

# ***THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT***

## **The Impact of Leadership Styles of Small Business Owners/Managers on Firm Performance**

**Dr. Francis Okyere**

Lecturer and Programme Coordinator, Department of Business and Management Development,  
National University of Lesotho, Lesotho

### ***Abstract:***

*This study sought to investigate the impact of leadership styles of owners/managers on firm performance in small, medium and micro enterprises (SMMEs) in Lesotho. Leadership is widely regarded as an important management function in pursuing the goals of a firm to success. However, literature on the subject reveals that not much research has been done on the relationship between the leadership styles of SMME owners/managers and firm performance in the African context. Using qualitative method and open-ended questionnaire, data were collected from 10 SMME owners/managers in Maseru, Lesotho. The results support the argument that there is positive correlation between the application of leadership style and firm performance of SMMEs in Lesotho. This qualitative approach to the study is important because it has revealed SMME owners/managers leadership styles and their influence on firm performance.*

**Keywords:** *leadership, transformational, transactional, firm performance, SMMEs*

### **1. Introduction**

Governments all over the world recognize the significance of the small business sector as one of the key areas contributing to employment creation and economic growth (Okyere, 2016). Likewise, Lesotho has seen a rapid increase of SMMEs over the past decade. The Ministry of Trade and Industry, Cooperative and Marketing (MTICM) (2008) reports that SMMEs in Lesotho constitute 85% of the country's private sector and account nearly 50% of the GDP. The above information confirms the significant role played by SMMEs in Lesotho's economy. Even though there are no empirical data to show the causes of SMMEs failure in the country, a cursory observation leads one to conclude that the causes are not different from their South African counterparts where Rambe and Makhalemele (2015) point out that the failure of SMMEs in their first year of existence could be attributed to lack of managerial competencies. Studies have confirmed that SMME owners/managers are the sole decision makers, therefore, what they decide have dire consequences on the success or failure of the business (Dzansi and Okyere, 2015; Okyere, 2016). It is therefore imperative for owners/managers to lead their employees in an effective manner in order to sustain the growth and survival of the business. Mgeni (2015) argues that success of small business requires effective leadership styles.

Studies by Uchenwamgbe (2013), Lawal et al. (2014) and Mgeni (2015) reveal that effective leadership styles can positively influence SMMEs competitiveness in numerous ways, such as increased growth, profitability, motivated employees, satisfied customers, among others. Therefore, for SMMEs to sustain their growth and survival, effective and dynamic leadership would be needed so as to guide employees to achieve the goals of the business. Yukl (2002) and Zaccaro and Klimoski (2001) in Hashim et al. (2012) advise that without effective leadership, productivity, innovation and profits in businesses would not only be affected but also survival and future of the business would be at risk too. This proves that the important role of leadership in business management cannot be underestimated.

Meanwhile, literature search suggests that studies on leadership styles of businesses have mainly focused on big corporations. Locke (1969), House (1971), Bass (1985), Yulk (2002), Shoham (2008) and Sam (2012) are in agreement that as a field of study, leadership in small businesses has yet to attract much interest from researchers, particularly studies that attempt to investigate the leadership styles found in small business. Prior literature search revealed no parallel studies on the impact of leadership styles of SMME owners/managers on firm performance in Lesotho. Therefore, this gap creates an interesting proposition for investigation. The outcome of this study is expected to enhance SMME owners/managers leadership styles to lead their employees to achieve business goals. Again, policy makers will find this study helpful in their quest to develop appropriate and effective support mechanisms for promotion of the SMME sector.

### **2. Literature Review**

Literature on leadership indicates that there is no commonly agreed on definition of the concept leadership. According to Lawal et al. (2014) Mgeni (2015) and Hayton (2015), there is still considerable controversy in the conceptualization of leadership in terms of meaning, categorization of leadership and measure. For instance, Uchenwamgbe (2013) and Lawal et al. (2014) investigated autocratic

and participative styles of leadership in their studies. Chandrakumara et al. (2009), Sam et al. (2012) and Mgeni (2015) also studied entrepreneurial and managerial leadership styles in SMME owners/managers. Hashim et al. (2012) looked at supportive, logical, commanding and inspirational leadership styles, while Iscan et al. (2014) and Arhan (2014) investigated transformational and transactional leadership styles in SMME owners/managers.

The above clearly portrays the varied means in which leadership styles are categorized. However, a closer look indicates that leadership is all about the influence of a leader to the followers. Thus how a leader's interaction with the followers influences them towards achieving company goals. This study looks at transformational and transactional leadership styles in SMME owners/managers in Lesotho, since the two are the most recent (Dofman et al. 2004; Thornberry, 2006; Arham, 2014) and commonly used by researchers in current works (Wen Yang, 2008; Sam et al. 2012; Akeke, 2016).

