



**The influence of leadership styles on small medium  
enterprise survival in the manufacturing sector  
within Msunduzi Municipality**

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Nelisiwe Mary-Anne Mchunu

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Supervisor: Dr CJ Nyide

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DBA

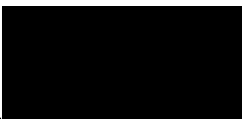
Co-Supervisor: Dr CK Dongwe

Date: 21 August 2019


PHD

## DECLARATION


I, the undersigned, Miss Nelisiwe Mary-Anne Mchunu, hereby declare that this dissertation is my own original work and that it has not been submitted and will not be presented at any other University for a similar or any other degree award.

Sign  Date 21/08/2019  
Nelisiwe Mary-Anne Mchunu

Approved for final submission.

  
Supervisor:  
Dr C.J. Nyide

Date: 21/08/19

  
Co-supervisor:  
Dr C.K. Dongwe

Date: 21-08-2019

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## ABSTRACT

Small and medium enterprises (SMEs) are key contributors to the South African economy. In order to survive the current volatile economy, SME leaders need to implement leadership styles that are good for the survival of businesses in the manufacturing sector. The manufacturing sector in South Africa is growing at a slower pace in comparison to other sectors due to high labour and production costs. However, implementing a management system, such as, suitable leadership style creates the competitive advantage necessary for survival.

The aim of the study was to identify the leadership styles used by SMEs in the manufacturing sector within Msunduzi Municipality and to determine the effectiveness of leadership styles on enterprise success and survival. Managers and other people in authority in organisations adopt certain leadership styles in order to communicate with their subordinates with regard to the execution of tasks. Adopting unsuitable leadership styles impacts negatively on business performance. The study was conducted at SMEs in the manufacturing sector within the Msunduzi Municipality in Pietermaritzburg, Kwa-Zulu Natal. This project emphasised the context of leaders of SMEs and the amount of influence or non-influence that leadership has on the survival of the business.

A quantitative research design was adopted for the study; a structured closed-ended questionnaire based on the Multifactor Leadership Questionnaire (MLQ) developed by Avolio, and Bass (2004) was used to collect data from the sample respondents. The target population comprised 686 SMEs. A random sampling technique was used and a sample size of 200 was drawn. A response rate of 68% was successfully achieved. The researcher used personal and email methods of data collection. The data collected from the sample respondents were captured on Microsoft Excel and analysed using the Statistical Package for Social Sciences (SPSS) version 25.0. Several hypotheses were formulated and tested using the Pearson's Chi-Square.

Results revealed that applying a transformational leadership style in managing a business tends to increase the length of business survival. The opposite is true regarding the laissez-faire leadership style. The study further revealed that there is no

evidence to suggest that a transactional leadership style has any effect on the survival length of SMEs in the manufacturing sector. Tentative recommendations suggest that leadership in SMEs should adopt a leadership style that is best for the survival of the business.

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# CHAPTER 1

## INTRODUCTION AND BACKGROUND TO THE STUDY

### 1.1 INTRODUCTION AND BACKGROUND

The importance of the role of small and medium enterprises (SMEs) is increasingly identified as SMEs being the catalyst for economic development, job creation, and a driver of national economic apparatuses (Abor, 2010:215). Hoeppli (2012) asserts that assessments show that the overall fiscal production of SMEs makes up approximately half of South Africa's Gross Domestic Product and that small businesses deliver jobs to close to 60% of South Africa's labour force. Mahembe (2011:1) emphasises the fact that SMEs epitomize a significant means to deal with the challenges of the creation of job, economic evolution and justice in the country. Despite their important role and SMEs' effect on development as stated by Mahembe (2011:1), SMEs throughout the globe are severely impacted by several challenges that impede the growth of entrepreneurs. The Global Entrepreneurship Monitor (GEM) Reports (2001-2010) noted that South African small businesses experienced a lack of leadership skills, as a result of the absence of suitable education and training. This could result in business collapse, as SMEs' survival rates in SA are very low as compared to worldwide (Mahembe, 2011:1)

Sakiru, D'Silva, Othman, Silong and Busayo (2013:34) posit that leaders may play a crucial role in organisational procedures and leadership, which are critical to organisational survival and growth. Understanding leadership is extremely vital, not only for the business itself but also for its environment since any SME is implanted in a social, economic and environmental background where its actions will have an influence. Economic decline has highlighted the importance of the survival of these enterprises (Parry, Jones, Rowley & Kupiec, 2012:712). The study seeks to evaluate the influence of leadership styles on SME's survival. In this chapter, the problem statement, aims and objectives are outlined. Significance of the study and outline of the study will be discussed in this chapter.

## **1.2 PROBLEM STATEMENT**

The failure rates of SMEs in developing countries have been very high, resulting in the closure of some of them within the first three to five years of operation (Cant & Wiid, 2013:237; Obiwuru, Okwu, Akpa & Nwankwere, 2011:100; Valdiserri & Wilson, 2010:47). Inappropriate leadership negatively disturbs organisational performance and is regarded as one of the reasons why SMEs fail within the first few years of operation (Han, Kakabadse & Kakabadse, 2010:265). Literature suggests that in SA, funding, skills, leadership, management skills, education and training, as well as the skills of personnel are the main hindrances for the survival and progress of SMEs in South Africa (Lekhanya, 2015:215). When an SME fails, the focus is on the financial parameters like a lack of cash flow or insufficient revenue, without thinking of other contributing aspects to the situation (Cant & Wiid, 2013:237; Obiwuru et al., 2011:100). The influence on the failure of some SMEs is a lack of leadership techniques by business owners/managers (Teng, Bhatia & Anwar 2011:50; Valdiserri & Wilson, 2010:47). There is valuable understanding of the part played by virtuous leadership in the performance of business and the survival and growth of the firm is impacted by leadership compartments of SME owners/managers. This study seeks to evaluate the influence of styles of leadership on the survival of Small Business Enterprises (SMEs) in the manufacturing sector within Msunduzi Municipality.

## **1.3 AIM OF THE STUDY**

This study aims to identify the leadership styles used by SMEs in the manufacturing sector within the Msunduzi Municipality and to determine the influence of these leadership styles on SME survival.

## **1.4 OBJECTIVES**

The main objective of the research is to identify the leadership styles used by SMEs in the manufacturing sector within the Msunduzi Municipality and to determine the influence of these leadership styles on SME survival. Other objectives that will be addressed through this project will include:



- To identify the leadership styles used by SMEs' in the manufacturing sector within the Msunduzi Municipality;
- To examine the effectiveness of the leadership styles used by SMEs in the manufacturing sector within the Msunduzi Municipality;
- To examine the relationship between the leadership styles used by SMEs in the manufacturing sector and SM survival within the Msunduzi Municipality; and
- To make recommendations that contribute towards the adoption of an appropriate leadership style to be used by SMEs.

## **1.5 RESEARCH QUESTIONS**

Following are the research questions based on the objectives

- What leadership styles are used by SMEs in the manufacturing sector within the Msunduzi Municipality?
- What are the factors affecting the use of leadership style by SMEs in the manufacturing sector within the Msunduzi Municipality?
- What is the relationship between the leadership styles used by SMEs in the manufacturing sector and SME survival within the Msunduzi Municipality?

## **1.6 SIGNIFICANCE OF THE STUDY**

The study explores the styles of leadership in SMEs from an interventionist perspective. Therefore, this study will reveal the styles that are commonly utilised by the leadership in SMEs in the manufacturing sector. This will establish the relationship, if any, of those styles with the survival of SMEs. The results will assist leaders in applying the leadership style that is best for the SME survival. Leaders in SMEs will get to know which style is effective in successfully managing their business. Leaders will get to know about the styles that cause business failure. This study is important because leadership skills and entrepreneurial acumen, especially in the studied SMEs, need to be improved.

## **1.7 OUTLINE OF THE STUDY**

Many leaders find themselves in a business segment that is not exceedingly in line with one specific leadership style. In this ailment, leaders will find themselves constantly skipping from one style to another as they address the ever-changing difficulties of their usual workdays. If a leader has a broad understanding of the different leadership styles that exist, they will be in an improved position to employ a suitable leadership style. Eloquent, when and how to be helpful, instructional, considerate, task focused and charismatic can critically increase a leader's overall success. Hence, this study seeks to evaluate leadership styles used by SME's, to ascertain the influence these styles have on the survival and growth of these entities. This study will focus on SMEs operating within the Msunduzi Municipality.

### **Chapter 1: Introduction and background to the study**

This chapter encompasses the introduction and background to the study. The research problem is defined and the chapter discusses the importance and the purpose of the study. The objectives and research questions are identified to guide the flow of the research.

### **Chapter 2: Literature review**

Chapter 2 defines leadership and introduces literature on leadership challenges. A comprehensive discussion on different leadership styles will be provided. The chapter will further unpack previous research conducted in the national and international context.

### **Chapter 3: Research methodology**

This chapter will provide an overview and discussion of the research design and method utilised to collect data, outlining the specific methods used to gather empirical information. This chapter also looks at the design of the questionnaire used to collect data. Statistical techniques were used to analyse and process data.

### **Chapter 4: Results, discussion and interpretation of results**

This chapter provides the research results attained in the literature and empirical study. The analysis and the interpretation is based on the data collected.

## Chapter 5: Conclusion and Recommendations

This chapter summarises the study and results. The final chapter presents the conclusion and recommendations. Research objectives and questions are revisited and limitations of the study, contributions to the science and areas for further research are presented.

### **1.8 CONCLUSION**

The introduction and background to the study is discussed in this chapter. The background discloses that the lack of leadership skills, which is an outcome of the lack of suitable training and education, is hindering SA SMEs. This results in high business failure rates. SA SMEs survival rates are very low compared to worldwide. The problem statement shows that the failure rates of SMEs in developing countries have been very high, with many of them closing down within the first three to five years of operation.

The following chapter investigates the topic further, providing a literature review on leadership styles used by SMEs in the manufacturing sector within the Msunduzi Municipality and the influence thereof on the survival of the business.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Literature related to the influence of leadership styles on the survival of SMEs is outlined in this chapter. It analyses theories and foundations of the influence of leadership styles on SMEs' survival. To guarantee adequate depth of the portent studied, the literature review investigates definitions of leadership; Small Medium Enterprise (SME); survival; leadership styles; and leadership theories.

The purpose of the literature review is to figure an intangible basis from which understanding can be drawn from preceding associated literature. Results from this study will present a stigma that may influence developing opportunities throughout the research process. This evaluation will incorporate global literature related to the arena of leadership and SMEs.

#### **2.2 DEFINITION OF TERMS**

The key terms that will be applied in this study are defined as follows:

##### **2.2.1 Small medium enterprise (SME)**

Literature presents contentious issues in trying to define what constitutes an SME (Gbandi & Amissah, 2014:327; Donner & Escobari, 2010:641; Keskin & Şentürk, 2010:116; Ongori & Migiro, 2010). The limitations of these meanings usually vary consistently with the size of the fiscal activities in the country and the level of expansion (Keskin & Şentürk, 2010:116). In an attempt to define SMEs, some scholars use principal resources, whereas others choose the use of work skills and revenue levels. Still others implement the lawful position of the business, production techniques, and the ownership and industry of the business in the effort to outline what constitutes an SME (Gbandi & Amissah, 2014:327; Abor and Quartey, 2010:215). The Bolton Committee (2012) uses distinctive definitions of SME in diverse areas. Whereas businesses in manufacturing, construction and mining are distinct in relation to

employee numbers (wherein, for instance, 200 or less qualified the business to be a small firm). SMEs in marketing, services, wholesale, are well defined in relation to financial income (where, for instance, the array is 50,000-200,000 British Pounds to be defined as a small firm). A World Bank (2013) study emerged in a journal identified as Multilateral Space Medicine Board (MSMB) Country Indicators, outlining that 132 nations bound in the study, with 46 or a third of them defining the SME as a business with less than 250 workers (Kushnir, Mirmulstein & Ramalho, 2010:1).

In line with the South African definition as stated in the National Small Business Act 102 of 1996, used for this study, a small business is categorised as one with less than 50 full-time employees, a yearly income of below 2 million rands, and gross resources of below 10 million rands. A medium business is categorised as providing work to below 200 full-time employees, with an annual income of below 30 million rands and a gross immovable resource worth below 15 million rands.

Financial measures suffer from some problems that cannot go unaddressed. The deficiencies of using a yearly income as an element in delineating SMEs are that economic broadcasting applies auditors to be able to defer to primacy and changeability, whereby owners perceive cash flow rather than income as a pertinent monitoring pointer for the improvement of the business (Berisha & Pula, 2015:17). Additionally, price rise and exchange rates make evaluations over a period and amongst nations more problematic (Stokes & Wilson, 2010).

### **2.2.2 Survival**

Survival in business is defined as the process of an organisation or going concern occasionally referred to as being able to stay in business (Akindede, Oginni & Omoyele, 2012:30). In an effort to respond to the activities that allow organisations to function as a going – concern, organisations are regularly in the process of constructing and re-arrangement to keep up-to-date with these activities, which come with a form of complications to include leadership styles (Adeoye, 2012:56). The survival of SMEs hinge on adjusting it to the environment within which they function (Ciano, 2011).

## **2.3 CONTRIBUTION OF SMALL MEDIUM ENTERPRISES (SMES) TO THE ECONOMY**

SMEs are well-known by the public as a supporter of the economy. SMEs subsidise a national country product through manufacturing worthy goods or through services establishment to both customers and/or other initiatives (Abor and Quartey, 2010:215). The New Growth Path (2011) recognises manufacturing as one of fundamental supports of evolution to push the SA economy. Following, the next sub-sections reviews GDP and employment as the influence on economic growth.

### **2.3.1 Gross Domestic Product (GDP)**

Concurring with the World Bank's Global Economic Prospects of 2015, the six quickest rising economies in the African continent are Ethiopia, Tanzania, Mozambique, the Republic of the Congo, Rwanda and Cote d'Ivoire followed by South Africa. Without financial prudence recorded by the World Bank in terms of the wealth of doing business, SA has slid six places from 37<sup>th</sup> (2014) to 43<sup>rd</sup>. The Banking Association, (2017) in South Africa and worldwide, assert that SMEs are predictable as prolific drivers of complete economic development and development. The Bureau of Economic Research, (2016) stated that in South Africa SMEs account for around 40% of GDP. Investigation by Business Partners Limited SME Index (2017) discovered that South Africa will remain favourable for the growth of business in the next 12 months with a normal assurance level of 59%. This is a growth of three percent related to 2015, fourth quarter where-by the finance minister, Nhlanhla Nene, was fired, resulting in SA's asset markets dropping and allegedly losing R500bn in a couple of days. GDP also saw a four percent increase allied to 2016's third quarter, a period in which the South African municipal elections took place, ensuing increasing radical ambiguity.

### **2.3.2 Employment**

To this day, common in SEDA's funding databases, are goods and services that have remained embattled in the direction of very small, micro and survivalist initiatives. Looking ahead, SEDA campaigns to deter significant additional capital and

determination to backup small businesses to gain a better effect in motivating the creation of jobs. Consistent with the national government's Industrial Policy Action Plan (IPAP) and the New Growth Path, SEDA is engaging improved concentration on evolving drivers and funding products and services for SMEs in the improvement of the agricultural, manufacturing and services sectors (Mthente, 2012:1).

Small businesses are measured as a vital funder of the economy, with drivers designed for decreasing joblessness as it offers engagement to approximately 60% of the work- force, specifically since the prescribed sector continues to discard workers (The Banking Association of South Africa, 2017). Currently, Business Partners Limited SME Index discovered that 47 percent of SMEs in 2016's fourth quarter stated that they appointed a workforce in the previous last year. The New Growth Path further predicts that, in the South African manufacturing sector, 80 000 jobs can be formed by 2020. According to the Industrial Policy Action Plan (IPAP) (2011), an extended growth in job creation in all divisions requires it remain supported by high development in the manufacturing sector and to be directed by manufacturing.

Adeoye (2012:56) stated that in the manufacturing industry, environmental variations are unceasingly employing new densities on company performance. Hence, to respond to this employment growth in these sectors entails the reinforcement of high growth in manufacturing areas and to be directed and influenced by manufacturing to 60% employment. Furthermore, moving forward, the National Development Plan 2017 projects that not below 90% of new employment will be created in South Africa by 2030.

### **2.3.2 The contribution of the small medium enterprise manufacturing sector to the economy**

The manufacturing sector incubated 3, 7% and supplied -0, 5% to the growth of the GDP. In the first quarter, 7 of 10 dissections testified poor development rates. Petroleum was the main contributor to this decline, followed by chemical products and rubber and plastic products. Stats SA's latest Environmental Economic Accounts Compendium, the mining and manufacturing effect on the economy, has deteriorated over the years. Manufacturing was the major industry during the 1980s, underwriting

a 22% contribution to the GDP. This means that, for each R100 worth of increase in the South African economy produced that year, R22 was ascribed to manufacturing. In 2016, its input had dropped to 13%.

In terms of input to the GDP, Deputy Minister of Trade and Industry, Elizabeth Thabethe, mentioned an evaluation of 52 to 57%. The SA manufacturing movement is deeply concerned in other parts of the republic. New estimations propose that as much as 40.6% of the manufacturing movement in SA is concentrated in the Gauteng province. The provincial distribution of manufacturing movement in South Africa's nine provinces (2009) shows that, after Gauteng, KwaZulu-Natal 21.4% and Western Cape 14.5% these provinces are the highest sponsors to manufacturing in the economy of South Africa. In contrast, there is only a slight manufacturing movement in the North West 2.6% , Limpopo 1.4% and Northern Cape 0.4% provinces (Mthente, 2012:1).

## **2.4 CHALLENGES FACING SMALL MEDIUM ENTERPRISES**

SMEs in South Africa face stiff challenges in the competitive economic environment, which results in only 10% of operating SMEs creating employment opportunities for more than 50 people. However, Habberton and Notcutt (2015:118) state that these challenges do not emanate from the air, but from government taxes and regulatory frameworks and especially red tape and costs of compliance. Such challenges include survival, a limited access to finance, the lack of education and training, inaccessibility of markets and a lack of access to human resources.

### **2.4.1 Survival**

In this environment, most SMEs in South Africa in general fail to survive beyond forty two (42) months, with an estimated failure rate at around 80 percent (Olawale & Garwe, 2010:729). A comparative study conducted in the EU found that the failure rate of SMEs is much lower than that of developing countries and of the 1.37 million small companies that existed in 2008, only 1.35 million remained in 2012 (European Commission, 2012). However, at this stage, poor financial management skills or paying inadequate attention to business solvency largely contributes to the collapse of an SME. Furthermore, internal constraints that may facilitate the collapse of an SME



at this stage, amongst others, include the characteristics of SME employee qualifications, access to finance, access to technology, a sound business plan, marketing skills, human resource, and leadership skills (Hove & Tarisai, 2013:57).

#### **2.4.2 Inadequate access to finance**

Most businesses require funds to start operating and to finance evolution. Fatoki and Garwe (2010:1413) present confirmation that the absence of funding is the most stated factor contributing to the collapse of SMEs, followed by training and education in South Africa. Okurut, Olalekan and Mangadi (2011:62) posit that SMEs fail to obtain funding from financial institutions due to poor annual reports, lack of effectiveness and performance of the SME's bank accounts. As a result, manufacturing SMEs find it difficult to get bank funding, as banks need the latest records to judge loan applicants' possibility for receiving financing. Kapunda (2015) contends that, although external finance can remain accommodating, during tough periods, companies fail to reimburse credits and they deteriorate into further distress. This seems to show SMEs enduring fiscal mayhem, which results in closure and/or collapse.

#### **2.4.3 Lack of education and training**

A lack of education in South Africa is realised as the greatest obstruction to the business movement (Nieman & Nieuwenhuizen, 2009). The authors also mentioned that education is certainly associated with the activity of the business. The Global Entrepreneurship Monitor (GEM) report (2001-2010) state that an absence of organisational competencies by SME owners and managers can be ascribed to a lack of education and training. Training and education aid the advancement of leadership proficiencies which are essential for business success. Penchev and Salopaju (2011), define proficiencies of leadership by means of groups of information, skills, activities and mind-sets that contribute to success. These proficiencies are actually critical for the persistent development of a business endeavour.

#### **2.4.4 Inaccessibility of markets**

Increased globalisation has improved rivalry in developed and developing economies, with SMEs being generally influenced. As a result, SMEs (small and medium businesses) engaged in private enterprise pursue to classify and discover unknown prospects globally to continue (European Union (EU), 2012). SMEs that are involved in the global arena are inclined to nurture and account complex returns related to SMEs that are locally grounded. The EU detected that small businesses that are elaborate in transfers' trade increased more than twice as faster than those that are not engaged (Association of Chartered Certified Accountants (ACCA), 2013).

The degree of competition and possible opposition influences the latent market and the opportunities for development of SMEs, even though the concentration of race between businesses fluctuates extensively across trades (Chimucheka, 2014:403). Collapse of other SMEs in relation to access to markets can be ascribed to business opposition, which is decided by what Michael Porter called the five competitive forces (Dutoit, 2009).

#### **2.4.5 Lack of access to organisational resources**

The emergence of infrastructure can also influence SMEs. This is a problem in most emerging countries and SA is no exclusion. Many emerging nations will encounter state-run of infrastructure such as telecommunications, electricity and transportation. For SMEs to achieve, they need to contact competent, trained and inspired employees, bearing in mind the complications in accessing backing which challenges SMEs. It is tough to employ expert labour. Olawale and Garwe (2010:729) highlight that workers can be employed at a rate within the boundaries of labour relations, such as per the Employment and Minimum Wage Regulations.

### **2.5 THE CONCEPT OF LEADERSHIP**

According to Gaiter (2013:323), leadership is defined as possession of incomparable principles, communication skills, self-assurance and respect, and successfully practices beliefs and impacts to endorse congruence and co-operation. In a study by

Yukl (2012:66), it is cited that the behaviour of the leader ought to be noticeable, discreet, quantifiable and appropriate for several types of leaders, and classifications of the behaviours of a leader ought to be inclusive, but frugal.

Leaders are organisational employees in the business world who ought to be thinkers, who ought to be truthful, with honesty, and have attractiveness that others hunger to compete with (Gaiter, 2013:323). When employees demonstrate sensitivity and connection with associations it basically inclined through the leadership style that a leader implemented when dealing with them (Batool, 2013:84).

Northouse (2018) states that the attribute outlook abstracts leadership by means of a convention of assets influenced in changing measures by diverse individuals, whereas the development opinion suggests that leadership exists in the situations of communication amongst leaders and factions and makes leadership exist for everybody and can, consequently, be detected in behaviours of leaders that can be erudite. Leadership has been demarcated in terms of development (applying stimulus or achieving high rank in public organisations), efficiency (assessment of leaders or in what way leadership affects worker accomplishment, inspiration and component outcomes) or as a procedure (bring into line set members to concentrate on set objectives). Uchenwamgbe (2013:53) emphasises that a leader who is considerate is significant to SMEs.

Harper (2012:22) states that a notional investigation of effective leadership that motivates the planet, discovered leadership style as a pointer of business achievement as it narrates to adherent effects. Some researchers mentioned that the style of leadership differs conferring to the leader attractiveness and the conditions of the business enterprise. Consequently, the style of leadership can be defined by means of the generosity of behaviour and aptitude that leaders possess that allows them to network through the workforce to accomplish objectives (Hesham, 2010).

Zarook, Rahman, & Khanam (2013:106) defines leadership as a procedure that concentrates on shaping or persuading individuals to reach organisational goals. Many dissimilar descriptions of leadership are established from dissimilar viewpoints. Yukl (2010) views leadership as a progression of using inspiration and drive to inspire

the involvement in attaining collective or logistic accomplishment and leader effect (that is, attitudes and feelings). This might be important considering how leaders affect their supporters and why leaders with identical skills and capabilities occasionally flourish and, every so often, collapse (Thanh & Viet anh, 2015:547). Jamal (2014:1267) points out that leadership styles are methods used to encourage and inspire groups, not a “one-size-fits-all” sensation. Amanchukwu, Stanley and Ololube (2015:6) explain that leadership should be designated and modified to fit organisations, situations, groups and individuals.

It has been recommended that individuals are “apparatuses and that “individuals are completely reliant on the leader” typical (Warden, 2011). It is hence, necessary to have a complete intellect of diverse styles and essential information accessible to lead successfully. All businesses need solid leadership support, but it is specifically imperative for SMEs. Leadership skills are essential for SME owners to design, shape, regulate and, have thorough processes (Zarook, Rahman, & Khanam, 2013:106). The plans of the business are not guaranteed control of the business’ progress and achievement. Without arrangement or with an inappropriate arrangement, it is a formula for tragedy (Chwolka & Raith, 2012:385). Proper organising methods have been disapproved by business investigators for failing to portray reality and adjusting to situations that are ambiguous, particularly where evidence is not available to the leader. Thus, the planned progress might not be operative in filtering the performance of business performance (Blackburn, Hart & Wainwright, 2013:8).

The results, policies and applied leadership will be strongly based upon by a business’s phase of growth. Hence, the significant viewpoint of leadership of small businesses is to understand that they are not new or large developed organisations. The leadership is one key driving force for improving SME performance and ensuring the survival of the entity (Obiwuru et al. 2011:100; Burian et al, 2014:1)

Scholars have found a solid and important relationship amongst certain leadership styles and business survival of SMEs (Udoh & Agu, 2012:142). Small business leaders frequently lack the leadership skills required to operate their businesses beyond 5 years (Udoh & Agu, 2012:142). Due to the reputation of revolution, leaders and

researchers have explored influence and effective inventions such as leadership, worker participation and knowledge.

Leadership is measured as the greatest imperative feature that influences revolution and the relations amongst leadership and invention has increased attention in the literature (Rosing, Frese & Bauch, & 2011:956). The next sub-section reviews the literature on the theories supporting the conception of leadership.

## **2.6 LEADERSHIP THEORIES**

This section recognises and confers three leadership theories. These are trait, behavioural and situational or contingency theories.

### **2.6.1 Trait theories**

Kanodia and Sachers (2016:146) mention that trait theory is the tactic to study a creature's nature which recognises and determines the steps to the temperament traits. Very often, repeated outlines of sentiments and conduct of individuals, like nervousness, shyness, pessimistic thought, unrealistic reflection and openness to innovative things exist from one person to another. Boundless of 2015 indicated that trait theorists trust personality and can be tacit by theorising that all people have certain traits, or characteristic ways of performing. The trait theory is briefly discussed in Figure 1 below.

**Table 1: The Trait theory**

This theory is constructed on a great man theory; nevertheless, it is further classified in the leaders’ analysis. It accepts that individual traits of the leader are important in leaders’ accomplishment.

**Personal Traits**

<b>Capabilities</b>	<b>individual Traits</b>	<b>Stimuli</b>
<ul style="list-style-type: none"> <li>• Supervisors’ capability</li> <li>• Aptitude</li> <li>• Creativity</li> </ul>	<ul style="list-style-type: none"> <li>• Self-assurance</li> <li>• Decisiveness</li> <li>• Maleness/ feminist</li> <li>• Adulthood</li> <li>• Work class affinity</li> </ul>	<ul style="list-style-type: none"> <li>• Need for occupational achievement</li> <li>• Self-actualisation</li> <li>• Power over others</li> <li>• High financial rewards</li> <li>• Job security</li> </ul>

Source: Adapted from Burke et al. (2006)

The attribute tactic appeared as the first challenge in studying leadership early in the 20<sup>th</sup> century. It was laudable to study leadership through the ability of what leadership personalities made selected entities inordinate in their situations. Theory is patented by the list of intrinsic potentials and attractiveness characteristics alleged as existing in persuasive communal, radical and martial leaders during the period (Northouse, 2013). It also seals the opportunity for entrance into the study for leadership traits, which assumes that leaders are born with distinctive traits that permit them to stand out notably amongst their underlings.

