

**THE INFLUENCE OF CONTEMPORARY LEADERSHIP STYLES ON THE JOB
SATISFACTION AND ORGANISATIONAL COMMITMENT OF SME EMPLOYEES**

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SATISFACTION AND ORGANISATIONAL COMMITMENT OF SME EMPLOYEES**

By

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DECLARATION

I, **Welcome Kupangwa (210155310)**, hereby declare that the dissertation for **Masters of Commerce** degree is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.



WELCOME KUPANGWA

February 2015

DATE

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ABSTRACT

Small and medium-sized enterprises (SMEs) have the potential to enhance economic growth and innovation, create jobs, assist large businesses in the distribution of goods and services, and stimulate competition in the economy. However, SMEs face several challenges that influence their longevity, growth, and success. Poor leadership has been highlighted as influencing the job satisfaction and organisational commitment levels of employees, ultimately contributing to employee turnover and SME failure. This study mentions the dishonest, selfish and corrupt nature of modern leadership and identifies a gap in the literature regarding the practice of leadership, especially among South African SMEs. Against this background, the primary objective of this study was to assess the levels of several contemporary leadership styles displayed by SME owners, namely *Servant*, *Authentic*, *Ethical* and *Participative* leadership, and to investigate their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs in the Eastern Cape.

A quantitative research paradigm was adopted and a sample was drawn from employees working in SMEs in the Eastern Cape Province. The selection of the sample was done using judgement and convenience sampling. A cross-sectional survey using a structured questionnaire was undertaken, and a total of 236 usable questionnaires were returned on which to undertake the statistical analysis. In order to assess the validity of the dependent variables, namely *Job satisfaction* and *Organisational commitment*, tests for uni-dimensionality (using factor analysis) were undertaken. An exploratory factor analysis (EFA) was undertaken on the independent variables and four factors were extracted, which corresponded with the theoretical dimensions of *Relational leadership*, *Participative leadership*, *Servant leadership* and *Ethical leadership*. The items intended to measure *Authentic leadership* did not load as expected, but a factor named *Relational leadership* emerged as a result of several items measuring *Ethical* and *Servant* leadership loading together. All the independent and dependent variables returned Cronbach's alpha coefficients of greater than 0.7. As such, sufficient evidence of validity and reliability for the scales measuring the dependent and the independent variables was provided. The data collected was also subjected to several statistical analyses.

These included descriptive statistics, Pearson's product moment correlations, multiple regression analyses, and analysis of variance (ANOVA).

The majority of respondents agreed that they experienced *Job satisfaction* in the SMEs in which they were employed and that they were committed to these businesses. *Relational leadership* returned the highest mean score while the lowest score was returned for *Participative leadership*. The majority of respondents also agreed that the SME owners for whom they worked displayed the leadership styles under investigation. All the independent variables were significantly and positively correlated with the dependent variables, *Job satisfaction* and *Organisational commitment*. In addition, significant positive correlations were reported between all the independent variables.

The multiple regression analyses revealed that three of the four leadership styles investigated in this study had a significant positive influence on both the *Job satisfaction* and *Organisational commitment* levels of employees working in the SMEs. These leadership styles were *Servant*, *Relational*, and *Ethical leadership*. In addition, the results of this study showed that *Job satisfaction* mediates the relationship between *Servant*, *Relational* and *Ethical leadership*, and the *Organisational commitment* displayed by employees working in SMEs, but does not mediate the relationship between *Participative leadership* and *Organisational commitment*.

The findings also showed that the demographic variables investigated in this study had no influence on how SME employees perceived the *Servant* and *Relational leadership* behaviours of SME owners. However, the results showed that female respondents perceived SME owners as displaying a *Participative leadership* style more so than male employees did. The findings also revealed that employees with a post-matric qualification perceived that SME owners displayed higher levels of *Participative leadership* than those without a post-matric qualification. In addition, the ANOVA revealed that *White* respondents perceived that SME owners exhibited more ethical behaviours than *Black* respondents did.

Given the findings of this study, several recommendations were put forward to enhance the levels of *Servant*, *Relational* and *Ethical leadership* among SME owners, and to ultimately enhance the levels of *Job satisfaction* and *Organisational commitment* experienced by their employees. As such SME owners were provided with practical recommendations on how to attract and retain employees by adopting appropriate leadership behaviours. Employees play a vital role in achieving the goals and vision of a business. Satisfied and committed employees put more effort into ensuring the goals and vision of the business are achieved, contributing to business success and ultimately the economy as a whole.

KEYWORDS:

Small and medium-sized enterprises, Leadership, Leadership styles, Servant leadership, Authentic leadership, Ethical leadership, Participative leadership, Job satisfaction, Organisational commitment.

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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Small and medium-sized enterprises (SMEs) are generally regarded as a main driving force for economic growth, competitiveness, job creation, and social stability (Bosch, Tait & Venter 2011:580; Krüger & Chantal 2010:59). Mbonyane and Ladzani (2011:550) contend that SMEs are the pillar of many economies across the globe. SMEs play a critical role in addressing unemployment, by creating job opportunities and more competitive markets (Nieman 2006:10,12). The World Business Council for Sustainable Development (2007:4) considers that SMEs can play a much more prominent role in developing national economies, alleviating poverty, participating in the global economy, and partnering with larger businesses.

In South Africa, SMEs are of great importance to the national economy for various reasons. They assist other small businesses in their communities and also create competitive markets for other businesses (Bosch *et al.* 2011:580). In fact, SMEs contribute about 40% to the South African Gross Domestic Product (GDP) and are responsible for 80% of new jobs created in the country (Business South Africa 2014). The SME sector is a key player in the future growth of the South African economy. As such, SMEs are seen as a potential solution to some of South Africa's economic and social problems, and can be regarded as an important and growing part of the economy (Davies 2013).

However, Van Eeden, Viviers and Venter (2003:13) point out that despite the potential role of SMEs, they face several challenges, and experience high failure rates. Business South Africa (2014) reports that the failure rate of SMEs in South Africa is between 70% and 80%, and up to 80% of all new small businesses fail within their first five years of operations. Millions of rands are lost on business ventures because of preventable mistakes and problems (Van Eeden *et al.* 2003:13).

The factors that could explain the high failure rate of SMEs in South Africa can be categorised as either environmental, marketing, financial, or managerial/leadership problems (Van Eeden *et al.* 2003:13). According to Schermerhorn (2011:144), the reasons for failure among SMEs are a lack of strategy, a lack of commitment, poor financial control, and a lack of strategic leadership. Similarly, Hatten (2009:19) asserts that poor management and leadership can lead to business failure.

Evidence (Huang & Paterson 2014:1; Rossy 2011:35) exists to suggest that currently many businesses face ethical challenges in leadership. For example, many SMEs leaders are involved in unethical behaviours such as bribery, corruption and financial fraud, which affect their business practices (Ogundele, Hassan, Idris & Aliu 2013:1). Factors contributing to an increase in unethical behaviour are excessive competition in today's business world, unrealistic pressure on leaders to perform well, and high levels of unmanaged stress among employees and leaders (Squazzo 2012:34,37). In addition, modern leaders are often focused on themselves, and forget the concerns of their employees, resulting in a decline of team performance (Spreier, Fontaine & Malloy 2006).

Given the above leadership challenges, the need arises for leaders who involve employees and have the wish to serve and care for others, leaders who are transparent, and demonstrate high levels of integrity and ethical commitment. According to Van Dierendonck (2011:1228), a more ethical, people-centred, character-orientated approach to leadership may be what businesses require. El Hadidy and Ospina (2010:5) report that more attention is now directed towards shared or participative leadership and the collective-making processes that enhance and share the experience of leadership.

In the modern economy, human resources are the most valuable resource needed by organisations to run smoothly, effectively and efficiently (Mosadeghrad 2003:37). By the same token, well-qualified and capable personnel are important for achieving the goals and objectives of an organisation (Bushra, Usman & Naveed 2011:261). The success of an organisation depends on hard-working, loyal and involved managers and employees (Bushra *et al.* 2011:261). Hence, the value of any organisation depends on the capacity of its employees to contribute to its success

(Amos, Ristow, Ristow & Pearse 2008:6-7). Employees are viewed as both suppliers and customers of an organisation because of the organisation's responsibility to satisfy the work-related needs of employees and motivate employees to improve their service delivery to customers. However, employees who are not satisfied or committed will have a negative impact on the organisation's performance, which will in turn affect final customers (Berndt & Tait 2012:87).