## 2.1. Definition of Concepts

### 2.1.1. Leadership

Leadership literature shows the inconsistencies and ambiguities in defining the concept (Winston and Petterson, 2006; Jogulu, 2010). This has led to a plethora of theories, approaches and styles (Timizi, 2002; Ammeter et al. 2002; Bolden, 2004; Franco & Mates, 2013; Mgeni, 2015). A few extant definitions of leadership will be examined and an operational definition drawn for this study. Bass (1999) points out that the definition of leadership is related to the purpose associated with the attempt to define it, and so presents a wide range of possibilities. The very mention of the word "leadership" suggests that there are followers. For this reason, Robbins and Coutler (2005) and Northouse (2007) see leadership as a process of how to influence people and guide them to achieve organizational goals. Ensley et al. (2003) are of the view that what leaders do is to influence the behaviour, beliefs and feelings of group members in an intended direction. Low and Jiang (2004) in Uchenwamgbe (2013) argue that leadership concerns the ability to influence the behaviour of others to move in accord with the desire of the leader and pursuit of goals. Wehrich and Koontz (2005) assert that leadership is an art of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. Peretomode and Peretomode (2001) and Yulk (2006) define leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individuals and collective efforts to accomplish shared objectives.

The above definitions suggest several components central to the phenomenon of leadership. In line with Northouse's (2007) observation, some of these components are: (i) leadership is a process; (ii) leadership involves influencing others; (iii) leadership happens within the context of a group; (iv) leadership involves goal attainments; and (v) these goals are shared by both leaders and followers. Therefore, for the purpose of this paper, leadership is defined as a process whereby a person influences other to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. This definition captures the five components of leadership listed above. It can also be deduced from the above discussion that leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge and skills. This leads us to examine leadership styles in the next section.

### 2.1.2. Leadership Styles

Riggio and Conger (2007) and Yusuf et al. (2014) contend that much as leaders share the various leadership functions of planning, directing, reviewing, and coordinating, circumstances may cause changes in leadership pattern, thus leading to classification of leadership, based on how it is performed. Collins (2001) cited in Lawal et al. (2014) states that apart from the manager's personal leadership styles, some research evidences suggest that leadership styles also vary among countries and culture. The author noted that there is evidence to support the claim that European managers tend to be more humanistic or people oriented than both Japanese and American managers. Various forms of leadership styles have been mentioned by different authors in their works. For instance, Chang et al. (2003) Koontz and Wherich (2004) and Uchenwamgbe (2013) mention participative, democratic and authoritative leadership styles in their studies. Robbins (2009) categorizes leadership styles into classical and contemporary. Likert (1961) classifies leadership styles as dictatorial, unitary, bureaucratic, benevolent, charismatic, consultative, abdication and participative. Hashim et al. (2012) identified supportive, logical, commanding and inspirational leadership styles in their study, while Hambrick and Pettigrew (2001) and Akeke (2016) aligned with strategic leadership style. Entrepreneurial and managerial leadership styles also featured in the works of Van Zyl and Mathur-Helm (2007), Chandrakumara (2009) and Mgeni (2015). Studies by Avolio and Bass (2004), Rafferty and Griffin (2004), Bass (2008), Rowold and Schlotz (2009), Shibru and Darsham (2011) and Yusuf (2014) have all studied transformational and transactional leadership styles, and posit that the two concepts have gained prominence over the past several years in leadership literature.

The above information stipulates clearly that there is no universally appropriate leadership style or 'one-best-way'. Leadership style is therefore based on how it is performed. This study aligns with transformational and transactional leadership styles. This is because transformational and transactional leadership styles have consistently and positively predict a wide variety of performance outcomes in varying settings (Bass, 2008). The study will examine the type of leadership styles (whether transformational or transactional) adopted by SMME owners/managers in Lesotho in discharging their managerial duties.

### 2.1.3. Transformational and Transactional Leadership Styles

Yusuf et al. (2014) posit that the difference between transformational and transactional leadership lies in the way of motivating others. According to Arif and King (2013), transformational leadership is based on the premise that leaders inspire the team with vision and

give direction by motivating and encouraging subordinates to achieve organizational goals. Burns (1978) sees transformational leadership as involving the process of influencing major changes in organizational attitude in order to achieve the organization's objectives and strategies. Bass (1985) contend that a transformational leader's behaviour originates in the personal values and belief of the leader and motivates subordinates to do more than expected. Peterson et al. (2009) define transformational leaders as those who positively envision the future scenarios for the organizations, engage primarily in improving employees' self-confidence by helping them to realize their potential.

