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The Relationship between Democratic Leadership Style and SMEs Growth in the Top 100 SMEs in Kenya

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Abstract:

The study sought to investigate the relationship between democratic leadership style and small medium enterprise growth in the top 100 KPMG SMEs in Kenya. A causal research design was employed to investigate the relationship between the independent variable with key constructs being orientation towards teamwork, innovative and creative, delegation of responsibilities and transparency and the dependent variable constructs being workforce growth, sales growth and return on assets. From a target population of 553 owners and Managers of the top 100 KPMG SMEs of 2013 using Stratified random sampling technique a sample of 227 was obtained. The study relied on primary data that was collected using closed-ended questionnaires. Data was analysed using Pearson's correlation, multiple regression and chi-square techniques. The study findings established that democratic leadership style and SME growth had a strong positive association ($r = 0.713$, $p = 0.021$ ($p < 0.05$); the null hypothesis was rejected and alternative hypothesis accepted since the p value was less than alpha ($\chi^2 = 62.146$; $df. = 52$; $p = 0.000$ ($p < 0.0$.) The study concluded that democratic leadership style affected the overall performance of an organization as the employees found satisfaction in their work which positively affected their creativity and innovativeness which in turn affected the overall success and growth of the organization. It was recommended that leaders of SMEs should include employees in the decision-making process in order to facilitate growth of the enterprise.

Keywords: Democratic leadership style, small medium enterprises, growth

1. Introduction

Democratic leadership theory postulates that a democratic leader maintains control of the group, while at the same time employees' opinions and views are encouraged and the leader informs employees about issues which may affect them (Warrick, 1981). Warrick emphasises that in this style of leadership, high emphasis is placed on performance and people while assuming that most people are honest, trust worthy and will work hard to accomplish meaningful goals and challenging work. The leader strives for a well-organized and challenging work environment with clear objectives and responsibilities, and motivates employees to use their full potential in reaching organizational as well as their own personal objectives. The main assumptions of democratic leadership theory are that: involvement in decision making improves the understanding of the issues involved by those who must carry them out, people are more committed to actions where they have been involved in the relevant decision making, people are less competitive and more collaborative when they are working on joint goals, when people make decisions together, the social commitment to one another is greater and thus increases their commitment to the decisions, several people deciding together make better decisions than one person (IAAP, 2009). This theory therefore postulates that a manager who holds these assumptions and includes employees in the decision making process is likely to facilitate better performance of the employees and therefore the entire organization, this in turn will foster growth of the organization in that there will be better sales of the products or services of the organization which also translates into profits; and since employees are happy, this will create employee retention and also because the company is growing, more employees will be needed to handle the increasing work load.

According to Moloi (2013), democratic leadership style is defined as the leader's ability to involve followers in decision making. The followers become motivated to contribute their input in the organization (Bhatti, Maitlo, Shaikh, Hashmi, & Shaikh, 2012). It emphasizes group participation in the making of policies. In this leadership style, the organizations decisions are arrived at after consultations with the various representatives of the organization (Ansell & Gash, 2008). The leader always strives to motivate each individual within the firm and makes sure they feel important in the organization. Communication is multi-directional while ideas are exchanged between employees and the leader (Ogunola, Kalejaiye, & Abrifor, 2013). The leader, delegate's responsibility to personnel with the requisite experience and job performance qualifications thus, in this style, a high degree of staff morale is enhanced (Appelbaum, Roy, & Gilliland, 2011). Appelbaum, Roy and Gilliland further point out that the democratic style of leadership is more beneficial to the individual, group, and organization. Abrahams (2014) advocates for employee centred style of leadership that is based on trust and participation. He argues that leadership based on participatory leadership could produce greater employee satisfaction and increased organizational effectiveness. Abraham further pointed out that the leader works as the 'Linking; pin' between organizational levels. As such the leader can act as a facilitator for the organization in planning, coordinating,

identifying needs of the organization at different levels, and translating these needs into task accomplishment by obtaining employees commitment to the organizational goals.

Democratic or participative leadership style consists of the leader sharing the decision making abilities with group members by promoting the interest of the group members and by practicing social equality (Foster, 2002). Probst (2005) agrees with Foster when he observes that employees involved in decision making improve understanding and perception among colleagues and superiors and enhance personal value in the organization. The democratic style can, therefore, motivate superior employee task and extra-role performance by empowering employees and placing importance on their needs (Conger & Kanungo 1998). This not only increases job satisfaction of employees, but it also helps to develop their skills which impact positively on their rights.