The management of employees is largely dependent on the quality of leadership in organisations (Albion & Gagliardi 2007:3). Lok and Crawford (2004:321) claim that effective leadership plays a vital role in determining the success or failure of the organisation. Similarly, Smit, Cronje, Brevis and Vrba (2011:313) assert that the performance of the organisation is directly related to the quality of its leadership. Gill, Flaschner and Shacha (2006:469) suggest that leaders help to stimulate, motivate and encourage their followers in order to obtain key performance results. In other words, leadership is important to encourage employee performance.

Without proper leadership an organisation will not realise its goals and mission. Poor leadership leads to poor financial results, low employee morale, and high employee turnover, as well as low goal achievement (Kokemuller 2014). Hence the leadership styles adopted in an organisation have a significant influence on its success (Smit *et al.* 2011:313).

1.2 PROBLEM STATEMENT

Today's world is faced with corporate greed and misconduct, fuelled by unethical leadership practices (Rossy 2011:35; Bennis 2007). Modern leadership is characterised by dishonesty, selfishness and corruption (Johnson 2008:11). Leaders today are more focused on themselves (Spreier *et al.* 2006:1) and are becoming more obsessed with satisfying their personal needs instead of those of their employees, customers and the business (Valdiserri & Wilson 2010:47). It is well documented that the behaviour of leaders influences the job satisfaction and organisational commitment of employees (Belias & Koustelios 2014a:40; Özşahin, Zehir, Acar & Sudak 2013:370; Khuntia & Suar 2004:13). In addition several studies contend that leadership influences financial performance, employee morale and

turnover, as well as goal achievement (Kokemuller 2014; Long, Thean, Ismail & Jusoh 2012:580; Bushra *et al.* 2011:261). Job satisfaction and organisational commitment, as well as morale and employee turnover, influence business performance (Bushra *et al.* 2011:265-266). Followers or subordinates are influenced by the unethical, selfish and corrupt behaviour of their leaders which reduces the productivity of employees as well as their likelihood of staying in their current employment (Johnson 2008:11).

Currently, organisations are focused on understanding, developing and improving their leadership (Bushra *et al.* 2011:261), and perceptions are changing in that leaders are required to be more ethical, people-centred and character-orientated (Van Dierendonck 2011:1128). In recent times, innovation and employee well-being are given high priority and therefore ethical and caring behaviour is of utmost importance (Van Dierendonck 2011:1228). There is an increasing need for more leaders who are trustworthy, more transparent and who display high levels of integrity as well as moral standards (Gardner, Avolio, Luthans, May, & Walumbwa 2005:344). Axner (2014) contends that the traditional model of leadership involving one leader with many followers is no longer effective. Several authors contend that a need exists to research, develop and implement more ethical, inclusive and relational leadership approaches (Investopedia 2011, Valdiserri & Wilson 2010:47; Avolio, Walumbwa & Weber 2009:422-423; Brown & Treviño 2006:595-596). By investigating several contemporary leadership styles, namely servant, authentic, ethical and participative leadership, this study responds to this need.

Although leadership continues to be one of the most widely discussed topics by researchers all over the world (Kuchler 2008), as far as can be established, little if any, research has been done among SMEs in South Africa on the contemporary leadership styles investigated in this study. El Hadidy and Ospina (2010:3) assert that not much is known about how leadership is practised and how it can be used to inspire individuals. Through investigating the influence of *Servant, Authentic, Ethical and Participative leadership* on the *Job satisfaction* and *Organisational commitment* levels of employees working in the SMEs, this study attempts to address these questions.

1.3 PURPOSE OF THE STUDY

This study seeks to establish the degree to which four contemporary leadership styles are practised among SME owners and whether practising these styles has an influence on *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. Given the critical importance of the SME sector to the South African economy, this study will provide recommendations to SME owners regarding which leadership styles to implement so as to achieve their goals and objectives.

1.4 RESEARCH OBJECTIVES

This section discusses the primary and secondary research objectives of this study.

1.4.1 Primary research objective

In line with the problem statement, the primary research objective of this study is to assess the levels of several contemporary leadership styles displayed by SME owners, and to investigate their influence on the *Job satisfaction* and *Organisation commitment* levels of employees working in SMEs in the Eastern Cape.

1.4.2 Secondary research objectives

To give effect to the primary research objective of this study, the following secondary objectives (SOs) have been formulated:

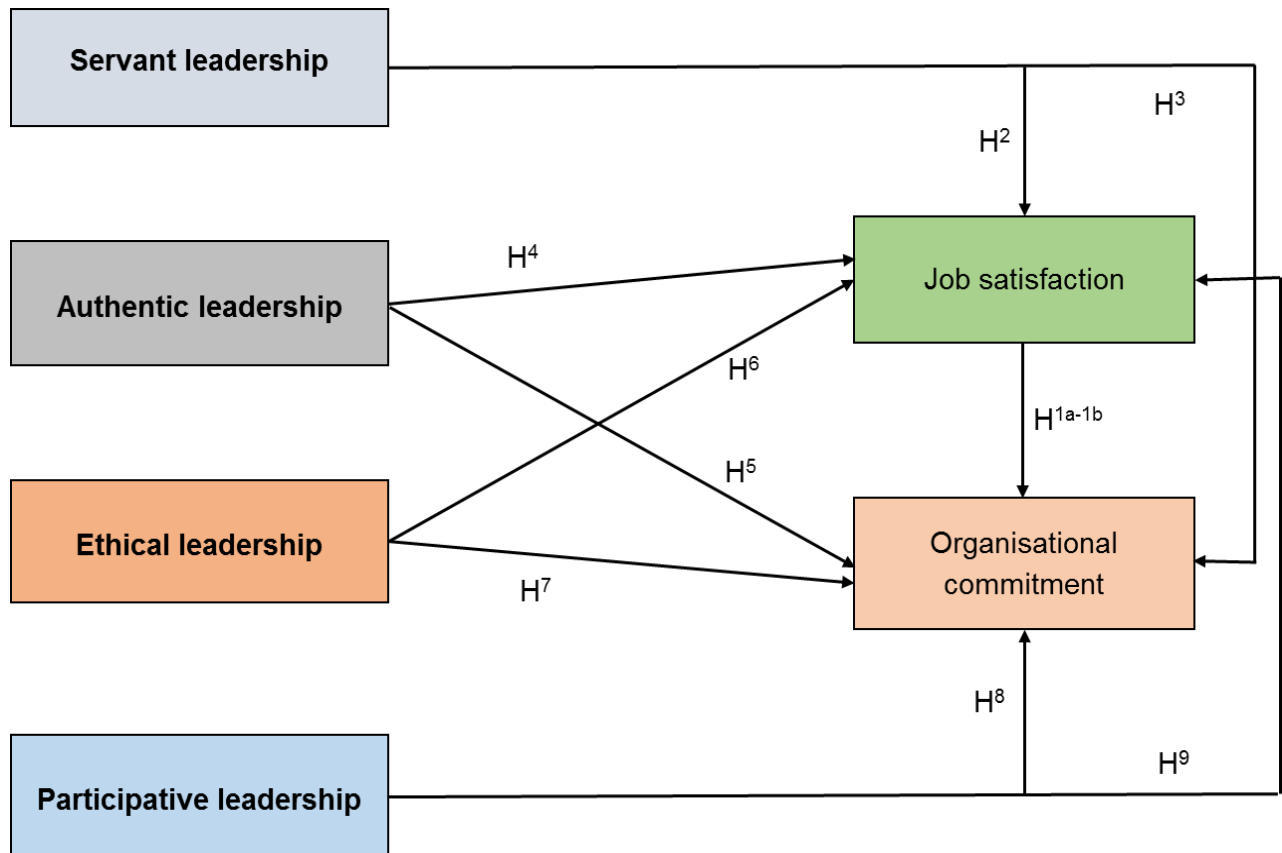
- SO¹ To conduct a literature review on the nature and importance of SMEs, as well as the nature of several contemporary leadership styles (*Servant leadership, Authentic leadership, Ethical leadership and Participative leadership*);
- SO² To develop a hypothesised model that reflects the relationships between the independent variables (*Servant leadership, Authentic leadership, Ethical leadership and Participative leadership*) and the dependent variables (*Job satisfaction and Job commitment*);

- SO³ To choose an appropriate research design and methodology for this study;
- SO⁴ To develop a measuring instrument that would empirically test the relationships as described in the hypothesised model;
- SO⁵ To collect data on the levels of *Servant leadership*, *Authentic leadership*, *Ethical leadership*, and *Participative leadership*, as well as their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs;
- SO⁶ To offer pertinent conclusions and recommendations based on the findings of the study to SME owners on how to improve their contemporary leadership styles and ultimately enhance the levels of *Job satisfaction* and *Organisational commitment* levels experienced by their employees.