Avolio and Bass (2004), Northouse (2007), Warrilow (2012) and Akeke (2016) identified four components of transformational leadership as: (i) charisma or idealized influence: this reflects the leader's ability to create and present an attractive vision for the future and to use emotional arguments that tend to elicit pride, respect, trust, enthusiasm, and loyalty from subordinates; (ii) inspirational motivation: the ability of the transformational leader to inspire and motivate the followers to the direction and vision set by the leader; (iii) intellectual stimulation: here the transformational leader stimulates innovation and creativity among followers. The leader values and appreciates the contribution of new ideas by followers for the benefit of the organization; and (iv) personal and individual attention: the degree to which the leader attends to each and every individual's needs, and acts as a mentor or coach and gives respect to and appreciation of the individual's contribution to the team. This fulfils and enhances each individual team member's needs for self-fulfillment, and by so doing inspires followers to further achievement and growth.

The concept of transactional leadership on the other hand is concerned about reward and punishment system in leadership, whereby the leader has the power to manipulate the followers in exchange of something of value (Yulk, 1989; Bass, 1990; Howell & Avolio, 1993; Arham, 2014). Burns (1978) conceptualized transactional leadership as the exchange relationship between leaders and their followers. According to Arham (2014), transactional leadership can be referred to as the type of leadership where the leaders explain what is required from employees and what compensation they will get when they accomplish these requirements. Jung and Avolio, 1999 and Wu, 2014 see transactional as the leadership style that incentives (or punishments) are put in place and role definitions and work requirements are set up to guide or incentivize subordinates so as to achieve goals.

Bass (1990), Avolio and Bass (2004), Muenjohn and Armstrong (2008), Arif and King (2013) and Arham (2014) all agree on the following key components of transactional leadership: (i) contingent reward: this shows the degree to which leaders tell others what to do in order to be rewarded, emphasize what leaders expect from them; (ii) management-by-exception (active) mode: leaders act as monitors to search and watch for deviations from rules and standards and take corrective measures; and (iii) management-by-exception (passive) mode: leaders here will only intervene when procedures are not followed and standards are not met.

In a nut shell, while transactional leadership focuses on the exchange relationship between leaders and followers, transformational leadership move beyond these immediate self-interests. Transformational leadership emphasizes the symbolic behaviour of the leader (e.g. inspirational, visionary messages, values) as opposed to economic transaction between the leader and employees (Iscan, 2014).

## 2.2. Firm Performance

To begin with, the terms organizational performance, business performance and firm performance have been used by various authors in their studies. A review on the terms done by Mgeni (2015) concluded that all of them mean the same thing. Even though this study uses firm performance, all the three would be used interchangeably. Despite its relevance, research into firm performance suffers from problems such as lack of consensus and selection of indicators (Richard et al. 2009). For instance, Daft (2001) is of the view that organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Ling and Hong (2010) see firm performance as the achievement of stage-based or overall goals of an organization and the results from relevant divisions and departments before specific deadlines. According to Obiwuru et al. (2011), firm performance can be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Koontz and Donnell (1993) contend that firm performance refers to the ability of an enterprise to achieve such objective as high profit, quality product, large market shares, good financial results, and survival at pre-determined time using relevant strategy for action. Venkatraman and Ramanujam (1986) used financial indicators like profitability, return on investment, return on assets and non-financial indicators like customer satisfaction, quality, innovation, employee satisfaction and reputation. In spite of the disparities in indicators to assess firm performance, Richard et al. (2009) posit that if several dimensions exist, a researcher should choose the dimensions most relevant to his or her research and judge the outcomes of this choice.

## 2.3. Leadership Styles and Firm Performance in SMMEs

Yang (2010) aver that leadership behaviour has long been considered as an important individual factor that influences innovation and performance at the workplace. Therefore, understanding the impact of leadership styles on firm performance in SMMEs is crucially important. SMMEs are faced with numerous challenges which include access to finance (Abor and Quartey, 2010); lack of managerial skills (Lightham and Cant, 2002); crime and corruption (Olawale and Garwe, 2010); equipment and technology (Abor and Quartey, 2010 and Okyere, 2013). These challenges are limiting factors to their growth and survival. Despite these challenges, Franco and Matos (2013) suggest that the respond to the challenges faced today by SMMEs is only possible through adoption of leadership roles by various people in charge.

The distinguishing characteristics of SMMEs autonomy is the freedom to take decisions according to the individual's preference (Uchenwamgbe, 2013). The owner/manager is a vital person in the small nosiness context because he or she has to make key decisions on day-to-day basis that can affect the growth and survival of the business. In doing so, the leadership style adopted has a telling effect on the direction of the business. Several leadership styles in SMMEs have been studied by different authors from different countries. Previous studies by Lawal et al. (2015) found that participating SMMEs are occasionally autocratic and

participative in style. However, they are more autocratic than participative. The authors concluded that most of the participating firms reported good business performance with the highest in public image followed by performance stability, innovativeness and operating efficiency, growth rate, profitability, adaptability, among others.