2. Literature Review

Researchers found that democratic leadership style is one of the most effective and leads to higher productivity, better contribution from group members and increased group morale (Asmub & Svennerig, 2009). The case review by Asmub and Svennerig, however failed to take into account other leadership aspects that could negatively influence the productivity of employees, more so, the review solely relied on secondary data thus limiting the study findings.

Participatory management looks at members of an organization as important players in running of that organization, without whose involvement in an organization administration may hamper its efficient and effective functioning. In participation, all groups should view decisions made through a joint venture as a representation of what transpired. For participation to be appreciated by the employees, they should feel that they exerted some influence on the outcome (Hoyles, 2006).

Democratic leadership style has been noted to contribute positively to employee access to their rights from related research findings. This leadership style entails consulting with subordinates, and the evaluation of their opinion and suggestion before the managements adopts any company-wide decisions (Mullins & Linehan, 2005). By inference then this implies that a democratic leader can listen to complaints and needs of employees and, therefore, promotes access to their rights. Due to the consultative nature of the democratic leadership style the shared culture and value of the organizations are entrenched which enhance the employee motivation, productivity and access to their rights.

This study examines the influence of followers by the democratic leadership style towards enhancing the performance and growth of Small Medium Enterprises (SMEs). The main components of democratic leadership style include: orientation towards teamwork, innovation and creativity, delegation of responsibilities and transparency in the activities that they carry out in the organization (Bhatti, Maitlo, Shaikh, Hashmi, & Shaikh, 2012).

In an exploratory study on the impact of autocratic and democratic leadership style on job satisfaction Bhatti, Maitlo, Shaikh, Hashmi, and Shaikh (2012) targetted both employees and their managers. The research adopted quantitative and qualitative methods of data collection. The findings of the study showed that democratic leadership is viewed as an important aspect of empowerment, teamwork, and collaboration. The manager has complete confidence and trust in the employees. Thus, the workers are involved in the management of the organization. The workers are highly motivated by their involvement in the setting of goals, improving methods and appraising progress toward attainment of goals.

Mantere (2008) in his study on the role expectations and middle manager strategic agency adopted a case study analysis. Through review of secondary data the findings of the study showed that there is good employee-management relationship, and the workers see themselves as part of the organization by exhibiting a high degree of responsibility and commitment. The employees work together as a team. This is because the manager creates a situation where everybody participates fully in the activities of the organization. Encourages staff to grow on the job and get promoted. Everybody strives to make the organization a better place to work. Communication flows to and from the hierarchy, and also among colleagues. This is because the subordinates are well involved in decision-making.

Nowack (2006) found out that organizations find that engaging their workforce is a challenge and not an easy process. During the twentieth century, more and more studies focused on management as a behavioural science and, as a result, better workplace environments gradually evolved. The key to successful engagement was found to rest with the leaders of an organization.

Ertürk (2008) undertook a survey study on a trust-based approach to promote employees openness to organizational change in Turkey. The unit of analysis were employees within Turkish medium companies. The study findings showed that leadership is such a fundamental factor that supports the association between employee satisfaction and job performance, this suggests that the single most important contributor to employee engagement, namely empowerment and satisfaction, is based on the relationship employees have with the leaders of the organizations. The researcher concludes that in general participative leadership fosters employee satisfaction which is essential for a high-performing organization. However, this study failed to link any particular leadership style to performance of organizations.

In participative (democratic leadership), the employee still can gain feedback from their managers on what is expected of them and the goals that the firm wants to meet in order to sustain positive growth. Clark, Hartline and Jones (2009) argue that the communicative nature between managers and employees paves the way for easy access to employee rights. When employees participate in the decision-making process, they improve understanding and perception among colleagues and superiors and enhance personal value in the organization (Probst, 2005). Where there is increased personnel value, then the needs of the same personnel ought to be met and in most cases in the work environment these needs revolve around the employee job satisfaction which indirectly facilitates enterprise growth.

Zindiye (2008) undertook a survey study on the influence of leadership style on enterprise growth. The study relied on data collected from small and large companies. The unit of analysis for the study was the firm senior, middle executives and low-level employees. According to Zindiye, democratic leadership style involves encouraging the followers to participate in the enterprise decision making for the enterprise growth and survival. The support of the senior managers in the enterprise is a significant determinant of the enterprise innovative performance and growth because it considers everyone in decision making (Bass and Bass, 2008). Bass and Bass's findings were in agreement with the findings by Gloet and Samson (2012) who relied on decision making as the intervening variable for initiating performance and growth in a firm through the democratic leadership style. Both studies used a survey research design, unlike this study that uses a causal research design.