1.5 PROPOSED HYPOTHESISED MODEL AND HYPOTHESES

The proposed hypothesised model, together with the research questions and suggested hypotheses will be presented below. Figure 1.1 depicts the hypothesised relationships between the *Servant*, *Authentic*, *Ethical* and *Participative leadership* styles as independent variables, and the dependent variables *Job satisfaction* and *Organisational commitment*. It is also hypothesised that *Job satisfaction* has an influence on the dependent variable *Organisational commitment* and that *Job satisfaction* mediates the relationship between the leaderships styles investigated as well as *Organisational commitment*.

Figure 1.1: Proposed hypothesised model: Leadership styles influencing job satisfaction and organisational commitment of employees working in SMEs



(Source: Researcher's own construction)

Against the background of Figure 1.1, several research questions and hypotheses have been formulated and will be discussed in the following paragraphs.

1.5.1 Research questions

Given the purpose of this study and the stated research objectives, several research questions have been formulated:

- Does the *Job satisfaction* of employees working in SMEs influence their levels of *Organisational commitment*?
- Does the level of *Servant leadership* displayed by SME owners influence the levels of *Job satisfaction* and *Organisational commitment* of their employees?

- Does the level of *Authentic leadership* displayed by SME owners influence the levels of *Job satisfaction* and *Organisational commitment* of their employees?
- Does the level of *Ethical leadership* displayed by SME owners influence the levels of *Job satisfaction* and *Organisational commitment* of their employees?
- Does the level of *Participative leadership* displayed by SME owners influence the levels of *Job satisfaction* and *Organisational commitment* of their employees?
- Does *Job satisfaction* mediate the relationship between the contemporary leadership styles (*Servant, Authentic, Ethical* and *Participative leadership*) investigated in this study and *Organisational commitment*?
- Is there a relationship between several demographic variables relating to employees and the businesses in which they work, and the levels of *Servant, Authentic, Ethical* and *Participative leadership* styles displayed by SME owners?

1.5.2 Research hypotheses

To give effect to the problem statement of the study, the following hypotheses were constructed to test whether relationships exist between *Servant leadership, Authentic leadership, Ethical leadership* and the *Participative leadership*, and the dependent variables *Job satisfaction* and *Organisational commitment*.

- H^{1a}: There is a positive relationship between the level of *Job satisfaction* of employees working in SMEs and their level of *Organisational commitment* to those SMEs.
- H^{1b}: *Job satisfaction* mediates the relationships between the leadership styles investigated in this study (*Servant, Authentic, Ethical* and *Participative leadership*) and the *Organisational commitment* shown by employees working in SMEs.

- H²: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H³: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁴: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁵: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁶: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁷: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁸: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁹: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

Although the primary objective of this study is to assess the levels of several contemporary leadership styles displayed by SME owners and to investigate their influence on the *Job satisfaction* and *Organisation commitment* levels of employees working in SMEs in the Eastern Cape, the influence of selected demographic variables on the levels of *Servant*, *Authentic*, *Ethical* and *Participative leadership* will also be investigated. The following null hypotheses are formulated in this regard and will be subjected to empirical testing:

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

1.6 RESEARCH DESIGN AND METHODOLOGY

According to Antonius (2003:26), a research design is the careful planning of how data can be collected and analysed in a systematic way, and provides a framework that guides how research should be conducted (Collis & Hussey 2014:10; David & Sutton 2011:204). The research design adopted to achieve the objective of this study will be described below.

1.6.1 Secondary research

A comprehensive literature study will be conducted in order to identify and describe the influence of several contemporary leadership styles (*Servant, Authentic, Ethical* and *Participative leadership*) on the *Job satisfaction* and *Organisational commitment* of employees working in SMEs. Various textbooks, journal articles and previous research on *Job satisfaction, Organisational commitment*, leadership styles and SMEs will be consulted. International and national search engines such as Google scholar as well as databases such as Sabinet, EBSCO host, Emerald, and Sage will be utilised. Leading journals in the fields of SMEs, job satisfaction and organisational commitment as well as leadership will be utilised to identify relevant literature. Data will be accessed from other international and national libraries by means of the inter-library loan facilities at the Nelson Mandela Metropolitan University.

1.6.2 Primary research

The primary research involves several components, namely: identifying the most suitable research paradigm and methodology, identifying the sample and sampling method as well as methods of data collection, and lastly identifying and describing the appropriate methods of analysing the data.

1.6.2.1 Research paradigm

Terre Blanche and Durrheim (1999) describe a research paradigm as a research system of interrelated practice and thinking that defines the nature of investigation. According to Collis and Hussey (2014:44) as well as Zikmund, Babin, Carr and Griffin (2013:133), there are two main research paradigms that exist, namely, an interpretivism paradigm that relates to qualitative research and a positivistic paradigm which relates to quantitative research.

Qualitative research involves the socially constructed nature of reality where the focus is on observations for the attainment of understanding, with an emphasis on words rather than numerical findings (Collis & Hussey 2014:46; Bryman 2012:35; Denzin & Lincoln 2008:14). Zikmund *et al.* (2013:132) contend that the objective of qualitative research is to provide a researcher with an opportunity to elaborate on the understanding of the participants without depending on mathematical measurement. Corbin and Strauss (2008:12) suggest that qualitative research has the advantage of understanding the experiences of participants, and the influence of culture.

On the other hand, quantitative research is defined as a research methodology that involves numerical means of collecting, measuring and analysing data (Bryman 2012:13; Somekh & Lewin 2011:220). Moreover, quantitative research highlights the relationship between variables with the objective of measurement (Collis & Hussey 2014:52; Bryman 2012:13; Denzin & Lincoln 2008:14). Quantitative research establishes relationships based on numeric data between the independent and dependent variables, and it allows for hypothesis testing (Collis & Hussey 2014:52; Zikmund *et al.* 2013:133). These variables can be measured using instruments that

can be analysed using statistical measurements. Quantitative research requires researchers to remain objective when conducting research to avoid bias (Collis & Hussey 2014:46-47).

For the purpose of this study, a quantitative research will be adopted, and this study will follow a descriptive and explanatory study of a cross-sectional nature. The hypothesised model depicted in Figure 1.1 will be tested by means of a large-scale empirical study. The reason for this choice is that the population under study is too large, making it impossible to obtain the in-depth views of individual employees in the SME sector. Given the nature and objectives of the study, a quantitative research is considered most suitable. This choice is made in order to quantify significant relationships between several contemporary leadership styles exhibited by owners of small and medium-sized business and the *Job satisfaction* and *Organisational commitment* of employees working in these businesses. Collis and Hussey (2014:50) confirm that quantitative research produces specific, precise, and numerical data which is in line with the aim of this study.

1.6.2.2 Sample and sampling method

Researchers make use of samples that represent the target population under study (Plowright 2011:38). Blaikie (2010:161) defines population as the total number of all cases that meet a certain designated set of criteria. A sample is therefore defined as any subgroup or a selection of elements drawn from the target population (Lombaard, Van Der Merwe, Kele & Mouton 2011:8; Blaikie 2010:172; Antonius 2003:7). In the present study, the target population will be all employees working in the SME sector. Owing to the inability of investigating the entire population, a sample of respondents working in the SME sector in the Eastern Cape Province will be used.