Similarly, Mgeni (2015) investigated leadership style by SMMEs in Tanzania, and reported that overwhelming majority of the respondents used entrepreneurial leadership style. The study concluded that there is a significant strong positive correlation between entrepreneurial leadership style and business performance. Franco and Matos (2013) investigated leadership styles in SMMEs and reported that transformational and transactional styles were the dominant approaches. Obiwuru et al. (2011) studied the effects of leadership style on organizational performance in small-scale enterprises. They reported that transactional leadership style had significant positive effect on performance, while transformational leadership style had positive but insignificant effect on performance. Perrigo (1980) in Uchenwamgbe (2013) alleges that small business leaders tend to maximize control and eschew delegation of authority and responsibility, preferring instead to directly carry out or to supervise most of the daily operations of their organizations themselves. Thus, this type of leadership aligns with autocratic style.

The review in this section has portrayed that there is enough evidence of leadership styles in small businesses. It has also emerged that there is positive correlation between leadership style and firm performance. Thus, the practice of effective leadership style can enhance business performance.

### 3. Research Methodology

#### 3.1. Philosophical Approach and Research Design

This study used the qualitative method, and aligns with the phenomenological (also called anti-positivist) research which is concerned with understanding of human behaviour from the researcher's own standpoint and focuses on the meaning the individuals attach to actual experiences of phenomena (Aliyu et al. 2014). Leadership concept in SMMEs in Lesotho has not seen any previous studies, therefore, in order to gain deeper understanding of the concept, qualitative method was deemed appropriate. The study relied on open-ended instrument to collect data from 10 SMME owners/managers.

#### 3.2. Population, Sampling and Data Analysis

The population consisted of SMME owners/managers in Lesotho. However, due to financial and time constraints, the study was limited to owners/managers in Maseru. Even in Maseru, only 10 owners/managers were interviewed using a non-probability, snowball sampling method. Kumar (2011) contends that in qualitative research, you are guided by your judgement as to who is likely to provide you with the "best" information. The researcher was already in contact with two SMME owners, who also referred other SMME owners/managers. The most important thing is to ensure that the research sample meets the required criteria. Thus, recognition of an SMME was based on the definition of the Ministry of Trade and Industry, Cooperative and Marketing (MTICM) (2008) in Lesotho. In conformance with qualitative design, the measuring instrument was an open-ended questionnaire which was completed by the respondents themselves. Data analysis of this study was generated by transcribing the information obtained from owners/managers. A simple thematic analysis technique was adopted to analyse the collected data. Alhojailan (2012) contends that thematic analysis technique is considered the most appropriate in qualitative research that seeks to discover using interpretations.

#### 3.3. Findings and Discussion

This section presents and discusses results of the study. Eisner (1997) in Verdirelli and Scagnoli (2013) contend that in qualitative studies, visual displays can be useful and serve several purposes at all stages of analysis, and purpose of "illuminating rather than obscuring the message". According to Verdirelli and Scagnoli (2013), grounded theorists strongly encourage the use of diagram and figures to synthesize major theoretical concepts and their connections. Thus, the primary aim of data visualisation is to communicate in a clear and effective manner through information graphics.

Based on the above contentions, frequency tables are used to aid the presentation and discussion. As alluded to in the previous section, this study relied on qualitative method and open-ended questionnaire. The questionnaire was divided into three sections of A, B and C. Section A was on demographic characteristics of the respondents. Section B measured leadership styles while Section C was on impact of leadership style on firm performance. Prior to the distribution of the questionnaire, a pilot was conducted. Five SMME owners/managers were selected at random and interviewed. Thereafter, issues of ambiguity and language difficulty level were addressed. The pilot study confirmed that the study was feasible and could be completed.

Variables	Categories	Frequency	Percentage
Personality characteristics			
Gender	Female	4	40
	Male	6	60
	TOTAL	10	100
Age	18-35	1	10
	36-45	2	20
	46-55	4	40
	56-65	3	30
	TOTAL	10	100
Level of education	Primary	2	20
	Secondary	6	60
	Tertiary	2	20
	TOTAL	10	100
Type of respondent	Owner	1	10
	Manager	3	30
	Owner/manager	6	60
	TOTAL	10	100
Business characteristics			
Type of business	Catering	1	10
	Clothing retail	2	20
	Salon	3	30
	Plastic	2	20
	General cafe	2	20
	TOTAL	10	100
Form of business	Sole proprietor	4	40
	Pty Ltd	2	20
	Partnership	4	40
	TOTAL	10	100
Number of employees	1-10	7	70
	11-20	2	20
	21-50	1	10
	TOTAL	20	100
Age of business	1-5 years	5	50
	6-10 years	3	30
	11-15 years	2	20
	More than 15 years	0	0
	TOTAL	20	100