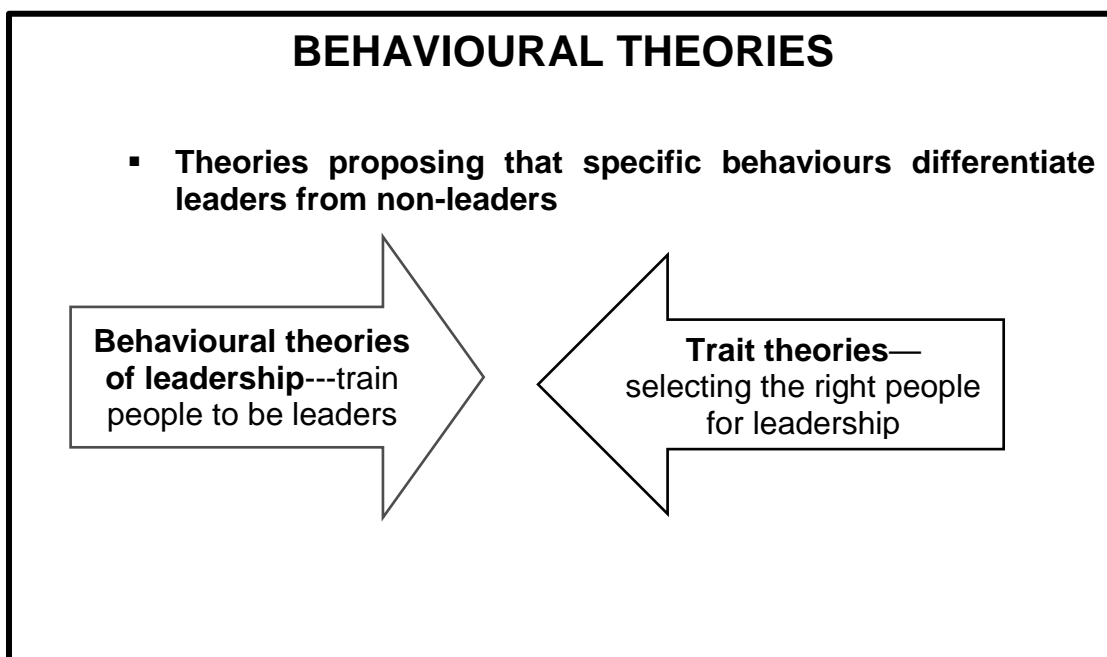
Even though it is difficult to contradict that good leaders frequently display positive expected traits the criticism is that the investigation in connection amongst characteristics and alleged skills of the leader has revealed an optimistic relationship by means of convinced behaviours, with directness to original concepts and extraversion, ensuing an enlarged observation of the success of leadership (Colbert, Judge, Choi & Wang, 2012:670). Moreover, further investigation finds the activities of

leadership are an operative interpreter of success than the traits of leadership (Derue, 2011:125).

### 2.6.2 Behavioural theory

The reproaches of the theory of traits saw the existing intensification of the Behavioural theory. Philosophers studied the leadership concept as the totality of selected activities (Lo, Ramayah, Min & Songan, 2010:79). The theory precisely assessed what effective leaders completed, offered a terminology or list of activities and initiated models that proposed different styles of leadership. In simple language, behavioural philosophers contended that a leader's behaviour is the greatest interpreter of their inspiration and therefore, is an element of leadership achievement (Avolio, Walumbwa & Weber, 2009:421).

**Figure 2: Different understandings of Behavioural and Trait theories**



Source: Revised from Lee (2005)

Behaviourism theories seemed equal in relation to Trait theories (Lo et al., 2010:79). Conferring to the behaviourist theory, to become a leader required appropriate education (Vesterinen, Isola & Paasivaara, 2009:503; Lo et al., 2010:79). The Trait theory claimed that a leader has inherent or intuitive potentials, for example, a specific person born in a family that displays feeble self-control and is branded for permitting

individuals to abuse others. Alternatively, an individual could be from a powerful family who are denoted normally as natural leaders. Supposedly, the person from the former family develops the behaviours of servility, while the latter individual obtains and cultivates the influential behaviours. The behaviourist school contended that ought to there had been an exchange of backgrounds, they would have been established differently. Consequently, they would equally like to develop operative leadership characteristics with regard to being exposed to comparable experiences or suitable guidance (Lo et al., 2010:79). The above proves that behavioural and traits theorists originate from disparate ends.

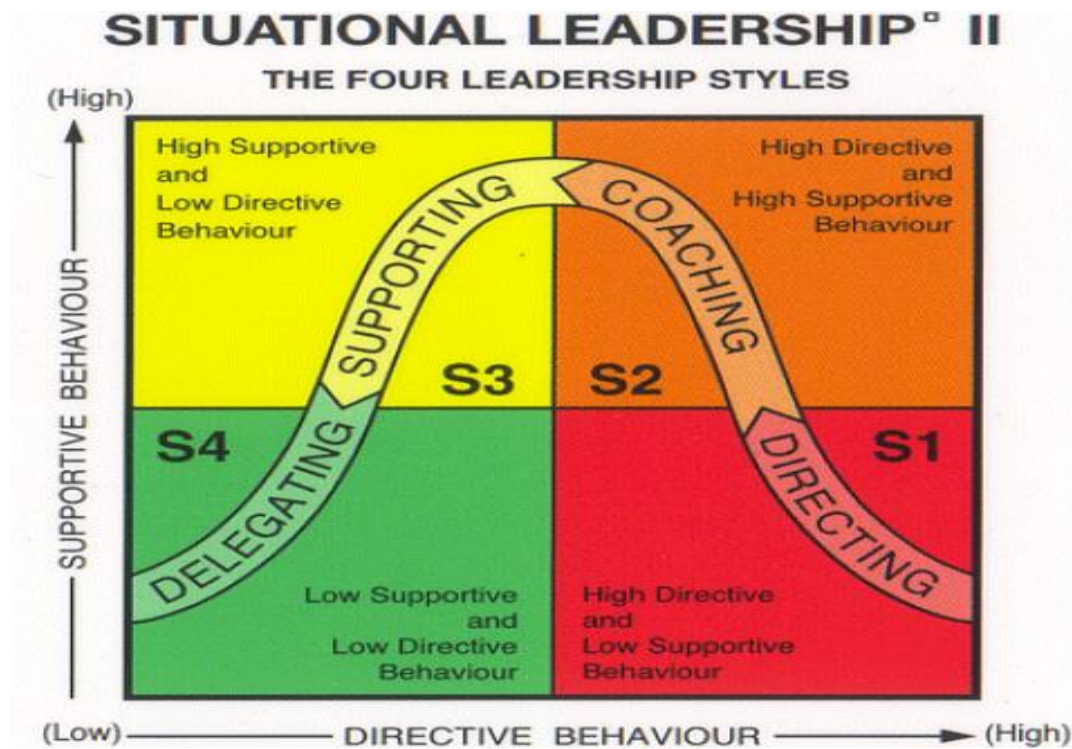
### **2.6.3 Situational or Contingency theory**

The Contingency theory has been in use in literature in different fields extensively. In reality, the Situational theory is depicted back in the mid-19th era (Hemphill, 1949). Researchers like Hemphill (1949:136); Winston and Patterson (2006:6) and Vigoda-Gadot (2007:661) stated that leadership effectiveness hinges on situational influences, which are peripheral relations, expediency in economic and substantial possessions, dealing with members burdens of the members, constructions and group culture.

The basis of the Situational Leadership theory is that no distinct style of leadership is the best (Lo et al., 2010:79; Kim & Brymer, 2011:1020). It contests the one-size-fits-all interpretation of leadership. Instead, the philosophy accentuates that themes to a condition, make diverse of leadership stages possible and essential. The initial stage is that leaders need to detect and classify the utmost significant responsibilities. This entails defining the level of attentiveness of groups by examining groups' capability and willingness. Lastly, leaders employ the most appropriate style of leadership correct for a situation, that is abridged as leading, training, backup and allocating (Lo et al. 2010:79; Kim & Brymer, 2011:1020). Figure 3 below demonstrate the levels of support and directive behaviours vital in each situation.



**Figure 3: Situational Leadership Model**



Source: Adapted from Hersey and Blanchard (1969)

The situational leadership theory involves leaders changing their style to adapt to the levels of the groups, which are influenced (Avolio, Walumbwa & Weber, 2009:421; Ahlquist & Levi, 2011:1; Albrecht & Andreetta, 2011:228). With this type of leadership, the leaders change their style of leadership and not the member to acclimatise to the leader's style (Avolio, Walumbwa & Weber, 2009:421). However, it is imperative to communicate that the leadership style might be attuned frequently to accommodate fluctuating circumstances of business.

## **2.7 COMMON LEADERSHIP STYLES USED BY SMALL MEDIUM ENTERPRISES**

Scholars recognised the dissimilar style of leadership that the majority of leaders portray. The style of leadership is well-defined as an individual's method or manner of giving direction, executing strategies and inspiring individuals. This literature recognised numerous styles of leadership that leaders deliberately or reluctantly

represent in a company, namely, transformational, transactional, laissez-faire and democratic leadership styles. These styles of leadership are examined in the next subsection.

### **2.7.1 Transformational Leadership style**

Transformational leadership replicates charismatic leadership that is ethical to followers, though leadership transpires through perceptual and provenance procedures within the followers (Naber & Mofeti III, 2017:90). Accordingly, the observation and assessment of transformational leadership is possible to be inclined by followers' morale, which is the ability that permits individuals to recognise and understand prominent issues in social environments. Nikolski (2015:18) points out human resources have become more important for survival, development and growth of SMEs. In order to be a major source of competitive advantage, human resources need to be pro-active. This proposes the need for a leader with attractiveness, knowledge, abilities and capabilities to set a precedent for workforces in accomplishing the tasks, aspirations and objectives of the enterprise. With this viewpoint, a compelling leader is one that affects, stimulates, motivates and instills confidence amongst groups. The compelling leader appreciates the traits that one possesses, which differentiate them from other leaders is the imperative feature for the accomplishments of SMEs.

### **2.7.2 Transactional leadership style**

Rukmani, Ramesh and Jayakrishnan (2010:365) consider transactional leadership to be the kind of leadership where leaders devote their utmost time and energy to elucidate what is essential from groups as well as the anticipated recompense in achievement of necessities. This kind of leadership style encompasses dealings between leaders and groups (Arham, 2014:343). The transactional leadership style is significant for management of businesses, but it may not be the superlative style for leading all kinds of SMEs (Khan, Ghouri & Awang, and 2013:143). Above all, the transactional leader stimulates and directs employees by appealing to their self-interest (Ogbari, Egberipou, Ajagpe, Oke & Ologbo, and 2016:50). Hence, the

emphasis here is on basic management processes such as controlling, organising and short- term planning.

### **2.7.3 Laissez-faire leadership style**

The least preferred leadership style when applied to leadership might be the laissez-faire style, which outlines leaders who grant permission to individuals to work unsupervised (Goodnight, 2011:1401) describes these as renounced tasks and evade making decision. Leaders regularly permit their followers authority to make decisions around their jobs (Chaundry & Javed, 2012:186). The truth is that SMEs and large businesses are mostly attentive to survival. Nonetheless, what differentiates these types of businesses is that leadership in SMEs do not practise laissez-faire leadership.

### **2.7.4 Democratic leadership style**

Democratic leadership offers some decision- making authority to the group, but in the end the final say stands with the leader (Majoni, 2015:1669). Democratic leaders make conclusions, but include followers in the making of decisions. They inspire creativity and followers are highly tangled in tasks and resolutions (Amachuku, Stanley & Oloolube, 2015). This leadership style is proficiently used within rising companies where personnel are developed enough to a certain degree of independence and freedom to act, but they still need supervision and alignment from their leader (Mihai, 2015a).

## **2.8 THE INFLUENCE OF LEADERSHIP STYLE ON SMALL MEDIUM ENTERPRISE SURVIVAL**

Leadership style is defined as an attribute and a procedure (Northouse, 2015; Daft, 2011; Lussier & Achua, 2013). Northouse (2015) states that the attribute opinion hypothesizes the style of leadership as a collection of assets controlled in fluctuating levels by diverse persons, whereas the procedure opinion proposes that leadership style exists in situations of communication amongst leaders and groups and causes leadership to be presented to everybody, it can be detected in performances of leaders; and they can be educated. Leadership is defined in terms of appearance (applying inspiration or reaching high positions in societal structures); effectiveness

(evaluation of leadership or how leaders affect employee satisfaction, motivation and unit results); or as a process (aligning group members to focus on group goals). Uchenwamgbe (2013:53) stresses that supportive leadership is significant to SMEs. The style of leadership is a reliable design of conduct that portrays a leader (Northouse, 2015).

Harper (2012:22) states that a hypothetical inspection of operative leadership implies that the style of leadership is a means of a guide of structural achievement as it relates to the effect on the follower. Additionally, some researchers have indicated that the style of leadership differs, conferring to the leader's personality and the conditions of the business enterprise. Consequently, leadership style might be defined by means of the type of conduct and aptitude that the leader possesses, which permits leaders to interrelate with workforces in order to attain objectives (Hesham, 2010).

The personal and individual style of leadership in small businesses means the owner develops the marketing strategy and implements the marketing activities of the business (Stokes & Nelson 2013). As a result, the personal experience, skills and attitudes of the leader are a major influencing factor in the way that marketing is perceived and carried out, which can have a positive or a negative influence on business performance.

Sunday1, Adekunle1 and Roseline (2014:45) posit that leadership style is therefore very important to the survival and effectiveness of SMEs. As the business grows, the expectations about their performances increase and demand for good leadership tends to multiply. Leadership ability is a valuable skill and those who possess it reap high rewards. Therefore, from every indication, there is a strong link between leadership styles strategies and survival of the SME.

However, most leaders tend to learn more from failure than from success, notwithstanding failure and success of the firm are two sides of the same coin source. The issue is that leaders so often ask the question "why do we fail?" than to ask for "why the success they experience occurred?" They take for granted the effect of today's success on the future performance of the business (Sunday1, Adekunle1 & Roseline 2014:46)

## 2.9 SUMMARY OF LEADERSHIP STYLES

Authors	Style	Summary
Hill, 2015	Transformational leadership style	<p>A researcher named Bernard M. Bass polished up James MacGregor Burn's style of leadership concept. This is directed to the theory of Bass' Transformational Leadership Theory that defined four mechanisms of transformational leadership style:</p> <p><b>1. Intellectual Stimulation</b></p> <p>The crucial support of transformational leaders is to challenge the current organisational culture for the purpose of determining ways to improve organisational practices and procedures, through shaking the established norms and questioning the status quo. The transformational leadership style amplifies followers' level of creativity and fosters open-mindedness toward new avenues for learning.</p> <p><b>2. Individualised Consideration</b></p> <p>Transformational leadership style gives high regard to the importance of open communication lines within a team. Such is measured as important in relations to offering distinct response and acknowledgment, as well as ensuring that each team members' voice is valued in the organisation.</p>

		<p><b>3. Inspirational Motivation</b></p> <p>One of the leadership competencies that transformational leaders surpass is a distinct communication of objectives and certain allocation of tasks and responsibilities. Additionally, leaders who display the transformational style of leadership are aware that the whole group requires being on the same level of passion and enthusiasm to ensure most efficiency and productivity; hence, strongly providing their knowledge in support and motivation to each of group members.</p> <p><b>4. Idealised Influence</b></p> <p>Transformational leaders do not lead by intimidation or predetermined command. They lead by setting an example. Through their keen observance of transformational leadership practices, they are able to gain their team members' faith and respect, which eventually inspires these members to emulate their admirable qualities. The major characteristics of transformational leadership include engendering trust, admiration, loyalty, and respect amongst followers through application of charismatic vision and behaviour.</p> <p>The transformational leadership style requires an intensive grasp and understanding of key leadership concepts such as communication skills, interpersonal skills and process skills. Its efficacy is ultimately gauged by the level of impact it has on team members or employees.</p>
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<p>Charry, 2012; Lamb, 2013 Usman and Naveed, 2013; Khumalo, 2015; and Mulder, 2016</p>	<p>Transactional leadership</p>	<p>Transactional leadership models, also identified as managing models, focused on the character of direction, group and organisational accomplishment and interactions amongst leaders and groups. These models base leadership on a method of bonuses and penalties. In other words, on the notion that a leader's job is to create structures that make it abundantly clear what is expected of followers and the consequences (rewards and punishments) associated with achieving or not achieving expectations.</p> <p>Employees are rewarded when they reach expectations and they are reprimanded or punished when they fail. The transactional concept is frequently compared with the theory and procedure of managing and continues to remain a mutual element of several leadership models and organisational structures. In distinction with transactional leaders, transformational leaders concentrate on associations to guarantee organisational commitment and collectivism.</p> <p>Transactional leadership offers fulfilment to the desires and requirements of the individuals and in the existing rewards. On the other hand, transformational leaders adjust or create new motivations that emphasise satisfying group desires. Lastly, transactional leaders turn out to be familiar with dominant values, while transformational leaders adjust the philosophy or situations external to the group. Therefore, transactional leadership is definitely appropriate for routine tasks that are assessable. The reward employees get for their performance offers an extra incentive.</p>
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<p>Goodnight, 2011; Chaudhry &amp; Javed, 2012; and Campbell, 2016</p>	<p>Laissez-faire</p>	<p>Laissez-faire leadership identified as a delegative leadership style and might be the greatest or poorest of the leadership style utilised. It outlines leaders permitting people to operate on their own. These leaders abandon tasks and evade decision- making. Leaders frequently give permission to employees to make their own conclusions of their work. Leaders who exercise this kind of style are identified for assigning freedom to group members.</p> <p>Leaders offer backing and means for group members where applicable, but leaders avoid controlling personnel. This might be an efficient style of leadership when the leader creates a lot of faith between groups and an understanding that they perform well in their duties and are able to accomplish task in time on their own. However, for newer group members or those in need of more supervision or management of time support, it might not be as efficient.</p>
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Source: Self-generated by researcher



## **2.10 LEADERSHIP STYLES USED BY SMALL MEDIUM ENTERPRISES IN THE MANUFACTURING SECTOR**

It is common to see that leadership styles in most SMEs are autocratic in nature and what the business owners say is final. Most times, ownership is by family succession, in order of seniority. There are no formal criteria for selecting or building succession plans for future leaders, in most cases. Moreover, there is a lack of training and development programmes for leaders of SMEs when they assume their leadership status as a cost, rather than an investment (Higginbottom, 2017) see developing the skills and talents of both employees and managers.

Modern organisational structures evidently display the implementation of different leadership styles by leaders. There are as many leadership styles as there are many writers on leadership. According to Giri and Santra (2010:85), leadership has been a crucial topic for organisational effectiveness. Consequently, different leadership styles have been studied over the years.

### **2.10.1 Developed countries**

South Korea is presently a republic with district authority that reveals an influential financially independent culture and scientifically innovative country through several social inspirations all over the provinces. This evolution is supported by powerful leadership competences (Dinerman, 2010). However, the question remains as to which style of leadership has impetus on evolution. This culture replicates South Korean leadership to be authoritarian and defensive (Yoon, 2010).

The observation of leaders as moderate, cultivating and kind has demonstrated efficiency to groups (Cheng, Boer, Chou, Huang, Yoneyama, Shim, Sun, Lin, Chou & Tsai, 2014:82). Additionally, their culture of presenting complete faithfulness to the head of state gives rise to humility and submissiveness of followers (Estes, 2012). Even though followers in South Korea are obliged to obey their leaders, irrespective of negative feelings, this triggered factions who are not willing to

respect certain orders. Kim (2016:1020) highlighted the significance for South Korean leaders to recognise that the minority will ultimately turn out to be upcoming leaders. Through this motive, the youth is longing for leaders to develop similar cravings for deviations and linking at an individual level (Estes, 2012).

### **2.10.2 Developing countries**

The absence of efficient leadership perceived in Africa has numerous effects on this continent (Kabashiki, 2014). As the rise of social equality in post-colonial Africa, South Africans expected to recover through innovative, African leaders and cultural influence died through this establishment. Tactlessly, the globe observed the founding of two sets of leadership in Africa. The first set comprised selected leaders such as Patrice Lumumba and Kwame Nkrumah. They were separationist and fascinating leaders (Nkrumah & Lumumba 2013). Leadership extended beyond authority. They extended to the reliable provision to the countries and land and the development of their fellow citizens. The subsequent set involved Africans carried to leadership situations by foreign authorities. They were obligated to continue to remain faithful to the leaders. They remained delayed by foreign indicators and were obligated by the faith of individuals who conferred them leadership. Through them, previous regal influences assumed exercise of control in undeveloped African countries. The survival of these two sets of leadership imparted immoral outcomes on the fortune of African individuals. African land was separated in two radical sets and unseen political limitations developed in Africa (Nkrumah & Lumumba, 2013).

Salawu (2012:17) alluded to the implication that behaviour affects the public, commercial and radical growth of African states as this continent consumes anguish from leadership emptiness. Outstanding leadership is especially rare in Africa (Salawu, 2012:17). Every time there is a development of a broadminded leader in Africa, the competitors to African development constantly discover approaches to deter such development (Bangarah, 2011). Deprived leadership is supposed to stand the basis of great difficulties afflicting African civilizations (Salawu, 2012:17). This is serious for the reason that operative leadership is not imaginary to remain a “one-man” expression (Weiskittel, 1999) or gendered (Duerst-Lahti, 2010). An incomplete leadership approach is perilous to the progress of the country.

## **2.11 FACTORS AFFECTING LEADERSHIP IN SMALL MEDIUM ENTERPRISES**

Leadership throughout the course of managing a business encounters many factors. These are categorised into internal and external factors.

### **2.11.1 Internal factors**

Olawale and Garwe (2010) described internal factors as those factors within the firms' environment of which it has control, such as finance, managerial skills, business location, networking and costs of production and investment in information technology.

#### **2.11.1.1. Management competencies**

Olawale and Garwe (2010:729) defined management competencies as groups of information, abilities, behaviour and approaches that add to individual success. Most SMEs are owner-managed, hence, it is imperative for the owner to have an entrepreneurial mind-set (Neneh & Van Zyl, 2012:8327), which is best described in this study "as a technique of thinking about business and its prospects in a way that captures ambiguity". The study argues that without effective leadership, the prospect of an entrepreneur's success is very low, proffering a conclusive high failure rate.

Key to the above-mentioned functions is working capital management, which is a critical management function that requires appropriate accounting skills for one to be able to ensure that the current assets are sufficient to cover the current liabilities or short -term obligations (Adediran, Josiah, Bosun-Fakunhle and Imuzeze, 2012:61). Therefore, due to a lack of management competencies, most SMEs are confronted with cash flow challenges, which often result in curtailing, their ability to deliver on their mandates. Due to poor collection methods, SMEs end up having millions secured in financial statements receivable but having no money to recompense owing people is a sure-fire method to demolition (Merchant Factors, 2013). The success to any organisation depends on the managerial competencies of its owners in the areas of human resources, financial and business planning, marketing and operations

management. Nene and van Zyl (2012:8327) further contend that a combination of the aforementioned business practices enhance the performance of an SME to achieving optimal performance.

#### **2.11.1.2. Location and Networking**

The location of SME affects market possibilities and growth opportunities, as its proximity to customers is key to dispatching a timeous response to customer needs (Olawale & Garwe, 2010:729). The environmental setting has consequences for admission to marketplaces and further capital like backing, trained employees, traders, infrastructure, supply and transportation logistics and other services (Abor and Quartey, 2010:18). Another factor that affects the capability of SMEs' is the lack of access of possible supporting infrastructure such as buildings, roads and electricity, which are very pertinent in ensuring the possibility of the production process. Olawale and Garwe (2010:729) have argued that then electricity stream in South Africa does not meet demand thus contributing to load-shedding that affects the turnover and productivity of SMEs Therefore, an SME in the manufacturing industry should be appropriately located to best serve its customers. Olawale and Garwe (2010:729) argue that networking by SMEs compliment location and is crucial for leadership to tap resources in the external environment, reduce information asymmetry (creditor/supplier relationships), together with SMEs' legitimacy and existence.

#### **2.11.1.3. Investment in Technology and Cost of production**

The introduction of technology in SMEs is a positive development as it lowers the cost of doing business and achieving profitable sales. Information technology has been widely used to expand markets for SMEs and improve communication amongst their stakeholders. Studies found that investment in technology is important for SMEs as knowledge plays a perilous fragment in the growth of small businesses (Olawale & Garwe, 2010:729).

In addition, it has been argued that e-commerce permits SMEs to co-operate with customers, reach new customers and improve the value of information, with the most concrete positive of e-commerce being to lower charges (Mbatha, 2013:23). Most

leaders in SMEs are reluctant to implement cost-efficient systems that are mostly technology based to improve their efficiency and hence bring down costs of production affirms (Mbatha 2013:23). It is of utmost importance that leadership in SMEs upgrade their technology to meet the demands of operating in a technology-obsessed world.

### **2.11.2 External Factors**

Globalization has created conditions that influence the operational capability of SMEs in S A. Therefore, the accomplishments of SMEs extremely rest on the abilities of the leadership team to construct policies and strategies that enable it to remain competitive, whilst mitigating the adverse effects of external factors outside the reach of management control. These factors in general include access to working capital finance; legal and regulatory mechanisms; globalization and competition and access to credit lines.

#### **2.11.2.1. Access to Working Capital Finance**

SMEs require financial resources for the start-up expansion of initiatives, which more often than not are financed through the owner's equity or external sources like financial institutions. Olawale and Garwe (2010:729) argued that the lack of admittance or accessibility of finance could be a restraint in business progress, with access to finance being a major problem for South African small business owners.

The success of an SME is dependent on the ability of the owner to raise the necessary capital required to start-up the business, but more importantly to fund any operational capacity (Olawale & Garwe, 2010:729). Surveys conducted found that in South Africa, only 2 percent of SMEs were able to access finance, with 75% of applications for credit to banks being rejected (Olawale & Garwe, 2010:729).

Arguably, one can suggest that without the necessary finance structure, SMEs will continue to be dogged by possibility challenges leading to failure. In a study on SME constraints, 74% of participants ranked the lack of finance as a major challenge to small business owners and to the growth of their businesses (Ackhar & Vuvor, 2011). Ackhar and Vuvor (2011) alluded that lending to small businesses and entrepreneurs

in most developing countries remains incomplete due to economic mediators who are anxious about providing credit to industries because of their great risks, minor sets and abnormal business charges.

#### **2.11.2.2. Legal and Regulatory Mechanisms**

A labyrinth of legal regulations and institutional structures that determine the productivity levels of SMEs' more often than not affect the viability of SMEs. For instance, The Department of Trade and Industry estimates that it takes longer than 176 days in South Africa to receive licence and there are 18 measures tangled in dispensing licences. Temporarily, the absence of antitrust legislature supports bigger companies, whereas the absence of safety for goods privileges restricts small business admission to external knowledge (Abor & Quartey, 2010:215).

Furthermore, it has been noted that volatile government procedures coupled with increased unethical actions and high taxation rates pose a great menace, not only to the sustainability of SMEs but also to the capability of the economy at large (Nyang'ori, 2010). For example, Olawale and Garwe (2010:729) argue that SMEs lack bargaining power and influence to resist unofficial payments. World Bank estimating that 70% of SMEs in South Africa perceive corruption as a key impediment to their feasibility. However, the challenges faced by SME owners can be viewed from a more philosophical level, where the law is a creation of the bourgeoisie and supports the interests of the ruling class, not SMEs.

#### **2.11.2.3. Globalization and Competition**

Globalisation has meant that SMEs operate within an internationalised context, thus exposing them to external competition. According to Chikowore (2015), SMEs' leadership are thus expected to operate within the same economic environment that regulates major conglomerates, a situation which poses a serious threat to their capabilities. Furthermore, the situation of SMEs is more complicated due to the fact that although there is a Competition Act in place (Werkmans Attorneys, 2015). This antitrust legislation is not sufficient to advance the needs of SMEs in the onslaught of globalization, which in turn supports the operational functionality of larger international

firms. The difficult situation of SME leadership is the fact that they have incomplete worldwide marketing understanding are deprived it excellence regulators and merchandise tuning, and only slight contact with global associates to obstructs small business growth in global marketplaces (Smit & Watkins, 2012:6324). There is also an absence of the required information of external marketplaces. In addition, SME success is more frequently than not determined by the macro economy as a whole, therefore, becoming a major down turn for SMEs (Smit & Watkins, 2012:6324).