According to Lombaard *et al.* (2011:10), two types of sampling methods exist, namely non-probability and probability sampling. Lombaard *et al.* (2011:10) state that probability sampling occurs when each element of the population has a chance of being selected as part of the sample. Probability sampling methods include simple random sampling, stratified random sampling, and cluster sampling (Yang 2010:44). According to Van Zyl (2014:102) as well as Gray, Williamson, Karp and Dalphin

(2007:104), non-probability sampling implies that all elements of a population do not have the same chance or likelihood of being included in a given sample. Non-probability sampling methods include convenience sampling, quota sampling, judgement sampling and snowball sampling (Andres 2012:101; Lombaard *et al.* 2011:17-18).

The selection of a sample for this study will be done using judgement and convenience sampling. Judgement sampling is also referred to as purposive sampling. The researcher uses his or her judgement or knowledge to select the possible respondents. (David & Sutton 2011:232). The advantage of using this sampling technique is that it is cost-effective and convenient to use (Struwig & Stead 2013:121). Bryman (2012:201) defines convenience sampling as a non-probability sampling method primarily used by researchers owing to the accessibility of respondents in the study proximity. With convenience sampling, elements in the population are selected mainly because they are easily accessible and inexpensive (Lombaard *et al.* 2011:17). Judgement and convenience sampling will be selected in this study as the elements or subjects will be selected based on their accessibility and proximity to the researcher (Lombaard *et al.* 2011:17). Another reason for using judgement and convenience sampling is that there are no existing databases or sampling frames of SMEs in the Eastern Cape. Judgement and convenience sampling will be used to ensure that the largest possible sample is obtained. Using judgement and convenience sampling, employees working in the SME sector who are willing to participate in this study will be included in the sample.

1.6.2.3 Data collection

A survey of a cross-sectional nature will be undertaken in this study. For the purpose of this research a survey in the form of a structured questionnaire will be used to collect data from the respondents. The questionnaire will comprise closed-ended questions. According to Plowright (2011:56), closed-ended questionnaire surveys are done to give respondents a limited choice on how to respond to questions. The reason for this choice is that the researcher will have a relatively high level of control on what information will be collected (Plowright 2011:56).

The questionnaire will be divided into three sections. Section A of the measuring instrument will request certain demographic information relating to the respondents. Information requested concerning the respondent as individual will include gender, age, population group, and whether the respondent has a post-matric qualification or not. Information relating to the business in which the respondent is employed will include whether the business is a family business or not, which generation is currently managing the family business, the number of employees working in the business, and the nature of the industry in which the business operates. Also included in section A of the measuring instrument will be several questions that require the respondent to verify whether the business in which he/she works, qualifies as a small or medium-sized business for the purpose of this study. Section B of the measuring instrument will consist of statements (items) relating to the four contemporary leadership styles (servant leadership, authentic leadership, ethical leadership, and participative leadership). Section C will consist of statements (items) relating to the two dependent variables (*Job satisfaction* and *Organisational commitment*). A 5-point Likert-type ordinal scale (ranging from 1 = *strongly disagree* to 5 = *strongly agree*) will be used in sections B and C. Respondents will be requested to indicate their extent of agreement with each statement.

1.6.2.4 Data analysis

Once the primary data has been collected, it will be analysed using appropriate statistical methods. Quantitative data analysis involves the use of statistical methods such as descriptive and inferential statistics for the analysis of collected data (Lombaard *et al.* 2011:7). According to Lombaard *et al.* (2011:3), descriptive statistics (mean, standard deviation, and variance) are conducted when attained data is organised and then summarised in an effort to make the data simple to comprehend. Collis and Hussey (2014:324) define inferential statistics as a group of statistical methods and models that is used to draw conclusions about a population from quantitative data of the sample under study. The programme STATISTICA version 13 will be used to undertake the statistical analysis in this study.

The data analysis in this study will first involve assessing the validity and reliability of the measuring instrument. In order to assess the validity of the independent

variables in this study an exploratory factor analysis (EFA) will be undertaken. EFA is performed when the researcher is uncertain about how many factors may exist among a set of variables (Zikmund *et al.* 2013:595). In undertaking the EFA, principal component analysis and Varimax raw will be specified as the extraction and rotation methods. Factor loading of greater than 0.4 (Hair, Black, Babin & Anderson 2014:115) will be considered significant for this study. Tests for uni-dimensionality (using factor analysis) will be undertaken on the dependent variables, namely *Job satisfaction* and *Organisational commitment*. Uni-dimensionality refers to the existence of one underlying measurement construct (dimension) that accounts for a variation in the responses of the respondents (Yu, Popp, DiGangi & Jannasch-Pennell 2007). In assessing the uni-dimensionality of the scales measuring the dependent variables, principal component analysis will be specified as the extraction method. Factor loadings of greater than 0.7 (Hair *et al.* 2014:114; Mustakallio, Autio & Zahra 2002:212) will be considered significant for the dependent variables.

For the purpose of this study, Cronbach's alpha coefficients will be calculated to determine the internal consistency of the measuring instrument. Cronbach's alpha coefficients vary between 0 and 1. For the purpose of this study, Cronbach's alpha coefficients of greater than 0.70 are considered significant and deem a scale to be reliable.

Descriptive statistics including means, standard deviation and frequency distributions, will be calculated to summarise the sample data. Lind, Marchal and Wathen (2012:6) as well as Lombaard *et al.* (2011:3) define descriptive statistics as a collection of different methods that are used to organise and summarise collected data in an informative way. In addition to descriptive statistics, inferential statistics such as Pearson's product moment correlations, multiple regression analyses and analyses of variance, will be undertaken. Pearson's product moment correlations will be calculated to establish the correlations between variables under study, whereas multiple regression analyses will be undertaken to determine the relationships between the contemporary leadership styles investigated in this study and the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. In addition, the mediating role of *Job satisfaction* between the independent variables (*Servant, Relational, Ethical* and *Participative leadership*) and the *Organisational*

commitment will be determined. Baron and Kenny (1986:1173) define mediation as a function of a third variable's influence on the relationship between an independent variable and a dependent variable. An analysis of variance (ANOVA) will be undertaken to determine the influence of several demographic variables on the leadership styles investigated in this study.

1.7 ETHICAL CONSIDERATIONS

Given the nature of this study, several ethical considerations will be taken into account in administering the measuring instrument. These ethical considerations will be taken into account to ensure that the methodology adopted in this study is done in the appropriate manner (Blumberg, Cooper & Schindler 2011:114). As this study involves human participants, the rights of respondents with respect to anonymity and confidentiality, voluntary participation and privacy, will be taken into consideration.

1.8 SCOPE AND DELIMITATION OF THE STUDY

This study will be undertaken among employees working for SMEs operating within the borders of the Eastern Cape Province. The reason for this is the accessibility of these respondents to the researcher as well as the role the SMEs play in job creation and the distribution of wealth. The Eastern Cape Province is one of the poorest in South Africa, and has one of the highest unemployment rates in the country.

Although there are several leadership styles that may influence the levels of *Job satisfaction* and *Organisational commitment* of employees working in SMEs, only four contemporary leadership styles will be tested in this study, namely the servant, authentic, ethical, and participative leadership styles. In addition, the leadership style adopted in a business can influence several dependent variables. This study has focused on the *Job satisfaction* and *Organisational commitment* of SME employees only.

According to Van Wyk and Adonisi (2008:391), job satisfaction is considered to have two dimensions, namely intrinsic and extrinsic job satisfaction, whereas

organisational commitment is considered to be multi-dimensional, consisting of affective, continuance and normative commitment (Singh, Gupta & Venugopal 2008:63; Meyer, Stanley, Herscovitch & Topolnytsky 2002:20; Meyer & Allen 1991:64). According to Robinson (n.d.), affective commitment is the form that has most potential benefit for a business, as it has direct effects on how employees perform their tasks. For the purpose of this study, job satisfaction and organisational commitment will be considered as one-dimensional constructs. This was done so as to measure an employee's general affective reaction to his/her job without reference to any specific dimensions. This approach is in line with several other studies (Chinomona, Mashiloane & Pooe 2013; Griffith-Kranenburg 2013; Vandenabeele & Ban 2009) that have also measured job satisfaction and organisational commitment as one-dimensional constructs.