Robbins and Judge (2009) viewed the democratic leadership style as a style that seeks to build a team and provides for interest of the team through consensus measuring and input encouragement, additionally, leaders of democratic style become involved, and show concern for the workers. Robbins and Judge argued that the spirit of showing concern for employees is likely to improve employee productivity and levels of engagement. The study linked the democratic leadership style to the levels of employee engagement and productivity while this study sought to establish the relationship between democratic leadership style and SMEs growth as measured by variables such as the sales volume and the profitability of the enterprise.

Democratic leadership style involves encouraging the followers to participate in the enterprise decision making for the enterprise growth and survival (Hamdia and Phadett, 2011). The support of the senior managers in the enterprise is a significant determinant of enterprise innovative performance and growth (Gloet and Samson, 2012). The components of democratic leadership styles include: orientation towards teamwork; innovative and creative, delegation of responsibilities; and transparency (White and Lippitt, 1943). According to Hoyle (2006) organizations are moving away from the classical authoritative leaderships where decisions are made solely on a top-down basis to a new participative approach. This paradigm shift has taken root in small-medium organizations where the management has entrenched a culture of making strategic moves aimed at repositioning the firm. In his findings, he further argues that the supportive and inclusive interactions by democratic leaders create an intimate relationship with the firm personnel which is essential to creating a high-performing enterprise. and its effect on organization performance. In a survey of 20 small micro-enterprises in the Energy sector in the UK, Worall, Cooper and campell (2004) found out that in organizations where the management adopted highly restrictive leadership behaviors the firms usually failed due to poor growth strategies being adopted and supported. However, they noted that in organizations where the management involved the personnel and supported their endeavors the growth of the business was found to be high. This study only concentrated on SME's operating in the energy sector, thus the findings may not be reflective of SMEs' growth in other economic sectors.

Greenberg and Arakawa (2006) conducted an exploratory study on behaviour in organizations. The study findings showed that self-engaged managers embody a positive leadership approach, in which they are more than likely to employ a strength-based approach to managing employees, communicate clear goals and objectives, set performance expectations, instil personal accountability and provide frequent recognition for employee accomplishments. However, this study does not take into account the financial measures of the firm performance.

According to a study done by Ngethe (2012) on the influence of leadership style on academic staff retention in Kenyan public universities; which adopted a descriptive research design with semi-structured questionnaires to collect the data; the research found a significant relationship between the democratic leadership style and academic staff retention. The study concluded that, there was need to embrace leadership styles that promote staff retention for institutions to thrive. The leaders should be responsive to staff issues since responding to staff issues promptly shows that the leaders care and thus encourage intention to stay longer in the organization. This study only centred on establishing the relationship between leadership style and staff retention unlike the current study that sought to establish the relationship with organization growth.

Sikandar (2010) examined the different leadership styles on employee's performance in Pakistan. The primary focus of this study was to investigate the impact of leadership style on employee's performance. The study used a quantitative approach to measuring the impact of leadership on performance. Data was collected using structured closed-ended questionnaires; the study found out that the relationship between employees' performance with democratic style was statistically significant. It concluded that if the leader involves the employees in the decision-making process, having a friendly relationship with them decreased their stress at the workplace, and maximized their performance as well as organizational performance. Rezael and Safa (2010) carried out a descriptive research study on the role of leadership on employee's commitment towards service quality. Rezael and Safas' findings showed that participative leadership significantly impacted on employee's commitment to service quality. The study found that directive leadership style has negative influences on employee's commitment to quality while Participative leadership style has a positive effect on employee's commitment. Through enhanced employee commitment, the firm enjoys better productivity which is essential to growth. However, the researchers failed to take into account profitability measures as an aspect of organizational growth.

In a descriptive study on the relationship between leadership style and firm performance; Oluseyi and Hammed (2009) posit that democratic leadership effectiveness has the strongest correlation with firm performance; however, no association was developed in relation to objective measures of organization performance. Choi and Lee (2011) conducted an exploratory study in Malaysia and found that leadership style had a significant influence on job stress and that job stress had a positive relationship with turnover intention while leadership style had a negative influence on turnover intention. The conclusion was that successful interaction between leaders and their followers are central to the overall functioning of a company. This study however, was centered on leadership style and the ability of the firm to retain their

workforce hence did not factor in measures of organization growth. Moreso, the researcher relied on a case study, however this current research adopted a causal research design.