#### **2.11.2.4. Access to Credit Lines**

Prior research revealed that the growth of SMEs is always forced by a lack of economic capital to converge a variability of effective and outlay requirements (Nyang'ori, 2010). Most micro-businesses, businesspersons from earlier deprived groups or any set with imperfect insurance or feebly recognised pasts, find that access to credit is supplementary constrained (National Credit Regulator, 2011).

The resultant discrimination is because of the weaknesses that are within the financial industry. The reason for such an obtrusive scenario is by virtue of certain operational constructions of the division, that is the banks' proprietorship of reimbursement structures and difficulties to gain admittance into the funding division and particular commercial application (for example, the absence of an equal expose to administration of payments and rates in terms of a rudimentary investment suite) may establish problems to an inexpensive and customer approachable marketplace (National Credit Regulator, 2011). This has an effect upon the nature and significance of financial services and the cost at which financial services are being provided (Smit & Watkins, 2012: 6324).

The legislation governing commercial refuge is multi-faceted and outdated and does not support effective secured finance arrangements in the commercial setting (National Credit Regulator, 2011). Necessities like recognizing an invention and a marketplace, obtaining somewhat essential goods authorizations, and concealing suitable archives, altogether is above essential to controlling the finance of SMEs (Abor & Quartey, 2010:215). A large part of the SME division does not provide

admission to suitable and proper procedures of recognition and justice, or certainly economic facilities (Abor & Quartey, 2010:215). Leadership consumes an imperative for effecting the tactical and supply alignment, managing construction, payment attitude, growing alignment and business philosophy of a rising company (Hutchison, 2018). The GEM precisely highlights the rising indication of the great influence of leadership. Morris (2011) highlighted leaders of businesses with above standard influence in regard of development demonstrated by superior work formation, capital formation and growth of business character models.

As an effect, individual knowledge, competences and perspectives of the proprietor director remain a key persuading aspect by means that advertising is alleged and conducted, that might be an optimistic or undesirable impact on commercial presentation. Eventually, it is the ability and boldness of the proprietor to being overawed by obstructions (whether interior and or exterior) that regulate the definite survival possibility of the organisation (Hutchison, 2018).

## **2.12 CONCLUSION**

This chapter revised literature inter-related to the important perceptions of leadership styles and SME survival. Leadership as a concept was defined and styles of leadership and philosophies were conferred. Through concluding, the model was well defined and then three theories were conversed. The chapter also reviewed factors affecting leadership styles in SMEs and the influence of leadership style on SME survival was described.

The next chapter describes the research methodology implemented in this study.



## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 INTRODUCTION

The main aim and the purpose of this research is to identify the leadership styles used by SMEs in the manufacturing sector. This research was undertaken to produce knowledge on the leadership styles used by SMEs in the manufacturing sector and to regulate the effectiveness that leadership styles has on enterprise success and survival cognizant of the fact that this will contribute towards the body of knowledge in this field. Therefore, this chapter outlines the research design, the data collection strategies and the rationale for the research tools utilized in the study.

The aim and objectives of this study are as follows:

**Main aim:** To identify the leadership styles used by SME's in the manufacturing sector within the Msunduzi Municipality and to determine the effectiveness that leadership styles have on small and medium enterprise success and survival.

**Research objectives:**

- To identify the leadership styles used by SME's within the Msunduzi Municipality;
- To examine the effectiveness of leadership styles used by SMEs within the Msunduzi Municipality;
- To examine the relationship between the leadership styles and the SME survival; and
- To suggest recommendations that would contribute towards the adoption of appropriate leadership styles to be used by SMEs within the Msunduzi Municipality

## **3.2 RESEARCH DESIGN**

In determining whether the research approach is suitable for this investigation, the investigator had to consider the purpose of the research and the form of data that would achieve the purpose. The qualitative methods allow the researcher to study selected issues in depth, openness and detail as they identify and attempt to understand the types of information that appear from the data (Daniel, 2010:452). On the other hand, quantitative method is where the investigator primary uses post positivist claims for developing knowledge, employs tactics of study such as experimentations and review, and accumulates statistics on encoded devices that construct arithmetic statistics (Daniel, 2010:452). The current study followed a quantitative research methodology because the data were collected and analysed statistically using graphics and inferential analysis. The quantitative method was deemed necessary to achieve the purpose of the research. Leedy and Ormrod (2010) stress that quantitative research involves either identifying the characteristics on detected phenomena or via descriptive research, examining a situation as it is. It does not include altering or adjusting the condition being investigated, it is intentional to regulate effect-and-cause relations. The research collected data through questionnaires, which by design provide only closed- ended questions.

### **3.2.1 Construction of the Instrument**

The research instruments for this study are divided into two, namely, literature study and questionnaires. The literature review enabled the researcher to develop an understanding of the theoretical framework as well review results on the topic from the empirical existing literature. Furthermore, the review enabled the researcher to explore the research problems in relation to similar studies done throughout the world. However, there are numerous categories of validity tests pragmatic to examine the accuracy of procedures and they fall under three broad headings; content validity, criterion validity, and construct validity (Sekaran & Bougie, 2013:262). During the construction of the research instrument, the researcher relied on content validity.

Questionnaires are designed to be completed by respondents not the researcher. By virtue, the researcher applied a quantitative method approach; the questionnaire was designed to include only close-ended questions, thereby producing a structured questionnaire. The questionnaires were separated into three parts. The first part is an invitational introductory explanation to the participant. Section A of the questionnaire is biographical details and section B, the leadership styles. This approach corresponds to Sekaran and Bougie (2013:262) who argue that content validity ensures that the measure includes an adequate and a representative set of items that tap into the concept. Therefore, the research instruments were designed to capture the widest possible range of data. Two hundred questionnaires were distributed to gather information from the participants.

### **3.2.2 Pretesting and Validation**

Pretesting comprises the usage of a small sample of respondents to examine the correctness of interrogations and understanding thereof (Sekaran & Bougie, 2013:262). Pretesting helped the researcher rectify any inadequacies and help reduce bias. Validation of the instrument is a process where the questionnaire is tested for validity to assess the correctness of measure. These tests can be grouped into three categories namely; content validity; criterion related validity and construct validity (Sekaran & Bougie, 2013:262). The researcher confronted challenges, that among others included lack of cooperation from policy and regulatory authorities, change of mind by some respondents who had initially expressed willingness to participate in the research. The challenges faced and mitigation taken will be detailed in the risk and mitigation table in the conclusion chapter. Therefore, the researcher could not conduct a pilot study due to the challenges enunciated. However, due diligence was undertaken in the design of the questionnaire to ensure that administration of data gathering would reflect results that are valid and reliable. Sekaran and Bougie (2013:262) argue that the consistency of degree is a sign of stability and consistency with which the instrument measures the concept and help assess the goodness of a measure.

### **3.2.3 Study Target Population and Location of the study**

Post 1994, South Africa has witnessed a growth in numbers of Black-owned SMEs throughout the nine provinces presumably as previously disadvantaged individuals seek to capitalize on opportunities which otherwise were not open to them before. Johannesburg, as the economic hub of South Africa, has a higher concentration of SMEs than any other economic zone. KwaZulu-Natal has been the largest province population wise until recently when Gauteng surpassed the numbers to 12 million people (Statistics South Africa, 2016). The location of the study is Pietermaritzburg situated in the province of KwaZulu-Natal whose economy contributes on average, 15.8% (2012) of the country's GDP (Trade and Investment KwaZulu Natal, 2015).

Equally so, Pietermaritzburg is identified as the City of Choice. The majority of the SMEs are owner managed. With this in mind, Sekaran and Boigie (2013), affirm that effective research requires a clearly defined study population to ensure a representative sample size, which may then be generalizable. Registered physical addresses were used to identify the target population. The assumptions were that Small Enterprise Development Agency (SEDA) would readily provide a list of SME companies in Pietermaritzburg. However, the researcher faced the challenge of lack of cooperation from SEDA as they argued that they were not in a position to provide the requested information (SEDA personal communication 6 April 2018). Further efforts were made telephonically to get a database from the Department of Small Business development, the Department of Labour KwaZulu Natal and Umgungundlovu Municipality, Small Business Division who all referred the researcher to SEDA as they had a database of all registered SMEs regardless of the typologies. In the absence of the cooperation of the regulatory authorities, the researcher constructed a database based on a random online search of manufacturing enterprises in Pietermaritzburg. The following qualifying criteria were applied to develop a database of manufacturing SMEs in Pietermaritzburg:

- That the participating company must meet the definitions of an SME as defined by the National Small Business Act of South Africa, 1996 (Act 102 of 1996);
- The Company must have its Head Quarters in Pietermaritzburg around the Msunduzi Municipality area;

- The SME must be registered with the Small Enterprise Development Agency (SEDA); and
- That the SME has more than one to two hundred employees.

The selection process to meet the above criteria was done and 200 participants were identified as the sample size.

### **3.2.4 Sample of Respondents**

Sekaran and Bougie (2013) define sampling as a procedure of choosing an adequate amount of the correct essentials from the population, subsequently that the research sample and considerate of assets or features make it thinkable for the generalisations of these assets or features to the essentials of population. The recruitment of participants was conducted based on the ethical guidelines of the institution and all doubts were clarified without compromising the independence of the participant. In line with the sample size,  $n=200$ , 200 questionnaires were initially physically and secondly electronically distributed.

### **3.2.5 Sample Size**

Sample is a set of individuals, substances or items that are taken from large population for measurement (Baran, 2016). The sample size must be a function of population variability of whatever is being measured (Thomas, 2013) to determine the sample size based on 95% assurance level with 80% part of target population at 0.0005 adequate margin of fault, using the formula where  $N$  represents a sample size of 200 out of 636 registered manufacturing SMEs (SEDA report, 2016). 200 participants to the study were drawn from active SMEs in the manufacturing industry sector operating in Pietermaritzburg. Quantitative aspects of research required owners or managers in the manufacturing SMEs.

### **3.2.6 Sampling Method**

The sample frame is a group of people that has an opportunity to be nominated, giving the sampling approach that is selected. Statistically, a sample can only be demonstration of population comprised in sample frame (Fowler & Floyd, 2014).

Random sampling was used to collect data, random sampling is used to raise the prospect of the sample nominated (Sekaran & Bougie, 2013), by installing this method, each member of a population stands a chance to be nominated. The sample in this study constitutes owners or managers of SMEs in the manufacturing sector within the Msunduzi Municipality. Random sampling was utilised to collect data from respondents.

### **3.3 DATA COLLECTION**

This section explains how data were collected for this study.

#### **3.3.1 The data collection instrument**

The collection of data process involved the gathering and measuring of information on variables of interest, in an established systematic fashion that enables one to answer the stated research questions. Sekaran and Bougie (2013) point out that there is a positive correlation between accuracy and correctness of data collection method and integrity of any research. According to Cheng and Phillips (2014:82), data can be collected using primary sources, which comprise of first-hand data collected by the researcher or secondary sources which refers to data that were not collected by researcher but were obtained from existing sources like publications, internet or company reports. Cheng and Phillips (2014:82) further state that primary data is obtainable most commonly through interviews, observations and questionnaires.

This study was conducted in 2018 using data collected from respondents by self-administered questionnaires. Prior to requesting the participation of any respondent in the study, it was confirmed that specific respondents were in SMEs in manufacturing sector. Data were collected over a period of two months, May and June. The researcher and research assistants personally approached the potential respondents at their offices. Self-administered questionnaires were used as means to collect information from respondents. The questionnaires were directed to respondents by the researcher and research assistants. The letter of informed consent (Appendix 1) was attached to the questionnaire and the purpose of conducting the study was

explained verbally before the administration of the questionnaire. The survey was completed in two months and it was ensured that all questions were answered.

### **3.4 ANALYSIS OF DATA**

According to Leedy and Ormrod (2014), "all research requires logical reasoning. Quantitative data analysis was undertaken to process the questionnaires through a Statistical Package for the Social Science (SPSS), which is a data management and analysis program designed to do statistical data analysis, including descriptive statistics such as plots, frequencies, charts, list as well as sophisticated inferential and multivariate statistical procedures like analysis of variance (ANOVA), factor analysis, cluster analysis and categorical data analysis (Sekaran & Bougie , 2013). The process took the form of an electronic spreadsheet. According to Leedy and Ormrod (2014), the advantage of using electronic spreadsheets is that once you enter data into them, the software can rapidly and simply help you shape the data and make simple calculations. According to International Business Machines (IBM) (2014), the advantage of using SPSS as analytical software is that it is a powerful and robust, fast and efficient data handling and analysing product, which processes large data sets. In this study, meaningful numerical data and patterns were found and used as the primary data which constituted the base of study and which sought to achieve the study's objectives and answer its research questions. The quantitative data was converted into qualitative meaning so as to answer the study's research objectives and questions.

#### **3.4.1 Administration of Questionnaire**

Cheng and Phillips (2014:82) point out that the choice of questionnaire administration is crucial to the overall success of the study. It is of important that the chosen medium will ensure that the targeted participants will receive and is capable to participate and return, possibly through the same medium. Questionnaires can be directed personally, mailed to or emailed to respondents (Sekaran & Bougie, 2013). A researcher has to understand the implication of the medium chosen for questionnaire administration. The questionnaire was personal and electronically administered.

### 3.4.1.1 Benefits of Questionnaires

Questionnaires are cost effective method of gaining statistics from a huge respondents (Davis, Hughes, 2014). They can be mailed electronically or personally administered thereby ensuring quick delivery inexpensively. Since the study is using both personal and electronic administration, the response rate is highly likely to be prompt. Personally administered and electronic questionnaires will ensure a wider, cheaper and faster distribution of the questionnaires.

### 3.4.1.2 Disadvantages of Questionnaires

Chikowore (2015) mentions that questionnaires have their own challenges in that they are perceived by respondents to be time consuming which leads to a low response rate. In the event that respondents required clarity, questionnaires are rigid in that aspect. The success of questionnaires also depends on the respondent's computer literacy, willingness to participate and comprehension of the subject matter under review. Table 3.1 explores the advantages and disadvantages of different methods of administration

**Table 3.1 Pros and Cons of mode of questionnaire administration**

<b>Mode of Data Collection</b>	<b>Advantages</b>	<b>Disadvantages</b>
Personally Directed Questionnaires	<ul style="list-style-type: none"> <li>• Create understanding and motivation with respondent</li> <li>• Uncertainties are clarified Higher rate of response ensured</li> <li>• Anonymity of respondent is high</li> </ul>	<ul style="list-style-type: none"> <li>• Time consuming and costly</li> <li>• Clarifications and explanations may cause biasness</li> </ul>
Mailed Questionnaires	<ul style="list-style-type: none"> <li>• Wider geographical area covered</li> </ul>	<ul style="list-style-type: none"> <li>• Response rate very low</li> </ul>



	<ul style="list-style-type: none"> <li>• Anonymity of respondent high</li> <li>• Respondents have convenience in taking more time to complete</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot clarify questions</li> <li>• Takes longer and need follow up for responses</li> </ul>
Electronic/Email Questionnaires	<ul style="list-style-type: none"> <li>• Easy and cost effective</li> <li>• Global access</li> <li>• Fast delivery</li> <li>• Respondents have convenience in taking more time to complete</li> </ul>	<ul style="list-style-type: none"> <li>• Computer literacy and access, a must</li> <li>• Respondent's willingness to complete survey, a must</li> </ul>

Source: Sekaran and Bougies (2013)

The study used the personal administration mode for questionnaires as it was expected that it would address the time constraints.

### 3.4.2 Frequencies

Frequencies regulate the manner in which the respondent complete a particular reply to a detailed question, and to examine the coding of information. If the answers did not correspond the sample over-all, then it proposed that the data was not properly engaged. The information collected from the frequencies thus allowed for an evaluation between the leadership styles and the influence it has on SMEs survival.

### 3.5 VALIDITY AND RELIABILITY

Reliability means the degree towards the measure of a perception (Bryman and Bell, 2015). Reliability examination was used to examine internal stabilities of each concept, ensuring a high degree of generalisation around substances in the assessment. For the purpose of this analysis, consistency was established by computing Cronbach's Coefficient (Alpha, Cho & Kim, 2015). The central reflection of validity regarding the procedure of statistics gathering is of consistency. The arithmetical tools implemented

to assess each sub-problem and the results of the research are described in chapter four.

### **3.6 ETHICAL CONSIDERATIONS**

According to Leedy and Ormrod (2014:110), the greatest problems in this study are categorised into four types: guard from destruction, voluntary and well-versed partaking, right to confidentiality and trustworthiness with expert contemporaries. A university, college or research institution should have an inside review board (IRB) to examine entire applications for directing human investigation under the sponsorships of the organisation (Leedy & Ormrod, 2014:106). Creswell (2009:91) is of the view that researchers need to protect their study respondents to gain their confidence in order to authorise the truthfulness of the study; guard against delinquency and offensiveness that can replicate on their organisation or institution; and manage with new stimulating difficulties. In this research, all respondents were made aware that they are not forced to reply to the survey questionnaire distributed to them, participation was voluntary, there was no monetary gain by participating in the study and the name of the company was not required when taking part in the survey. That will guarantee anonymity and confidentiality of the SMEs that took part in the study. This study was conducted without pre-judgemental or bias towards the collection of the data and how it was analysed. The researcher was objective and fair in conducting this study.

### **3.7 CONCLUSION**

In this chapter, the researcher discussed approaches utilized for this study and how the data were collected for analysis. This study entailed a quantitative approach by means of a survey questionnaire. The researcher used a random sampling method to choose the participants and the responses were tabulated for analysis purposes. The data were analysed using SPSS version 25.0.

The following chapter discusses the results of this study.

## **CHAPTER 4**

### **PRESENTATION OF RESULTS**

#### **4.1 INTRODUCTION**

This chapter analyses the research information in relation to the study's aims and objectives. It begins by presenting basic demographic data of the participants, their present work environment, as well as the background information of their respective SMEs. Thereafter, the data are presented in graphs that are guided by the objectives that the research strove to address. These objectives are to identify the leadership styles used by SME's within the Msunduzi Municipality; to examine the effectiveness of leadership styles used by SMEs within the Msunduzi Municipality; and to examine the relationship between the leadership style and the entrepreneurial survival. Each of these objectives is supported by research questions, which aim to both address the study's objectives and to give more substance to them. The chapter concludes with a summary of the discussed data. This chapter seeks to deliver a complete understanding of the research respondents. This comprises their biographical and company-related information. This chapter begins by determining the gender distribution of the respondents, their ages, the positions that they held in their respective companies and the duration for which they have been holding these positions.

#### **4.2 RESPONSE RATE**

The response rate is rated based on the questionnaires that were distributed and completed by respondents. Denscombe (2010) stated that it is imperative to note that the number in the original sample which can be used in the research may differ from the number of responses eventually found from the respondents. Out of 200 questionnaires distributed to SME manufacturers, 135 questionnaires were received and were completed and usable. Therefore, the response rate was 68%. According to Lindemann (2018), the average survey response of 33% is acceptable. Since there is no agreed-upon smallest suitable response rate, it will largely be contingent on how the researchers generate, distribute, and collect the survey. Nevertheless, over the

years, many studies have been done on what the average response rate of a survey should be and which restrictions have an effect on what it supports (Lindemanh, 2018).

### 4.3 RELIABILITY TESTING

From the cases presented in Table 4.1 below, 99.3% were valid and 0.7% were excluded. Based on Table 4.2, Cronbach’s alpha was calculated at 0.696. This shows that the questionnaire is very consistent. The closer the alpha value is to one, the greater the level of reliability (Naidoo & Wu 2011:1117). Cronbach alpha was calculated to evaluate the level of reliability of outcomes, as part of a reliability test. It has been also intended to scrutinise how comparable outcomes were observed if the sample size was enlarged. A value of 0.696 is an actual decent rate that advances to the conclusion that similar outcomes can be attained if the investigator performs the review with a bigger sample of participants (Walker, 2011).

**Table 4.1 Case Processing Summary**

Cases		N	%
	Valid	134	99.3
	Excluded	1	0.7
	Total	135	100.0

**Table 4.2 – Reliability Statistics**

Cronbach’s Alpha	N of Items
0.696	35

### 4.4 PRESENTATION OF BIOGRAPHICAL INFORMATION

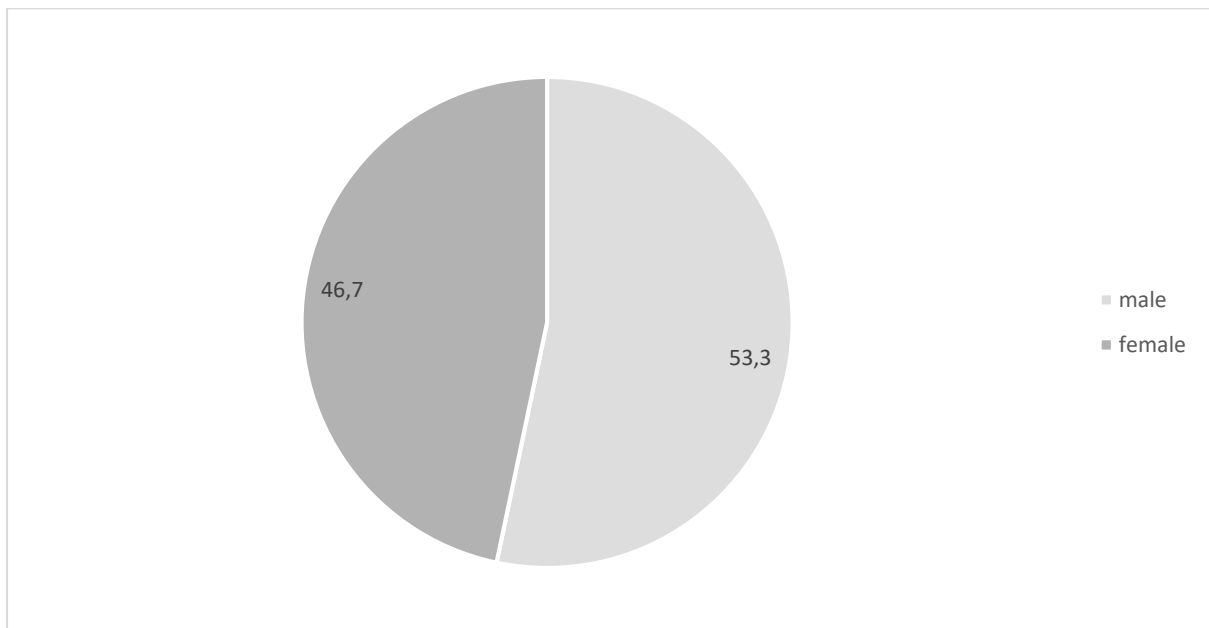
As a point of departure, a summary of biographical characteristics of the participants of the study is provided. This section classifies participants into sub-groups that can be identified into gender, race and age. Question 1 to question 8 of Part A of the

questionnaire dealt with biographical data of respondents. This will be presented in pie charts.

#### 4.4.1 Gender distribution of respondents

To obtain an understanding of the gender distribution of the study respondents each was asked to indicate their genders. The majority of study respondents were male. More specifically, 53.3% were male respondents and the outstanding 46.7% female (see Figure 1). This difference can be attributed to the fact that the leadership or management positions in the manufacturing sector is dominated by males in spite of the importance of female entrepreneurship around the world (Cant & Wiids, 2013:237; Fatoki & Smit, 2011:1413; Flowers et al, 2013)

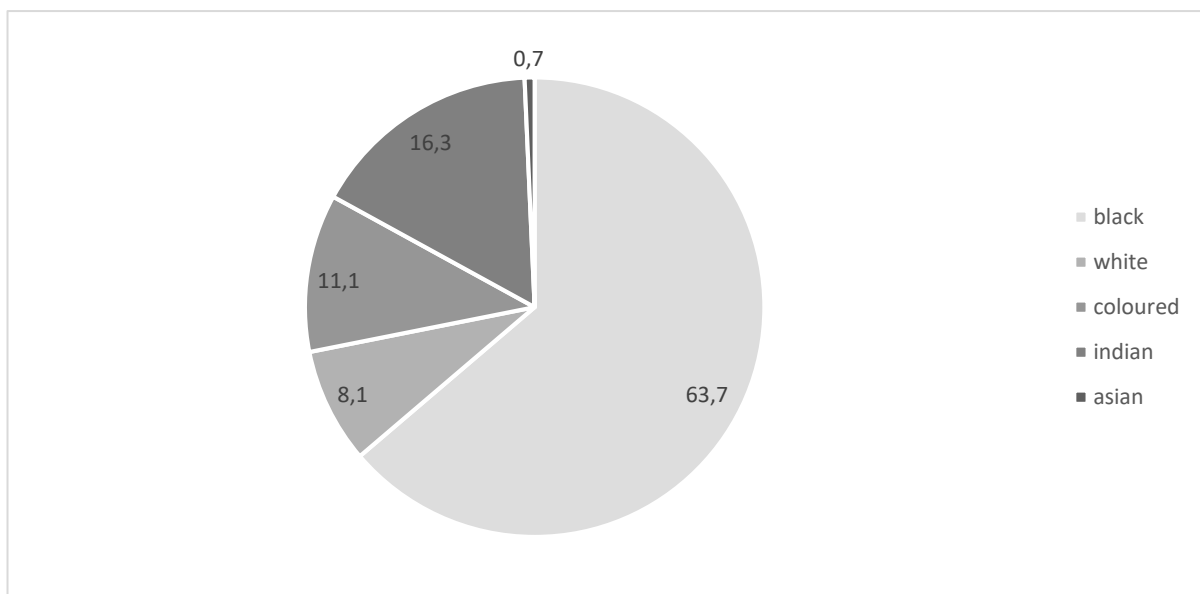
Figure 1: Gender distribution of respondents (%)



#### 4.4.2. Race

Figure 2 below shows that the respondents are predominantly Black (63.7%), Whites (8.1%), Coloured (11.1%), Indian at (16.3%) and Asian at (0.7%). Klein (2017) alluded that from a small business perspective, it is usually estimated that 70% of small- and medium-sized enterprises (SMEs) are black-owned; it is likely that by value SME ownership will be skewed heavily towards white ownership. SEDA (2016) posits that it seems as Blacks are dominating in the leadership.

Figure 2: Race distribution of respondents (%)

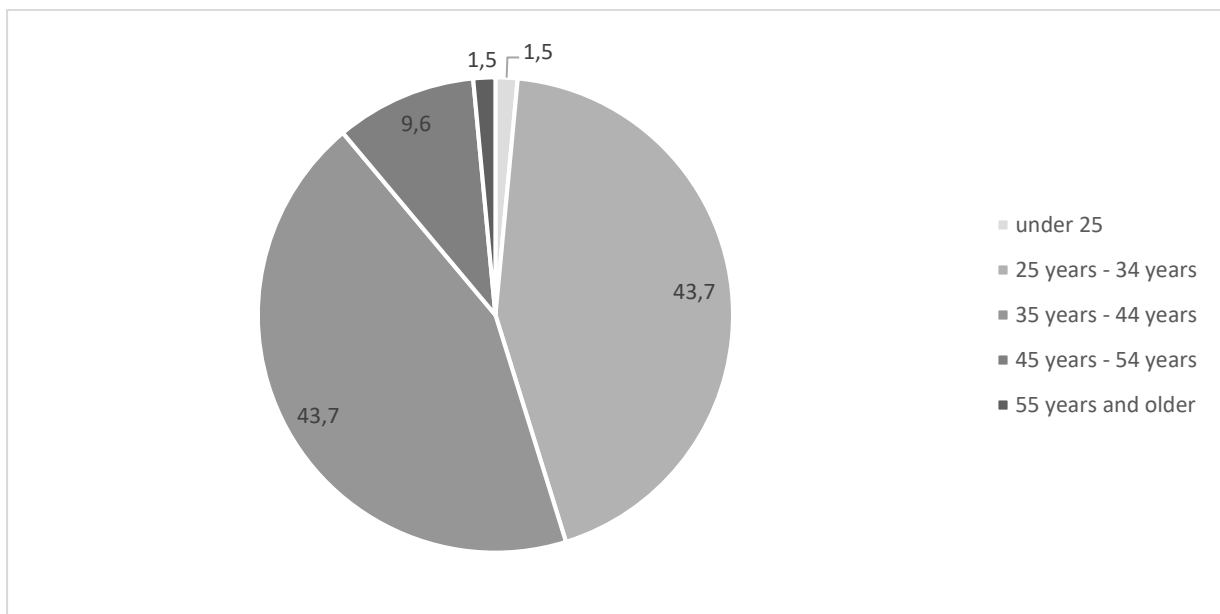


#### 4.4.3 Age

To get an understanding of the age distribution of respondents in this study, each was asked to indicate their age range. This served as an indication of which age range was more active (and perhaps had more active involvement) within their enterprises. The frequency distribution of participant ages, arranged by age categories, are reflected in Figure 3. 1.5% are age 25 and below, 43.7% are aged 25-34 years, another 43.7% aged 35-44, 9.6% aged 45-54 and 1.5% aged 55 and above. The majority of respondents fell within the 25 – 44 year age category. This represented almost 87% of the respondents.

