected from the respondents who participated in the study. The majority of the respondents were males and white. Most were between the ages of 40 and 49 years, followed by respondents between 50 and 59 years of age. The majority indicated that they had a tertiary qualification. The majority of businesses were family-owned and in their first generation. Most had owned their businesses for between 1 and 6 years. Most employed between 6 and 10 persons, and operated in the service industry or retail and wholesale industries.

As mentioned above, an exploratory factor analysis was undertaken to establish the validity of the scales measuring the independent and dependent variables. Principal component analysis was specified as the extraction method and Varimax raw as the rotation method. Five usable factors were extracted, which corresponded with the theoretical dimensions of *Participative leadership*, *Perceived financial performance*, *Ethical leadership*, *Servant leadership* and *Job satisfaction*. Based on the factor analysis, the operationalisation of some constructs was reformulated. The items measuring *Authentic leadership* did not load as expected, and none of the factors extracted corresponded with this style of leadership. *Authentic leadership* was thus no longer subjected to empirical testing in this study. Cronbach alpha coefficients greater than 0.7 were reported for all factors. The scales measuring both the independent and the dependent variables thus provided satisfactory evidence of validity and reliability. As a result of the validity and reliability assessments, the original theoretical model was revised and the hypotheses renumbered.

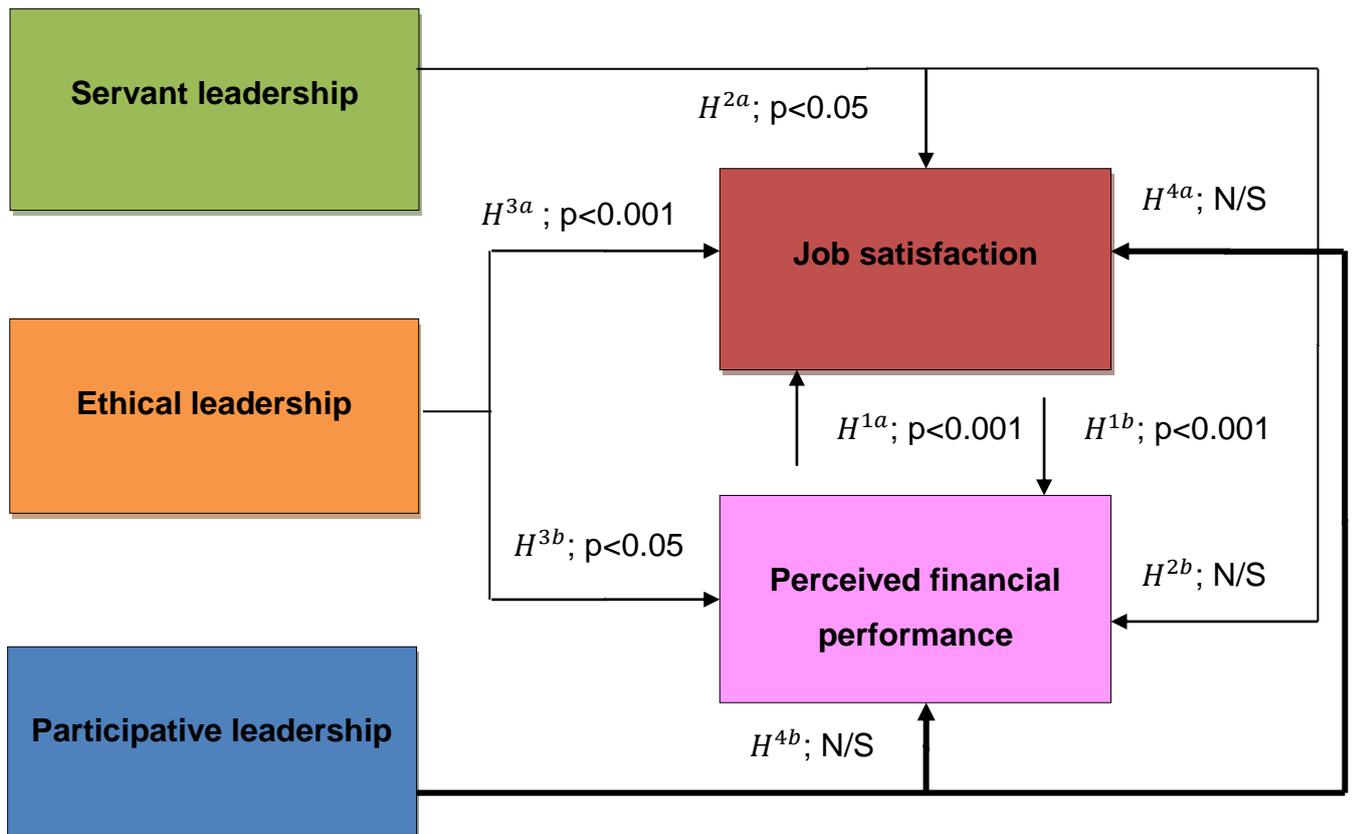
Descriptive statistics were calculated and the mean scores, standard deviations and frequency distributions were reported for the dependent and independent variables. The independent variables reported mean scores of between 3.7 and 4.5 with the majority of respondents agreeing with the statements measuring these leadership styles. The dependent variables *Job satisfaction* and *Perceived financial*

performance returned mean scores of 4.508 and 3.962 respectively, with the majority of the respondents agreeing with the statements measuring these factors.