According to several sources (Wang, Sui, Luthans, Wang & Wu 2014:5; De Jong & Den Hartog 2007:44; Barbuto & Wheeler 2006; Resick, Hanges, Dickson & Mitchelson 2006; Avolio & Gardner 2005:317; Guillen & Gonzalez 2001:180) the leadership styles investigated in this study consist of several dimensions. However, the focus of this study is only on selected dimensions from each of the styles investigated. The dimensions investigated in this study for servant leaderships are humility, servant-hood and caring for others, the dimensions for authentic leadership are relational transparency and internalised moral perspective, the dimensions for ethical leadership are integrity and ethical commitment, and the dimensions for participative leaderships are management participation and autonomy. Several reasons were considered when selecting these dimensions. Different studies (Wang *et al.* 2014; Van Dierendonck 2011; Walumbwa, Christensen & Hailey 2011; Liden, Wayne, Zhao & Henderson 2008; Resick *et al.* 2006; Page & Wong 2000) make use of different labels (naming) for the various dimensions; dimensions are often overlapping, and different numbers of dimensions measuring the various styles exist. For example, Liden *et al.* (2008) propose the dimensions of servant leadership as helping subordinates grow and succeed, and putting subordinates first. These dimensions have similarities to those that were proposed by Page and Wong (2000) such as caring for employees and developing others. To empirically investigate all these dimensions would be beyond the scope of this study, and would lead to a lengthy measuring instrument and possible response fatigue.

Leadership can be either seen as a trait (characteristic) possessed by an individual (Northouse 2010; Bligh 2009:639) or as a process of influencing employees or followers (Grobler, Wörnich, Carrell, Elbert & Hatfield 2011:620). The trait perspective contends that an individual has specific innate or inborn characteristics or qualities that make him/her a leader (Hellriegel, Slocum, Jackson, Louw, Staude, Amos, Klopper, Louw, Oosthuizen, Perks & Zindiye 2012:376). The process perspective suggests that leadership is a phenomenon that resides in the context of the interactions between leaders and followers (Northouse 2010). According to Page and Wong (2000), leadership trait perspective is a key factor that influences how leaders work and relate to their employees as well as how they carry out their leadership duties.

For the purpose of this study, the selected dimensions for each leadership style are related to the trait perspective of leadership or leadership as a trait, that is, the characteristics that describe leadership behaviour (Yukl, Mahsud, Hassan & Prussia 2013) as well as the kind of person the leader is. On the other hand, the other dimensions are more process-orientated and relate more to the implementation of leadership in a specific context. To achieve the objectives of this study, it was decided to focus only on those dimensions of the style investigated that relate to leaders in general. In this way several leadership styles could be investigated but no one style would be investigated in detail.

As mentioned above, the literature and various studies show that the leadership styles under investigation consist of several dimensions. However, for the purpose of this study, the leadership styles investigated will be measured as a one-dimensional construct. This approach is in line with several other studies (Wang *et al.* 2014; Azanza, Moriano & Molero 2013; Bello 2012; Ding, Lu, Song & Lu 2012; Ponny & Tennakoon 2009) who have also measured these leadership styles as single constructs.

1.9 SIGNIFICANCE OF THE STUDY

SMEs play a vital role in any economy, and have been recognised as an important strategic sector in terms of employment creation and contributions to GDP (Fumo &

Jabbour 2011:849). Therefore, the success of SMEs is of major significance to the South African economy. Given the need for more people-orientated leadership styles and the relationship between leadership and business success, investigating several leadership styles among SMEs is of great importance, as insights can be forthcoming on improving SME success.

This study aims to expand the theoretical and empirical body of knowledge on SMEs by assessing the levels of contemporary leadership styles among SME owners and investigating their influence on the *Job satisfaction* and *Organisational commitment* levels of their employees. The study also endeavours to contribute to the body of knowledge on the more ethical, inclusive and relational leadership approaches, namely servant, authentic, ethical and participative leadership, specifically within the context of SMEs.

This study will provide SME owners, policy makers, government, management scholars and researchers with greater insights into the role of leadership, in ensuring *Job satisfaction* and *Organisational commitment* of employees. These insights, steps and measures can be taken by SME owners to adapt and improve their leadership styles in order to ensure that employees are satisfied and committed to the organisations in which they are employed.

1.10 DEFINITION OF CONCEPTS

This section will provide definitions of the key terms to be used in this study.

1.10.1 SMES

For the purpose of this study, an SME is defined as a business that has been in operation for at least one year, employs more than five but fewer than 200 full-time employees, and the owner of the business is actively involved in the daily running and managing of the business.

1.10.2 Job satisfaction

For the purpose of this study, *Job satisfaction* refers to employees experiencing their involvement in the businesses in which they are employed as rewarding, fulfilling, satisfying and enjoyable.

1.10.3 Organisational commitment

In this study *Organisational commitment* refers to employees having pride in and an emotional attachment to the business in which they are employed, as well as being willing to make personal sacrifices and put in a great deal of effort to ensure its success.

1.10.4 Leadership

For the purpose of this study, leadership is defined as the ability to influence employees towards the attainment of stated goals of the business (Daft 2014:492; Hellriegel *et al.* 2012:374).

1.10.5 Leadership style

For the purpose of this study, leadership style refers to the manner and approach of providing direction, implementing plans and motivating employees.

1.10.6 Servant leadership

For the purpose of this study, servant leadership refers to the SME owner displaying humility, servant-hood and a caring for others (emotional healing).

1.10.7 Authentic leadership

In this study authentic leadership refers to the SME owner as displaying relational transparency and demonstrating an internalised moral perspective.

1.10.8 Ethical leadership

For the purpose of this study, ethical leadership refers to the SME owner displaying integrity and ethical commitment within his/her business.

1.10.9 Participative leadership

In this study participative leadership refers to the SME owners displaying management participation and autonomy towards their employees.

1.11 STRUCTURE OF THE STUDY

The structure of the research will be as follows:

Chapter 1 will provide an introductory background of the study under investigation. The introduction will be followed by the problem statement, the purpose of the study, and the objectives of this study. The secondary and primary research method will also be introduced in this chapter. In addition, the scope and demarcation of the study as well as its contributions and significance, will be highlighted. Chapter 1 will conclude with definitions of the most important concepts used in the study, and an overview of the contents to follow.

Chapter 2 will provide an overview of the nature and importance of SMEs. This chapter will provide a discussion on the reasons for failure in SMEs. The concepts *Job satisfaction* and *Organisational commitment* will be discussed in detail. This chapter will also provide an overview of the various factors influencing *Job satisfaction* and *Organisational commitment* levels of employees. A lack of leadership will specifically be highlighted.

Chapter 3 will discuss the nature and importance of leadership, as well as the various components of leadership and several leadership theories. The different traditional and contemporary leadership styles will be identified and described. The leadership styles investigated in this study, namely servant, authentic, ethical, and

participative leadership, will be elaborated on in detail. Lastly, leadership styles among SMEs will be contextualised.

Chapter 4 will present a hypothesised model of the leadership styles (servant, authentic, ethical, and participative leadership) hypothesised as influencing the levels of job satisfaction and organisational commitment of employees working in SMEs. Empirical support for the hypothesised relationships will be provided in this chapter.

Chapter 5 will explain the research design and methodology adopted in this study, and the motivation of the chosen methodology will be given. The research paradigm, population, sample and sampling methods, as well as the development of the measuring instrument will be described. The primary and secondary data collection methods and strategies will be described. A discussion on the statistical techniques used to analyse the data collected from the empirical study will be provided.

Chapter 6 will present the empirical results of this study. The results of the validity and reliability of the measuring instrument, as well as the descriptive statistics, the Pearson's product moment correlations, multiple regression analysis and ANOVAs will be presented.

Chapter 7 will be the final chapter of the study and will provide an overview of the entire study. Conclusions and recommendations based on the literature review and the empirical findings will be made. The contributions and possible shortcomings of this study as well as recommendations and suggestions for future research will also be provided in this chapter.