Boerrigter (2015) states that styles of leadership may differ based upon age. The author emphasises that age is one of the most significant factors that regulate the leadership style. It is commonly alleged that age and experience are vital contributors when defining which behaviour a leader demonstrates. Emotional aging research has recognised mutual changes in the emotional experience which impact behaviour; these changes concern specific gains and losses in individuals 'feelings (Wartson & Nragon, 2012). Walter and Scheibe (2013:882) argued that such changes can effect leaders' performance and results and, thus may serve as interceding devices between age and leadership behaviour

Figure 3: Age distribution of respondents (%)

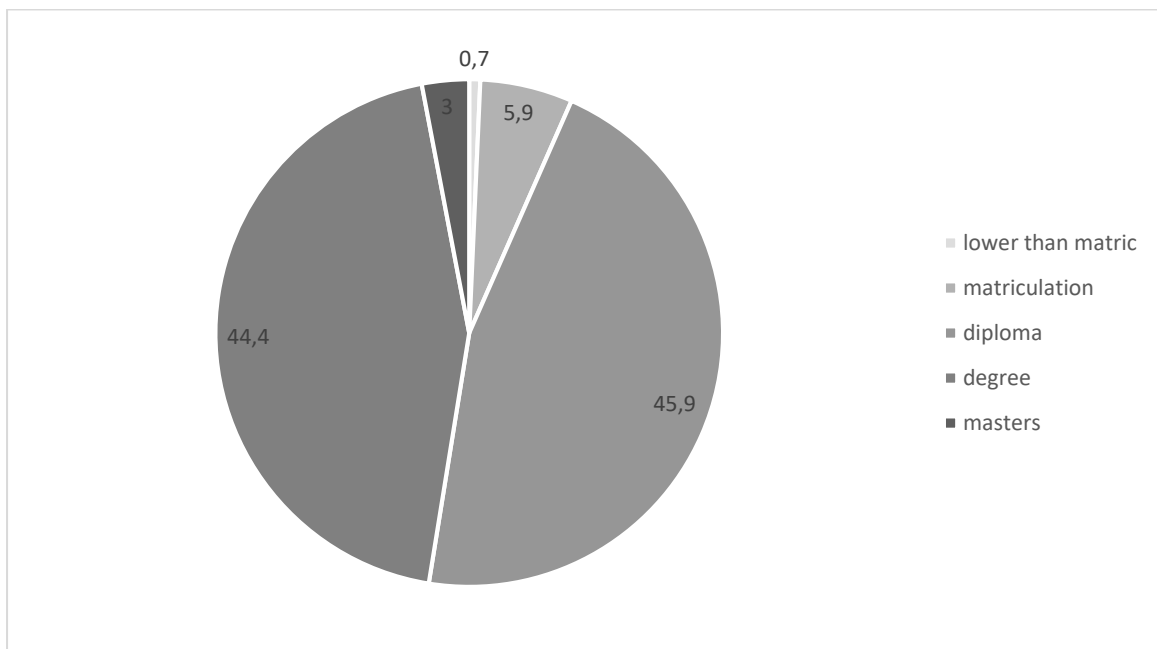


#### 4.4.4 Educational qualifications

The results from Figure 4 show that respondents are generally academically trained with the majority of 45.9% having diplomas followed by 44.4% respondents with degrees. A further 3.0% of respondents have a master's qualification while 5.9% have matriculation. Only 0.7% have lower than matriculation. These results suggest that entrepreneurs in this study are educated and qualified individuals to lead SMEs. Demirguc-Kunt, Klapper, Singer Van Oudheusden (2015) affirm that the existing

contradictions on business owners and financing affinities necessitate analyses on how the education levels may influence small business financing in the developing country contexts. Even if some western entrepreneurship literature appreciates that small business owners' education may not heavily influence the success of firms, but rather ability to tap and use knowledge reserves in the new knowledge era (Penco, 2015). Other studies in developing economies continue to highlight that small business firm failure or even low performance is attributed to the low education level (Zikusoka, 2015).

Figure 4: Level of education (%)

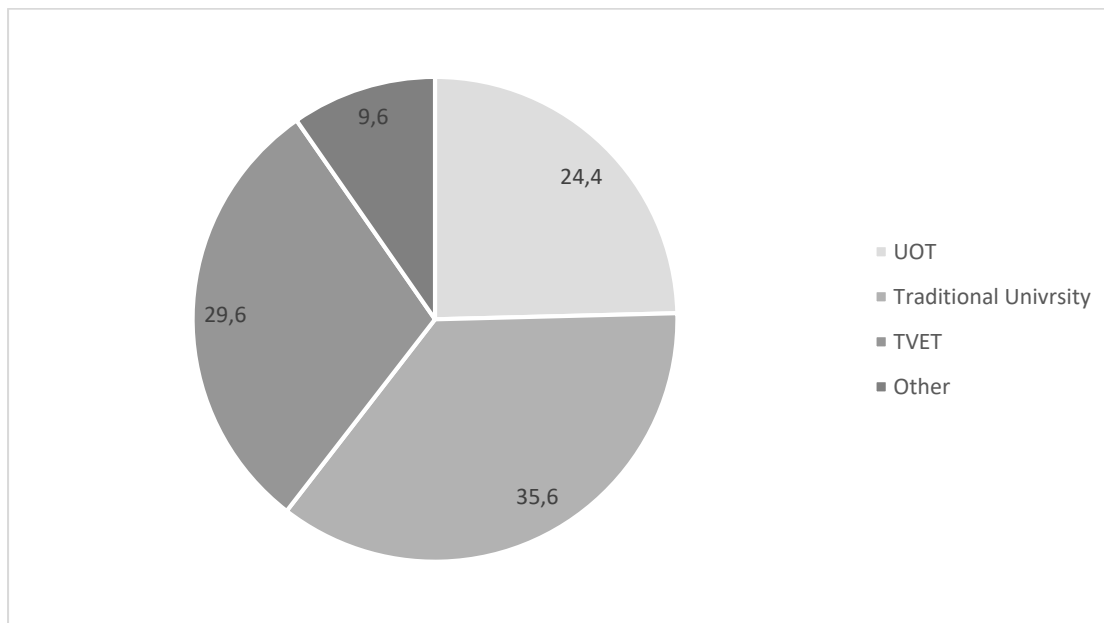


#### 4.4.5 Where qualification achieved

Figure 5 illustrates that 24.4% of the respondents obtained their educational qualifications at universities of technology, 35.6% at traditional universities, 29.6% at TVET colleges and 9.6% unknown.



Figure 5: Where qualification was achieved (%)

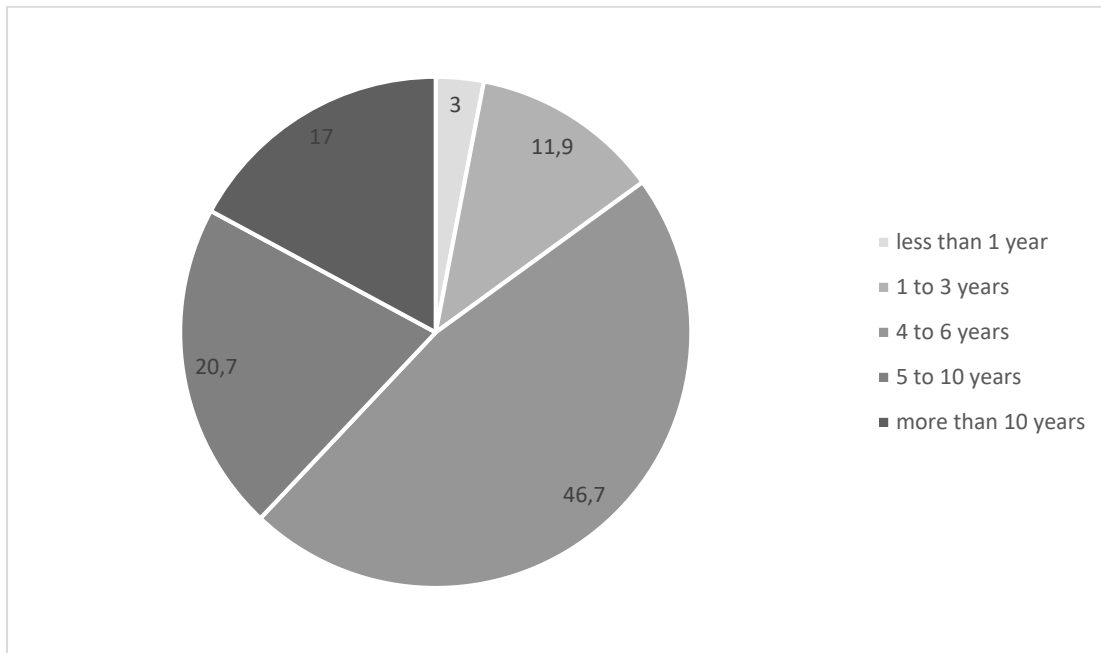


#### 4.4.6. Number of years, company has been in business

Figure 6 illustrates that four respondents (3.0%) indicated that the enterprise has been operating for less than 1 year; sixteen respondents (11.9%) had been in operation between 1 to 3 years. The majority of respondents had been in business between 4 to 6 years. This group represented 46.7%. Twenty-eight of respondents (20.7%) had been operational for 7 to 10 years and twenty-three participants (17.0%) had been in business for more than 10 years.

Dong and Men (2014:120) initiate that new and small businesses in developing frugalities express harsh economic restraints. This can have a damaging consequence on productivity, survival and success. A growth in the time of life of an SME advances the prospect that the business would offer fewer than 75% of internal capitals for occupied capital, indicating improved access to external sources of financing working investment (Quartey, Turkson, Abor & Iddrisu, 2017:18).

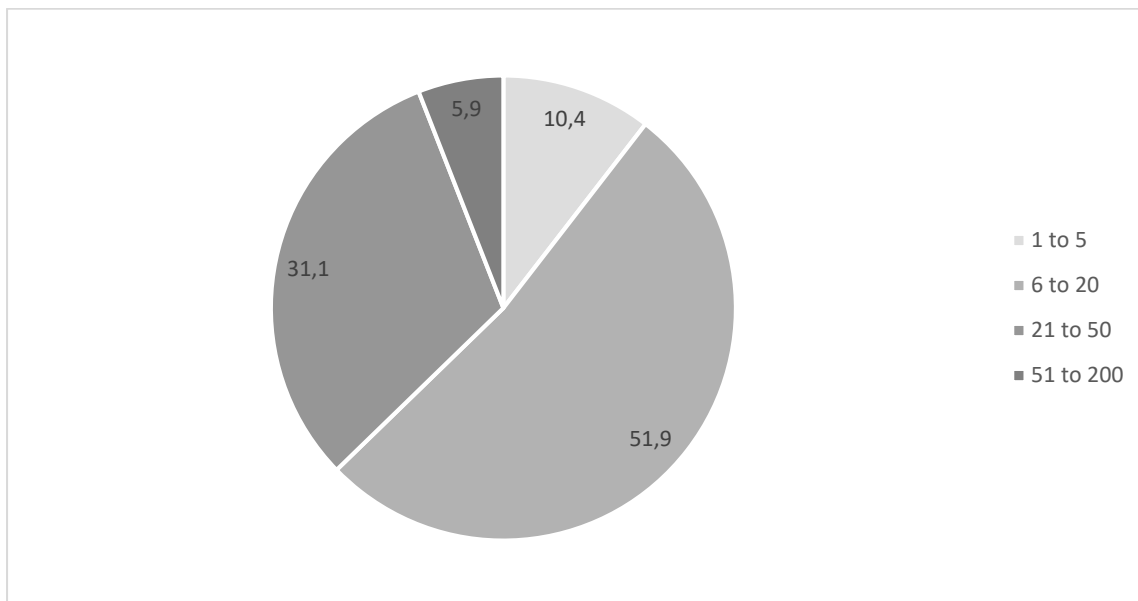
Figure 6: Number of years Company has been operational (%)



#### 4.4.7 Number of employees

Figure 7 illustrates that 10.4% of respondents had only 5 and less employees, 51.9% of respondents comprised of 6 to 20 employees, while 31.1% of respondents indicating that they had 21 to 50 employees. A mere 5.9% of respondents had more than 200 employees.

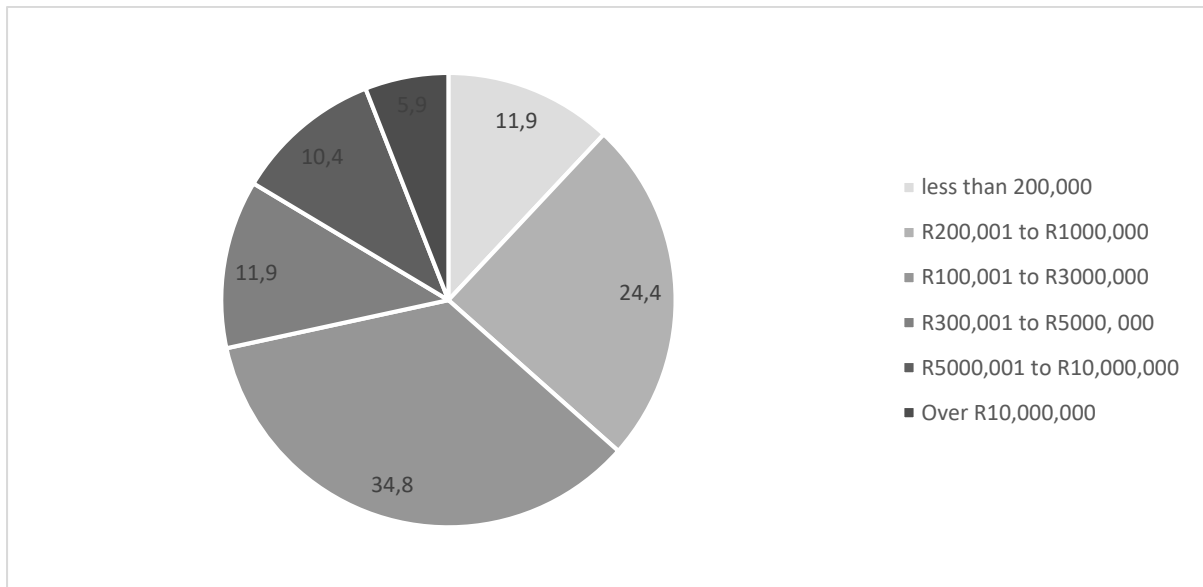
Figure 7: Number of employees



#### 4.4.8 Estimated turnover

As depicted in Figure 8, 11.9% of respondents indicated less than R 200 000 earnings in annual revenues. 24.4% earned in the excess of R200 000 to R1 million. 34.8 % earned between 1 million and 3 million, 10.4% earned between R5.1 million and R10 million. 5.9% earned above 10 million. The targeted respondents were expected to turnover between R200 000 to R40m per annum. From the results obtained, only 11.9% indicated that their turnover was less than this, which could mean that they were exiting the industry, downsizing their operations or possibly struggling to secure work.

Figure 8: Estimated turnover



#### 4.5 PRESENTATION OF RESULTS AS PER RESEARCH OBJECTIVES

The purpose of this section is to discuss results as per objectives of this research as set out in Chapter 1. Data presented in this section is attained from Part B of the questionnaire. Each respondent was asked statements which were to be answered on a five point Likert scale (0 =not at all; 1 = once in a while; 2 = sometimes; 3 = often; 4 = frequently). These categories were then transformed into an ascending Likert scale where 0 = Strongly Disagree, 1 = Disagree, 2 = Neutral, 3 = Agree and 4 = Strongly Agree. The relationship of variables will be demonstrated later in this section by using cross tabulation and chi-square tables.

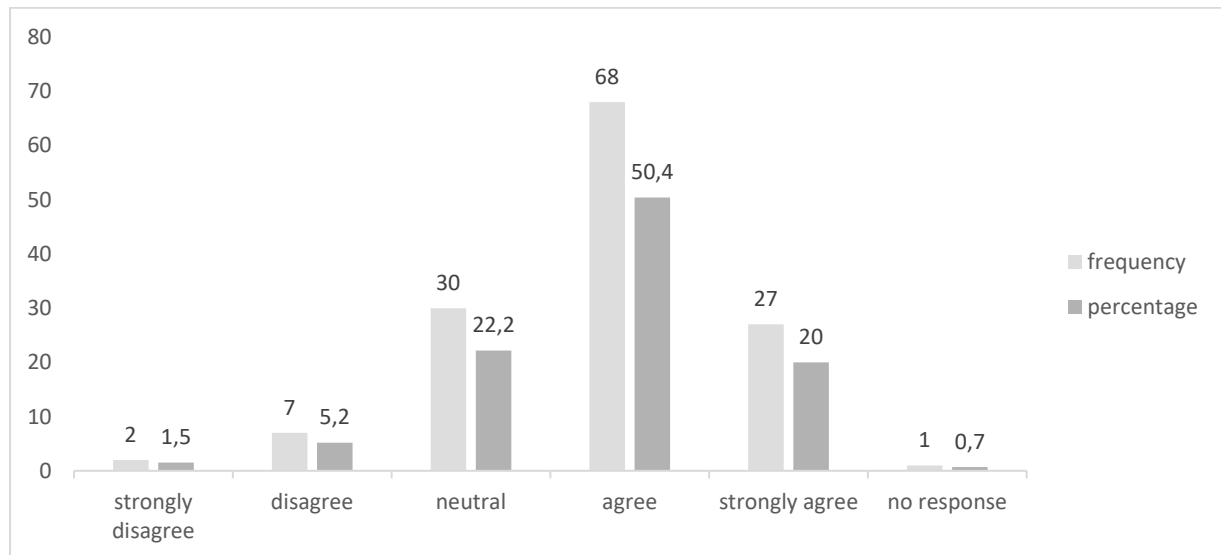
##### 4.5.1 Objective 1: To identify the leadership styles used by SME's in the manufacturing sector within Msunduzi Municipality

To address objective 1 of this study, questions 1 to 30 of Part B of the questionnaire were used. A summary of the responses to these questions is shown below as follows:

#### 4.5.1.1 Clear on performance goal achievement

Figure 9 shows that 1.5% respondents strongly disagreed and 5.2% disagreed with the statement. There were also 22.2% of the respondents who were not certain whether they agreed with the statement, while a majority of the respondents (50.4%) agreed and 20% strongly agreed. Only 0.7% did not respond. Based on the majority of respondents who strongly agreed and agreed, it is clear that a leader clarifies on what subordinates can anticipate to obtain when objectives are attained which is a component of transactional leadership (Charry, 2012). Respondents who strongly agreed or agreed could be those who performed well on their duties and being rewarded and those who strongly disagreed or disagreed could be those who underperformed the objectives and do not get any rewards for meeting objectives.

Figure 9: Clear on performance goal achievement

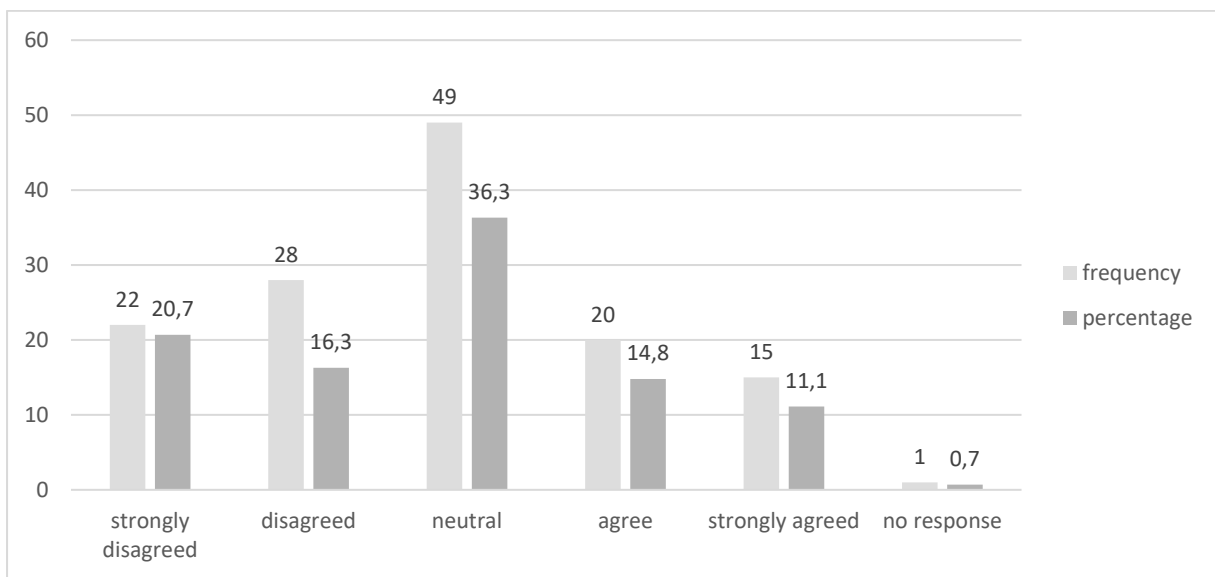


#### 4.5.1.2 Delays responding to urgent questions

In response to whether leaders delay responding to urgent questions, Figure 10 shows that 20.7% disagreed and an additional 16.3% strongly disagreed that leaders delay responding to urgent questions. The majority of respondents (36.3%) opted to remain

neutral in this regard. The remaining responses (14.8%) strongly agreed and (11.1%) agreed irrespective with the statement. The 36.3% and those that agree at 11.1% and strongly agreed at 14.8% propose that there seem to be lack of authoritativeness by leadership. Lea (2011) citing Bass and Avolios (2000) mention that delay responding to urgent question is laissez-faire leadership behaviour.

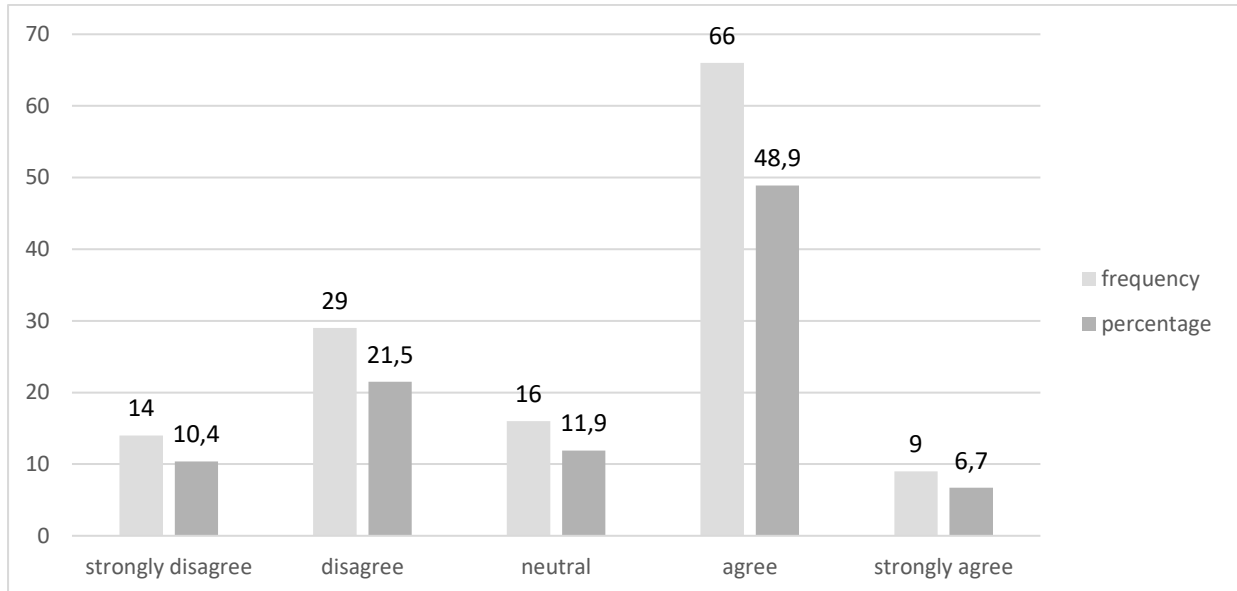
Figure 10: Delays responding to urgent questions



#### 4.5.1.3 Fails to interfere

In Figure 11, the respondents at 10.4% strongly disagreed and 21.5% disagreed, 11.9% respondents were neutral. On the other hand, 48.9% agreed and 6.7% strongly agreed that leadership fails to interfere until problems are serious. Those that strongly disagreed and disagreed could be those that are satisfied with the responsibility that the leadership take for their actions. Those that were neutral and those that strongly agreed and agreed suggest that the leadership is passive and again this shows lack of authoritativeness by the leadership. Chaundry and Javed (2012:186) affirm that laissez-faire leaders frequently tolerate their subordinate control to make decisions about their work. Privileged to who exercise this kind of style are known for granting set followers a ration of independence.

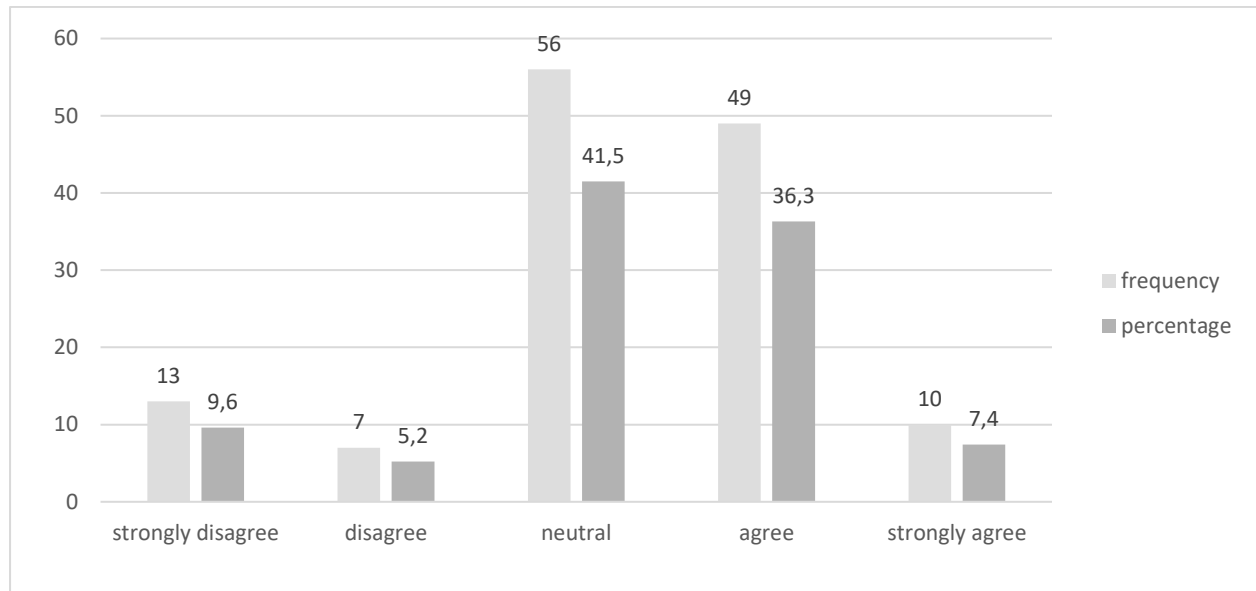
Figure 11: Failure to interfere



#### 4.5.1.4 Focuses on mistakes

Based in Figure 12, 9.6% and 5.2% of respondents disagreed and strongly disagreed, respectively, that leadership focuses attention on mistakes. On the contrary, 36.3% and 7.4% of respondents agreed and strongly agreed respectively, on the statement and the majority of 40.7% were neutral. The responses depict a characteristic of a transactional leadership style. Transactional leaders, pertaining the dynamic or submissive managing by exemption method, observe cautiously for any faults or aberration and yield straight or deferred counteractive movements (Rothfelder, Ottenbacher & Harrington, 2013:201).