To establish the correlation between the various factors under investigation, a Pearson's product moment correlation was undertaken. All the independent variables (*Servant leadership*, *Ethical leadership* and *Participative leadership*) reported significant and positive relationships with each another. The correlation between the dependent variables (*Perceived financial performance* and *Job satisfaction*) was found to reflect a moderate positive association. In addition, *Job satisfaction* as well as *Perceived financial performance* both reported significantly positive associations with all the independent variables.

The simple regression analyses undertaken revealed a significant positive linear relationship between *Perceived financial performance* and *Job satisfaction* as well as between *Perceived financial performance* and the *Job satisfaction* of its owner. The multiple regression analysis undertaken revealed that significant positive linear relationships existed between two independent variables *Servant leadership* and *Ethical leadership*, and the dependent variable *Job satisfaction*. A significant positive linear relationship was also reported between *Ethical leadership* and *Perceived financial performance*. No relationship was found between the independent variables *Servant leadership* and *Participative leadership*, and the dependent variable *Perceived financial performance*. Also, no relationship was found between the independent variable *Participative leadership*, and the dependent variable *Job satisfaction*. Figure 7.1 summarises the significant relationships that were revealed by conducting the regression analyses. The interpretations of these findings will be elaborated on in Section 7.3.

FIGURE 7.1: Summary of significant relationships



(Source: Researcher's own construction)

In Table 7.1 the acceptance or rejection of the hypotheses, based on results of the simple and multiple regression analyses, are summarised.

TABLE 7.1: Summary of hypotheses tested in the theoretical model

	Hypotheses	Decision
H^{1a} :	There is a positive relationship between the <i>Perceived financial performance</i> of SMEs and the <i>Job satisfaction</i> of their owners.	Accepted
H^{1b} :	There is a positive relationship between the <i>Job satisfaction</i> of SME owners and the <i>Perceived financial performance</i> of their businesses.	Accepted
H^{2a} :	There is a positive relationship between the level of <i>Servant leadership</i> displayed by SME owners and their level of <i>Job satisfaction</i> .	Accepted
H^{2b} :	There is a positive relationship between the level of <i>Servant leadership</i> displayed by SME owners and the <i>Perceived financial performance</i> of their businesses.	Rejected
H^{3a} :	There is a positive relationship between the level of <i>Ethical leadership</i> displayed by SME owners and their level of <i>Job satisfaction</i> .	Accepted
H^{3b} :	There is a positive relationship between the level of <i>Ethical leadership</i> displayed by SME owners and the <i>Perceived financial performance</i> of their businesses.	Accepted
H^{4a} :	There is a positive relationship between the level of <i>Participative leadership</i> displayed by SME owners and their level of <i>Job satisfaction</i> .	Rejected
H^{4b} :	There is a positive relationship between the level of <i>Participative leadership</i> displayed by SME owners and the <i>Perceived financial performance</i> of their businesses.	Rejected

The analysis of variance results revealed that *Gender*, *Qualification* and the *Nature of the business* were the only demographic variables to exert a significant influence on *Servant leadership*. The results also show the *Generation* and *Age* exerted a significant influence on the perceived level of *Ethical leadership* displayed by the SME owner. The *post-hoc* Scheffé test revealed that *Age* had no significant influence on the *Ethical leadership* of business owners but that *Generation* did. The findings of the present study show that the demographic variable *Nature of the business* exerted a significant influence on *Participative leadership*. The study showed that the demographic variables *Gender*, *Family business*, *Generation*, *Age*, *Ethnicity*, *Qualification*, *Tenure* and the *Number of employees* exerted no significant influence on *Participative leadership*.

Based on results of the analysis of variance and the *post-hoc* Scheffé tests, Table 7.2 summarises the acceptance or rejection decisions for the null hypotheses.

TABLE 7.2: Summary of null hypotheses tested

	Null Hypotheses	Demographic Variables	Decision
H^{0a} :	There is no relationship between demographic variables investigated in this study and the level of <i>Servant leadership</i> displayed by SME owners.	Generation, Age, Ethnicity, Tenure, Number of employees and Family business.	Accepted
		Gender, Qualification and Nature of the business.	Rejected
H^{0b} :	There is no relationship between demographic variables investigated in this study and the level of <i>Ethical leadership</i> displayed by SME owners.	Gender, Ethnicity, Tenure, Number of employees, Family business and Nature of the business.	Accepted
		Generation and Age.	Rejected
H^{0c} :	There is no relationship between demographic variables investigated in this study and the level of <i>Participative leadership</i> displayed by SME owners.	Gender, Family business, Generation, Age, Ethnicity, Qualification, Tenure, Number of employees and Nature of the business.	Accepted

From the information provided above it can be seen that the secondary objectives of this study have been achieved. Table 7.3 summarises these objectives and clearly indicates in which chapter they were achieved.