CHAPTER 2

JOB SATISFACTION AND ORGANISATIONAL COMMITMENT AMONG SMES

2.1 INTRODUCTION

The primary objective of this study is to establish the influence of several contemporary leadership styles on the job satisfaction and organisational commitment of employees working in SMEs. The job satisfaction and organisational commitment of employees has become one of the most researched topics in managerial literature, and substantial efforts have been focused on understanding their impact on the overall performance of businesses (Suki & Suki 2011:1-2). Several authors (Purnama 2013:97; Lumley, Coetzee, Tladinyane & Ferreira 2011:101; Warsi, Fatima & Sahibzada 2009:402) contend that if the levels of job satisfaction and organisational commitment among employees are high, the performance of the business will be high. In order to achieve the primary objective of this study, it is necessary to discuss and contextualise job satisfaction and organisational commitment among SMEs.

The discussion in this chapter will commence by describing the nature of SMEs and highlighting their important contributions to the South African economy. Despite the contributions of SMEs, the failure rate among them is high. This chapter will provide possible reasons for the high failure rates. Ineffective leadership is identified as a factor contributing to it, and the influence of leadership on the job satisfaction and organisational commitment of employees cannot be ignored (Omidifar 2013:263-264). Therefore, a discussion on job satisfaction and organisational commitment will be presented and finally the various factors influencing these constructs will be elaborated on.

2.2 NATURE OF SMES

After the political transformation in 1994, the South African Government recognised the importance of SMEs, which led to the adoption of the White Paper (1995) on the National strategy for the Development and Promotion of Small Businesses in South

Africa. From this White Paper (1995), it is evident that the need for placing more attention on SMEs was as a result of the historical dominance of large, capital-intensive organisations which led to the continued neglect of SMEs in South Africa. (Department of Trade and Industry 2005:4).

As identified in the White Paper (1995), South African SMEs exist in four categories, namely survivalists, micro, small and medium enterprises. This commonly translates into what is known as the Small, Medium and Micro Enterprises (SMME or SME) sector. The South African National Small Business Act of 1996 set out the most widely used framework for SMEs in South Africa. This Act defines five categories of enterprises in South Africa. (Abor & Quartey 2010:221).

- *Survivalist firms*: These are businesses that generate an income that is less than the minimum income standard or the poverty line. Such businesses are considered to be pre-entrepreneurial and include hawkers, vendors, and subsistence farmers (Pellissier & Nenzhelele 2013; Olawale & Garwe 2010).
- *Micro firms*: These businesses include those that have a turnover that is less than the Value Added Tax (VAT) registration limit, namely R150 000 per annum. Most of these firms are not formally registered and include spaza shops, minibus taxis, and household industries (Pellissier & Nenzhelele 2013; Olawale & Garwe 2010).
- *Very small firms*: These businesses employ fewer than 20 paid employees and operate in formal markets. However, the number of employees that can be employed by these businesses varies from one firm to another (Pellissier & Nenzhelele 2013).
- *Small firms*: These are businesses that employ between 20 and 50 employees. They are more established than very small firms and are registered in formal markets (Pellissier & Nenzhelele 2013; Abor & Quartey 2010:221). There is high centralisation of decision-making within the top

management or owners of these businesses (Pedraja-Rejas, Rodríguez-Ponce & Rodríguez-Ponce 2006:501).

- *Medium firms*: These businesses are often characterised by a decentralisation of power to an additional level of management in the organisational hierarchy (Abor & Quartey 2010:221; Olawale & Garwe 2010). They employ between 50 and 200 employees.

SMEs exist both in the formal and informal sectors of the economy. Table 2.1 provides the schedule of size standards for a definition of SMEs in South Africa. Businesses that have a total number of less than 20 employees and have a total annual turnover of R6 million are classified as *very small businesses*. A business is classified as either a *small* or *medium* business if it has a total number of employees of between 20 and 49, and 50 and 200 respectively. The maximum annual turnover of these businesses should be less than R32 million and R64 million respectively. (Government Gazette of the Republic of South Africa 2003).

Table 2.1: Schedule of size standards for the definition of SMEs in South Africa

| Type of firm | Number of Employees | Turnover (Maximum) | Total Gross assets value (Maximum) |
|--------------|---------------------|--------------------|------------------------------------|
| Very Small | 1 – 19 | R6m | R2m |
| Small | 20 – 49 | R32m | R5m |
| Medium | 50 – 200 | R64m | R19m |

(Source: Government Gazette of the Republic of South Africa 2003)

The National Small Business Act of South Africa of 1996, as amended in 2003 identifies an SME as a separate and distinct entity managed by one or more owners, including its branches or subsidiaries, if any (Pellissier & Nenzhelele 2013). SMEs are found in all sectors and sub-sectors of the economy, including cooperative enterprises and non-governmental organisations. A business can be classified as SME when it satisfies the criteria mentioned in the schedule of size standards in Table 2.1 (Government Gazette of the Republic of South Africa 2003).

A major concern in the literature pertains to the issue of deciding what constitutes a small or medium enterprise. There are different ways of defining SMEs; some researchers use capital assets while others use number of employees in the business (Abor & Quartey 2010:219).

While there is no general internationally accepted definition of what constitutes an SME (Bosch *et al.* 2011:577; Van Scheers 2011:5048), DuToit, Erasmus and Strydom (2010:53) provide a comprehensive definition of an SME in South Africa. These authors contend that an SME is any enterprise that:

- Employs less than 200 employees;
- Earns an actual turnover of less than R64 million;
- Owns capital assets of worth less than R23 million; and
- Is actively managed by the owners of the business.

For the purpose of this study, SMEs will be defined as businesses that have been in operation for at least one year, employ more than five but fewer than 200 full-time employees, and whose owners are actively involved in the daily running and managing of the business.

One of the factors that distinguishes SMEs from larger businesses is the issue of management and structure. In SMEs, owners are commonly required to perform most, if not all, of the managerial duties/tasks in the business (Bosch *et al.* 2011:579). This may be because most of the power and decision-making is centralised within the top management or with the business owner (Pedraja-Rejas *et al.* 2006:501). SMEs generally have a small and simple management structure, where large businesses have more complex hierarchical management structures. (Bosch *et al.* 2011:579). Bridge, O'Neill and Martins (2009:185), note that SMEs tend to have flexible and non-differentiated structures, as well as flexible work practices. As a result, SMEs tend to be less bureaucratic.

In countries such as England and Wales, most SMEs are found in urban areas (Bridge *et al.* 2009:199), whereas in South Africa most SMEs can be found in rural

areas (Abor & Quartey 2010:222). This could be explained by the fact that more individuals live in rural areas in South Africa than in England and Wales or in other more developed countries.

2.3 IMPORTANCE OF SMES

According to Fumo and Jabbour (2011:849), SMEs are prevalent in most developed and developing countries, and are regarded as essential for economic progress. As a result, most governments throughout the world are focusing on the development of the SMEs to enhance economic growth (Olawale & Garwe 2010:729). This section will focus on the contributions of SMEs to the economies of countries. More specifically, the contributions of SMEs to GDP and innovation, the production of goods and services, job creation, and creating more competitive markets, will be elaborated on.

2.3.1 Economic growth and innovation

One of the contributions made by SMEs to the economy of a country is that they contribute to innovation. DuToit *et al.* (2010:53) mention that most innovations worldwide are created or developed by SMEs. Olawale and Garwe (2010:729) state that SMEs are vital for new product development and for the generating of new technologies in countries. The creation of new technologies by SMEs are an important source of innovation, and places much competitive pressure on well-established and larger businesses. Bridge *et al.* (2009:14) contend that SMEs are able to keep up with larger businesses in the field of innovation. The SME sector is important as they act as a source of innovation in products, technologies and services (Olawale & Garwe 2010:729).

SMEs are also seen as vital for the growth and the long-term economic development in a country (McFarland, McConnell, Geary 2011; Berisha-Namani 2009:2). Countries that have a large number of SMEs enjoy higher rates of economic growth and greater reductions in unemployment than countries with lower numbers. Pellissier and Nenzhelele (2013) add that SMEs are a major contributor to a country's Gross Domestic Product (GDP). An economy that is experiencing growth,

creates opportunities for SMEs and larger businesses to grow (Mahadea, Youngleson, Botha, Dhliwayo, Fregidou-Malama, Musengi-Ajulu, Myres, Pillay & Reyneke 2013:45). The South African government has recognised the importance of SMEs to economic development and as a result has created a new ministry for small business development (Numa 2014).