Nsubuga (2008) carried out a study in Uganda to investigate the relationship between the leadership style of head teachers and performance in schools. He found that most school head teachers use the democratic leadership style compared to other leadership styles. Results obtained from a one-tailed test of significance and three degrees of freedom revealed that there was a positive moderate correlation ($r=0.48$) relationship between the democratic leadership style and performance in secondary schools in Uganda. This study was conducted in an education setting and only adopted academic performance as a measure of performance thus overlooking other measures of institution growth such as intake and involvement of teachers and students in decision making and other aspects. Further the study did not incorporate any measurements of growth.

Chweya (2011) sought to determine the effects of public secondary school headteacher's leadership styles on student's performance in KCSE in Marani district, Kenya. The study found out that many headteachers perceived themselves as democratic. The performance of the institutions was positively related to the democratic leadership style. This study however adopted a descriptive research design and only sought the feedback of headteachers and head of department thus did not incorporate the views of all the stakeholders involved in the school. Further only student academic performance was used as a measure of the organization performance.

Okoth (2005) examined the influence of participative leadership on performance in Kenyan Schools. His study focused on the participative leadership aspects shown by school leaders. The study adopted a descriptive research design and utilized semi-structured questionnaires. The study findings assert that participative leadership requires a leader with power who is willing to share it. With his or her power, the leader sets the boundaries within which subordinate participation or consultations are welcome. Kenyatta University (2001) explored the influence of participative leadership on employee's motivation. In this study they employed a quantitative approach. The study findings stress that a person's basic needs, rights, and freedom must be guaranteed and respected by the organization in order to enhance their productivity. The study however, did not take into consideration the view of the organization leaders since the unit of analysis was junior employees. This current study focuses on the views of the organizational leaders.

3. Research Methods

This study employed a causal research design. The target population of this study comprised of top management team (chief executive officer, human resources manager, information technology manager, finance manager and administration manager) of the top 100 KPMG SMEs in Kenya of 2013. Proportionate stratified random sampling was used to obtain a sample of 227 out of a target population of 553. Descriptive statistics were used to describe and summarise the data while inferential statistics were used to make inferences and draw conclusions about the quantitative data the inferential statistics included Pearson's correlation, multiple regression and chi-square tests.

4. Findings

Correlation between Democratic Leadership Style and SMEs' Growth

		Democratic Leadership	SMEs growth
Democratic Leadership	Pearson Correlation	1	
	Sig. (2-tailed)		
SMEs growth	Pearson Correlation	.713*	1
	Sig. (2-tailed)	.021	

Table 1

** Correlation Is Significant at the 0.01 Level (2-Tailed)

According to the findings as illustrated in the table above, democratic leadership has a strong positive and significant correlation with SMEs growth ($r=0.713$, $P=0.021$ (which is less than 0.025), this therefore, implies that there is a strong positive and significant association between democratic leadership style and SMEs growth where an increased application of democratic leadership style will result into significant SMEs growth. This therefore confirms that, adoption of democratic leadership in an organization will bear positive results as its extent of use will determine the extent of growth of the organization.

Testing the relationship between the predictor and criterion variable using multiple regression analysis, the study findings illustrated that democratic leadership had a positive effect on SMEs growth ($\beta_1 = 0.019$, $t = 0.273$, $p > 0.015$).

5. Hypothesis Testing

In order for the hypothesis testing to be carried out in this study, chi-square analysis was conducted at the 5% level and 95% confidence interval. The chi-square test involves comparing the observed frequencies (patterns in response) in each response category to the frequencies expected if the null hypothesis (H_0) were true. These expected responses are determined by allocating the sample to the response categories according to the distribution specified in the null hypothesis. The null hypothesis for testing the relationship between democratic leadership and SMEs growth was as follows;

- H_0 : There is no significant relationship between the democratic leadership style and SMEs growth in Kenya.

Chi-Square Tests between Democratic Leadership style and SMEs' Growth

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.146	52	.000
Likelihood Ratio	57.409	52	.282
Linear-by-Linear Association	.271	1	.603
N of Valid Cases	188		
a. 59 cells (84.3%) have expected count less than 5. The minimum expected count is .02.			