Table 1: Demographic characteristics

### 3.4. Personal Characteristics

The first important finding deals with the composition of respondents. Table 1 portrays that gender distribution is marginally skewed in favour of males. With 40% of the respondents being female, policy-makers would be pleased as efforts are being made to get more females into entrepreneurship. However, same cannot be said of age as 70% falls between 46 to 65 years. With the growing number of youth unemployment in Lesotho, this is a worrying finding. Table 1 shows that majority of the respondents has either completed secondary school or tertiary level, thus 60% and 20% respectively. Chilya and Roberts-Lombard (2012) emphasise the importance of educated human capital by stating that the economic growth of a country is determined by its skilled and educated people. Wanigasekara and Surangi (2011) stress that many researchers have found a strong link between education and small business success. Dzansi (2004) and Okyere (2016) postulate that a sound level of education should be a good omen for training providers who may not have too much difficulty in providing further training to owners/managers of SMMEs given their existing educational background. Results in Table 1 indicates that many participants owned and managed their business entities, while 30% are managers and 10% are owners.

### 3.5. Business Characteristics

Table 1 depicts that 10% of the respondents are in catering, 20% in clothing retail, 30% in salon, and 20% each in plastic and general café. Given that it is easier to establish a self-employed business in the salon industry, this finding is not surprising. With regards to form of business, 20% are Pty Ltd, and 40% each as sole proprietors and partnerships. According to information in Table 1, 70% of the businesses are micro employing between 1 to 10 employees. Small businesses are 30%, employing between 11 to 50 employees. With business longevity, 50% of the businesses have been in business between 1 and 5 years, and the same percentage have also been in business between 6 to 15 years.

3.6. Results of Transformational and Transactional Leadership and Firm Performance

The main questions the respondents answered were on style of leadership and how they influence firm performance. This section of the questionnaire was divided into two sections. In the first section, participants were asked to state their leadership styles. The second section requested them to mention how their leadership styles impact on firm performance. From the responses of the study participants, it emerged that SMMEs in Lesotho's leadership styles are similar to those examined in literature review as transformational transactional (Bass, 1985; Northouse, 2007; Arif & King, 2013; Yusuf et al. 2014). Tables 2 and 3 below portray results of transformational and transactional leadership and firm performance respectively.

3.6.1. Transformational and Transactional Leadership

Item	Codes	Respondents										f	%
		1	2	3	4	5	6	7	8	9	10		
Transformational leadership style	Inspire the team	x			x	x	x		x	x		6	60
	Motivate the team	x	x		x			x	x	x	x	7	70
	Respect views of employees				x	x				x		3	30
	Mentoring		x	x			x	x		x	x	6	60
	Attend to individual needs	x			x	x		x				4	40
	Provide guidance				x	x	x			x		4	40
	Encourage innovation and creativity					x	x			x		3	30

Table 2: Transformational leadership

Item	Codes	Respondents										f	%
		1	2	3	4	5	6	7	8	9	10		
Transactional leadership style	Outlines what need to be achieved	x	x	x	x	x		x	x	x		8	80
	Monitor closely	x	x		x	x	x	x	x	x	x	9	90
	Intervene when necessary	x		x	x	x	x	x	x	x	x	9	90
	Praise good work	x	x	x	x	x	x	x	x	x	x	10	100
	Punish poor work	x			x	x	x			x	x	6	60
	Give little or no room for own views	x					x	x		x	x	5	50

Table 3: Transactional leadership

Tables 2 and 3 present responses of respondents on their views on leadership styles. It must be noted that during thematic coding the responses were group into transformational and transactional leadership styles as those were what emerged. Table 2 depicts respondents whose leadership style aligns with transformational style. 60% of the respondents said they inspire their teams, 70% motivate their teams, 30% believe that it is right to respect the views of employees, whole 60% think mentoring employees is the right thing to do. On whether they attend to individual needs of their employees, 40% of the owners/managers interviewed were in agreement. 40% also said they provide guidance to their employees, while 30% encourage their teams to be innovative and creative.

Table 3 shows transactional leadership style that emerged in the study participants' responses. 80% of the participants said they outline what need to be achieved so that employees do not deviate from the set objectives. 90% agree that they monitor what their teams do closely. The same number say they do not wait for what is being done to go wrong before they intervene. All the owners/managers agree that when good work is done, workers deserve to be praised. However, 60% are of the view that if poor worker is done those responsible must be punished. Thus, they believe in rewards and punishment. An approach synonymous with transactional leadership style. 50% of the respondents state that they give little or no room for employee's own views.