2.3.2 Production of goods and services

SMEs are important in the South African economy because they combine resources to produce goods and services for the society in which they operate (DuToit *et al.* 2010:53). Olawale and Garwe (2010:729) assert that SMEs are more flexible and productive than larger businesses and are thus able to produce more goods and services in an economy than larger businesses. Bosch *et al.* (2011:580) argue that SMEs are in a better position to develop close relationships with customers, and provide more personalised services owing to the flexible nature of their decision-making processes

2.3.3 Job creation

South Africa suffers from high unemployment. Official estimates indicate that about 25.2 per cent of the economically active population are unemployed (Statistics South Africa 2013). With about 2.2 million SMEs in South Africa (Bosch *et al.* 2011:581), it is estimated that SMEs provide about 85 per cent of job opportunities (Smit *et al.* 2011:19; Abor & Quartey 2010:223). Abor and Quartey (2010:218) contend that 91 per cent of formal business entities in South Africa are SMEs. In South Africa the labour absorption capacity of large organisations has been steadily declining over the past two decades (Mahadea *et al.* 2013:47). SMEs have more capacity to create jobs and absorb labour than large businesses do (Edinburgh Group 2014; Bosch *et al.* 2011:580; DuToit *et al.* 2010:54). Given the economic influence of SMEs in African countries, SMEs play a crucial role in generating employment, which contributes to poverty alleviation (Chimucheka 2013:784; Fatoki & Asah 2011:170; Abor & Quartey 2010:219).

2.3.4 Aiding of large organisations

In advanced economies, SMEs not only create more competitive markets (Bosch *et al.* 2011:580), but also enable large businesses to compete internationally by acting as suppliers to these larger businesses and assisting in the distribution of products manufactured by them. Abor and Quartey (2010:218) describe SMEs as “seeds of large businesses” and “fuel of national economic engines”. SMEs assist in the allocation of resources by complementing larger businesses rather than competing with them. In cases where SMEs cannot compete with large businesses, large businesses should network with SMEs and allow SMEs to produce sub-contracted output on their behalf (Mahadea *et al.* 2013:47). SMEs are able to perform some functions more efficiently and effectively than larger businesses (Chimucheka 2013:786).

2.3.5 Stimulate competition

According to Bridge *et al.* (2009:13), SMEs provide competition to larger businesses. By means of widening consumer choice, SMEs provide a variety of products that are tailor-made to suite individual needs or those of small groups of consumers. According to Mahadea *et al.* (2013:46), strong competition from SMEs can bring about greater choice of goods and services, with a high possibility of lower prices and better quality of services than provided by large businesses. In most cases large businesses tend to ignore these specialist niches and focus on large-scale production. Large businesses are constantly forced to review their profits, product offerings and ways of operating as a result of competition from SMEs (Bridge *et al.* 2009:13).

Despite the contributions of SMEs, they face several challenges that influence their longevity, growth and success. These challenges that contribute to the high failure rates among SMEs will be discussed in the next section.

2.4 REASONS FOR SME FAILURE

SMEs face several challenges that influence their success in achieving their stated goals. Bosch *et al.* (2011:594) mention that access to finance, poor management and a lack of managerial skills are some of the most prevalent problems facing SMEs in South Africa. Another key difficulty is a lack of business experience (Bosch *et al.* 2011:594). Chittithaworn, Islam, Keawchana, and Yusuf (2010:184-185) identify six categories of challenges facing SMEs. These categories are management and know-how, products and services, customers and markets, the way of doing business and cooperation, resources and finance, and the external environment. According to Chittithaworn *et al.* (2010:185), customers and markets, resources and finance, and the external environment play the most important roles in influencing the success of SMEs. The most commonly known challenges facing SMEs will be discussed next.

2.4.1 Lack of marketing skills

The marketing activities of an SME can influence whether the business will succeed or fail in the long run (Van Scheers 2011:5049-5050). Marketing challenges facing SMEs include increasing sales and market share, introducing new products, and building customer relationships (Cant & Wiid 2013:707; Van Scheers 2011:5049-5050). According to Alsamari, Slade, Sharif and Saleh (2013:108), the failure to implement adequate marketing plans also contributes to SME failure.

2.4.2 Access to appropriate resources and technology

Technological innovation has long been a major contributor to progress in business and continues to influence the growth and survival of SMEs (Hove & Chikungwa 2013:63; Olawale & Garwe 2010:731). Hove and Chikungwa (2013:63) add that SMEs in developing countries such as South Africa have limited access to information technology. It is this weakness that negatively influences the growth and survival of SMEs (Olawale & Garwe 2010:731). According to Berisha-Namani (2009:5), technology is crucial in the 21st century as it results in cost deduction, effective promotion, faster communication, and faster realisation of products and

services. Olawale and Garwe (2010:731) add that businesses are increasingly investing in technology and keeping up with the latest developments. Most businesses understand the benefits of using technology, not only for strategy formulation but also for maximising business opportunities (Olawale & Garwe 2010:731).

2.4.3 Access to infrastructure and services

Many developing countries suffer from a poor, even deplorable, state of basic infrastructure such as electricity, telecommunication, water, and transportation (Sherazi, Ibqal, Asif, Rehman & Shah 2013:1327; Olawale & Garwe 2010:732). Dockel and Ligthelm (2002:5) have found that there is a positive association between access to infrastructure (such as electricity and communication modes), and the success of SMEs. Infrastructure and services also assist in the development of networks for SMEs (Sherazi *et al.* 2013:1327; Ng'nga'a, Onyango & Kerre 2011:27). The lack of technological and infrastructural dynamism leads to stagnation and a lack of transition to larger businesses (Ng'nga'a *et al.* 2011:27). In other words, without infrastructure and technology, few SMEs will grow to larger businesses. According to Olawale and Garwe (2010:732), the growth and success of SMEs in developing countries such as South Africa are influenced by the quality of the infrastructure. Infrastructure and technological developments are critical for the survival and growth of SMEs (Ng'nga'a *et al.* 2011:28).

2.4.4 Access to finance

According to Bosch *et al.* (2011:594), the lack of adequate funding occurs because of the inability of SMEs to access finance. Olawale and Garwe (2010:731). Dockel and Ligthelm (2002:5) contend that a lack of financial support is the second most reported contributor to the low creation of new businesses and to new business failure in South Africa.

Organisations that provide financial assistance are unlikely to commit funds to SMEs, which they perceive as not being on a sound footing (Chimucheka 2013:787). To improve access to finance, SMEs could form cooperatives that would reduce the

risk of default (Abor & Quartey 2010:225-226). While many SMEs perceive the lack of funds as a major constraint to expanding their business operations, some studies show that many SMEs fail because of non-financial challenges (Abor & Quartey 2010:225).

2.4.5 High legal and regulatory requirements

According to Bosch *et al.* (2011:594), SMEs face several bureaucratic hurdles and government policies. McFarland *et al.* (2011) maintain that regulatory processes present barriers to SMEs, such as time-consuming bureaucratic requirements, complex rules, and inefficient processes. According to Sherazi *et al.* (2013:1328), tax rates imposed by government have a significant influence on the success of SMEs. In addition, excessive and unnecessary burdens are imposed on SMEs through high start-up costs, licensing and registration requirements (Abor & Quartey 2010:224).

In a recent study, Cant and Wiid (2013:712), report that government legislation plays an important role in influencing the growth of SMEs. The nature and extent of the influence of these legal and regulatory requirements differ depending on the size and economic profile of the business and the sector in which it operates (Bosch *et al.* 2011:594). Abor and Quartey (2010:224) report that although wide-ranging structural reforms have led to some improvements, regulatory constraints represent serious challenges to SME development.

2.4.6 Economic factors and competition

According to Olawale and Garwe (2010:732), economic factors such as government fiscal and monetary policies, inflation, interest rates, and foreign exchange rates have a direct influence on the success of SMEs. South Africa's economic environment is characterised by high interest and inflation rates, and this affects the consumption rate of the consumers (Olawale & Garwe 2010). High interest and inflation rates also influence SMEs' supply of finance from financial institutions (Fatoki 2014:1014).

