

An Evaluation of The Impact of Leadership Styles on the Performance of SMEs in Zambia: A Conceptual Perspective

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Abstract

Small and Medium Enterprises (SMEs) contribute a significant portion to Zambia's economy, playing vital roles in employment, revenue generation, and societal development. Despite their importance, SMEs in Zambia face challenges, including high failure rates attributed to ineffective management and unsuitable leadership. Leadership is crucial for organizational success, yet its impact on SME performance in Zambia remains underexplored. This research aims to assess the influence of leadership styles on Zambian SMEs' performance. The study is rooted in the understanding that effective leadership is essential for organizational success, particularly in SMEs facing dynamic and competitive environments. Drawing on existing literature, the research examines various leadership styles, including transformational, transactional, laissez-faire, and servant leadership. Leadership styles have significant implications for organizational performance. Transformational leadership inspires followers to surpass expectations and fosters innovation and employee motivation. Transactional leadership focuses on goal setting and rewards, ensuring compliance but may limit long-term growth. Laissez-faire leadership grants autonomy but risks organizational disorganization. Servant leadership prioritizes employee well-being, adaptability, and long-term sustainability, aligning closely with SME needs. The study suggests that servant leadership is particularly well-suited for managing Zambian SMEs due to its emphasis on employee engagement, adaptability, talent retention, organizational culture, and long-term sustainability. By fostering a supportive environment, empowering employees, and promoting a positive organizational culture, servant leaders can navigate the challenges faced by Zambian SMEs and nurture their growth and success. In conclusion, effective leadership is crucial for Zambian SMEs to thrive in today's competitive landscape. Servant leadership emerges as a promising approach for managing SMEs, offering a holistic framework that prioritizes employee well-being and organizational sustainability. Recommendations include fostering servant leadership practices among SME culture and contribute to Zambia's economy.

Keyword: Entrepreneurship, Leadership, Performance, SMEs, Organisational Behaviour

Introduction

The foundation of Zambia's economy is small and medium-sized businesses (SMEs), which are vital to the country's output, employment, revenue creation, and tax payment. According to FSD Zambia (2017), SMEs account for 97% of all enterprises in the nation, 70% of GDP, and 88% of employment. Of them, women make up 47% of the workforce (Zambia Invest, 2017). Due in significant part to their employment

of the most disadvantaged parts of the workforce, SMEs also play a crucial role in society (ITC, 2015). According to Nuwagaba (2015), the government recognised in 1981 the critical role that micro, small, and medium-sized enterprises (MSMEs) played in the nation's social and economic development. It also recognised that these businesses were experiencing severe financial difficulties, which prompted the government to enact the Small Industries Development (SID) Act of 1981 to improve the sector's order and effectiveness (MOF, 2002; FSD Zambia, 2009). Around the same time, another MSMEs emerged, called Small Enterprise Development Organisation (SIDO), which was designed to enhance the SID Act of 1981 (Kingombe, 2004; MCTI, 2007).

SMEs have a high failure rate even if their relevance is acknowledged in areas with appalling unemployment rates and enormous wealth disparities. According to research, Zambia has one of the lowest rates of SME capacity utilisation (67%), among countries in Sub-Saharan Africa. (World Bank Group, 2018). According to surveys conducted by the Global Entrepreneurship Monitor (GEM), Zambian SMEs experienced a high failure rate of 20% between 2012 and 2014 (GEM, 2019). The most notable explanations for the high failure rates, while many have been proposed, are ineffective management (Tinarwo, 2016; Karedza, Sikwila, Mpofu & Makurumidze, 2014; Bomani, Fields & Derera, 2015; Chipangura & Kaseke, 2012; Mudavanhu et al., 2011) and unsuitable leadership (Saasongu, 2015; Jalal-Eddeen, 2015). The influence of leadership behaviour on organisational success, particularly in SMEs, has not received much attention in Zambian research. The process of persuading and directing others to accomplish organisational objectives is the essence of leadership (Robbins and Coulter, 2005; Northouse, 2007). The performance of an organisation may be enhanced by having strong and capable leadership.