TABLE 7.3: Secondary objectives achieved and relevant chapters

Secondary Objectives	Achieved
To conduct a literature review on the nature and importance of small and medium-sized businesses as well as the various challenges they face. The study will also explain leadership, its nature, the various theories associated with it, the characteristics of a good leader and the importance of leadership. In addition, the existing traditional as well as the people-centred leadership styles will be discussed.	Chapter Two & Chapter Three
To develop a theoretical model of hypothesised relationships between the leadership styles investigated in this study and selected business and personal outcomes.	Chapter Four
To determine the most suitable research methodology to be used in conducting this study.	Chapter Five
To construct a measuring instrument that will be used to test the relationships as hypothesised in the theoretical model.	Chapter Five & Annexure A
To source primary data from SME business owners and to analyse the data so as to test the hypotheses; and	Chapter Six
To provide guidelines on leadership to SME business owners so as to increase their chances of achieving the selected outcomes.	Chapter Seven

7.3 DISCUSSION OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

The primary objective of this study was twofold, firstly to assess the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SME owners in the Eastern Cape. The second part of the primary objective was to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. Chapter Six of this study reported on the levels of *Servant, Ethical* and *Participative leadership* exhibited by SME owners, as well as which of these leadership styles have a significant positive influence on SME owners' *Job satisfaction* and the *Perceived financial performance* of their businesses. Figure 7.1 summarises these relationships. As such, the primary objective of the study was achieved. The following sections will discuss the most significant findings of this study and draw appropriate conclusions. Based on these discussions and conclusions, several recommendations will be made. The sixth and final secondary objective of this study is thus achieved.

7.3.1 LEVEL OF LEADERSHIP

Ethical leadership returned the highest mean score, with the majority of respondents agreeing that they adopted this leadership style in their businesses. As such the majority of SME owners participating in this study perceived themselves as demonstrating ethical leadership by being trustworthy, honest, genuine and candid, as well as having a strong concern for ethical and moral values. However, Brown and Treviño (2006:596) contradict this finding in their contention that unethical behaviour by leaders is found in all types of businesses irrespective of their size. *Servant leadership* returned the second-highest mean scores, with the majority of respondents also agreeing that they displayed this leadership style. As such the SME owners participating in this study perceived themselves as being approachable, making personal sacrifices and going out of their way to serve and help their employees, as well as caring for the welfare of and paying attention to the personal needs of their employees. *Participative leadership* returned the lowest mean score. However, most of the respondents still agreed that they adopted this style. In other words, the respondents in this study perceived themselves as leaders who involved their subordinates in the planning, goal-setting and decision-making of the business, as well as leaders who were willing to share power, learn from subordinates, and give subordinates a sense of ownership. According to Pedraja-Rejas *et al.* (2006:503) a participative leadership style is commonly adopted among SMEs.

In summary, the respondents in this study perceived themselves as being ethical, servant and participative leaders. A possible explanation for these findings is social bias. The SME owners may have given responses which they felt would make them look good or seem to be good leaders.

7.3.2 THE INFLUENCE OF LEADERSHIP STYLES ON JOB SATISFACTION AND PERCEIVED FINANCIAL PERFORMANCE

In Chapter Six the leadership styles identified as having a significant influence on the *Job satisfaction* of SME owners and the *Perceived financial performance* of their small businesses were reported on. These relationships were summarised in Figure

7.1. In the sections to follow, these significant relationships will be interpreted and recommendations will be made.

7.3.2.1 Servant leadership

The findings of this study revealed a significant positive linear relationship between *Servant leadership* and the dependent variable *Job satisfaction*. As such, the more the business owner perceives himself as being approachable, as making personal sacrifices, as going out of his way to serve and help subordinates, as caring for their welfare and as paying attention to their personal needs, the more likely he is to experience his involvement in the business as rewarding, enjoyable and fulfilling. This finding is somewhat supported by the literature which suggests that servant leaders are less interested in economic incentives and position than in deriving satisfaction from developing and maintaining relationships with followers (Liden *et al.* 2008:163). According to Fernandez (2008:181) and Brown and Treviño (2006:608), business owners who show high levels of servant leadership, experience higher levels of job satisfaction.

No relationship was found between the independent variables *Servant leadership* and the dependent variable *Perceived financial performance*. In other words, whether the business owner perceives himself as being a servant leader or not has no influence on the growth in employee numbers, profits and turnover, on the business being profitable, financially successful and secure, as well as the business achieving its planned financial goals and growth rate. This finding contradicts the literature in that several literature sources support a positive relationship between servant leadership and financial performance (Ding *et al.* 2012:210; Melchar & Bosco 2010; Joseph & Winston 2005:16). For example, Mishler (2012:27) contends that servant leaders give their subordinates their full attention, which in turn results in increased levels of employee job satisfaction and ultimately business success. A study conducted by Van Dierendonck (2011:23) reports that leaders who display servanthood assist in building a business climate that generates employee empowerment and ultimately improves business performance (Liden *et al.* 2008:163). A possible reason for no relationship being reported between *Servant leadership* and *Perceived financial performance* in this study is that the level of

servant leadership was self-reported by the business owners, and could therefore be biased and not reflect the true level of servant leadership. Business owners could perceive themselves as being servant leaders, whereas in fact they might not be.