Figure 12: Focuses on mistakes



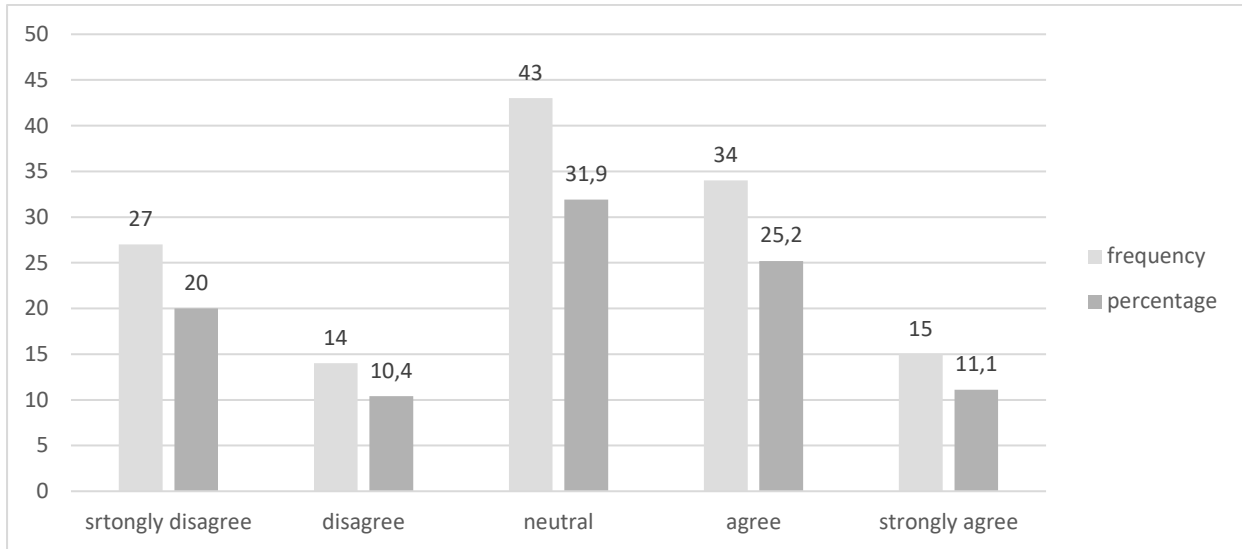
#### 4.5.1.5 Avoids getting involved

In Figure 13 on the next page, 20% and 10.4% of the respondents disagreed and strongly disagreed, respectively, with the fact that leadership avoids getting involved in important issues. 31.9% of respondents was neutral and 25.2% and 11.1% agreed and strongly agreed respectively to the question posed to them. Respondents that disagreed and strongly disagreed suggest that the leadership is actively involved in dealing with important issues. On the other hand, those that were neutral and those that agreed imply that there seem to be an element of passiveness by the leadership in SMEs.

Referring to this finding, one can conclude that leaders in SMEs practise the laissez-faire leadership style. This means that leaders give tainted and let followers to make decision (Cherry, 2018). Laissez-faire leadership is fundamentally critical through its absence of leadership. However, the leader may not anticipate to harm the organiation or their subordinates. In this style, the leader permits the employees to make the decisions.



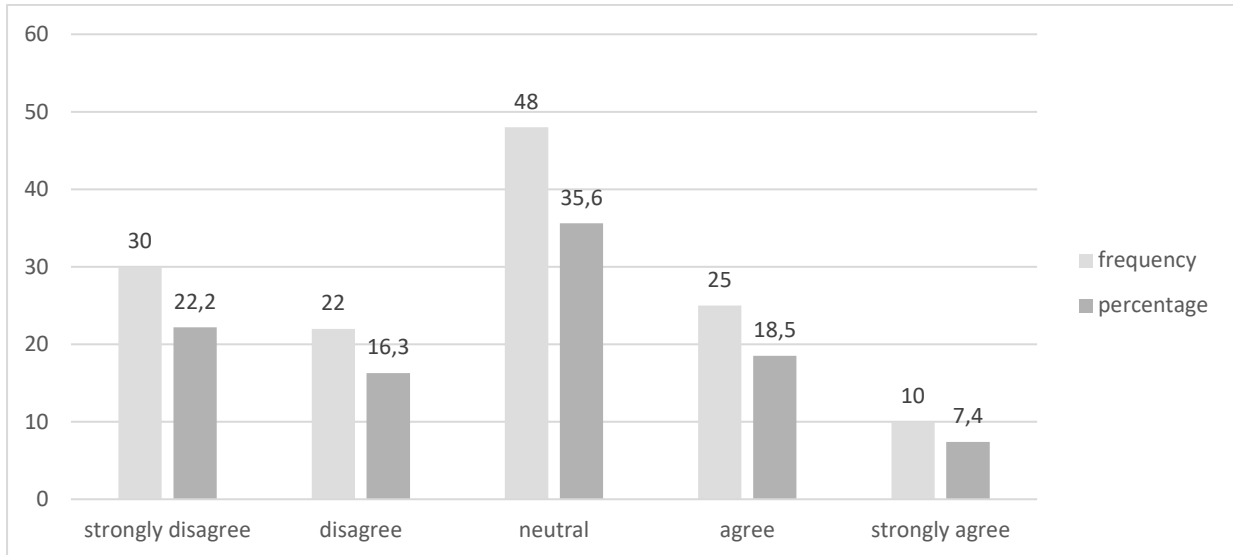
Figure 13: Avoids getting involved



#### 4.5.1.6. Absent when needed

Based on responses in Figure 14, even though 22.2% and 16.3% disagreed and strongly disagreed respectively that leadership is absent when needed which suggest that laissez-faire style of leadership is not in use, it is worth noting that 18.5% and 7.4% find the leadership not visible in critical situations, while 35.6% remained neutral. This can be viewed as laissez-faire leadership. Laissez-faire is also frequently regarded, as the absenteeism of leadership is wherever the leader captures a “compliant” method, abandoning duty (Xirasagar, 2008:599).

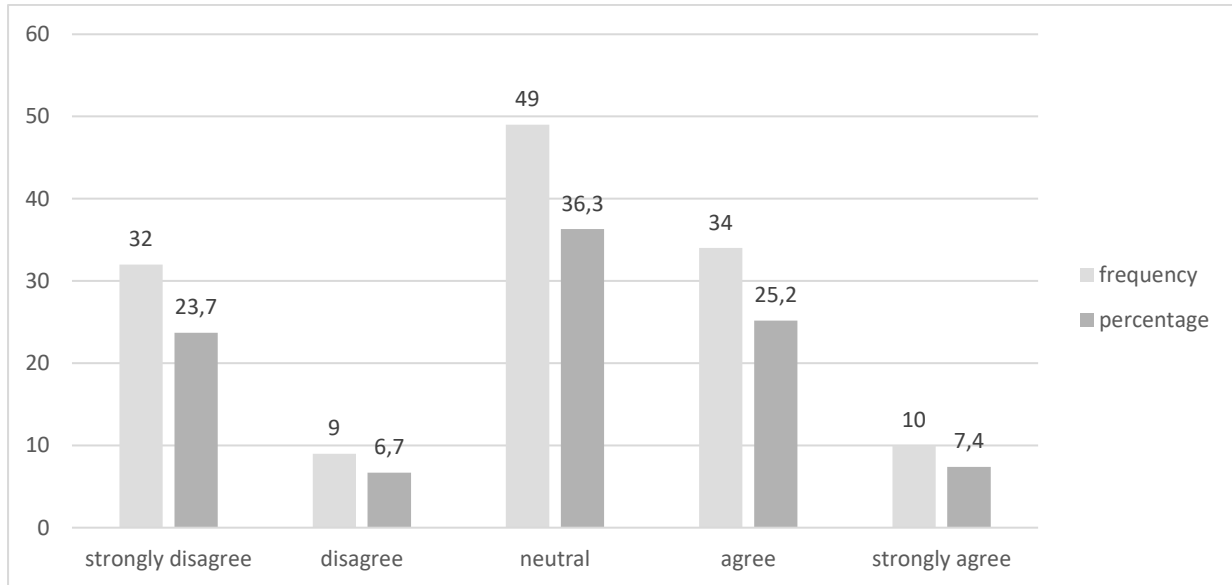
Figure 14: Absent when needed



#### 4.5.1.7 Avoids making decision

As per Figure 16, 25.2% and 7.4%, respectively, agreed and strongly agreed that the leadership avoids making decisions. On the other hand, 23.7% strongly disagreed and 6.7% disagreed with the statement while 36.3% remained neutral. Anastasia (2017) argues that the laissez faire leader does not participate in the decision-making. As the majority agree with the statement, it shows that the leadership is passive according to the results found in the figure 15 hence a laissez-faire approach.

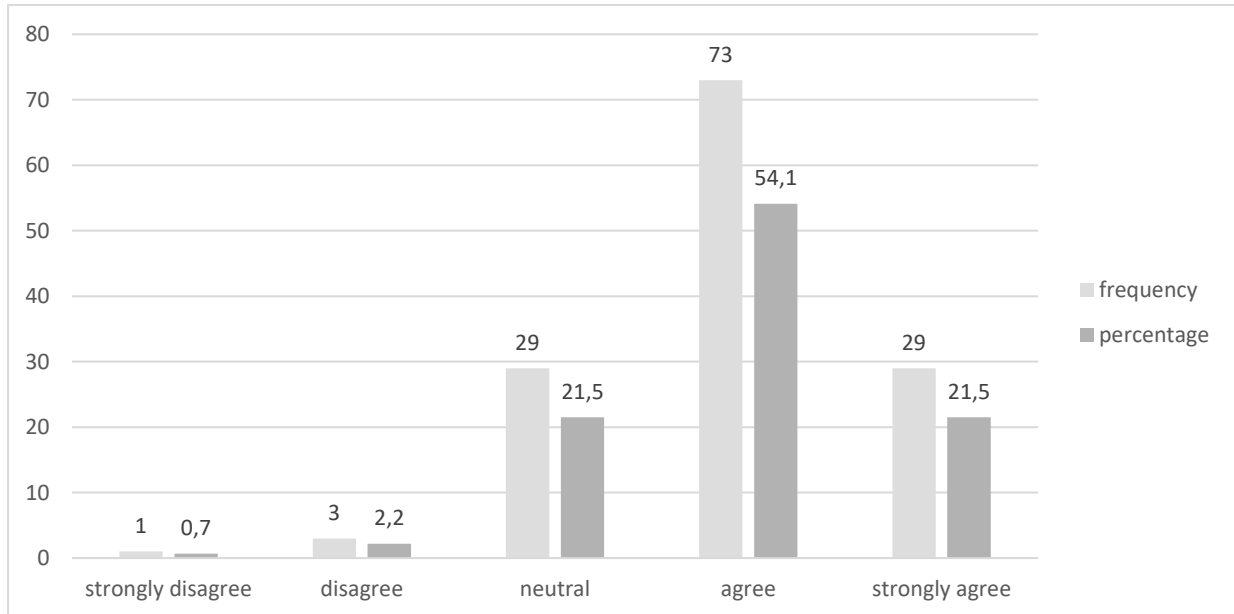
Figure 15: Avoids making decision



#### 4.5.1.8 Strong sense of purpose

Based on the results in Figure 16, the majority of respondents at 54.1% and 21.5% agreed and strongly agreed that the leadership postulates the significance of consuming a durable sense of purpose. 21.5 % of the respondents were neutral and only 0.7% strongly disagreed and 2.2% disagreed. The literature review in chapter two, impose that, this is a trait of transformational leadership in which leaders are categorised by the stimulus of shared vision and team spirit focused toward achievement of group goals. This could suggest that the leadership elevates subordinates' discernment of implication and worth of stated and idealised objectives.

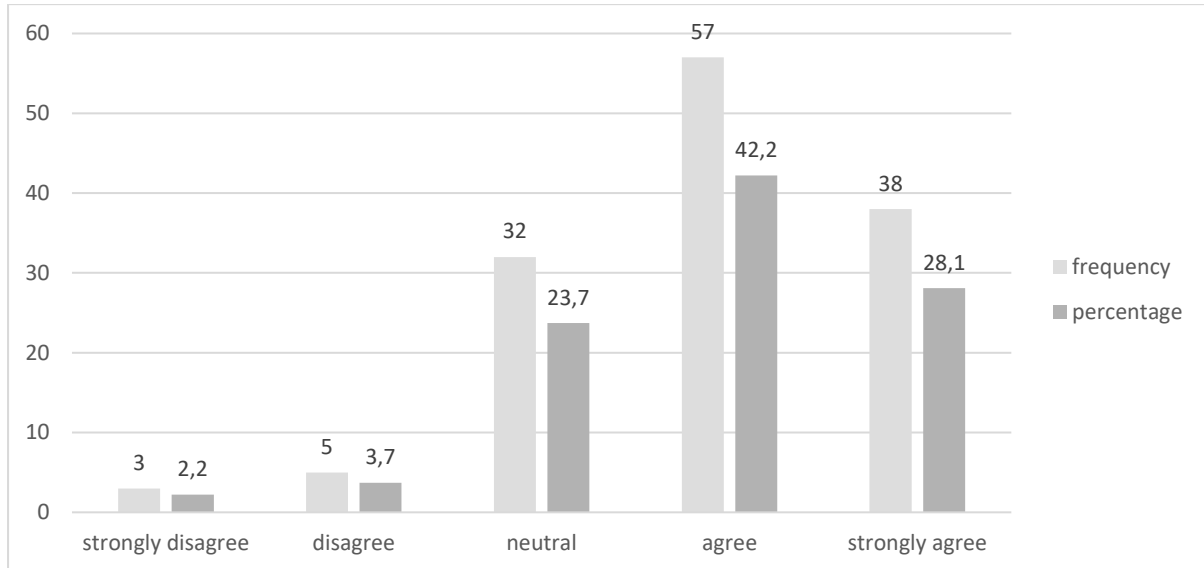
Figure 16: Strong sense of purpose



#### 4.5.1.9 Sense of power and confidence

As shown in Figure 17, 42.2% and 28.1% of respondents, respectively, agreed and strongly agreed that the leadership in SMEs displays the sense of power and confidence, 2.2% and 3.7% disagreed and strongly disagreed and 23.7% was neutral. The general observation is that respondents feel that the leadership indeed shows the transformational leadership style behaviour. Khan, Nawaz and Khan (2016:153) suggest that these leaders yield a presence of resounding and stimulated vision of the future. Such leaders are visionaries who pursue to appeal to their followers' improved nature and change them toward higher and more common need and determinations.

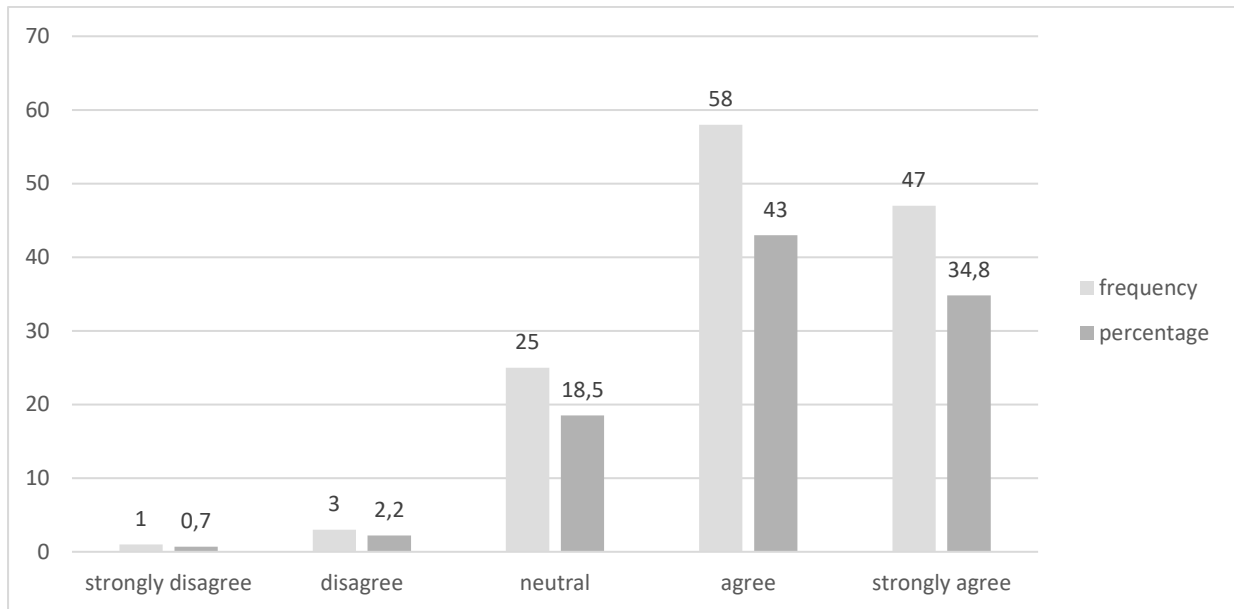
Figure 17: Sense of power and confidence



#### 4.5.1.10 Optimistic about the future

Data illustrated in Figure 18 shows that 43% and 34.8% of the respondents, which represent the majority, respectively agreed and strongly agree that the leadership talks optimistically about the future. 0.7% and 2.2% of respondents disagreed and strongly disagreed and 18.5% were neutral. Warrilow (2012:101) alludes that the degree in which the leadership enunciates a concept that appeals towards motivating the followers with confidence about upcoming goals, and propose sense of existing tasks is a component of transformational leadership style. This suggests that the leadership creates a vision for the future and invest great effort into sharing that vision with subordinates.

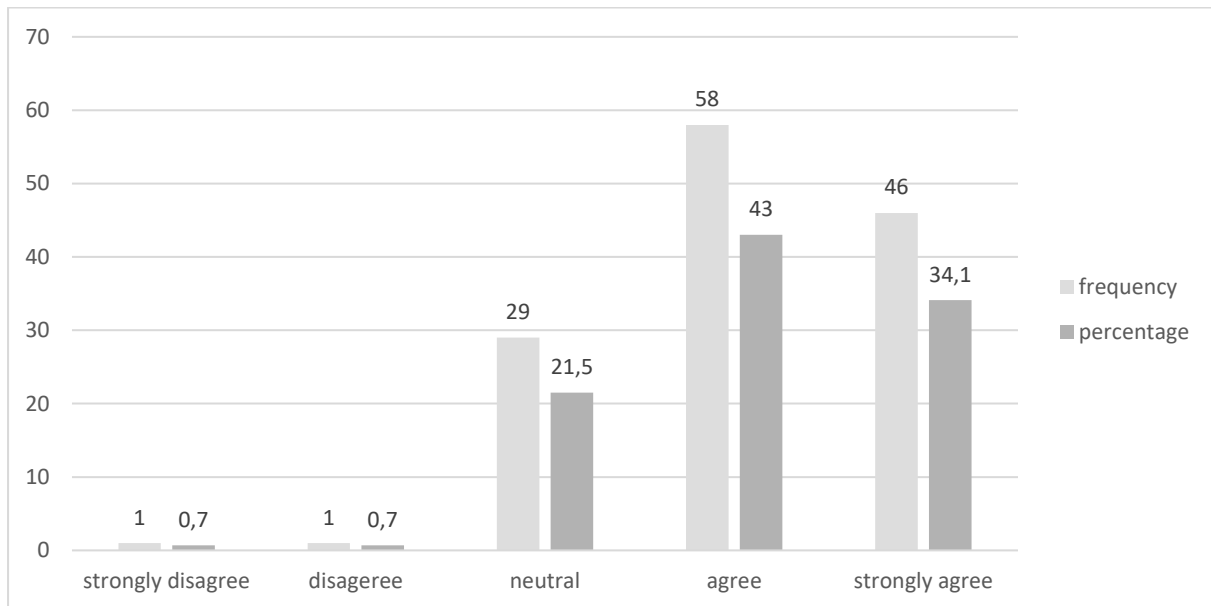
Figure 18: Optimistic about the future



#### 4.5.1.11 Helps in developing strengths

According to the data found in Figure 19, the majority of respondents at 43% and 34.8% agreed and strongly agreed, respectively, that leadership is helpful in developing their strengths. On the other hand, disagreed and strongly disagreed was 0.7% each and 21.5% was neutral. Transformational leaders are defined as having a profound set of inner values that they inspire those under them to take part in, in the end the final goal for transformational leader is to help the better good (Doody and Doody, 2012). With these results, it can be determined that this statement represents a characteristic of a transformational leader.

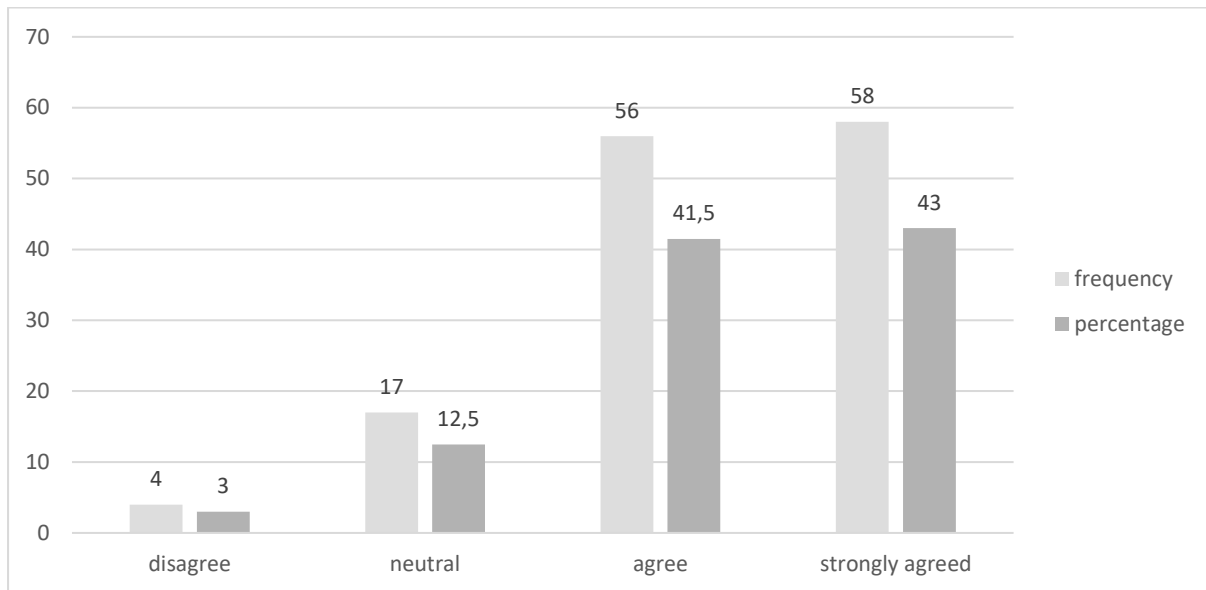
Figure 19: Helps in developing strength



#### 4.5.1.12 Confident in goal achieving

Figure 20 reflects that 41.5% and 43% of respondents agreed and strongly agreed respectively, 2.4% strongly disagreed and none of respondents disagreed. 12.6% was neutral to the fact that the leadership in SMEs expresses confidence that goals will be achieved. As discussed previously in 4.5.1.8, a leader that is categorised by the motivation of a collective vision and team essence directed towards the accomplishment of group goals is a transformational leader. One can, therefore, conclude that in the figure below, the respondents find the leadership to be transformational.

Figure 20: Confidence in goal achievement

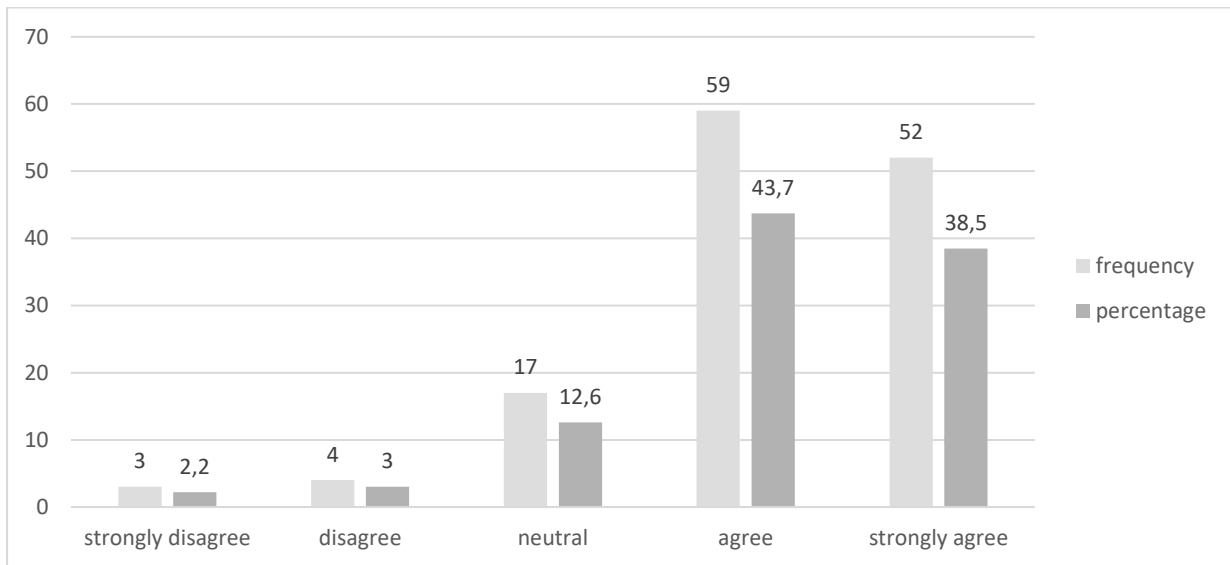


#### 4.5.1.13 Satisfaction when expectations are met

The results reflected in Figure 21 show that 43.7% and 38.5% of respondents, respectively, agreed and strongly agreed that their leaders express satisfaction when expectations are met. Only 2.2% disagreed and 3% strongly disagreed to the statement, while 19% was neutral. Those who agreed and strongly agreed could be due to the fact that the leadership has rewarded them for meeting the objectives, which is a transactional leadership attribute (Nai, 2015). Those that disagreed could represent the ones that struggle to meet the desired outcomes and leadership is dissatisfied with them while 12.6% could possibly represent those that sometimes meet the desired outcomes.