If leadership issues are the reason why SMEs in Zambia are failing, then all stakeholders must work together to address the issue. The leadership philosophies employed by SMEs should then be examined to determine their efficacy. Thus, the goal of this research is to assess how leadership philosophies affect Zambian SMEs' performance.

Literature Review

Leadership and Organisational Performance

Studying leadership always has a place in organisational behaviour. Organisational success is contingent upon the presence of effective leadership. Leadership style has a big impact on employee behaviour, which directly affects output. Numerous models exist that offer distinct perspectives on leadership, and further investigation is being conducted in this field (Deshwal & Mohd, 2020). According to Ukuru (2002), leadership is the process of getting others to understand and agree on what has to be done and how to accomplish it well. According to Gregoire and Arendt (2014), it's a procedure that encourages both individual and group efforts towards a shared objective.

A leader's characteristics, actions, and disposition make them unique. Leadership is seen as a process, even if the majority of ideas and studies on the subject concentrate on understanding individuals (Horner, 1997). Some academics define leadership as having the capacity to influence people by setting a positive example. An instance of this would be one that motivates people to follow objectives that are advantageous to the company. The process by which a leader utilises his or her abilities and knowledge to direct and inspire a group of individuals towards organisational goals and objectives is another definition of the leadership idea. They also need to have specific attributes like vision, consistency, and excitement since only individuals with these attributes can encourage team members to trust them (Vidal et al., 2017). James, Richard, and Anthony (2011) state that creating a vision for the future of the company, planning

the actions required to get there, and sharing that vision with every member of the workforce are all essential components of excellent leadership. Consequently, the importance of leadership cannot be overstated. It is believed that understanding leadership is essential to understanding organisational behaviour.

When people and organisations interact, leadership has the most dramatic effects. Put another way, management's ability to conduct "collaborative efforts" depends on their leadership abilities. While Lee and Chuang's (2009) findings, an exceptional leader not only motivates their team members to enhance their productivity but also attends to their needs while the organisation strives to achieve its goals. There should be a connection between organisational success and leadership style for a number of reasons. First, price/performance rivalry, innovation-based competitiveness, diminishing returns, and the creative destruction of preexisting competences are characteristics of today's intense and dynamic markets (Santora et al., 1999; Venkataraman, 1997). According to studies, when businesses encounter new problems, good leadership actions may help them perform better (McGrath and MacMillan, 2000; Teece, Pisano, and Shuen, 1997).

However, according to Richard et al. (2008), organisational performance is one of the most significant dependent variables of interest for researchers studying nearly any aspect of management. Organisational performance is defined as an organization's capacity to meet goals like high profit, high-quality product, large market share, good financial results, and survival (Koontz and Donnell, 1993). It can also be used to see how an organisation is performing in terms of profit, market share, and product quality in comparison to other organisations in the same industry. As such, it is a reflection of the productivity of its members measured in terms of revenue, profit, growth, development, and expansion of the organisation.

Madrid et al. (2007) claim that high-performing businesses may produce a range of advantages for both the business and society, including luring resources, generating money, and creating jobs. Additionally, according to these writers, a precise performance measure may offer trustworthy information about the factors that influence performance as well as how businesses can create competitive strategies, allocate resources effectively, and exceed customer expectations. A bad competitive position will come from using performance metrics that are not adequate (Madrid et al., 2007). Growth, profitability, and efficiency are the performance variables that appear most frequently in the literature on entrepreneurship, as confirmed by Murphy et al. (1996). This is comparable to the description provided by Covin and Slevin (1991), who stated that a firm's economic dimensions are represented by its growth and profitability. Since some academics believe that one of the main factors influencing a firm's performance improvement is its leadership, it is also critical to comprehend how leadership affects performance.

According to Avolio (1999), Lado, Boyd, and Wright (1992), and Rowe (2001), effective leadership is seen as a powerful source of management growth and long-term competitive advantage for improvement of organisational performance. Strategic visions of a future state are developed by visionary leaders, who then utilise metaphors and framing to express their vision, model it through consistent action, and foster commitment to it (Avolio, 1999; McShane and VonGlinow, 2000). According to Zhu et al. (2005), high levels of cohesiveness, commitment, trust, motivation, and ultimately performance in novel organisational contexts are the outcome of visionary leadership.