Given the relationship between an SME owner perceiving him or herself as a servant leader and his or her *Job satisfaction*, the following recommendations are suggested to enhance the level of servant leadership among SME owners:

- SME owners should consider the needs of their employees above their own. This could be done by interacting with each employee at least once a year on a personal basis, and finding out what their needs are.
- SME owners should be good listeners, and a possible way of doing this is by continuously working on their listening skills and adapting what they learn from their employees with regard to the business. Also, SME owners should request regular feedback from their employees regarding their listening skills.
- SME owners should be approachable. This can be achieved by having an open-door policy as well as open communication lines between themselves and employees. Employees can thus approach SME owners with both work and personal problems.
- SME owners should focus on building long-term relationships with their employees and should make a conscious effort to get to know them. Having company getaways and regular interactions with their employees outside of the working environment is a possible way of building these relationships.
- SME owners should ensure that both the personal and business goals of their employees are being met. The owners need to identify the goals of each employee on an annual basis, and assist them in developing a strategy to achieve these goals. At the end of each year, owners need to assess whether these goals have been achieved, and if not, establish reasons why.
- SME owners should build relationships not only with their employees but also with the communities in which their businesses operate. A possible

way of doing this is by being involved in community projects and making donations where they are needed.

- SME owners should help their employees grow, and provide opportunities for them to develop. This can be done by providing employees with continuous training, or encouraging and paying for them to enrol in courses that can help them grow and move to higher positions within the business.

7.3.2.2 Ethical leadership

The results of this study show a significant positive linear relationship between the independent variable *Ethical leadership* and *Job satisfaction*. In other words, the more a business owner perceives himself to be trustworthy, to be honest in his business dealings, to be genuine and act candidly when interacting with subordinates and stakeholders, and as having a strong concern for ethical and moral values, the more likely he will experience his involvement in the business as rewarding, enjoyable and fulfilling. Yur (2012:60) and Yates (2011:68) support this finding by stating that ethical leaders show characteristics of honesty, fairness, responsibility and integrity, thus influencing levels of job satisfaction. The findings of this study also concur with those of Ghahroodi *et al.* (2013:93) who report that business owners who show ethical leadership experience higher levels of job satisfaction.

The findings of this study also show a strong positive linear relationship between *Ethical leadership* and the dependent variable *Perceived financial performance*. In other words, the more the business owner perceives himself to be trustworthy, honest, genuine and candid, and as having a strong concern for ethical and moral values, the more likely to the business is to show growth in employee numbers, profits and turnover, for the business to be profitable, financially successful and secure, as well as for the business to achieve its planned financial goals and growth rate. Yur (2012:15-16) lends support to the findings of this study by stating that ethical leadership leads to increased efficiency in decision-making processes and ultimately business financial performance. As in the case of this study, Valdiserri and Wilson (2010:59) as well as Resick *et al.* (2006:357) also report positive

relationships between *Ethical leadership* and *Perceived financial performance* in their studies.

Given the relationship between an SME owner perceiving him or herself as an ethical leader and his *Job satisfaction* as well as the *Perceived financial performance* of his or her business, the following recommendations are suggested to enhance the level of ethical leadership among SMEs:

- SME owners must act with integrity. Acting with integrity can be achieved by behaving in a consistent and predictable manner and following through on promises made.
- SME owners must be honest with others. Business owners must be truthful in all their dealings with employees and other stakeholders so that trust relationship can be built.
- SME owners must maintain high moral standards in all business activities. Business owner must make morally correct choices for the business and carry themselves in a way that shows their values and that of the business in all their endeavours.
- SME owners must exhibit fairness in their business at all times. Business owners must treat all their employees in the same manner and must not show favouritism or bias towards anyone in particular.
- SME owners must work on developing a high level of trust between themselves and their employees. Trust can be built by doing what one says one is going to do, assigning the responsibility for certain job aspects to employees, and building personal relationships with them.

7.3.2.3 Participative leadership

The empirical findings of this study show that no significant relationship is reported between the level of *Participative leadership* displayed by SME owners and their level of *Job satisfaction*. In other words, whether SME owners involve subordinates in planning, goal-setting and decision-making, share power with and learn from their subordinates, or give them a sense of ownership, or not, has no influence on their

experiencing their involvement in their business as rewarding, enjoyable and fulfilling. This finding is in line with that of Jar-Allah (2000) who also reports no relationship between participative leadership and job satisfaction but contradicts several studies (Letele-Matabooc 2012:112; Barling *et al.* 1996) that provide evidence of a positive relationship between these two constructs. A possible reason why no relationship is reported between participative leadership and job satisfaction in this study is that the level of participative leadership is self-reported by the business owners and could therefore be biased and not reflect the true level of participative leadership. In addition, the studies referred to above relate to the job satisfaction of employees and not to the job satisfaction of the employer, as was the case in this study.

No relationship was found either between *Participative leadership* and the dependent variable *Perceived financial performance*. In other words, whether SME owners involve subordinates in planning, goal-setting and decision-making, share power with and learn from their subordinates, or give them a sense of ownership, or not, has no influence on the business showing growth in employee numbers, profits and turnover, being profitable, financially successful and secure, as well as achieving its planned financial goals and growth rate.