Table 2

The study findings in the table above indicate the chi-square test results for the relationship between democratic leadership and SMEs growth. These results give evidence of existence of a significant relationship between democratic leadership and SMEs growth ($\chi^2=62.146$; d.f. = 52; $p=0.000$ ($p<0.05$). Based on this, the study rejected the null hypothesis and accepted the alternative hypothesis since the p-value is less than 0.025 testing at 5% significance level two tailed test. Therefore, the study concludes that there is a significant relationship between the democratic leadership style and SMEs growth in Kenya. The rejection of the null hypothesis is because the p-value is less than 0.05 significant values testing at 5% significance level two tail tests.

6. Discussion and Conclusion

The study's first objective sought to establish the relationship between democratic leadership style and growth. Seeking to answer this, the study established that, for any organization to experience growth, the spirit of innovation and creativity must be harnessed by the role of leaders in the organization. In democratic leadership, leaders (managers) have the motive of encouraging an innovative mind-set, encouraging employees to bring in new ideas, new methods and new devices which will contribute to growing the organization. According to the study findings, there is a positive and significant correlation between democratic leadership style and SMEs growth. In democratic leadership, there is freedom to work and develop business models and ideas that would see the company's sales grow as the company or the organization experience an influx of ideas from the employees thereby allowing the members of the company or the employees to work harder to achieve growth. These findings are in agreement with the findings of Okumbe (1998) whose study points out the benefits of democratic leadership style as: promoting high morale among workers, giving workers, freedom to exercise their responsibilities and facilitating flexibility in the organizations. He further adds that it's this flexibility that employees need especially where the management is seeking a highly motivated group that can transform the firm goals into reality thus contributing to growth of an organization.

The study findings also illustrated that democratic leadership style when used by leaders, allows for the delegation of responsibilities, and thus where the leader allows the followers to exercise full control and freedom in carrying out organization activities this encourages a sense of ownership for their work. This also encourages the employees to take full responsibility in the implementation of their ideas and therefore strive to ensure that they deliver and as such the probability of increase in sales would be high. These findings also support the findings of a study that was conducted by Iqbar, Anwar and Haider (2015) which found that democratic leadership style has positive effect on employee performance since it makes employees feel that their contribution to the decision making gives them discretionary power over their work.

The findings further illustrated that the democratic type of leadership encourages transparency. This was in agreement with the findings of a study by Mullins (2005) which revealed that democratic leadership style entails consulting with subordinates, and evaluation of their opinion and suggestion before management adopts any company decisions and therefore ensuring transparency in the business operation. A democratic leader (transparent leader) creates a positive work climate through open communication that informs the staff about everything pertaining to work for the purpose of the enterprise growth. This enables the leader to draw on the expertise and experiences of the employees in order to achieve exemplary results this is because ideas are shared amongst the employees who in return engage the leader for them to understand the company goals. Therefore, transparency creates a high level of cohesion.

According to the study findings, it is evident that in small and medium enterprise work environment, the leadership style that promotes overall creativity and improvement of production is the democratic leadership style in that the employees feel that their opinions are valued and therefore strive to ensure that they are expressive in exposing their ideas. A transparent work environment creates an atmosphere of hard work and also creates high level of productivity subsequently increasing the companies or organization's sale of goods or services.

According to the study findings as well, the main components of democratic leadership style include: orientation towards teamwork, innovative and creative, delegation of responsibilities and transparency in the activities that are carried out in the organization. The findings are in support of a research carried by Zindiye (2008), which revealed that democratic leadership style involves encouraging the employees to participate in the decision making and as a result this has a positive effect on businesses growth and survival. Through orientation towards teamwork, clearly defined goals; are understood and shared by all members of the organization thereby aligning employees in meeting of targets and goals. This leads to an incidental growth in assets, which is also influenced by specialization and communal work influenced by the democratic spirit where all the employees work hand in hand to achieve the set goals. The strong and significant relationship between variables in the case of democratic leadership leads to the growth of the enterprise.

The study findings further illustrated that, to achieve the enterprise asset growth the leader using the democratic leadership style encourages the followers to be part of the decision-making process as well as encourage a sense of responsibility in the team members where input from team members is also encouraged. The findings of the current study

support the findings of Bass and Bass (2008) who posited that creativity by the leader using the democratic leadership style gives a positive effect on growth. This was also supported by the correlation results that showed a strong positive correlation between democratic leadership and SMEs growth. The study also established that democratic leadership style plays a vital role, contributing to SMEs' growth as it inspires followers to work harder to achieve individual and organizational goals. According to the findings, it is clear that the goal of the company is to facilitate a high return on assets therefore the goal of the leader using a democratic style of leadership is to see this achieved through empowering employees to develop a sense of ownership for their work. Further, the study illustrated that the spirit of innovation and creativity must be harnessed by the role of leaders in the organization by facilitating employees to develop unique quality skills and abilities in order to foster operational efficiency.