According to Mehra, Smith, Dixon, and Robertson (2006), a traditional strategy used by organisations looking for effective strategies to help them outperform others is to concentrate on the impact of leadership. It is widely held that team leaders are essential in establishing norms within the group, assisting teams in adjusting to their surroundings, and organising group activities. The link between team

performance and leadership has been better understood because to this leader-centered paradigm (Guzzo and Dickson, 1996). The strategic role of leadership has been the subject of several studies (Judge, Bono, Ilies, and Gerhardt, 2002; Judge and Piccolo, 2004; Keller, 2006; McGrath and MacMillan, 2000; Meyer and Hepar, 2000; Purcell, Kinnie, Hutchinson and Dickson, 2004; Yukl, 2002) that look into how to use leadership paradigms and use leadership behaviour to improve organisational performance. This is because companies that can successfully combine people, processes, and organisational performance are seeing a rise in the acknowledgment of intangible assets as key sources of strength, such as motivation, skill and competence, leadership styles, and organisational cultures (Purcell et al., 2004).

Leadership Styles

A leader's generally constant pattern of conduct is referred to as their leadership style (Dubrin, 2001, quoted in Asiimwe, Kavoo-Linge & Sikalieh, 2016). These are the strategies used by leaders to inspire their subordinates (Amanchukwu et al., 2015). Researchers have presented a wide range of styles over time because there are no universally applicable pure leadership styles (Franco & Matos, 2013; Amanchukwu et al., 2015).

Transformational Leadership

The foundation of transformational leadership is the leader's own values and convictions, which inspire followers to go above and beyond what is required of them (Bass, 1985). "One or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality," according to Burns (1978), is the process that is known as transformational leadership. With a transformative leadership style, the follower is inspired to go above and beyond what was initially expected of them and feels trust, adoration, loyalty, and respect for the leader (Bass, 1985; Katz & Kahn, 1978).

A transformational leader stimulates their followers by raising their awareness of the significance of job results, getting them to put the demands of the team or organisation ahead of their own, and arousing their higher-order desires. According to Podsakoff et al. (1996) and Bass et al. (1994), he inspires followers to think critically and look for novel approaches to their work, which stimulates their minds and raises their performance, satisfaction, and dedication to the objectives of their organisations.

According to Bass (1990), transformational leadership consists of four behaviours or components: individual concern, intellectual stimulation, inspiring motivation, and charisma. Vision and a feeling of purpose, inspiring pride in and among the group, and earning respect and trust are characteristics of charisma, or idealised influence or traits (Humphreys & Einstein, 2003). Additionally, charismatic behaviour encourages followers to put the interests of the group ahead of their own by assuring them that challenges will be overcome and fostering confidence in the accomplishment and execution of plans (Conger and Kanungo, 1998; Howell and Frost, 1989). As a result, followers have an excessive amount of faith and confidence in charismatic leaders (Howell and Avolio, 1992).

Charisma is typically accompanied with inspirational motivation, which is focused on a leader establishing higher standards and turning into a symbol of authority. According to Bass (1985), followers look up to their inspiring leader because they perceive them as someone who can make an emotional case for raising awareness and comprehension of aims that are shared by everybody. This is distinguished by the communication of high standards, the use of symbols to direct attention, and the straightforward expression of significant goals. A leader constantly presents an exciting picture of organisational transformation, speaks positively about the future, and articulates a compelling vision for the future (Bass and Avolio, 1994). The followers are motivated when their job is given purpose and challenge; this fosters

a sense of teamwork and individuality as well as excitement and optimism. The leader helps subordinates see positive future states for both the group and for themselves (Bass et al., 1997). Individual stimulation pushes followers to reject conventional wisdom by presenting them with novel, difficult concepts (Bass, 1985).