This finding corresponds with the literature of Mulki *et al.* (2014:9) who also report no significant relationship between participative leadership and business performance. However, a study conducted by Ashraf *et al.* (2014:430) as well as one by Yusuf *et al.* (2014:530) contradicts the finding in this study, as they report a positive association between participative leadership and budget performance of businesses. A possible reasons for the finding in this study is that both the study conducted by Ashraf *et al.* (2014:430) and Yusuf *et al.* (2014:530) investigated employees' perceptions of participative leadership and perceptions of the business owners, as was the case in this study.

7.3.3 DEMOGRAPHIC VARIABLES AND LEADERSHIP STYLES

In addition to the primary objective, an analysis was undertaken to establish the influence of several demographic variables on the leadership styles displayed by

SME owners. The demographic information included data relating to the *Gender*, *Age*, *Ethnicity* and *Tertiary qualification* of the SME owner. In addition, information on the *Nature of the business*, *Number of employees*, *Tenure* (length of ownership), whether the business was a *Family Business* or not, and what *Generation* started the family business, was also requested from respondents. Given the findings of this study it is suggested that SME owners, regardless of their demographic profiles, should strive to improve their levels of servant, ethical and participative leadership.

7.3.3.1 Servant leadership

The findings of this study reveal a significant relationship between the demographic variables *Gender*, *Qualification* and the *Nature of the business*, and *Servant leadership*. Female owners of SMEs in the Eastern Cape perceive themselves as displaying higher levels of *Servant leadership* than their male counterparts. Female SME owners perceive themselves as being approachable, making personal sacrifices, going out of their way to serve and help subordinates, caring for the welfare of subordinates and paying attention to their personal needs, more than male SME owners perceive that they do. This finding concurs with that of Kotur and Anbazhagan (2014:34) who also indicate that gender has a significant influence on leadership styles adopted in a business.

The findings of the present study show that business owners without a tertiary qualification perceive themselves as displaying *Servant leadership* more than those with a tertiary qualification. Small business owners that do not have tertiary qualifications associate themselves with the servant leadership style more than their counterparts who have tertiary qualifications. In their study, Sawati *et al.* (2013:407) report no relationship between leadership style and the qualifications of a leader.

The findings of this study show that business owners operating in the service industry perceive themselves as displaying higher levels of *Servant leadership* than their counterparts in the retail and wholesale industries. From this it can be said that SME owners operating in the service industry perceive themselves as being approachable, making personal sacrifices and going out of their way to serve and help subordinates, caring for the welfare of subordinates, and paying attention to

their personal needs, more than SME owners operating in other industries. According to Azanza *et al.* (2013:48), the nature of the business is positively related to the leadership style of the business leader. An explanation for the finding in this study is that SME owners who operate businesses in the service industry are required to deal with people all the time. In their dealings with others, both employees and customers, they are required to go out of their way to serve and help, and pay attention to individual needs. If such behaviour is not evident in a service-orientated business, customers will be lost and success will not prevail.

7.3.3.2 Ethical leadership

The results of this study show that the demographic variables *Generation* and *Age* exert a significant influence on the perceived level of *Ethical leadership* displayed by the SME owner. However, the *post-hoc* Scheffé test revealed that *Age* had no significant influence on the levels of ethical leadership displayed by SME owners, but that the family *Generation* owning the SME did. SME owners who are first generation family business owners perceive themselves as displaying more *Ethical leadership* than second generation family business owners. SME owners of first generation family businesses were more likely to perceive themselves as trustworthy, honest, genuine and candid, with a strong concern for ethical and moral values, than second generation family business owners. A possible explanation for this finding is that business owners who have started their own businesses (first generation) do so in an ethical manner because they have still not been exposed to situations where unethical behaviour can take place.

7.3.3.3 Participative leadership

The findings of this study show that the demographic variables *Gender*, *Family business*, *Generation*, *Age*, *Ethnicity*, *Qualification*, *Tenure*, *Nature of the business* and the *Number of employees* exert no significant influence on the independent variable *Participative leadership*. These findings contradict those of several authors (Kotur & Anbazhagan 2014:33; Snaebjornsson & Edvardsson 2013; Simon 2008), all of whom have reported relationships between leadership styles and several demographic variables. The findings in this study also contradict those of Bartol *et al.*

(2003) who observed significant differences between the ethnicity of SME owners and the leadership styles adopted. In particular, Bartol *et al.* (2003:16) observed that SME owners who were of a minority ethnic background were more likely to get subordinates involved in planning and goal-setting, and in the decision-making processes of the business.

7.4 CONTRIBUTIONS OF THIS STUDY

This study has made a contribution to the theoretical and empirical body of knowledge in both the fields of Small Business Management and Leadership, by investigating the influence of adopting a more people-centred leadership style on the job satisfaction of SME owners and the perceived financial performance of their businesses.

According to several sources (Investopedia 2011, Valdiserri & Wilson 2010:47; Avolio *et al.* 2009:422-423; Brown & Treviño 2006:595-596), there is a need to research, develop and implement more ethnical and relational leadership styles among business owners. By investigating several people-centred leadership styles and their influence on selected outcomes among small and medium-sized business owners, this study responds to this need. This study has addressed a gap in the current literature with specific reference to the impact of leadership styles on business and personal outcomes in developing countries such as South African.