It can be deduced from respondents' responses that there is a mixed approach of transformational and transactional leadership styles in SMMEs in Lesotho. However, the dominant approach is transactional leadership style. This finding is in agreement with that of Obiwuru et al. (2011) and Uchenwamgbe (2013), who concluded that transactional leadership style was more appropriate in inducing performance in SMMEs than transformational leadership style. In a similar study conducted by Franco and Matos (2013), the authors concluded that transformational and transactional leadership styles were the dominant approaches in the surveyed SMMEs.

Item	Codes	Respondents										f	%
		1	2	3	4	5	6	7	8	9	10		
Leadership style and firm performance	Employee satisfaction	x	x	x		x		x	x	x		7	70
	Increased production	x	x		x	x	x		x	x	x	8	80
	Customer satisfaction			x	x	x	x	x		x		6	60
	Good company image		x	x	x		x	x	x	x	x	8	80
	Increased profit	x		x	x	x	x	x		x	x	7	70

Table 4: Leadership and firm performance

Table 4 summarises respondents view on whether leadership styles impact on firm performance. 70% of the respondents agree that effective leadership style boasts employees' satisfaction, while 60% also are in agreement that leadership styles translate into customer satisfaction. 80% say production is increased, while 70% believe effective leadership style leads to increased profit. Similar findings were recorded by Uchenwamgbe (2013), Mgeni (2015), and Lawal et al. (2015). These authors reported positive correlation between leadership styles and firm performance.

#### 4. Conclusion and Recommendations

This study has examined the relationship between leadership styles and firm performance in SMMEs in Maseru. Tables 2 and 3 revealed the responses of the study participants. It emerged that a mixed approach of transformational and transactional leadership styles was practiced by the SMMEs. However, transactional leadership style seemed to be the dominant approach used. Obiwuru et al. (2011) posit that this leadership style is appropriate for SMME owners/managers since it induces performance. This study concludes that SMME owners/managers should study their busy environment and business objectives, and adopt a leadership style that suits the situation.

#### 10. References

- i. Abor, J. & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 33: 224-234.
- ii. Akeke, N. I. (2016). Factors of Strategic Leadership: Antidote to Firm Performance. *International Journal of Management Sciences*, 7(1): 7-13.
- iii. Alhojailan, M. I. (2012). Thematic Analysis: A Critical Review of its Process and Evaluation. *West East Journal of Social Sciences*, 1(1): 39-47.
- iv. Aliyu, A. A. Allo, M. U. Kasim, R. & Martin, D. (2014). Positivist and Non-Positivist Paradigm in Social Science Research: Conflicting Paradigm or Perfect Partners? *Journal of Management and Sustainability*, 4(3): 79-95.
- v. Ammeter, A. P. Douglas, C. Gardner, W. L. Hochwarter, W. A. & Ferris, G. R. (2002). Towards a political theory of leadership. *The Leadership Quarterly*, 173(6): 751-796.
- vi. Arham, A. F. (2014). Leadership and Performance: The Case of Malaysian SMEs in the Service Sector. *International Journal of Asian Social Science*, 4(3): 343-355.
- vii. Arif, K. P. & King, B. E. M. (2013). Transactional and Transformational Leadership. A comparative study of the differences between Tony Fernandes (Airasia) and Idris Jala (Malaysia Airlines) Leadership Styles from 2005-2009. *International Journal of Business and Management*, 8(24): 107-116.
- viii. Avolio, B. J. & Bass, B. M. (2004). Multifactor leadership questionnaire: Manual and sample set. 3<sup>rd</sup> Edition. Redwood City, CA: Mind Garden.
- ix. Bass, B. M. (1985). *Leadership and performance beyond expectations*. New York: Free Press.
- x. Bass, B. M. (1990). *Handbook of Leadership: Theory, research and managerial applications*. London: The Free Press.
- xi. Burns, J. M. (1978). *Leadership*. New York: Harper & Row.
- xii. Chandrakumara, P. M. K. A. De Zoysa, A. & Manawaduge, A. (2009). Leadership styles and company performance: the experience of owner-managers of SMEs. *Research Online*. Australia: University of Wollongong.
- xiii. Chang, F. Polska, F. & Ochen, S. (2013). Management Channel Behaviour and Retailers Performance. *Supply Chain Management*, 8(2): 132-139.
- xiv. Chiliya, N. and Roberts-Lombard, M. (2012). Impact of Level of Education and Experience on Profitability of Small Grocery Shops in South Africa. *International Journal of Business Management and Economics*, 3(1): 462-470.
- xv. Daft, R. L. (2001). *Organization theory and design*. 7<sup>th</sup> Edition. USA: Thomson Learning.
- xvi. Doffman, P. W. Hanges, P. J. & Brodbeck, F. C. (2004). *Leadership and cultural variation. The global study of 62 societies*. London: Sage Publications.
- xvii. Dzansi, D. Y. (2004). *Social Responsibility of SMMEs in Rural Communities*. Unpublished PhD thesis. Pretoria: University of Pretoria.
- xviii. Ensley, M. D. Pearson, A. & Pearce, C. L. (2003). Top Management Team Process, Shared Leadership and New Venture Performance. *A Theoretical Model and Research Agenda*. *Human Research Management Review*, 13: 329-346.
- xix. Franco, M. & Matos, P. G. (2013). Leadership Styles in SMEs: A Mixed-Method Approach. *International Entrepreneurship and Management Journal*, 3: 1-27.
- xx. Hambrick, D. & Pettigrew, A. (2001). Upper echelons: Donald Hambrick or executives and strategy. *Academy of Management Executives*, 5(3): 36-44.
- xxi. Hashim, M. K. Ahmad, S. & Zakaria, M. (2012). A Study on Leadership Styles in SMEs. *Proceeding: International Conference on Islamic Leadership*, 2: 455-485.
- xxii. Hayton, J. (2015). Leadership and Management Skills in SMEs: Measuring Associations with Management Practices and Performance. *Business Innovation and Skills Research Paper*, 224: 1-74.
- xxiii. House, R. J. (1971). A path-goal theory of leader effectiveness. *Administrative Science Quarterly*, 16: 321-339.
- xxiv. Howell, J. M. & Avolio, B. J. (1993). Transformational leadership, transactional leadership, locus of control and support for innovation: key predictors of consolidated-business-unit-performance. *Journal of Applied Psychology*, 78(6): 891-902.