The ideal leader is one who values reason, intellect, meticulous problem-solving, and logical thinking. These qualities include looking for alternative viewpoints while tackling issues, offering fresh perspectives on how to finish tasks, and promoting reevaluating concepts that haven't been challenged in the past (Bass and Avolio, 1994). By challenging presumptions, changing the way challenges are framed, and taking a fresh approach to familiar circumstances, the leader inspires creativity and innovation in their followers. Lastly, "individual consideration," the fourth component of transformational leadership, focuses on helping followers grow via mentoring and coaching (Bass, 1985; Bass & Avolio, 1990). The leader serves as a mentor to the followers, paying special attention to the variations in follower personalities. In addition to listening intently to others' worries, he mentors and assists others in enhancing their talents (Bass and Avolio, 1994). Individual attention is given to followers to help them become more mature and to improve how well they handle obstacles and goals (Bass, 1985).

Transactional Leadership

Through an exchange process, followers under transactional leadership comply with requests from the leader but are unlikely to become enthused and committed to the work at hand. The leader concentrates on getting internal actors to do the activities needed to help the company achieve its objectives (Boehnke et al., 2003). According to House and Aditya (1997), the purpose of a transactional leader is to guarantee that internal actors understand the road to goal attainment, remove any possible barriers inside the system, and inspire the actors to achieve the planned goals. Leaders that practise transactional leadership exhibit both proactive and reactive actions. A corrective dimension incorporates management by exception, whereas constructive conduct involves contingent incentive. Clarifying the labour necessary to receive rewards and using incentives and contingent rewards as a means of persuasion are both aspects of contingent reward. It takes into account what followers should anticipate from them and gives praise when objectives are met. Individuals and organisations should perform at expected levels if goals and objectives are made clear and acknowledgement is given when goals are reached (Bass, 1985). When a leader establishes the parameters for acceptable behaviour and ineffective performance, they are engaging in active management by exception. This type of leadership entails keeping a watchful eye out for deviations, faults, and blunders and acting promptly to address them when they arise.

Democratic Leadership

Democratic leaders include employees in the decision-making process even though they have the last say (Amanchukwu et al., 2015). They see feedback as a tool for employee coaching (Robbins & Coulter, 2012). Democratic leadership fosters creativity and innovation among staff members, which benefits the company (Mwenje, 2015). Workers are also free to express their opinions and make recommendations (Khan et al., 2017). Democratic leadership is ideal for dealing with complicated issues that call for several points of view (Mwenje, 2015).

Autocratic Leadership

Decisions are made by autocratic leaders without seeking input from their subordinates (Dyczkowska & Dyczkowski, 2018; Indermun, 2013). Employee participation in decision-making is prohibited (Khan et al., 2017). Most of the time, they are severe and closely monitor staff members, making sure that protocols are adhered to (Jogulu & Wood, 2006). It has been discovered that they are self-assured and at ease with

the responsibility for making decisions (Iqbal, Anwar & Haider, 2015). Autocratic leadership is effective, on the plus side (Amanchukwu et al., 2015). Decisions are taken quickly, and implementation may start as soon as one is made.

Laissez-Faire Leadership

Employees under laissez-faire leadership have total autonomy to decide for themselves (Indermun, 013) and set their own deadlines (Amanchukwu et al., 2015). Laissez-faire leadership has been defined by Han et al. (2017) and Mwenje (2015) as the avoidance or lack of leadership. This is due to the leaders' low self-esteem on their ability to lead and oversee the workforce (Jogulu & Wood, 2006). According to Rauf (2014), the laissez-faire leadership style is considered relatively modern as it gives employees the freedom to complete tasks as they see fit.

Leadership in SMEs

Franco and Matos (2013) discovered no particular leadership style that the SMEs adhered to rigidly based on a mixed methodology study to explore the leadership styles widespread in Portuguese SMEs. Nonetheless, the use of the transactional leadership style produced the finest leadership outcomes. Both transformational and transactional leadership philosophies were applied in Malaysian SMEs, although transformational leadership predominated (Paladan, 2015; Arham et al., 2013).

Mkheimer (2018) and Chandrakumara, De Zoysa, and Manawaduge (2009) discovered that SMEs employed a minimum of two leadership styles in their respective investigations. In Cameroon, SMEs contribute about 50% of the GDP and accounts for about 92% of businesses (INS, 2009) but about 80% of this SME's created in Cameroon die before their 5th anniversary with one of the principal causes being the lack of corporate leadership. Research conducted by Fokam Jeff Astein Mbah (2016) showed that the Transformational Leadership style exerted a positive and significant effect on the performance of SMEs in Cameroon, while the Transactional leadership style exerted a positive and significant impact on performance, this results are in coherence with the results obtained by Bass and Avolio, 2004 in their work entitled "Leadership and Performance beyond Expectations". The study suggested that managers should combine the Transactional and Transformational leadership styles to achieve organisational success, as this will enable the firm to achieve performance that exceeds expectations.