The scales adopted to measure the leadership styles in this study were sourced from existing studies. Many of the items did not load, or did not load as expected. This study has made a contribution by validating several items measuring the leadership styles under investigation in the context of SMEs, as well as identifying items that are problematic. Specific reference is made to the scale measuring authentic leadership.

As no accessible database on SMEs in the Eastern Cape could be found, this study makes a contribution in that the respondents who participated can be added to existing informal lists of SMEs, which hopefully could be the start of a more formal database for use in future studies.

As far as can be established, no other studies in South Africa have investigated the influence of a leader's style on his or her own job satisfaction. This study has thus made a contribution in that the perspectives of SME owners themselves were investigated, whereas most studies assessing the relationship between leadership styles and job satisfaction assess the job satisfaction of employees.

This study has investigated how several people-centred leadership styles, when adopted by an SME owner, positively influence the financial performance of their businesses. By identifying which of these styles influence financial performance and provide SME owners with recommendations how to implement these styles, this study contributes to potentially reducing the high failure rate among SMEs in South Africa.

Several studies (Kotur & Anbazhagan 2014; Kaifi *et al.* 2013; Ekaterini 2010) have done research on the relationship between leadership styles and demographic variables, but as far as can be established, little has been done on the more people-centred leadership styles and demographic variables. This study has thus made a contribution by investigating the influence of demographic variables on more people-centred leadership styles.

This study has provided SME owners in the Eastern Cape with recommendations and suggestions on how to implement more stakeholder or people-centred leadership styles, so that ultimately they can increase the profitability of their businesses. The findings of this study and the proposed recommendations may also be of value to SME practitioners. SME practitioners can use the findings of this study in their consultations with SME clients, in order to advise them appropriately in terms of the leadership styles that they should adopt.

7.5 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

Despite the contributions of this study, there are several limitations that should be mentioned. Several opportunities for future research are also presented.

The generalisability of this study is limited to the small and medium-sized business employers within the Eastern Cape Province only. The sampling technique used in this study, namely convenience sampling, is a limitation because the results cannot be generalised to the entire small business population. McBrice (2010:124) explains that one of the disadvantages associated with convenience sampling is that it does not represent the interests of the general population, and therefore decreases the external validity of the study. The lack of an existing accessible database of SMEs in South Africa has led to the narrow scope of the study to SMEs in the Eastern Cape Province only.

Future research should strive to identify and use a comprehensive database from which probability samples can be drawn. Given the vital role that SMEs play in the South African economy, it is advisable to replicate this study among all SMEs in South Africa, in order to investigate the level of *Servant, Authentic, Ethical* and *Participative leadership* exhibited by SMEs owners throughout the country, as well as to establish whether exhibiting these people-centred leadership styles influences their *Job satisfaction* and the *Perceived financial performance* of their businesses. This study focused on small and medium-sized businesses only. A future study could be undertaken among the owners of larger businesses (200 or more employees) to determine if the results reported by owners of larger businesses vary significantly from those reported in this study.

The results of the study indicated that the majority of respondents were white males. Owing to the homogeneous nature of these respondents, future studies should pay attention to samples that are more representative in terms of gender and ethnicity. Specific attention should be given to black female business owners, to investigate whether the results would vary from those of this study.

A survey was used for the data collection in this study. Surveys are susceptible to various errors, such as coverage and non-response error. Future studies are encouraged to develop and employ other methods, such as interviews for examining the leadership styles adopted by SME owners, and how these styles influence personal and business outcomes. In addition, the measuring scale adopted in this study should be revisited. More specifically, the items measuring *Authentic*

leadership should be reconsidered, as none of these items loaded together as expected.

The responses in this study related to the perceptions of SME business owners of their own levels of leadership. These one-time self-report measures could have introduced a degree of bias into the findings of the study. Self-report questionnaires have been identified as being vulnerable to social desirability bias, and for this reason the results are often inflated, because respondents tend to answer in a socially acceptable way. Given the nature of the leadership styles investigated, it would not be surprising if the perceived levels of leadership reported by the SME owner were higher than in reality. Future research could include qualitative in-depth discussions with representatives from SMEs to follow up on the respondents' initial responses. In addition, research could be done to compare the perceptions of employees with those of the business owners, to see whether differences exist between the two groups in terms of the leadership styles

Another limitation of this study is that it focused on certain people-centred leadership styles only, and on certain dimensions of these styles. Future studies could investigate the influence of other dimensions and other leadership styles on business and personal outcomes.

Despite the aforementioned limitations, the results of this study present several opportunities for future studies, and make a contribution to the existing body of knowledge on SMEs, leadership styles, job satisfaction, and business performance.

7.6 CONCLUDING REMARKS

Investigating leadership styles among SMEs is a topic of significance and growing interest among researchers. Given the importance of SMEs to the economies of countries, investigating factors that influence their success is vital. Several studies have reported positive relationships between effective leadership and factors such as job satisfaction, performance, stress levels, and turnover intention, all of which are known to contribute towards overall business success. The findings of this study show that by adopting more people-centred leadership styles, the job satisfaction of

SME owners is increased and the financial performance of their businesses improved. It is hoped that the findings of this study will provide SME owners with practical suggestions on how to increase their levels of job satisfaction and the financial performance of their businesses, and that the suggestions for future research will inspire future researchers to further investigate the issue of leadership among SMEs.