Through the encouragement of the employees to be part of the decision-making process the Democratic leader creates an avenue for growth of the employee's skills and job satisfaction and therefore the subsequent growth of the firm. In this type of leadership, the leader is a team player by creating a relationship with the other employees and the leader is able to boost employee originality in expression of ideas. The cohesion between the employees and the leaders creates a feeling of shared visions with a range of internal stakeholders driving for development and thus the expansion of the company or organization as well as achievement of the company's desired goals. The findings of the present study are also in line with the findings of Ngethe (2012) whose study established that democratic leadership style influences academic staff retention in Kenyan public universities.

In this study, democratic leadership style has been identified to inspire the followers to work hard to achieve individual and organizational goals. The employees feel a sense of ownership and respect because their input is taken into consideration and this reduces job insecurity which resultantly increases productivity. The democratic leadership style is also seen to create a feeling of being in control of their own destiny for the employees, in that there is freedom to advance ideas. These findings are in line with the findings of a study carried out by Robbins and Judge (2009) whose view of democratic leadership is that this is a style that seeks to build a team and provides for the interest of the team through consensus measuring and input encouragement.

Democratic leadership style plays a supportive role in enhancing employee productivity and organizational effectiveness. Employees receive support for the work they do and also receive guidance in difficult matters thereby allowing them to learn more effectively and thereby creating growth within the company or the organization and creating a demand for an increased workforce thereby facilitating growth of the company. This is agreement with Hsien and Chrang (2011)'s study which established that democratic leadership style has a significant influence on job stress which also has a positive relationship with employee turnover. This was also evidenced by the study results as the hypothesis test results indicated that there is a statistically significant effect of democratic leadership on SME growth. Democratic leadership was found to have a positive and significant relationship testing at the 5% level of significance. These findings were also in agreement with the findings of a study that was conducted by Ngethe (2012) on leadership style influence on academic staff retention in Kenyan public universities. In their study, a significant relationship between the democratic leadership style and the academic staff retention was found. Their study therefore concluded a significant relationship between democratic leadership and performance as retained teachers contributed to better performance of the students.

It was established from the study findings that a democratic leader is a manager who maintains control of the group yet at the same time employees' opinions and views are encouraged. In a democratic leadership style, managers ensure a clear channel of communication between them and the subordinates. The manager delegates authority and permission to the subordinates to participate in decision making activities. Therefore, the study established that democratic leadership style had a high correlation with SMEs growth through creating positive relationship between employees and the managers in an organization. This relationship building affected the overall performance of an organization as the employees found satisfaction in their work which positively affected their morale and performance as well, which in turn affected the overall success and growth of the organization.

In the democratic leadership style, employees have equal say in the decision-making process, although the overall leader has the final say, this motivates employees to be more committed to outcomes and this creates an ideal work environment not only for decision making but also creates a collaborative problem-solving team. However, if the workforce is inexperienced this style of leadership may be ineffective. Therefore, this style of leadership should be chosen as a style of leadership in enterprises that have experienced personnel. Also, the time involved in consulting over decisions, may not be practical so where quick decisions need to be made this style of leadership may be ineffective.

The managers of the Top 100 SMEs in Kenya should always advocate for the leadership style that will lead to exemplary performance with less costs and constraints in operations. The study established that there was need for the SMEs to allow participation of employees in decision making. To facilitate this, leaders need to build mature teams with experienced and cooperative individuals who are capable of making good decisions as well as supporting team goals. This style of leadership facilitates good leadership in organizations which would resultantly give employees freedom to interact with their managers and therefore affecting employees' performance positively. This therefore, creates a need for the managers in any organization that seeks to excel in their operations to include the employees' views in policy making as the policies mainly affect employees who are the core business resources as they facilitate the production/ operation process.

Employees need to be given freedom and an opportunity to decide on the best methods to run the day-to-day business. There is need for more innovativeness in operations of SMEs for them to realize growth. This can be achieved through allowing employees work as a team where their input in operation strategies brings about innovative methods of doing things. Giving employees a chance and opportunity to put in place new ideas in operations will motivate them and encourage them to gain capabilities that will facilitate new inventions and innovative techniques. It is therefore important

for the management of SMEs to motivate employees and encourage their innovativeness through rewarding their creativeness by including their inputs in decision making.

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