Additionally, Saasongu's (2015) study's findings demonstrate that although transactional leadership style has a good, considerable impact on employee performance, transformational leadership style has a favourable, but negligible, influence on the same. It is determined that transactional leadership style, as opposed to transformational leadership style, is more suitable for boosting performance in small-scale businesses in Makurdi metropolitan. Small businesses should plan to transition from a transactional to a transformational leadership style as they expand and develop. Initially, small businesses should employ a transactional leadership style. The heroic leadership model, which is usually individualistic, has been adopted by the majority of SMEs historically (Cope, Kempster & Parry, 2011). This idea is mostly supported by the staff, who romanticise the SME owner as a hero who started the business at great risk and saw it through several crises (ibid).

According to Nyamwanza and Mavhiki (2014), the majority of Zimbabwean SMEs' owners favoured a directed leadership style that gave their staff members limited latitude. These results were supported by Dumbu and Chadamoyo (2012), who discovered that SMEs' owners in Great Zimbabwe's craft industry were reluctant to divulge important company information to staff members out of concern that workers

might steal their ideas for products or services. Most SMEs have inadequate leadership, according to Okwachi et al. (2013), because of this widespread fear of losing control of the company.

Leadership styles have a significant influence on the performance of SMEs in Zambia. According to research conducted in Worabie Town, performance is adversely impacted by authoritarian leadership but positively by democratic leadership. Employee performance in Surakarta City is positively impacted by dynamic competency and leadership style, with social contact acting as a mediating factor. Furthermore, a study conducted in Zambia's TEVET sector highlighted the significance of leadership styles in training types and found a link between the two. According to a quantitative survey, strategic leadership approaches in SMEs throughout the world have an impact on business success by empowering employees and building their resilience and dynamic capacities. These results highlight how important leadership philosophies are to improving SME success in Zambia.

Conclusions and Recommendations

Entrepreneurship is a complex phenomenon, and its comprehension is critical if SMEs are to make important contribution to the development of a country like Zambia. Among transformational, transactional, laissez-faire, and servant leadership styles, servant leadership stands out as particularly well suited for managing SMEs for the reasons indicated below:

- 1. Employee Engagement:** Servant leaders prioritize the well-being and development of their employees. In the context of SMEs, where resources may be limited, engaged and motivated employees are invaluable. Servant leadership fosters a supportive environment where employees feel valued, leading to higher levels of engagement and productivity.
- 2. Adaptability:** SMEs often operate in dynamic and uncertain environments. Servant leaders emphasise collaboration and empowerment, enabling teams to adapt quickly to changing circumstances. This flexibility is crucial for SMEs to seize opportunities and navigate challenges effectively.
- 3. Talent Retention:** In SMEs, retaining skilled employees is essential for sustained success. Servant leaders invest in their employees' growth and well-being, creating a sense of loyalty and commitment. This reduces turnover rates and ensures continuity in the organization's human capital, which is especially beneficial for SMEs with limited resources for recruitment and training.
- 4. Organisational Culture:** Servant leadership promotes a culture of trust, transparency, and accountability. In SMEs, where the organizational culture often reflects the founder's values and vision, fostering a positive and inclusive culture is paramount. Servant leaders set the tone for ethical behaviour and collaboration, shaping a work environment conducive to innovation and success.
- 5. Long-Term Sustainability:** Servant leadership emphasizes long-term organizational sustainability over short-term gains. While transactional leadership may achieve immediate results, servant leadership focusses on building enduring relationships and empowering employees to contribute to the SME's growth and success over time.

Overall, servant leadership aligns well with the unique challenges and opportunities faced by SMEs. By prioritizing employee well-being, fostering a culture of collaboration, and emphasizing long-term sustainability, servant leaders can effectively manage and nurture the growth of SMEs in today's competitive business landscape.

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