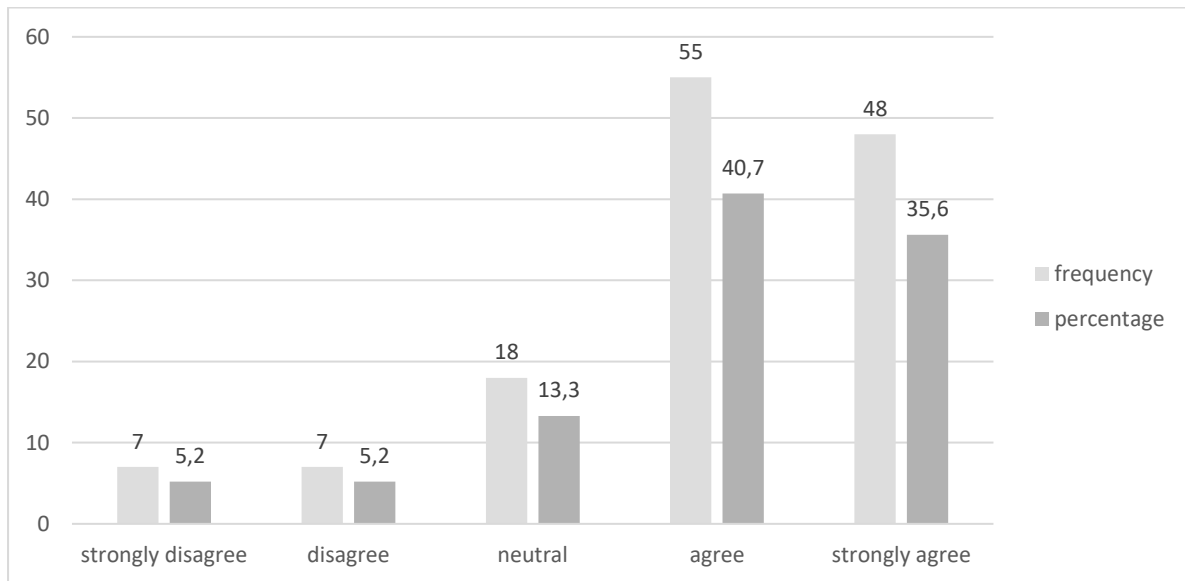
Figure 21: Satisfaction when expectations are met



#### 4.5.1.14 Instils pride in employees

According to the analysis in Figure 22, 40.7% and 35.6%, respectively, agreed and strongly agreed, 5.2% and 5.2% strongly disagreed and disagreed respectively and 13.3% was neutral to the fact that the leadership instils pride in them as employees. This finding indicates the characteristic of transformational leadership style. Cherry (2018) affirms that transformational leader is person who took control of the condition by assigning a vibrant vision of the groups goals, a noticeable desire for the work and an aptitude to make the rest of the group feel animated and revitalised.

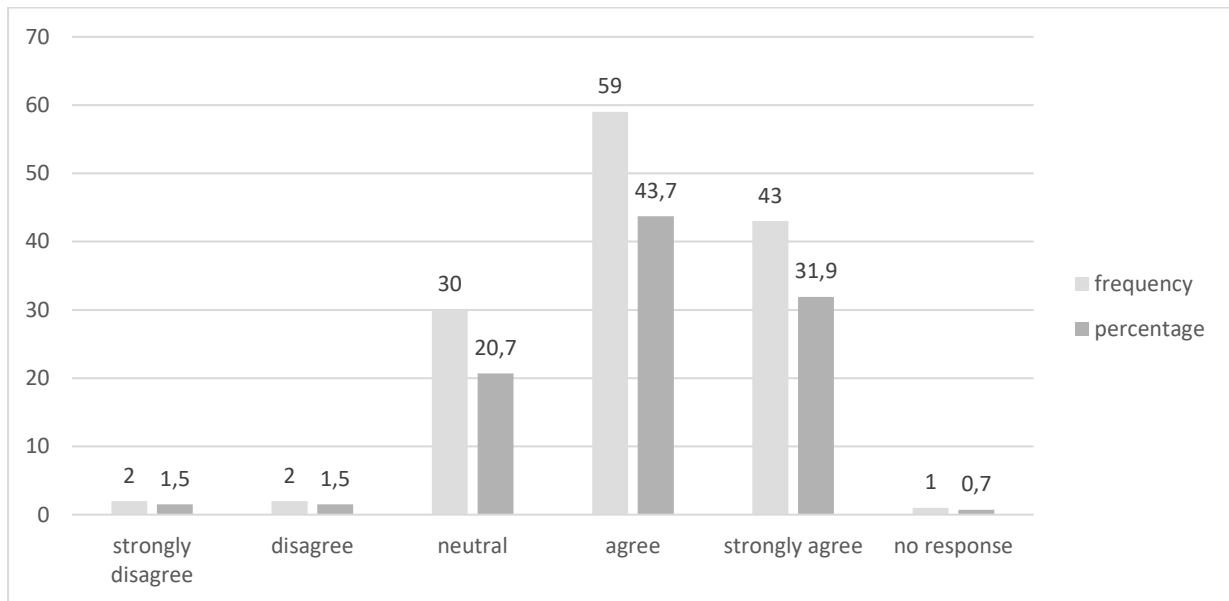
Figure 22: Instils pride in employees



#### 4.5.1.15 Go beyond self-interest for the good of the group

Figure 23 shows that 43.7% and 31.9% of respondents, respectively, agreed and strongly agreed that leadership in SMEs go beyond egotism for the moral of the group. Only 2.4% and 1.5% of respondents disagreed and strongly disagreed, respectively, to the statement, while 20.7% was neutral. These leaders are fanatical with accomplishing a goal or vision for his organisation and leads the group with desire and eagerness (Johnson, 2017) with regard to responses in a figure below, it can be concluded that leadership in SMEs possesses the transformational leadership trait.

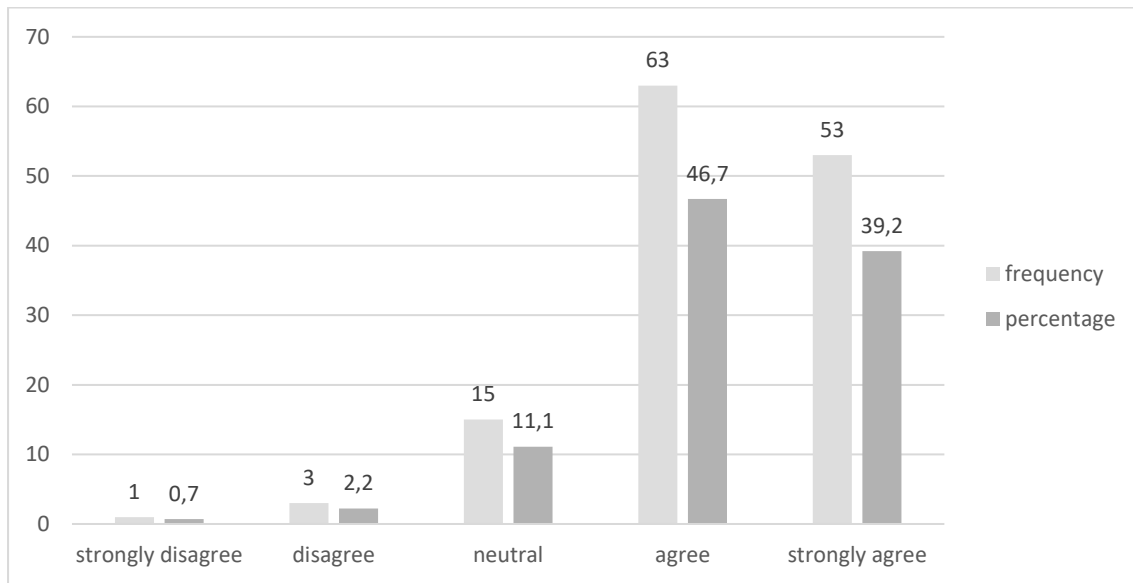
Figure 23 Go beyond self-interest for the good of the group



#### 4.5.1.16 Act in ways that build others respect

In line with the response from Figure 24, 46.7% agreed and 39.2% strongly agreed that leadership act in ways that build others respect, on the other hand, 0.7% disagreed and 2.2% strongly disagreed with the statement and 11.1% was neutral. Tanner (2015) indicated that transformational leadership are labelled as influential who extend and raise welfares of their groups, inspire consciousness and empower them to surpass individual welfares for the benefit of company. With regards to this finding it is affirmed that this statement is a definition of transformational leadership.

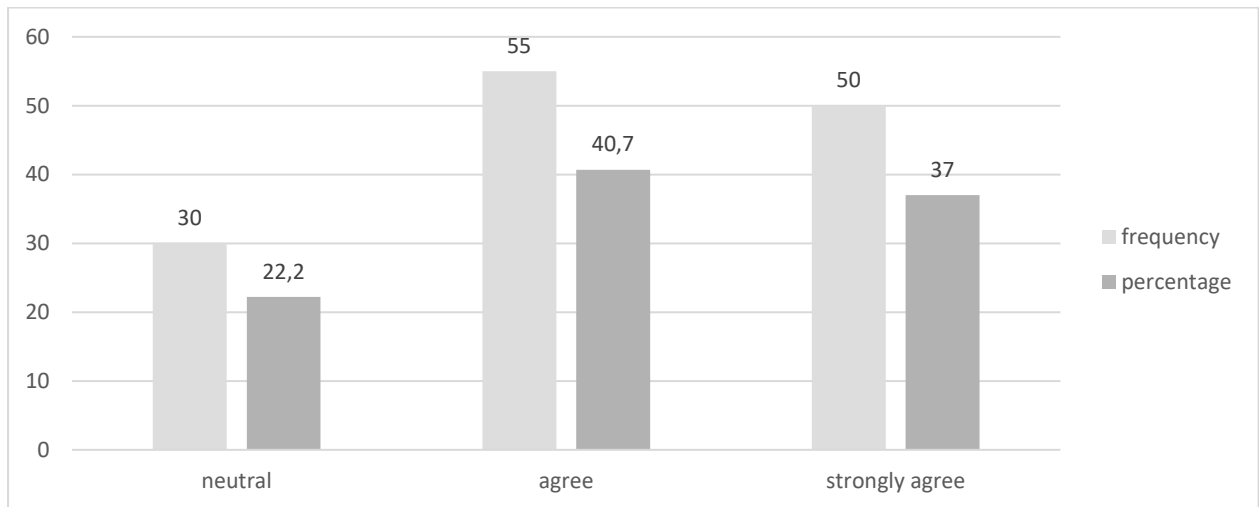
Figure 24: Act in ways that build others respect



#### 4.5.1.17 Talks about important values and beliefs

According to results on Figure 25, the majority of 40.7% agreed and 37%, who strongly agreed, and 22.2%, who were neutral on the statement shows that in SMEs leaders' talks about most important values and beliefs. None of the respondents disagreed or strongly disagreed. This finding statement is a transformational leadership trait. Transformational leaders embrace high ethical and principled values and underpins pride, esteem and faith among followers (Gathoni, 2017).

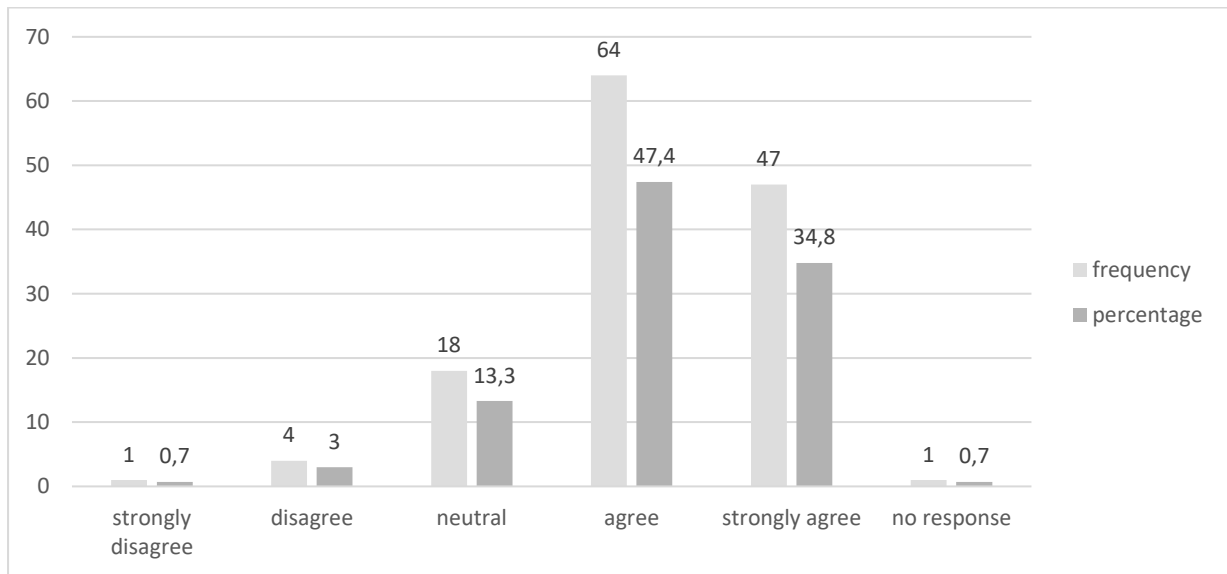
Figure 25: Important values and beliefs



#### 4.5.1.18 Moral and ethical consequences of decision

In Figure 26, the majority of respondents at 47.4% and 34.8% agreed and strongly agreed that leaders consider the moral and ethical consequences of decision, only 3% and 0.7% disagreed and strongly disagreed with the statement, whereas 13.3% remained neutral. As discussed in figure 4.3.17, the transformational leader holds high ethical and principled morals and strengths, admiration and confidence between groups. The leader prepares determination to indorse opinions and morals through encouragement (Gathoni, 2017). This is transformational leadership attributes

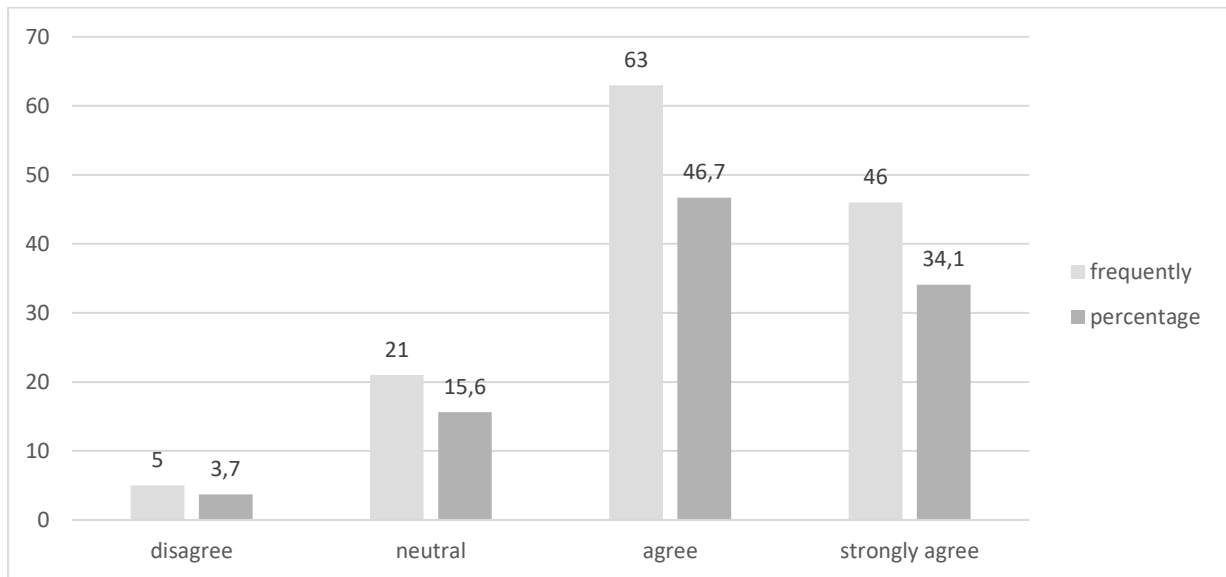
Figure 26: Moral and ethical consequences



#### 4.5.1.19 Emphasize the importance of having a collective sense of mission

As per results in Figure 27, 46.7% and 34.1% of the respondents agreed and strongly agreed that leadership in SMEs emphasize the importance of having a collective sense of mission, while 15.6% remained neutral and only 3.7% disagreed with the statement Northouse (2015) points out that particular values started as different nonetheless associated, eventually ended up attached in one shared goal, releasing elevated quantities of power and passion that reinforces the idea of a collective idea. This shows the characteristic of transformational leadership style.

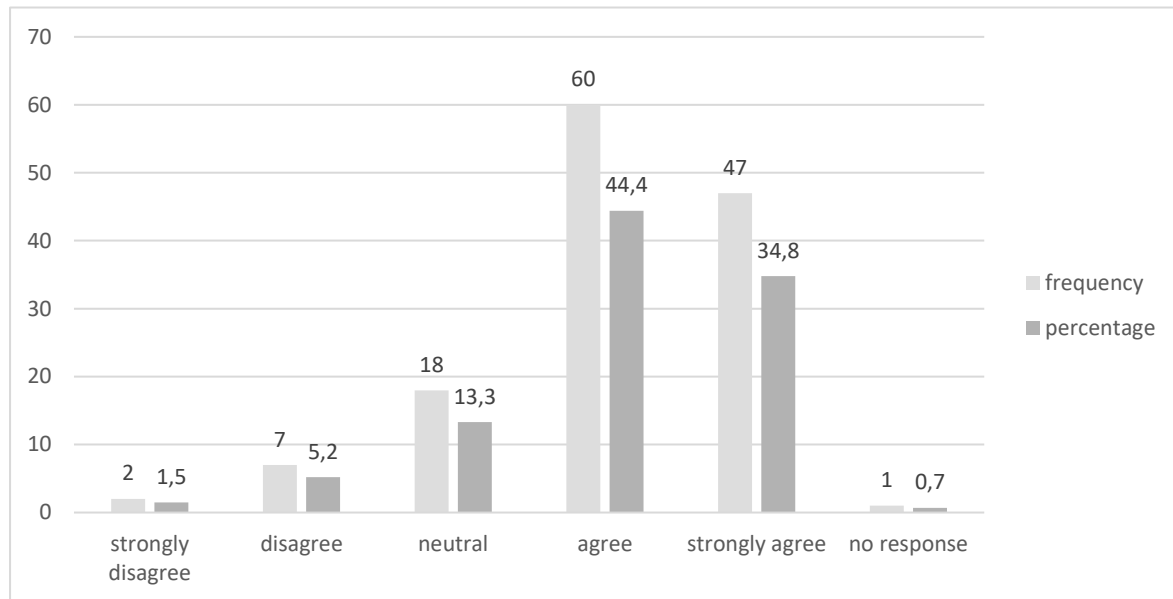
Figure 27: Emphasize the importance of having a collective sense of mission



#### 4.5.1.20 Talk enthusiastically about what needs to be accomplished

Results in Figure 28 depict, 44.4% and 34.8% agreed and strongly agreed that leadership talk enthusiastically about what needs to be accomplished, only 1.5% and 5.2% disagreed and strongly disagreed while 13.3% was neutral and 0.7% not responded. Winkler and Marshall (2016) alluded that transformational leader's increase inspiration over a connection structure course and are understood to stand believing and sympathetic. Transformational leaders intentionally improve work fulfilment stages by communicating a vibrant assignment, idea and standards to the groups. They have the aptitude to stimulate and encourage groups to achieve unexpected performances, improving their performing stages.

Figure 28: Talk enthusiastically about what needs to be accomplished

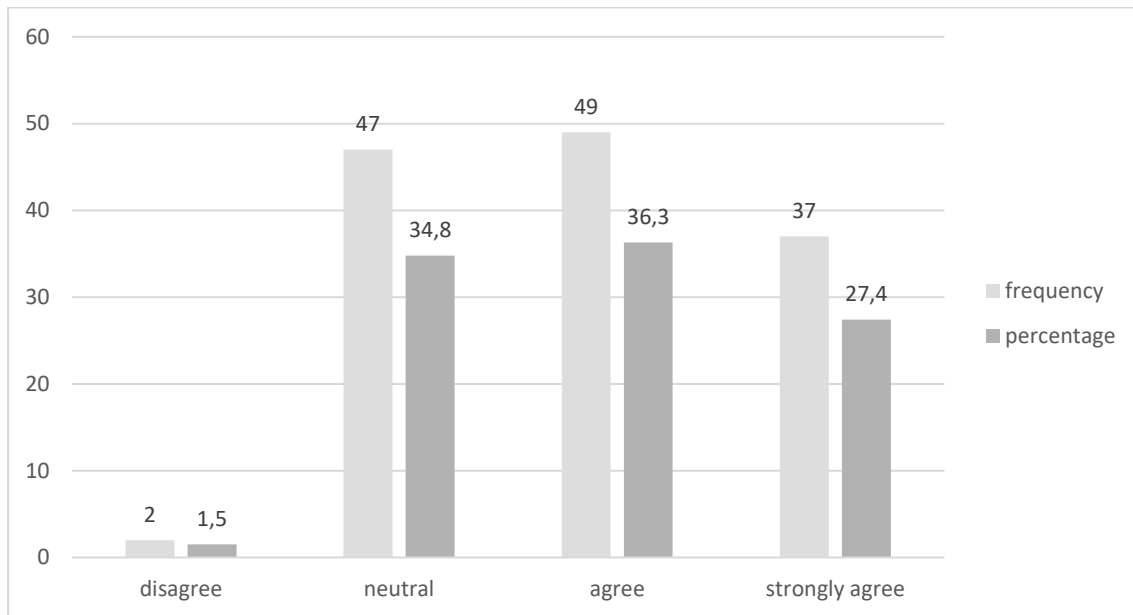


#### 4.5.1.21 Seek different perspective when solving problem

From Figure 29, the majority of respondents at 36.3% and 27.4% agreed and strongly agreed that leadership seek different perspective when solving the problem. On the other hand, only 1.5% strongly disagreed and 34.8% were neutral. This statement reflects an intellectual stimulation where the leader inspires inventiveness amongst groups to for expression of novel and more effectual behaviours of resolving complications associated to approaches active in the ancient (Franco and Matos, 2015; 425). This is a component of transformational leadership.



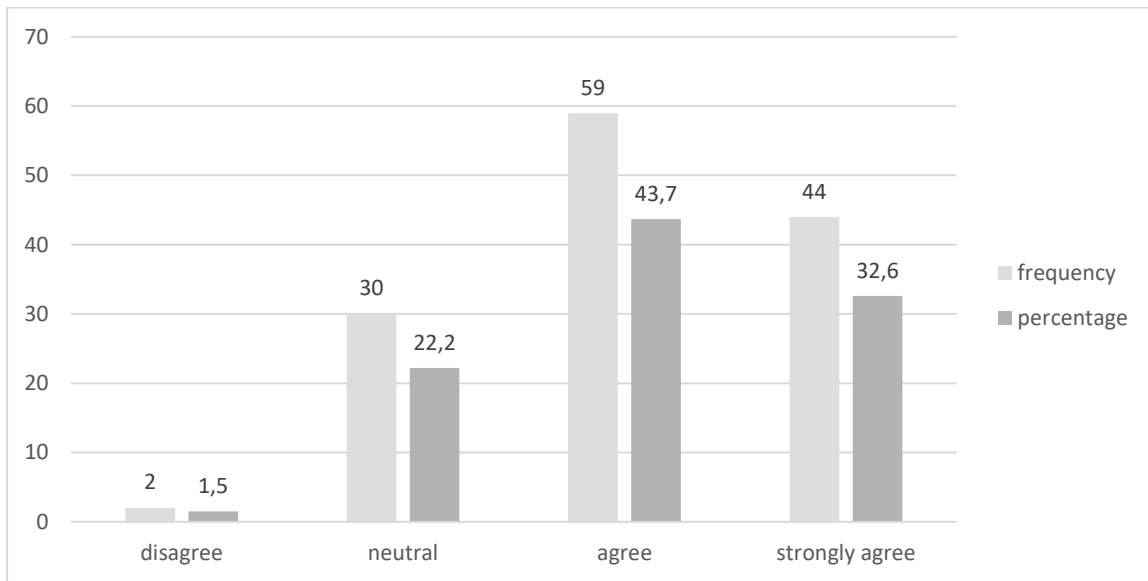
Figure 29: Seek different perspective when solving problem



#### 4.5.1.22 Suggest new ways on of looking at how to complete assignments

In Figure 30, 43.7% and 32.6% of respondents agreed and strongly agreed with the fact that leadership propose innovative behaviours of observing in what way to conclude projects, only 2.4% strongly disagreed and 22.2% was neutral. The idea to which the leader tests expectations, inspires and encourages creativity in the followers by providing a context for groups to understand how they link to the leader, the organisation, themselves, and the objective they might productively oppress any complications in the method of the assignment is a component of a transformational leader (Mulder, 2016). Therefore, the results below represent transformational leadership style.

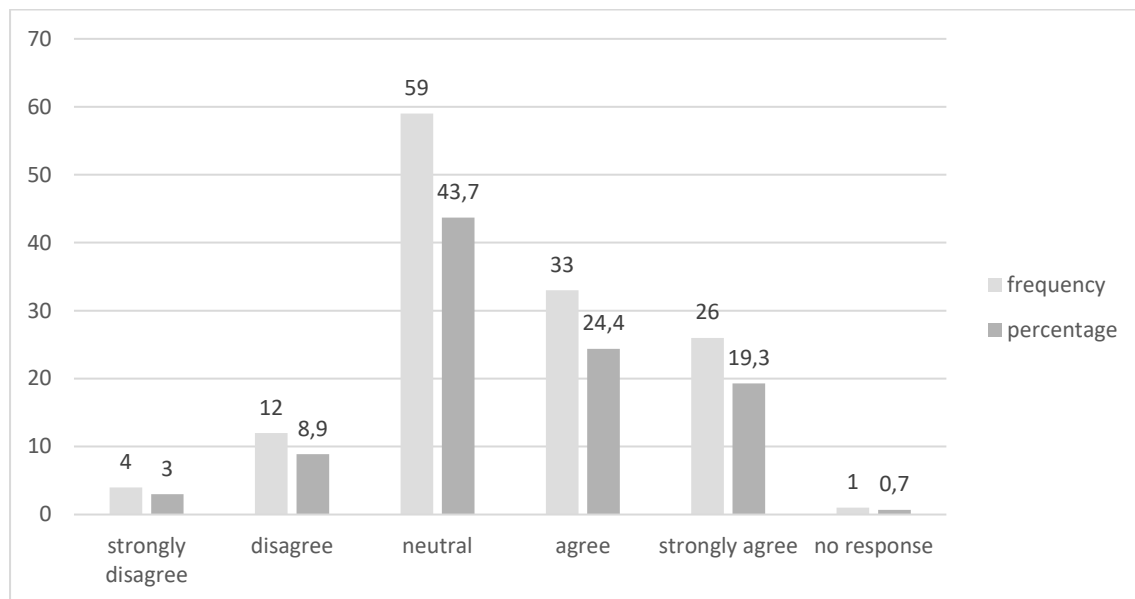
Figure 30: Suggest new ways of looking at how to complete assignments



#### 4.5.1.23 Mentoring and coaching subordinates

As per Figure 31, 24.4% and 19.3% agreed and strongly agreed that leadership spend more time mentoring and coaching subordinates. On the contrary, 2.4% and 8.9% disagreed and strongly disagreed while 43.7% remained neutral. The results below reflect transformational leadership style. Warrilow (2012:101) alluded that the mark that the leader appears to individual groups requirements and turns as a guide or instructor and gives admiration to and gratitude of the individual's involvement to the team.