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ANNEXURE A – BUSINESS OWNER QUESTIONNAIRE

• PO Box 77000 • Nelson Mandela Metropolitan University
• Port Elizabeth • 6031 • South Africa
• <http://www.nmmu.ac.za/husman>



Unit for Applied Business Management
Summerstrand South Campus
DEPARTMENT OF BUSINESS MANAGEMENT

February 2014

Dear Respondent (Business owner)

This study revolves around the leadership styles of small and medium-sized business owners operating in the Eastern and Western Cape. More specifically the aim is to investigate the leadership styles of small and medium-sized business owners operating in the Eastern and Western Cape, and to establish the influence of these styles on employee and business outcomes.

The study involves gathering information from the owner (leader) and an employee (subordinate) of the **same small or medium-sized business**. The business should have been in operation for at least one year and the owner must be **actively involved** in the daily running and managing of the business. For the purpose of this study a *small or medium-sized business* is one that **employs more than five but fewer than 200 full-time employees**.

It would be greatly appreciated if you could respond to the following questions so as to assist in the completion of this study. The questionnaire should take about 15 minutes to complete. There are no right or wrong answers. Only your **honesty** and the **perceptions** you hold are important.

All information will be treated in the strictest confidence and you are under no obligation to participate.

Please note that the information obtained will be used for research and publication purposes only. The final report will not include any identifying information. Please feel free to contact us with regards to any queries you might have. Your participation in the study will be most appreciated.

Yours faithfully

Prof SM Farrington, Mr R Lillah and Ms S Saunders

Department of Business Management
Nelson Mandela Metropolitan University
Email: Riyaadh.Lillah@nmmu.ac.za
Tel: +27 (0) 41 504 2157

A GENERAL INFORMATION

Please mark your selection to the following questions with an (X).

- 1.1 Do you meet the requirements for participating in this research, namely (1) your business has been in operation for at least one year, (2) your business employs more than five but fewer than 200 full-time employees, (3) you are the current owner of the business and (4) you are actively involved in the daily running and managing of the business?

Yes		1
No		2

- 1.2 A family business is a business where **at least two family members** work in the business and the family owns **more than a 50%** share in the business.

Is your business a family business?

Yes	1
No	2

- 1.3 If your answer is **YES to question 1.2**, please indicate which generation started the family business.

First generation	I started the business	1
Second generation	My father/mother started the business	2
Third generation	My grandfather/grandmother started the business	3
Fourth generation	My great-grandfather/grandmother started the business	4
Other		5

- 2 Please indicate your gender

Male		1
Female		2

- 3 Please indicate to which age category you belong (for statistical purposes only)

< 20		1
20 – 29		2
30 – 39		3
40 – 49		4
50 – 59		5
60 +		6

- 4 Please indicate to which population group you belong (for statistical purposes only)

Asian		1
Black		2
Coloured		3
White		4
Not willing to say		5

- 5 Do you have a tertiary (post-matric) qualification?

Yes		1
No		2

- 6 How long have you been the current owner of this business? _____ years

- 7 How many full-time employees are currently employed in your business? _____ employees

- 8 Identify the nature of the industry in which your business operates. You may mark more than one industry.

Retailer and/or Wholesaler		1
Manufacturer		2
Service industry		3
Other		4

B LEADERSHIP STYLES (Servant, Authentic, Ethical, Participative)

Below are several statements that describe your leadership style. Please indicate (with an **X**) the extent to which **you agree or disagree with each statement**. The columns are graded from **1** to **5**. The number **1** denotes strong **disagreement** with the statement, and at the other end of the scale, **5** denotes strong **agreement** with the statement.

	I am someone who...	Extent of agreement				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	practices what I preach.	1	2	3	4	5
2	is honest and can be trusted to tell the truth.	1	2	3	4	5
3	demonstrates actions that are consistent with my beliefs.	1	2	3	4	5
4	can be relied on to honour my promises and commitments.	1	2	3	4	5
5	places the greatest amount of decision-making in the hands of those most affected by the decision.	1	2	3	4	5
6	involves subordinates in setting goals.	1	2	3	4	5
7	involves subordinates in planning the actions that the business will take.	1	2	3	4	5
8	has a desire to serve others.	1	2	3	4	5
9	delegates challenging responsibilities to subordinates.	1	2	3	4	5
10	finds it easier to celebrate the accomplishments of others than my own accomplishments.	1	2	3	4	5
11	works behind the scenes and lets others take the credit.	1	2	3	4	5
12	is genuine and candid with subordinates.	1	2	3	4	5
13	shows a strong concern for ethical and moral values.	1	2	3	4	5
14	encourages subordinates to handle important work decisions on their own.	1	2	3	4	5
15	regards honesty and integrity as important personal values.	1	2	3	4	5
16	is more concerned about doing what is right than with looking good.	1	2	3	4	5
17	is willing to share my power and authority with subordinates.	1	2	3	4	5
18	does everything I can to serve subordinates.	1	2	3	4	5
19	does what I say.	1	2	3	4	5
20	allows subordinates to influence critical decisions.	1	2	3	4	5
21	opposes the use of unethical practices to achieve success.	1	2	3	4	5
22	gives subordinates a sense of ownership of the projects they work on.	1	2	3	4	5
23	takes time to talk to subordinates on a personal level.	1	2	3	4	5
24	makes decisions based on my core beliefs.	1	2	3	4	5
25	does not allow group pressure to influence me.	1	2	3	4	5
26	keeps my promises.	1	2	3	4	5
27	says exactly what I mean.	1	2	3	4	5
28	does not seek recognition or reward in serving subordinates.	1	2	3	4	5
29	can be approached to assist with the personal problems of subordinates.	1	2	3	4	5
30	pays attention to the personal needs of subordinates.	1	2	3	4	5
31	genuinely cares for the welfare of my subordinates.	1	2	3	4	5
32	acknowledges my dependency on subordinates.	1	2	3	4	5