- xxv. Iscan, O. F. Ersan, G. & Naktiyok, A. (2014). Effect of Leadership Style on Perceived Organizational Performance and Innovation: The Role of Transformational Leadership beyond the Impact of Transactional Leadership – An Application among Turkish SMEs. *Procedia – Social and Behavioral Sciences*, 150 (2014): 881-889.
- xxvi. Jagulu, U. M. (2010). Culturally-Linked Leadership Styles. *Leadership and Organizational Development Journal*, 3(8):
- xxvii. Jung, D. & Avolio, B. (1999). Effects of Leadership Style and Followers Cultural Values on Performance Upper Different Task Structure Conditions. *Academy of Management Journal*, 42: 208-218.
- xxviii. Kumar, R. (2011). *Research Methodology: a step-by-step guide for beginners*. 3<sup>rd</sup> Ed. London: Sage.
- xxix. Ligthem, A. A. & Cant, M. C. (2002). *Business Success Factors of SMEs in Gauteng*. University of South Africa, Pretoria.
- xxx. Likert, R. (1961). *New Patterns of Management*. New York: McGraw-Hill.
- xxxi. Ling, Y. & Hong, L. (2010). How intellectual capital management affects organizational performance: using intellectual capital as the mediating variable. *Taiwan Human Resource Management Student Newspaper*, 10(1): 1-27.
- xxxii. Locke, E. A. (1969). What is job satisfaction? *Organizational Behavior and Human Performance*, 4: 309-336.
- xxxiii. Mgeni, T. O. (2015). Impact of Entrepreneurial Leadership Style on Business Performance of SMEs in Tanzania. *Entrepreneurship and Organizational Management*, 2(1): 1-9.
- xxxiv. Ministry of Trade and Industry, Cooperative and marketing (MTICM). (2008). *The State of Small Enterprise in Lesotho*. Maseru: Government Printers.
- xxxv. Muenjohn, N. & Armstrong, A. (2008). Evaluating the structural validity of the multifactor leadership questionnaire (MLQ), capturing the leadership factors of transformational-transactional leadership. *Contemporary Management Review*, 4(1): 3-14.
- xxxvi. Northouse, P. G. (2007). *Leadership: Theory and practice*. 4<sup>th</sup> Edition. London: Sage Publications.
- xxxvii. Obiwuru, T. C. Okwu, A. T. Akpa, V. O. & Nwankwere, I. A. (2011). Effects of leadership style on organizational performance: A survey of selected small scale enterprises in Ikosi-Ketu Council Development area of Lagos State, Nigeria. *Australian Journal of Business and management Research*, 1(7): 100-111.
- xxxviii. Okyere, F. (2013). Social responsibility in the SMMEs of the Botshabelo industrial estate. Masters dissertation. Central University of Technology, Bloemfontein, South Africa.
- xxxix. Okyere, F. (2013). Comparative analysis of environmental issues as a social responsibility concern for selected SMMEs in two African countries: South Africa and Lesotho. Doctoral thesis. Central University of Technology, Bloemfontein, South Africa.
- xl. Olawale, F. & Garwe, D. (2010). Obstacles of the growth of new SMEs in South Africa: a principal component analysis approach. *African Journal of Business Management*, 4(5): 730-737.
- xli. Peterson, S. J. Walumbwa, F. O. Byron, K. & Myrowitz, J. (2009). CEO positive psychological traits, transformational leadership and firm performance in high technology start-up and established firms. *Journal of Management*, 35: 348-368.
- xl. Rafferty, A. E. & Griffin, M. A. (2004). Dimensions of transformational leadership: Conceptual and empirical extensions. *The Leadership Quarterly*, 15(3): 329-354.
- xl. Richard, P. J. Devinney, T. M. Yip, G. S. & Johnson, G. (2009). Measuring organizational performance: towards methodological best practice. *Journal of Management*, 35(3): 718-804.
- xl. Riggio, R. E. & Conger, J. A. (2007). *The Practice of Leadership: Developing the Next Generation of Leaders*. San Francisco, CA: Jossey-Bass Wiley Imprint Inc.
- xl. Robbins, S. (2009). *Organizational behavior*. India: Dorling Kindersley.
- xl. Rowold, J. & Schlotz, W. (2009). Transformational and transactional leadership and followers' chronic stress. *Leadership review*, 9: 35-48.
- xl. Robbins, S. P. & Coutler, M. (2005). *Management*. 5<sup>th</sup> Edition. Upper Saddle Rivers, NJ: Prentice Hall.
- xl. Sam, M. F. M. Tahir, M. N. H. & Barker, K. A. (2012). Owner-Managers of SMEs in it Sector: Leadership and Company Performance. *International Journal of Business and Social Science*, 3(14): 195-205.
- xl. Santos, J. B. & Britos, L. A. L. (2012). Towards a Subjective Measurement Model for Firm Performance. *Brazilian Administration Review*, 9(6): 95-117.
- l. Shibu, B. R. & Darsham, G. M. (2011). Efforts of transformational leadership on subordinate job satisfaction in leather companies in Ethiopia. *International Journal of Business Management and Economic Research*, 2(5): 284-296.
- li. Timizi, S. (2002). The 6 – L framework: a model for leadership research and development. *Leadership & Operation Development Journal*, 23(5): 269-279.
- lii. Thornberry, N. (2006). *Lead like an entrepreneur*. Blacklick, OH: McGraw-Hill.
- lii. Uchenwamgbe, B. P. (2013). Effects of Leadership Style on Organization Performance in Small and Medium Enterprises (SMEs) in Nigeria, *European Journal of Business Management*, 5 (23): 53-73.
- liv. Van Zyl, H. C. J. & Muhur-Helm, B. (2007). Exploring a conceptual model based on combined effects of entrepreneurial leadership, market orientation and relationship marketing orientation in South Africa's small tourism business performance. *South African Journal of Business Management*, 38: 17-24.
- lv. Vankatraman, N. & Ramanujam, V. (1986). Measurement of business performance in the strategy research: a comparison of approaches. *Academy of Management*, 35(3): 718-804.
- lvi. Verdirelli, S. & Scagnoli, N. I. (2013). Data Display in Qualitative Research. *International Journal of Qualitative Methods*, 12: 359-381.