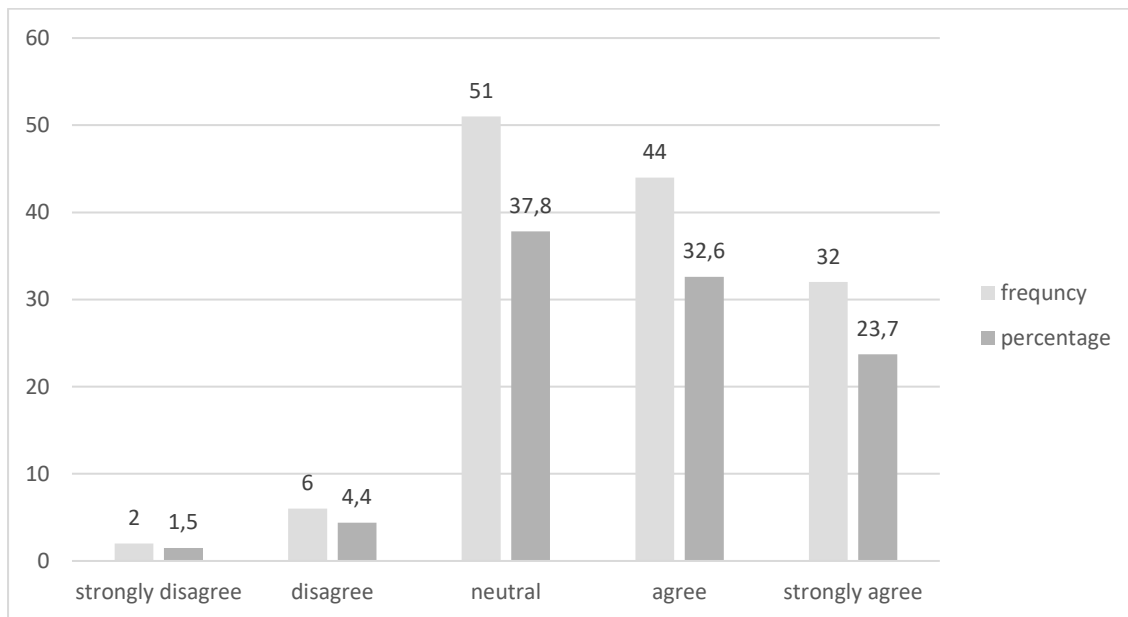
Figure 31: Mentoring and coaching subordinates



**4.5.1.24 Treat each member as individual rather than just as a member of the group.**

In Figure 32, the majority of respondents of 32.6% and 23.7% agreed and strongly agreed that leadership treat each team member as individual rather than just as member of the group, 37.8% was neutral and 1.5% and 4.4% disagreed and strongly disagreed with the statement this shows the characteristic of a transformational leadership. Yasin, Fernando and Caputi (2013:532) elucidate personalised thought as a procedure where the leader classifies separate distinctiveness; relate the persons' present requirements to group's requirements.

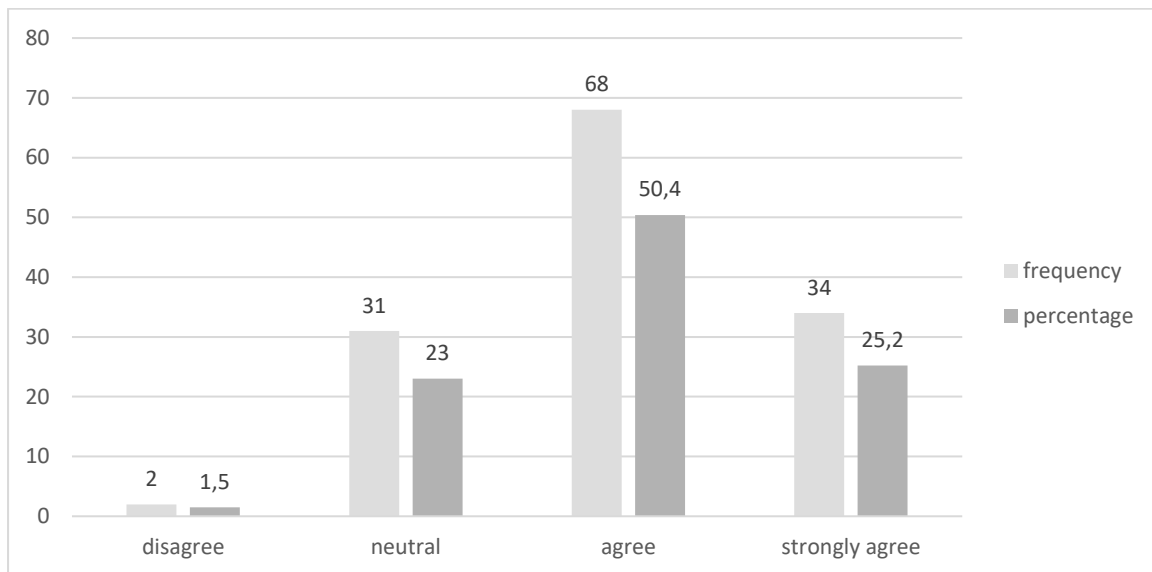
Figure 32: Treat each member as individual rather than just as a member of the group



**4.5.1.25 Consider each person as having different needs, abilities and aspirations from others.**

Figure 33 reflects the majority of respondents at 50.4% and 25.2% agreed and strongly agreed with the fact that leadership consider each person as having different needs, abilities and aspirations from others, whereas 2.4 % of respondent disagree with the statement and 23% remained neutral. These results show transformational leadership trait. Woodcock (2017) explains that the transformational leader’s purpose is to support through different individual expansion, whereas evaluating conducts to support persons in assembly their goals.

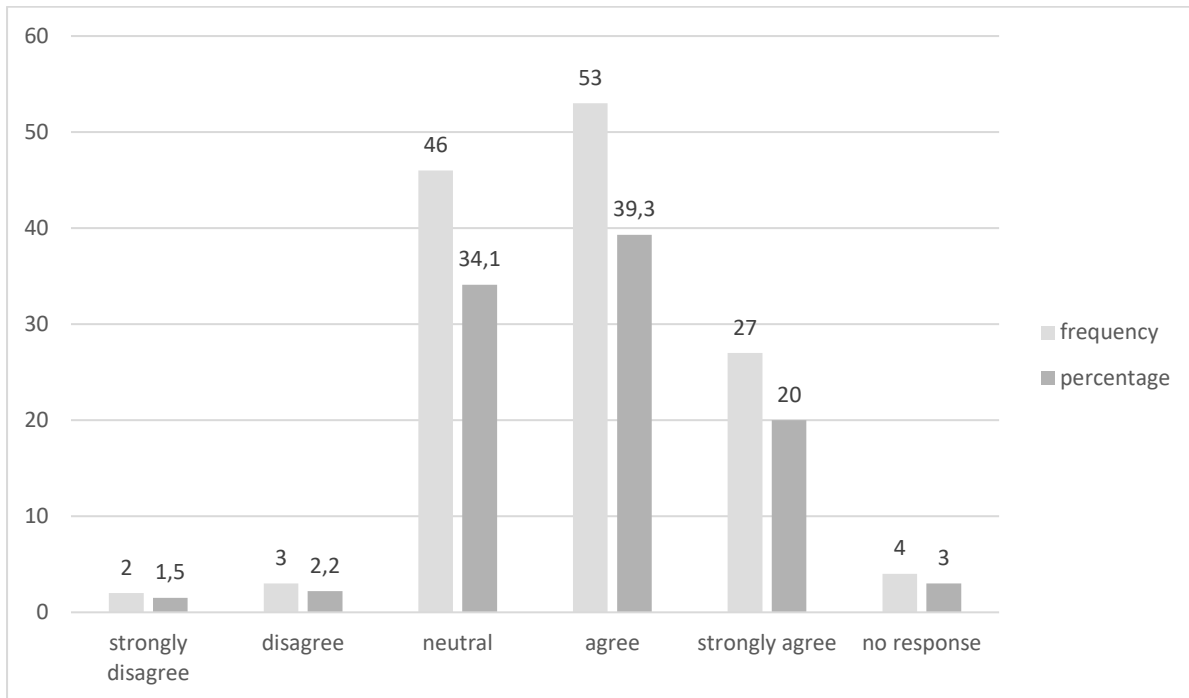
Figure 33: Consider each person as having different needs, abilities and aspirations from others.



**4.5.1.26 Discuss in specific terms who is responsible for achieving performance targets.**

Figure 34 depict that 39.3% and 20% agreed and strongly agreed that leadership discuss in specific terms who is responsible for achieving performance targets, 2.4% and 2, 2% strongly disagreed and disagreed respectively, 34.1% was neutral and 3% did not respond. It can be decided that this is a transactional leadership style. Transactional leader work well in predicament and circumstances where attention needs to be on completing task, by ratification clearly defined responsibilities to particular individuals, leaders can safeguard that those things are done (Cherry, 2017).

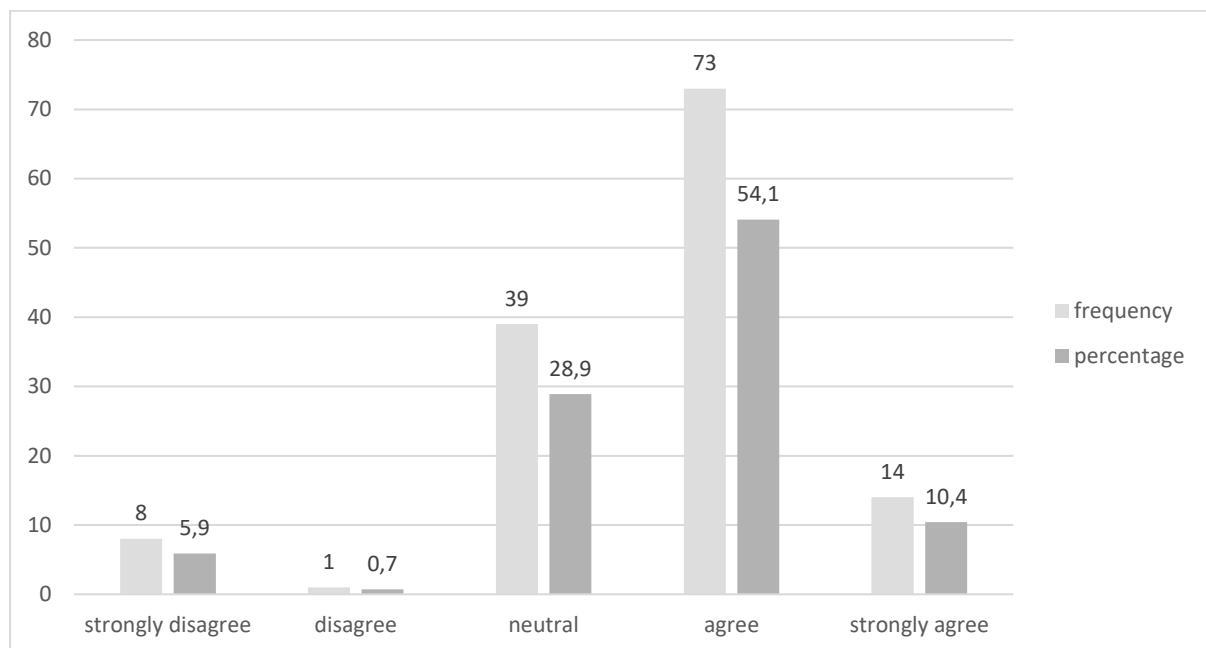
Figure 34: Discuss in specific terms who is responsible for achieving performance targets.



**4.5.1.28 Concentrate full attention on dealing with complaints and failure**

The data depicted on Figure 35 shows that 54.1% and 10.4% of the respondents, which represents the majority, agreed and strongly agreed, respectively, that leadership concentrate complete devotion on dealing with complains and insolvencies , 2.4% and 0.7% of respondents disagreed and strongly disagreed, 28.9 was neutral. The declaration indicates a transactional leadership trait. De Cremer (2013) views this measurement as a practical managing style where the leader cautiously guards performance of groups and views helpful act to evade possible complications before they upsurge Figure 35, concentrate full attention on dealing with complains and failures

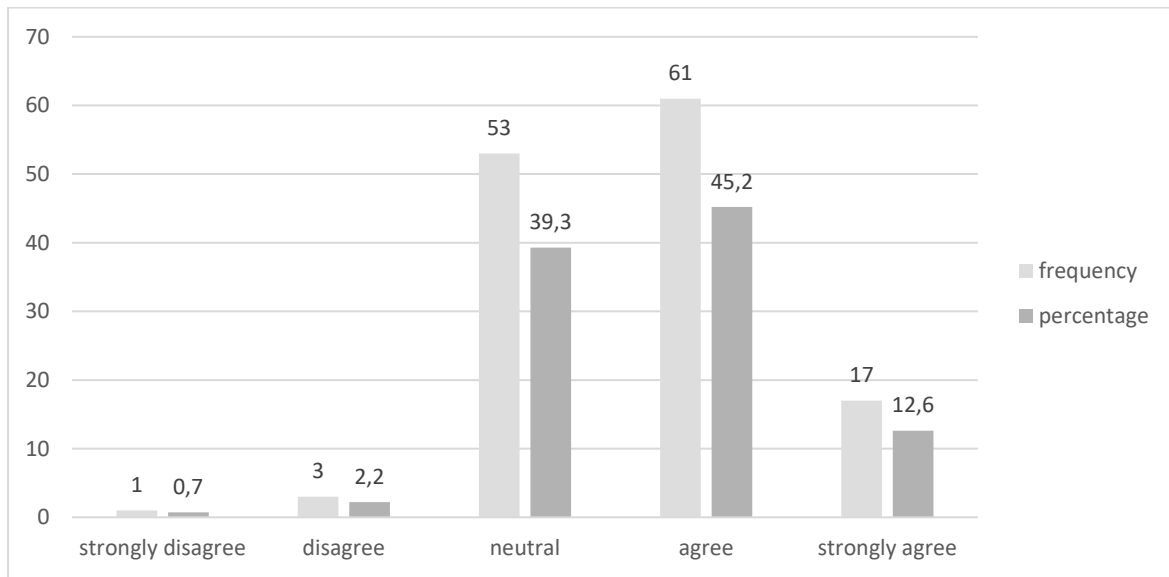
Figure 35: Concentrate full attention on dealing with complaints and failure



#### 4.5.1.29 Direct attention towards failures to meet standards

According to the analysis on Figure 36, 45.2% and 12.6% of respondents agreed and strongly agreed respectively, 2.4% and 2.2% disagreed and strongly disagreed, 39.3% remained neutral to the fact that leadership direct attention towards failures to meet standards. As mentioned in the above statement 4.5.1.29, the leader enthusiastically observes actions of groups, in pursuit of mistakes, nonconformities from values or disappointments, which is a component of transactional leader. Therefore, this is a characteristic of transactional leadership.

Figure 36: Direct attention towards failures to meet standards

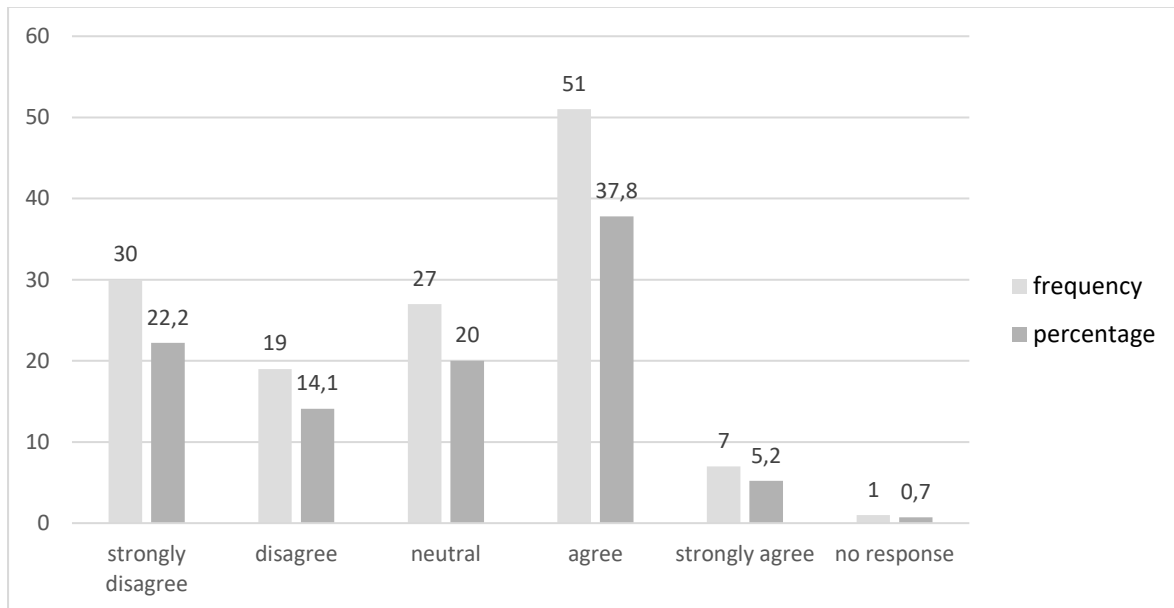


#### 4.5.1.30 Wait for things to go wrong

As per finding on figure 37, 37,8% and 5.2% of respondents agreed and strongly agreed, 22,2% and 14.1% disagreed and strongly disagreed that leadership in SMEs wait for things to go wrong before taking action, 20% remained neutral and 0.7% did not respond. This shows the characteristic of a transactional leader. Crosby (2013) states that the transactional leader rapidly modifies the worker that does not relate operative challenge resolving methods. The leader is similarly understood as an observer that employs counteractive actions once differences from established values are distinguished.



Figure 37: Wait for things to go wrong before taking action



#### 4.5.1.31 Conclusion to objective 1

The respondents were optimistic about the transformational type of leadership style in their responses. More than half certainly testified that their leaders motivated them to perform and assisted them in highly pressured situations. For example, most respondents agreed or strongly agreed that their leaders recognises and acknowledges their ideas and explains if they do not work, and positively mentioned that their manager had taken the time to get to know them, their talents, skills and aspirations. Similarly, respondents were also partially positive about transactional leadership style in their organisation. The leader waits for things to go wrong before taking action and this leader is perceived as an observer who employs counteractive actions when eccentricities from organised morals are distinguished, also this leader clarifies on what subordinates can assume to receive when recital goals are attained. With regards to the Laissez- faire type of leadership style, the results show that leaders do not directly oversee their subordinates and do not deliver on regular communications or feedback. There was no response regarding democratic leadership style may this could be the fact that its roots were derived from transformational theory. According to responses from Part B question 1 to question 30, the results show that the style of transformational leadership is predominantly used

in the manufacturing SMEs, trailed by transactional leadership and the least functional leadership style being the laissez-faire leadership style.

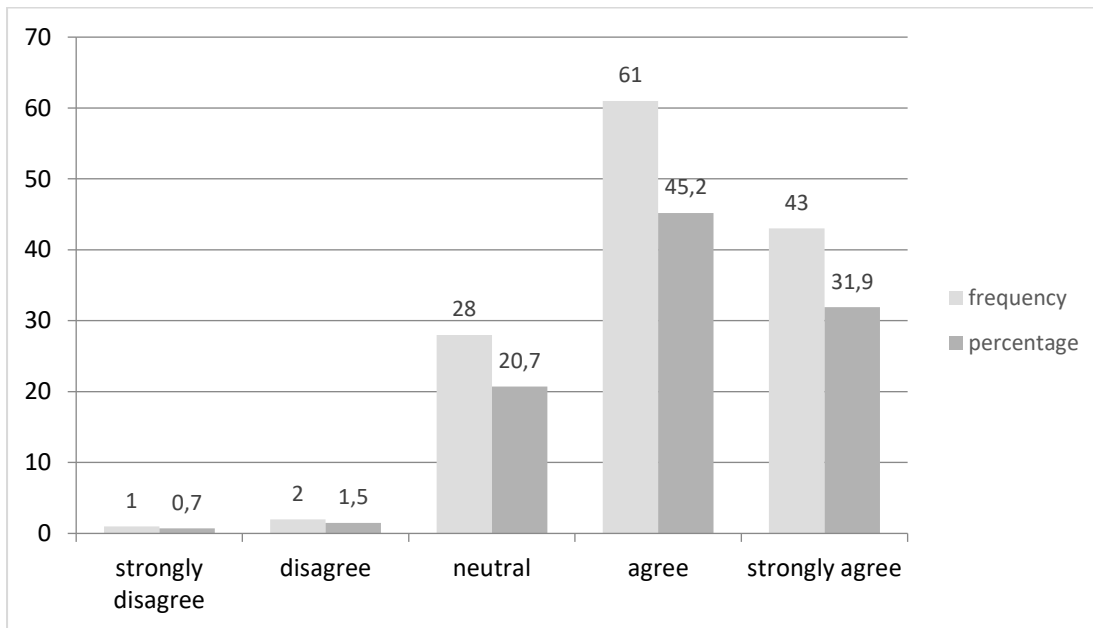
#### **4.5.2 Objective 2: To examine the effectiveness of leadership styles used by small medium enterprises in the manufacturing sector within the Msunduzi Municipality.**

To meet this objective, three Likert scale type statements were posed from Part B question 31 to question 33. The results are discussed below.

##### **4.5.2.1 Effective in meeting job related needs**

According to Figure 38, 45, 2% and 31.9%, respectively, agreed and strongly agreed that leadership is effective in meeting job related needs, 0.7% and 1, 5% disagreed and strongly disagreed, while 20, 7% remained neutral. Looking at the majority of respondents at 45, 2% and 31, 9% in agreement it can be concluded that leadership style in SMEs is effectual in engagement work associated requirements; those in disagreement could be that their job related needs were not met. Belias and Sklikas (2013:85) ascertain that job design is an operative tool, which is used by leaders in order on the one hand to encounter the needs of the employees and on the other, to gratify the interests of the organisation.

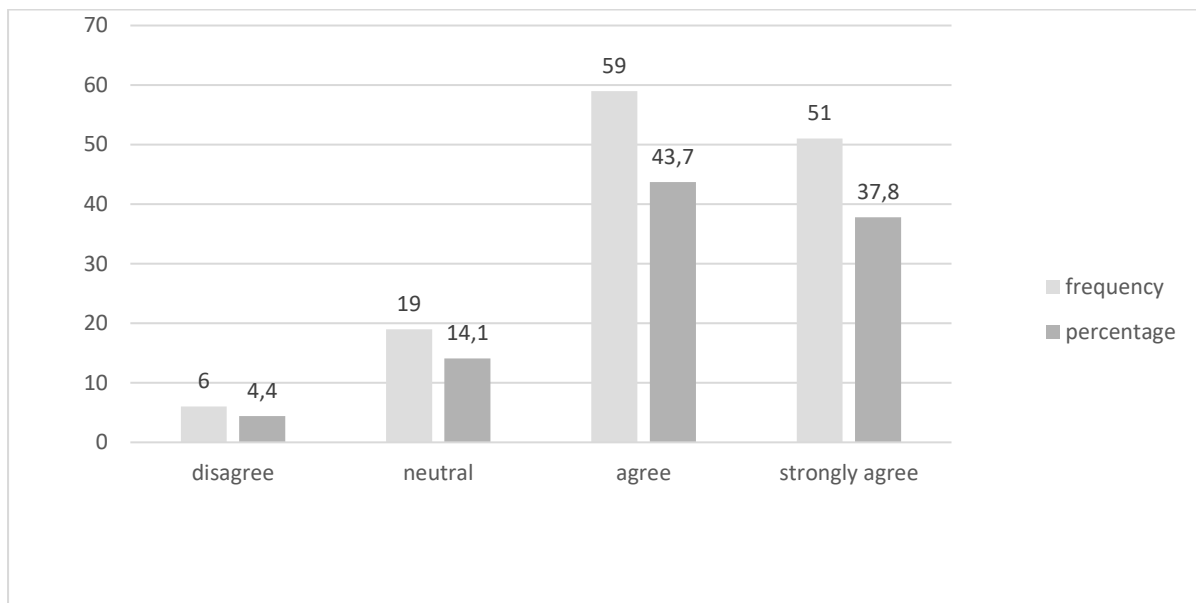
Figure 38: Effective in meeting job related needs



#### 4.5.2.2 Effective in representing staff to higher authority

As presented in Figure 39, 43, 7% and 37, 8% agreed and strongly agreed that the leadership style is effective in representing staff to higher authority, 4, 4% and 14.1% strongly disagreed. Looking at the majority of respondents who agreed and strongly agreed, this shows that the leadership is active in representing staff to higher expert.

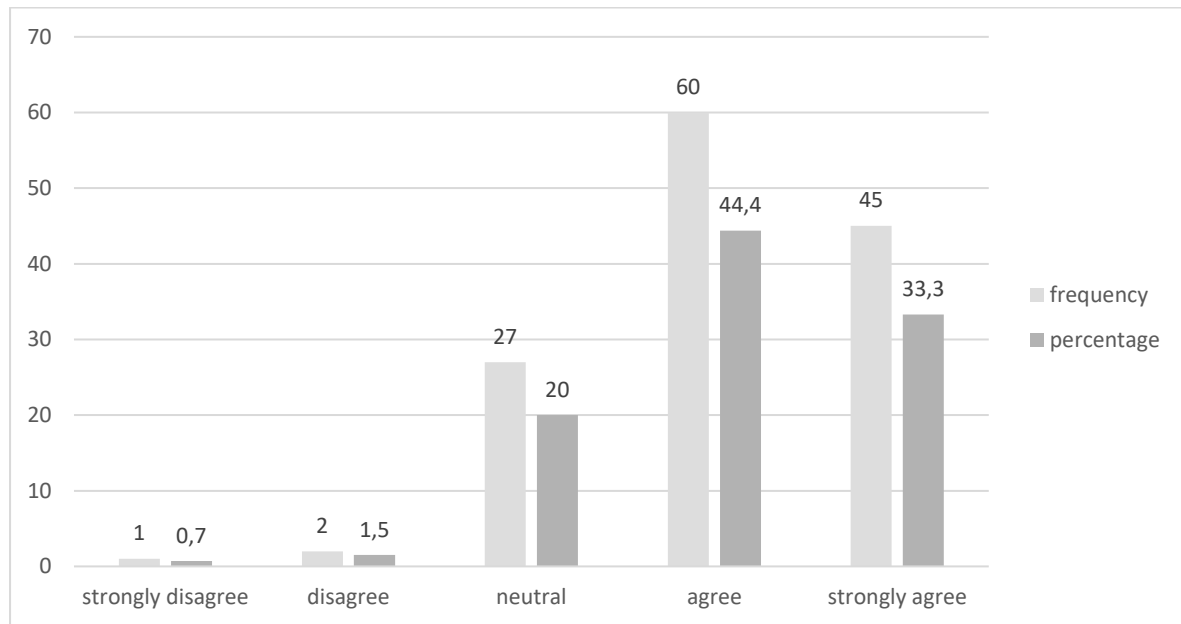
Figure 39: Effective in representing staff to higher authority



#### 4.5.2.3 Effective in meeting organisational requirements

With regard to responses on Figure 40, Majority of 44, 4% and 33, 3% agreed and strongly agreed that the leadership is effective in meeting organisational requirements, whereas 0.7% and 1, 5% disagreed and strongly disagreed and 20% remained neutral. In this respect, Manamela, Cassim and Karodia (2016:1) detect that effective leaders are proficient at identifying and certainly employing both the capabilities and boundaries of their subordinates in success of organisational requirement

Figure 40: Effective in meeting organisational requirements



#### 4.5.2.4 Conclusion to objective 2

Based on the results in Figure 38, it is clear that the leadership is effective in job related needs. The leadership deliver control and communicate information to employees to advance them for improved performances and create employees skilful for preserving excellence. Figure 38 depicts that leadership have a responsibility for participating in facilitating appropriate staff for the development of employees. This also proposes that the overview of strong values of leadership in SMEs encourages essential standards and development on their character and tasks (Khan, Ghouri and Awang, 2013:153). Regarding responses in Figure 39, leadership is effective in meeting organisational requirements, that is business has plans and requirements that determine how it will progress to the future.