33	values ethical behaviour more than business success.	1	2	3	4	5
34	is guided by my morals.	1	2	3	4	5
35	is willing to make personal sacrifices to serve subordinates.	1	2	3	4	5
36	rarely presents a false front to subordinates.	1	2	3	4	5
37	insists on doing what is fair and ethical even when it is not easy.	1	2	3	4	5
38	is always prepared to step aside for someone better qualified to do the job.	1	2	3	4	5
39	involves subordinates in decision-making.	1	2	3	4	5
40	goes out of my way to help subordinates.	1	2	3	4	5
41	puts the interests of subordinates ahead of my own.	1	2	3	4	5
42	gives subordinates the discretion to make their own decisions.	1	2	3	4	5
43	learns from subordinates.	1	2	3	4	5
44	readily admits when I am wrong.	1	2	3	4	5

C JOB SATISFACTION, COMMITMENT AND FINANCIAL PERFORMANCE

Below are a number of statements that relate to your level of job satisfaction and your commitment to your business, as well as the financial performance of your business. Please indicate (with an **X**) the extent to which **you agree or disagree with each statement**. The columns are graded from 1 to 5. The number 1 denotes strong **disagreement** with the statement, and at the other end of the scale, 5 denotes strong **agreement** with the statement.

	Statements relating to your level of job satisfaction and your commitment to your business, as well as the financial performance of your business:	Extent of agreement				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	My business has experienced growth in employee numbers over the past two years.	1	2	3	4	5
2	I feel emotionally attached to my business.	1	2	3	4	5
3	I enjoy working in my business.	1	2	3	4	5
4	The financial well-being of my business is secure.	1	2	3	4	5
5	I am willing to make personal sacrifices to ensure the success of my business.	1	2	3	4	5
6	My business has experienced growth in profits over the past two years.	1	2	3	4	5
7	I am dedicated to ensuring the success of my business.	1	2	3	4	5
8	I really care about the fate of my business.	1	2	3	4	5
9	I experience my involvement in my business as fulfilling.	1	2	3	4	5
10	I experience my involvement in my business as rewarding.	1	2	3	4	5
11	I am willing to put in a great deal of effort beyond that which is normally expected of me in order to help my business to be successful.	1	2	3	4	5
12	I am proud to tell others that I work in my business.	1	2	3	4	5
13	I am satisfied with the way that people work together in my business.	1	2	3	4	5
14	I regard my business as being financially successful.	1	2	3	4	5
15	My business is profitable.	1	2	3	4	5
16	My business has experienced growth in turnover over the past two years.	1	2	3	4	5

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

ANNEXURE B – ETHICAL CLEARANCE FORM



FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES*Please type or complete in black ink*

FACULTY: Business and Economic Sciences _____

SCHOOL/DEPARTMENT: Department of Business Management _____

I, (surname and initials of supervisor) Prof S Farrington (EB102) _____

the supervisor for (surname and initials of candidate) TBA _____

_____ (student number) TBA _____

a candidate for the degree of TBA _____

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

TBA _____

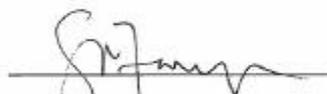
considered the following ethics criteria (please tick the appropriate block):

	YES	NO
1. Is there any risk of harm, embarrassment or offence, however slight or temporary, to the participant, third parties or to the communities at large?		x
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		x
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		x
(b) NMMU staff?		x
(c) NMMU students?		x
(d) The elderly/persons over the age of 60?		x
(e) A sample from an institution (e.g. hospital/school)?		x
(f) Handicapped (e.g. mentally or physically)?		x
(g) Socially/economically disadvantaged?		x

3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		x
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		x
4. Will the participant's privacy, anonymity and confidentiality be disclosed/revealed?		x
4.1 Are you administering a questionnaire/survey that:		
(a) Collects sensitive/identifiable data from participants?		x
(b) Does not guarantee the anonymity of the participant?		x
(c) Does not guarantee the confidentiality of the participant and the data?		x
(d) Will be distributed electronically (e.g. online via email/web link)?		x

Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty Ethics Co-ordinator.

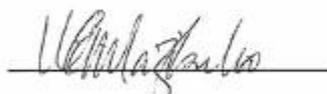
and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.



SUPERVISOR(S)

16/08/2013

DATE



HEAD OF DEPARTMENT

16/08/2013

DATE

STUDENT(S)

DATE

Please ensure that the research methodology section from the proposal is attached to this form.