- lvii. Wanigasekara, W. M. S. K. & Surangi, H. K. N. S. (2011). Impact of Level of Education and Business Experience on Business Success among Small Retail Owner Managers in Sri Lanka. University of Kelaniya. Paper presented at the 2<sup>nd</sup> International Conference on Business and Information (ICBI), 20 October 2011.
- lviii. Warrilow, S. (2012). Transformational Leadership Theory – The 4 key Components in Leading Change and Managing Change. Available online at: [http://EzineArticles.com?expert=Stephen\\_warrilow](http://EzineArticles.com?expert=Stephen_warrilow) Date accessed: 27<sup>th</sup> October 2016.
- lix. Wehrich, H. & Koontz, H. (2005). Management: A Global Perspective. New York: McGraw-Hill.
- lx. Wen Yang, C. (2008). The relationship among leadership styles, entrepreneurial orientation and business performance. *Managing Global Transition*, 6(3): 257-275.
- lxi. Wu, M. (2014). Verifying the influences in leadership styles upon organizational performance: balance-scored card implementation as a moderator. *The Journal of International Management Studies*, 9(1): 25-37.
- lxii. Yang, J. Zhang, Z. X. & Tsui, A. (2010a). Middle manager leadership and frontline employee performance: Bypass, cascading and moderating effects. *Journal of Management Studies*, 47(4): 654-678.
- lxiii. Yusuf, M. O. Muhammed, U. D. & Kazeem, A. O. 2(014). Management of Leadership: An Approach to Organizational Performance and Effectiveness in Nigeria. *International Journal of Humanities Social Sciences and Education*, 1(2): 17-29.