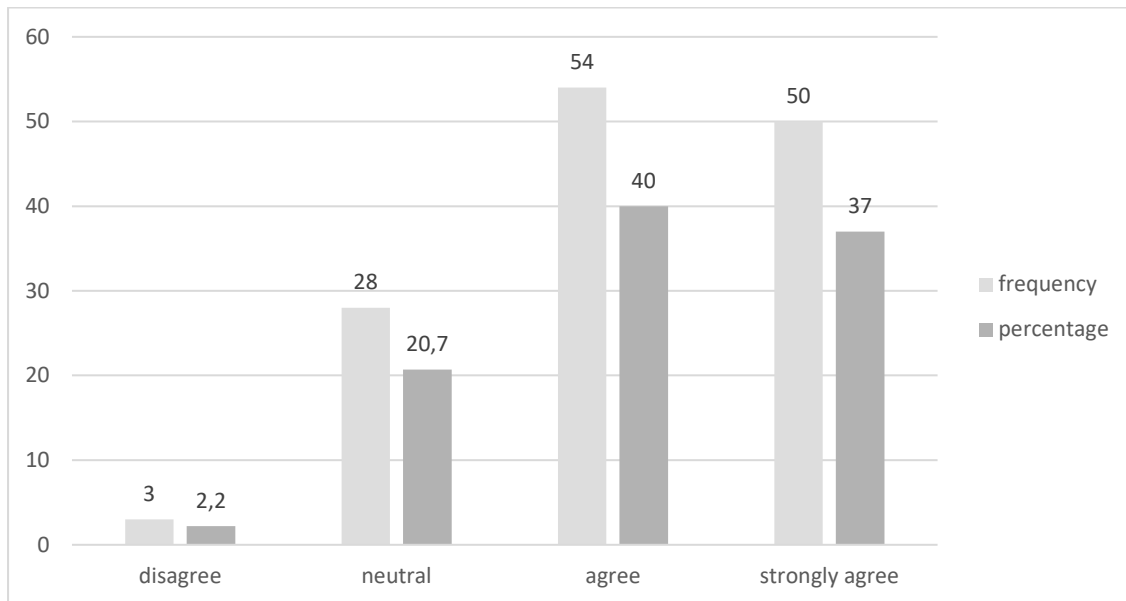
### **4.5.3 Objective 3: To examine the relationship between the leadership styles used by SMEs in the manufacturing sector and the SMEs survival within Msunduzi Municipality**

To address objective 3 of this study, question number 34 up to question number 36 of part B of the questionnaire were used. A summary of the responses to these questions is shown below as follows:

#### **4.5.3.1 Encourages good performance**

As illustrated in Figure 41, 40% and 37% respondents agreed and strongly agreed, respectively, with the statement, 2.2% strongly disagreed and 20.7% remained neutral to the statement that the leadership encourages good presentation. An active leader has a duty to offer direction and distribute information to workers to give direction for improved recital and make them proficient for sustaining the excellence (Iqbal, Anwar and Haider, 2015:1).

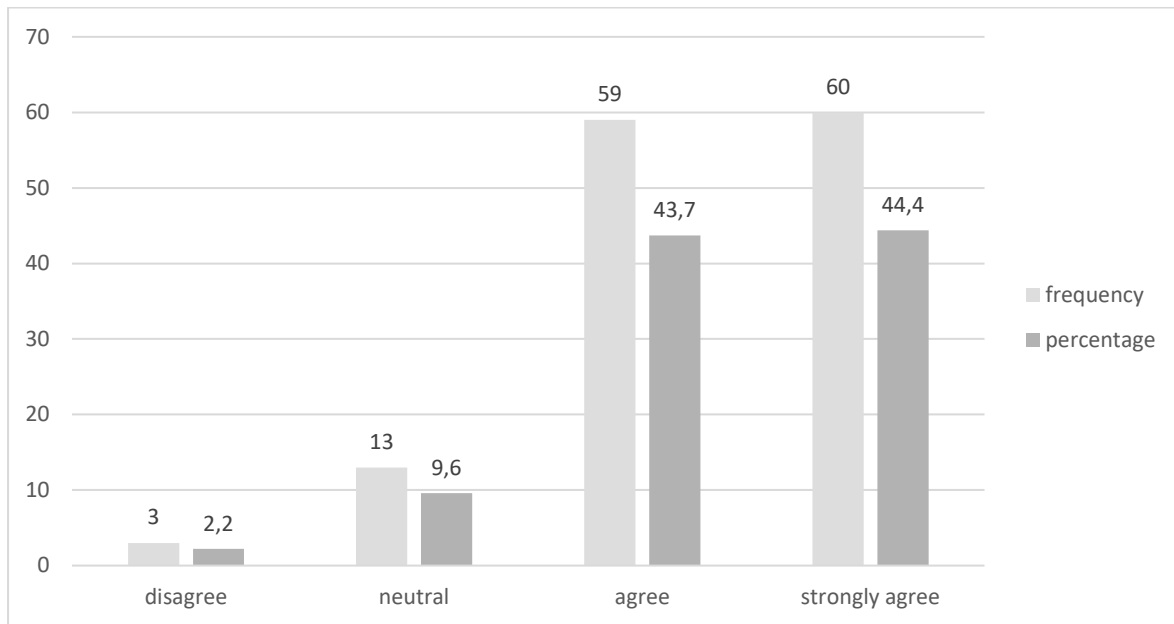
Figure 41: Encourages good performance



#### 4.5.3.2 Pushes for increased production

Illustrated in Figure 42, Majority of respondents at 43.7% and 44, 4% agreed and strongly agreed that the leadership pushes for increased production, 2.2 % strongly disagreed and 9.6% remained neutral. One of the benefits of leaders is to inspire people to be the best version of themselves, if done well everyone in the team could be more productive

Figure 42: Pushes for increased production

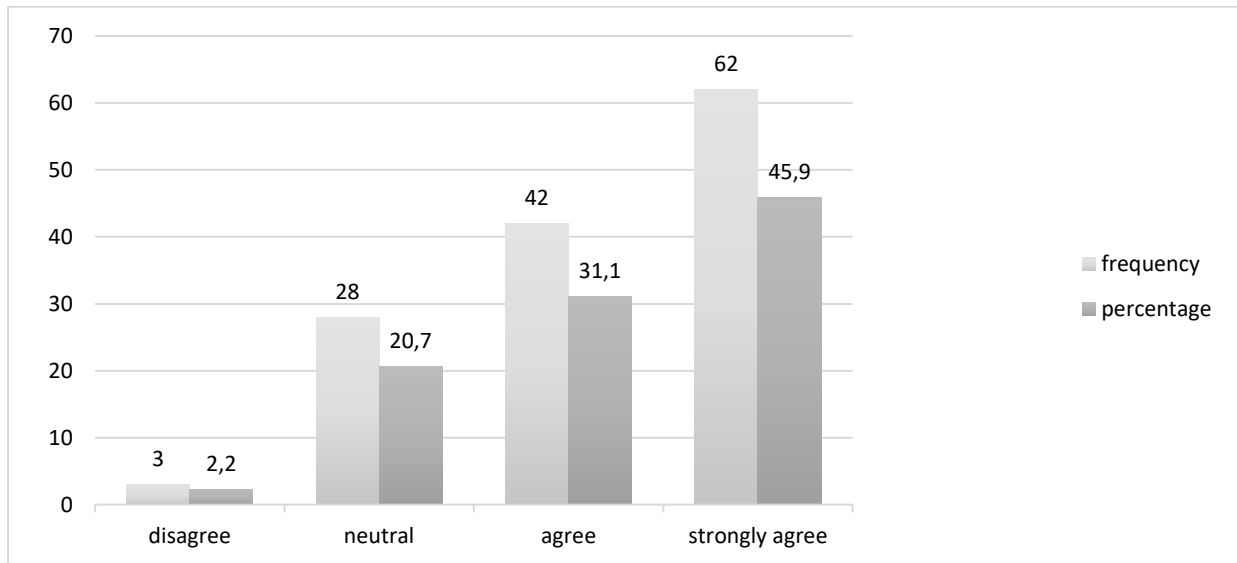


#### 4.5.3.3 Effective for the survival of the business

Results on Figure 43 reflects that 31, 1% and 45, 9% of respondents agreed and strongly agreed that leadership is effective for the survival of the business, 2.2% strongly disagreed and 20, 7% were neutral. It seems then that operative leaders are those who demonstrate interactive abilities that permit them to form compact influences with a selection of individuals through which they add value to the latter in agreement with potentials which, in turn, leads to goal achievement (Burién et al 2014:1).



Figure 43: Effective for the survival of the company



#### 4.5.3.4 Conclusion to objective 3

To examine the relationship between the leadership styles used by SMEs in the manufacturing sector and the SMEs survival within Msunduzi Municipality. In Figure 40, 40% and 37% agreed and strongly agreed, respectively, that leadership encourages good performance, 43, 7% and 43, 4% in Figure 41 agreed and strongly agreed, that leadership pushes for increased production and Figure 42, 31% and 41, 9% agreed and strongly agreed, to the fact that leadership is effective for the survival of the business. Results imply that leaders are able to achieve their set goals for survival. They have the drive to meet business growth requirements, they are business oriented and willing to grow and they have the capacity to respond to uncertain situations by adapting to new growth strategies. Therefore, these results show that the type of leadership style used by leaders in SMEs has an important effect on the survival of SMEs. Chi-square test suggests that applying transformational leadership is effective in business survival unlike laissez-faire leadership. Based on results on Table 4.5, there is no evidence that transactional leadership has any effect on the survival of the business

## 4.6 CHI-SQUARE TEST

To investigate if there was any relationship amongst the leadership styles and the survival of the organisation, a Chi-Square test was done. This test was conducted to establish whether a company that is led by a leader who practices a particular leadership style is more likely to survive longer than a company that is run by a leader who has attributes of a different leadership style. 29 items in the questionnaire are intended to establish the leadership style of the respondents. Items 8,9,10,11,12,14,15,16,17,18,19,24 and 25 were related to transformational leadership style, items 1,4,13,26,28,29,30 were related to transactional leadership style and item 2,3,5,6,7 address laissez-faire leadership style. The average response for each replied to the transactional leadership style items was determined, the transactional leadership style items and items laissez- faire leadership style items. These average scores were rounded off to the nearest integer. It was then proceeded to investigate if there was any association between the average scores for each leadership style and the number of years the company has been in continuous manoeuvre. Started with the average scores for the transformational leadership style and conducted chi-square test to regulate if there was an association between this leadership style and the number of years survived by the company. This test can be expressed in terms of these hypotheses:

H<sub>0</sub>: The leadership style of a leader and the number of years survived by the business are not related.

H<sub>1</sub>: The leadership style of a leader and the number of years survived by the business are related.

The researcher has considered a 5% level of significance for this exercise. The cross tabulation of transformational leadership average scores and the number of years survived are summarized on table 4.3

**Table 4.3 Cross Tabulation - Transformational leadership style and survival**

Average Score		Survival					Total
		Less than one year	1-3	4-6	5-10	More than 10 years	
Transformational	2.00	0	2	5	7	0	14
	3.00	4	14	54	21	14	107
	4.00	0	0	4	0	9	13
Total		4	16	63	28	23	134

**Table 4.4 Chi-square test - Transformational leadership style and survival**

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	36.572 <sup>a</sup>	8	.000

The results of the test indicate that the null hypothesis,  $H_0$ , should not be accepted even at 5% level of significance because of a very small  $p$ -value. It can, therefore, be concluded that the transformational leadership scores are related to the survival of the business. As shown in Table 4.3, the companies run by managers with higher average score or managers who display more attributes of transformational leadership style are more likely to survive longer than those who are managed by managers with lower average scores.

It then proceeded to consider if there was an association between transactional leadership style and business survival. The results are displayed below.

**Table 4.5 Cross Tabulation - Transactional leadership style and survival**

Average score		Survival					Total
		Less than one year	1-3	4-6	5-10	More than 10 years	
Transactional	.00	0	0	0	1	0	1
	1.00	0	2	0	2	0	4
	2.00	3	10	26	11	8	58
	3.00	1	4	37	13	15	70
	4.00	0	0	0	1	0	1
Total		4	16	63	28	23	134

**Table 4.6. Chi-square test - Transactional leadership style**

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.845 <sup>a</sup>	16	.093

The Chi-Square tests specify that there is not enough proof to discard the insignificant hypothesis at 5% significance level. The conclusion is that there is no association between the average scores and business survival. Displaying higher or lower transactional leadership style attributes has no influence on the length of survival for a given business. a. 17 cells (68.0%) have projected count less than 5. The smallest predictable count is .03. Finally, the relationship between laissez-faire and the length of business survival was considered. The results of the test are given in Table 4.7 and Table 4.8 below.

**Table 4.7 Cross tabulation- Laissez-faire leadership style and survival**

		Survival					Total
		Less than one year	1-3	4-6	5-10	More than 10 years	
Laissez-faire	.00	1	4	2	1	4	12
	1.00	2	5	14	7	11	39
	2.00	1	5	19	17	6	48
	3.00	0	1	27	3	2	33
	4.00	0	1	1	0	0	2
Total		4	16	63	28	23	134

**Table 4.8 Chi-square test - Transactional Leadership style and survival**

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	41.160 <sup>a</sup>	16	.001
Likelihood Ratio	40.227	16	.001
Linear-by-Linear Association	1.227	1	.268
N of Valid Cases	134		

The Chi-Square test indicates that we should not decline the insignificant hypothesis at 5% degree of consequence and therefore conclude that there is association among the laissez-faire average scores and the length of business survival. It can be seen from the Table 4.6.5 that there is an inverse relationship between the average scores and the length of business survival, that is, lower/larger average scores tend to be associated with longer/shorter survival length. a. 14 cells (56.0%) have anticipated count smaller than 5. The least projected count is .06.

Overall, this exercise suggest that applying a transformational leadership style in managing a business tends to increase the length of business survival. The opposite is true regarding laissez-faire leadership style. Based on the results of this exercise,

there is no indication which suggest that transactional leadership has any effect on the survival length of a company.

#### **4.7 CONCLUSION**

To confirm internal consistency, a reliability test was completed, by means of the Cronbach Alpha. This signpost that reliability was effective and the device might be sourced at various periods or in opposite circumstances, and also specifies that used with a larger sample the instrument would not have delivered changed results. In this section, the key attention was on the investigation of results obtainable in tables and graphs. The emphasis of this section was on the investigation of regularity diagrams, cross-tabulations Chi-square tests, key results and Cronbach's alpha. The results revealed that transformational leadership is most dominant in the SME manufacturing sector followed by transactional leadership and laissez-faire leadership. Relationship between variables was conducted. The style of leadership used by leaders in SMEs has an influence on business. Results suggest that SMEs in the manufacturing sector seem to have a long survival period when transformational leadership is in use, whereas laissez-faire has a negative effect on survival. However, transactional leadership has no effect on survival

The subsequent chapter grants the inferences and recommendations of the research. In addition, the accomplishment of the purposes of the research will be represented.

## **CHAPTER 5**

### **RECOMMENDATIONS AND CONCLUSIONS**

#### **5.1 INTRODUCTION**

Chapter four provided the analysis of results that emanated from the study. The chapter was an elucidation of collected data through the administration of questionnaires with leaders in SMEs operating in the manufacturing sector within the Msunduzi Municipality. Questionnaires were pursued to ascertain types of leadership styles used within their businesses.

In this chapter, recommendations and conclusions are provided based on the results presented in the previous chapter allied to literature that was presented in Chapter 2. This chapter further discusses assumptions and implications of the undertaken research and suggests recommendations for further research.

#### **5.2 OVERVIEW OF THE STUDY**

The key objective of the study was to identify the leadership styles used by SME's in the manufacturing sector within the Msunduzi Municipality and to determine the effectiveness these leadership styles has on small and medium enterprise success and survival. According to this study, key objectives, the design of the research and background for revised literature was established. Chapter Two reported a detailed overview of the four prevailing styles of leadership and leadership theories. The literature also discussed the influence of leadership styles on SME survival.

The research data were analysed and presented in Chapter 4. The research used quantitative research method and 135 questionnaires were received from respondents to extract data for review and analysis of outcomes. The study was applied using a systematic arrangement, data collection, data analysis, analysis and demonstration of conclusions and, lastly, writing of report.

### **5.3 PRESENTATION OF CONCLUSIONS ESTABLISHED ON RESULTS**

The following section presents a brief discussion on the success of the study's objectives.

#### **5.3.1 To identify the leadership style used by SMEs**

This study examined four leadership styles (transactional, transformational and laissez-faire and democratic) and their influence on SMEs survival in the manufacturing division. The MLQ was used to determine the leadership style used by SMEs in the manufacturing sector. For this research to be done, leaders or managers of SMEs had to participate in the survey, as they were key informants. Leaders agreed to participate. Results presented in Chapter 4 demonstrated that three leadership styles were used in SMEs manufacturing sector. These are; transformational leadership style, transactional leadership style and laissez-faire leadership style. The results show that transformational leadership style is predominantly used in the manufacturing sector, followed by transactional leadership and the least is laissez-faire leadership. This confirms with literature that compelling leaders are ones that impact, stimulate, motivate and instils confidence amongst groups. This kind of a leader appreciates the traits that one possesses, which vary them from other leaders, is the imperative feature for the accomplishment of SME. With regard to the second dominant leadership which is transactional leadership style, this style is significant for management of businesses, but it may not be the superlative style for leading all kinds of SMEs (Khan, Ghouri and Awang, 2013:153). Regarding laissez-faire style of leadership, the reality is that SMEs are mostly attentive to survival. Thus, these types of businesses do not practise laissez-faire leadership largely because it is presumed as the superlative or foulest of leadership styles when applied to leadership (Chaundry and Javed, 2012:186)

#### **5.3.2 To examine the effectiveness of leadership styles used by SMEs in the manufacturing sector within the Msunduzi Municipality**

It is clear that the leadership is effective in job related needs, this means that leadership style implemented by the leader deliver control and communicate



information to employees to advance them for improved performances and create skilful employees for preserving excellence. Also it was found that leadership has a responsibility for participating in assisting with appropriate staff for the development of employees. This also proposes that the overview of strong values of leadership in SMEs encourage essential standards and development of their character and tasks (Khan, Ghouri and Awang, 2013:153). Correspondingly the leadership is effective in meeting organisational requirements, that is business has plans and requirements that determine how it will progress to the future.

### **5.3.3 The relationship between the leadership styles used by SMEs in the manufacturing sector and the SMEs survival within the Msunduzi Municipality**

The results in Chapter 4 show that companies run by leaders with higher average score or leaders who display more attributes of transformational leadership style are more likely to survive longer than those who are managed by managers with lower average scores. The opposite is true regarding laissez-faire leadership style. Based on the results of this exercise, there is no evidence, which suggest that transactional leadership has any effect on the survival length of a company. It must be distinguished that this research emphasises why leaders of businesses are unsuccessful and why they prosper. The research exposed the highest organisation and leadership styles, abilities and approaches mark for achievement or disappointment in the company dependent on the founding of essential approaches. It is relevant to mention that disappointment and achievement of business leadership is not an invention of control and assurance of the leader. It is through unconditionally contingent on obtainable data and capability to assess measures inside and external of the organisation. It is, therefore, of worth that the leader of the group must put in place appropriate instruments to amount achievement, disappointment and overall presentation of the business. Leaders ought to place the plan of the consequences presented that SMEs demonstrate mediocre stages of leadership styles persuaded to transformational leadership style.

### **5.3.4 RECOMMENDATIONS FOR SMES**

- Results revealed that leaders must implement suitable leadership style in line with organisational morals, ethics and objectives that will present business to higher performance standards.
- Leadership in SMEs must prevent the laissez-faire leadership style, which allows entire allocation of accountability to workers. Leaders who will be energetically tangled in followers' affairs can execute this, leaders require to direct actions to safeguard defiance and consequences. A laissez-faire leadership style causes workers to believe that their leaders abandon them, as they do not cooperate frequently in respect to jobs completed and consequently effects routine.
- Leadership must remain applying transformational and transactional leadership styles as these motivate workers to accomplish tasks to the best of their abilities.
- Leaders must invest in training and development in order to advance their skills and abilities to carry out transformational and transactional leadership styles in their businesses.

### **5.4 RESEARCH IMPLICATIONS OF THIS STUDY**

Referring to SMEs manufacturing sector, many studies were conducted on factors affecting the failure or success of the business but it seems, as leaders regarding what hinders them, businesses know little. Limited studies have been conducted in the manufacturing sector to ascertain styles of leadership used. This study, therefore, bridges the gap between the knowledge of leadership style and their influence on the success of SMEs within the manufacturing sector. Results from this study demonstrated that transformational and transactional leadership styles can be recipes for SMEs' success and survival, when implemented properly. Therefore, this research

adds value to the leadership theories as it encourages more engagement on matters that can be expounded to ascertain appropriate leadership styles for SMEs survival.

## **5.5 LIMITATIONS OF THE STUDY**

The data gathering method was restricted to the accomplishment of questionnaires directed to the respondents. Other approaches like interviews could also provide extra valuable information concerning the perceptions of respondents. The study was conducted in the SME in the manufacturing sector with the Msunduzi Municipality. It would, therefore, be suggested that the generalisation of the results be exercised with caution.

## **5.6 RECOMMENDATIONS FOR FUTURE RESEARCH**

- This research was limited to SMEs in the manufacturing sector operating within the Msunduzi Municipality. Future research is therefore, suggested in other sectors and other provinces to compare results and improve the generalisation of results.
- In this study, data were harvested using the MLQ tool. Further research is recommended in SMEs in the manufacturing and other sectors using a different tool instead of MLQ. This may improve rigour in the research process.
- Considering that this research only used the quantitative method, further research is recommended that will explore a mixed method approach on the influence of leadership styles on SMEs survival.

## **5.7 CONCLUSION**

This study has highlighted the effect of leadership styles on the survival of SMEs. Leadership is viewed as the essential element of business survival, particularly in SMEs. Business accomplishment is attained over the preparedness and energetic involvement of workers indorsing a combined work philosophy associated with the organisations principles and policies. The leadership style is, thus, vital in maintaining this formulation. The recommendations debated in this section propose some changes that could possibly be considered by leaders to upsurge the influence of team

organisational ethos for the employees within the department. This research suggested leadership training and development for leaders to improve their abilities and skills. This will, in turn, improve business survival and ultimately lead to organisational success.

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## APPENDIX A

### Consent Letter

#### The influence of leadership styles on the survival of SMEs.

Researcher : Nelisiwe Mchunu  
Institution : Durban University of Technology  
Contact Details : Cell: 0725556701  
: E-mail: [nelimacingwana@gmail.com](mailto:nelimacingwana@gmail.com)

This study investigates the influence of leadership styles on the survival of SMEs in the manufacturing sector within Msunduzi Municipality. The aim is to identify the leadership styles used by SME's in the manufacturing sector within Msunduzi Municipality and to determine the effectiveness these leadership styles have on SME survival. This will assist in establishing the relationship between those styles and the survival of SME. The results from results will also be used as the basis for the recommendations/interventions that are sufficient for the improvement of leadership skills of SME leaders. The researcher to complete the requirement for Master of Management Sciences in Administration and Information Management is conducting this research.

Any information that is obtained in connection with this study and that can be identified with you will remain confidential. Participants will not be identified by name in any reports of the completed study. Therefore, data will be collected anonymously and names will not be linked with any information. Your participation in this study is entirely ***voluntary and you may refuse to participate or withdraw from the study*** at any time without jeopardy to your organisation.

#### ***Instructions***

- ❖ Complete the attached questionnaire.
- ❖ Return the questionnaire to the researcher.
- ❖ Please return questionnaire within 5 days.

Participant Signature \_\_\_\_\_ Date \_\_\_\_\_

Your signature indicates that you consent to participate in this study and that your responses may be put in anonymous form and kept for further use after the completion of this study.

## APPENDIX B

### QUESTIONNAIRE

*Manufacturing Business owners/managers of SMEs registered with SEDA located in Msunduzi Municipality can fill this questionnaire.*

#### Part A: Biographical details

##### Instructions

Please indicate with a tick

1. Please specify your gender

	<b>Gender</b>	<b>Tick</b>
1.1	Male	
1.2	Female	

2. Please indicate your race

	<b>Race</b>	<b>Tick</b>
2.1	Black	
2.2	White	
2.3	Coloured	
2.4	Indian	
2.5	Asian	
2.6	Other	

3. Please indicate your age category

	<b>Age Category</b>	<b>Tick</b>
3.1	Under 25 years	
3.2	25 years to 34 years	
3.3	35 years to 44 years	
3.4	45 years to 54 years	
3.5	55 years and older	

4 What is your highest qualification?



	<b>Qualification type</b>	<b>Tick</b>
4.1	Lower than matric	
4.2	Matriculation	
4.3	Diploma	
4.4	Degree	
4.5	Masters	
4.6	PHD	

5. Where did you obtain your highest qualification?

	Tertiary	Tick
5.1	University of Technology	
5.2	Traditional University	
5.3	TVET	
5.4	Other	

6. How long has your business been in existence?

	Operating years	Tick
6.1	Less than 1 year	
6.2	1-3 years	
6.3	4-6 years	
6.4	5-10	
6.5	More than 10 years	

7. How many permanent employees are employed by the business?

	Number of employees	Tick
7.1	1-5	
7.2	6-20	
7.3	21-50	
7.4	51-200	

8. What is your annual turnover?

	Annual turnover	Tick

8.1	Less than R200,000	
8.2	R200,001 – R1000,000	
8.3	R1000, 001 – R3000,000	
8.4	R3000,001 – R5000,000	
8.5	R5000,001 – R10,000,000	
8.6	Over R10,000,000	

**Part B: Leadership Styles**

**Instructions:**

This questionnaire describes the leadership style, as you perceive it and the influence of those styles. Please answer all questions (tick the relevant number).

Thirty descriptive questions are listed below. Judge how frequently each statement fits you.

Use the following rating scale:

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

Be honest about your choices as there are no right or wrong answers.

**1. Leadership styles**

1.	I make it clear to my subordinates what they can expect to receive when performance goals are achieved.	0	1	2	3	4
2.	I delay responding to urgent questions.	0	1	2	3	4
3.	I do not to interfere until problems become serious.	0	1	2	3	4
4.	I focus attention on mistakes.	0	1	2	3	4
5.	I avoid getting involved when important issues arise.	0	1	2	3	4
6.	I am absent when needed.	0	1	2	3	4

7.	I avoid making decisions.	0	1	2	3	4
8.	I specify the importance of having a strong sense of purpose.	0	1	2	3	4
9.	I display a sense of power and confidence.	0	1	2	3	4
10.	I talk optimistically about the future.	0	1	2	3	4
11.	I help my employees in developing their strengths.	0	1	2	3	4
12.	I express confidence that goals will be achieved.	0	1	2	3	4
13.	I express satisfaction when I meet expectations.	0	1	2	3	4
14.	I instil pride in my employees for working with me	0	1	2	3	4
15.	I go beyond self-interest for the good of the group	0	1	2	3	4
16.	I act in ways that build others respect	0	1	2	3	4
17.	I talk about most important values and beliefs	0	1	2	3	4
18.	I consider the moral and ethical consequences of decision	0	1	2	3	4
19.	I emphasize the importance of having a collective sense of mission	0	1	2	3	4
20.	I talk enthusiastically about what needs to be accomplished	0	1	2	3	4
21.	I seek different perspectives when solving problem	0	1	2	3	4
22.	I suggest new ways of looking at how to complete assignments	0	1	2	3	4
23.	I spend time mentoring and coaching subordinates	0	1	2	3	4
24.	I treat each team member as an individual rather than just as a member of the group	0	1	2	3	4

25.	I consider each person as having different needs, abilities and aspirations from others	0	1	2	3	4
26.	I discuss in specific terms who is responsible for achieving performance targets	0	1	2	3	4
27.	I discuss in specific terms who is responsible for achieving performance targets	0	1	2	3	4
28.	I concentrate my full attention on dealing with complaints and failures	0	1	2	3	4
29.	I direct my attention towards failures to meet standards	0	1	2	3	4
30.	I wait for things to go wrong before taking action	0	1	2	3	4

## 2. The Effectiveness of the leadership style.

31.	I am effective in meeting job related needs.	0	1	2	3	4
32.	I am effective in representing staff to higher authority.	0	1	2	3	4
33.	I am effective in meeting organisational requirements.	0	1	2	3	4

## 3. The Influence of the leadership style on SME survival.

34.	The leadership style in my company encourages good performance.	0	1	2	3	4
35.	The leadership style in my company pushes for increased production	0	1	2	3	4
36.	The leadership style in my company is effective for the survival of my business.	0	1	2	3	4

This is to certify that I, Mrs BMC Tayler, have edited and proofread the full thesis of Nelisiwe Mary-Ann Mchunu, Student Number : 21031956 who is in the process of completing her Master's Degree in Management Sciences in Business Administration at the Durban University of Technology. Her topic was : The influence of leadership Styles on Small Medium Enterprise Survival in the manufacturing sector within the Msunduzi Municipality, Pietermaritzburg. This has been done with the co-operation of her Supervisor, Dr C.J.Nyide and her Co-Supervisor, Dr C.K. Dongwe, lecturers at the Riverside Campus, Pietermaritzburg. Her thesis was well written with a few minor errors.

Signed :  \_\_\_\_\_

Date : 22/08/2019