Besides local competition, SMEs are increasingly faced with international competition. With limited international marketing experience, poor quality products and a lack of the necessary information about foreign markets, it is difficult for SMEs to enter or compete internationally with large businesses (Abor & Quartey 2010:224). Olawale and Garwe (2010:732) point out that market potential and growth opportunities for SMEs are also influenced by the extent of existing as well as potential competition.

2.4.7 High employee turnover

According to Simpson, Tuck and Bellamy (2004), the success of SMEs is influenced by high employee turnover rates. Employee turnover has a negative influence on business (Armstrong 2009). In their study, Ugbam, Onwumere and Ibe (2012:200) have found that employee turnover has a positive and significant influence on the survival of SMEs. Employee turnover has an impact on the profitability of SMEs. It is costly for them to bear the costs associated with high employee turnover. Costs associated with employee turnover include recruiting as well as hiring and training costs. (Ugbam *et al.* 2010:194). In addition, high employee turnover affects the ability of organisations to achieve pre-determined objectives and goals (Long *et al.* 2012:575).

The main causes of employee turnover include low levels of compensation, poor working conditions and a lack of leadership (Sandra & Ntsiful 2013:121). Researchers have also found a strong link between employee turnover and the job satisfaction and organisational commitment of employees (Veloulou & Pamgyrakis 2004:121).

2.4.8 Lack of leadership

According to Obiwuru, Okwu, Akpa and Nwankwere (2011:101), a possible reason for the high failure rate of SMEs is an inappropriate leadership style. Efficiency in resource utilisation and allocation, as well as the enhancement of the organisation's performance and success greatly depends on the leadership style adopted by its managers (Obiwuru *et al.* 2011:101). Abomeh (2013:48) as well as Pedraja-Rejas *et*

al. (2006:500) concur that organisational effectiveness depends on leadership to guide employees in achieving stated goals.

Both a lack of leadership and high employee turnover levels (Sandra & Ntsiful 2013:121) have been identified as reasons for SME failure. Researchers have found a strong link between the job satisfaction and organisational commitment of employees, and employee turnover (Veloulsou & Pamgyrakis 2004:121; Schwepker 2001:48), as well as between the leadership styles adopted by a leader and the job satisfaction and organisational commitment of subordinates (Omidifar 2013:265-266). Ineffective leadership leads to low levels of job satisfaction and organisational commitment; these low levels increase employee turnover and ultimately contribute to SME failure. In the present study, job satisfaction and organisational commitment serve as the dependent variables and are thus discussed in more detail in the paragraphs that follow.

2.5 JOB SATISFACTION

The concept of job satisfaction has been researched for centuries, but it is still of interest today (Eyupoglu & Saner 2009:686). Job satisfaction has been regarded as a fundamental factor for organisational success (Voon, Lo, Ngui & Ayob 2011:24). There are several definitions of job satisfaction. It is defined as a positive feeling or attitude an individual has toward his/her job, that results from balancing his/her wants from a job with his/her expectations from it (Werner 2011:105; Robbins & Judge 2009:65; Schultz, Bagraim, Potgieter, Viedge & Werner 2003:46). According to Nelson and Quick (2013:58), job satisfaction is defined as “a pleasurable or positive emotional state which results from one’s job or job experiences”. Schultz *et al.* (2003:219-220) describe job satisfaction as a collection of attitudes that an employee has to different aspects of his/her job. This work-related attitude measures or evaluates the general attitude of a specific employee to his/her work (Nelson & Quick 2013:58). Employees’ attitudes towards various aspects of their job may influence their levels of job satisfaction. Employees with high levels of negative attitude are more likely to be dissatisfied with their jobs (Nelson & Quick 2013:58).

Highly satisfied employees display high levels of morale (Griffin & Ebert 2003:250). High levels of morale illustrate the extent to which employee needs or expectations are met by the organisation for which they work. Job satisfaction helps to encourage positive employee attitudes, boost employee morale, improve their performance, and create an enjoyable relationship with co-workers (Bushra *et al.* 2011:261). Similarly, Daft (2012:407) states that satisfied employees tend to have positive relations with their peers and supervisors, resulting in improved quality of work. Consistent with this, employees with high levels of job satisfaction are likely to exert more effort in their assigned tasks, and are more likely to act in the business' best interests (Lumley *et al.* 2011; Tella, Ayeni & Popoola 2007; Griffin & Ebert 2003:205).

According to Nel, Werner, Haasbroek, Poisate, Sono and Schultz (2008:584), employees need to be satisfied with their jobs to perform their tasks effectively. Bushra *et al.* (2011:261) contend that job satisfaction enables employees to be more creative and innovative, allowing organisations to grow, flourish and mostly importantly, compete with other organisations in international markets. However, while job satisfaction is said to have influence on job performance, Schermerhorn (2011:351) argues that job performance influences job satisfaction. Furthermore, a positive organisational climate that leads to competitive advantage is also enhanced when employees are satisfied (Van Wyk & Adonisi 2008:394,404). The consequences of dissatisfied employees include high absenteeism and high labour turnover (Nel *et al.* 2008:584; Abdullah, Shuib, Muhammad, Khalid, Nor & Jauhar 2007:14; Robbins 2005:2-3), which lead to increased costs associated with recruitment and training (Schermerhorn 2011:335).

According to Nelson and Quick (2013:60), job satisfaction encourages organisational citizenship behaviour (OCB). OCB refers to employee behaviour that is seen as going beyond the call of duty, role, and job description (Schultz *et al.* 2003:221). OCB occurs when satisfied employees help their co-workers, make positive comments about the business, and avoid complaining (Nelson & Quick 2013:60).

Van Wyk and Adonisi (2008:391) describe job satisfaction as the equilibrium between intrinsic and extrinsic environmental factors, which leads to work contentment. Intrinsic job satisfaction is defined as experiencing a sense of

competence, which includes freedom to plan work opportunities to learn new skills and abilities (Letele-Matabooe 2012:54). Intrinsic job satisfaction is achieved when employees feel that they have the ability to do well in their assigned jobs, and when they feel a sense of competence (Van Wyk & Adonisi 2008:391). Voon *et al.* (2011:26) define intrinsic job satisfaction as the emotion or attitude derived from the work or job itself. Extrinsic job satisfaction is defined as contentment derived from tangible rewards, job security and compensation. These rewards are provided by the organisation to motivate employees to perform assigned tasks and duties (Van Wyk & Adonisi 2008:391). Extrinsic job satisfaction refers to facets of a job which are external to the task being performed (Voon *et al.* 2011:26). External job satisfaction is derived from the support systems and organisational factors that assist employees to perform their tasks and duties efficiently. This support can take the form of assistance from co-workers and supervisors, good working hours, and a friendly working environment (Letele-Matabooe 2012:55).

Job satisfaction is also a key indicator of overall life satisfaction. As levels of job satisfaction increase, so do levels of life satisfaction (Zhang & Howell 2011). Sirgy, Efraty, Siegel and Lee (2001:243) contend that individuals have basic needs that they seek to satisfy through their work. Employees derive satisfaction from their jobs to the extent that their jobs meet their needs. Job satisfaction is thus described as a component of life satisfaction (Sirgy *et al.* 2001:244). Contemporary research consistently supports the existence of a positive association between job satisfaction and life satisfaction (Mafini & Dlodlo 2014:10; Ilies, Wilson & Wagner 2009).

Job satisfaction and employee satisfaction are often taken to mean the same thing and are used interchangeably, but for the purpose of this study, the term '*job satisfaction*' will be used to refer to employees experiencing their involvement in the business as rewarding, fulfilling, satisfying, and enjoyable.

2.6 ORGANISATIONAL COMMITMENT

In today's global economy, organisations are faced with different challenges when trying to increase the productivity and controlling employee behaviour (Warsi *et al.* 2009:401). Hellriegel *et al.* (2012:415) as well as Warsi *et al.* (2009:401) maintain

that improving employees' level of job performance and maximising productivity at minimum cost are the central management tasks of all organisations. Managers are then tasked with the duty of making sure that jobs are designed in a way that motivates employees to be committed within their areas of work. Job design determines how work is performed, and greatly influences how employees feel about their jobs and their level of commitment to the organisation for which they work. (Grobler *et al.* 2011:142).

According to Pool and Pool (2007:353), the interest in organisational commitment in the field of management has grown meaningfully over the past decade. Just like most of other management concepts in the social sciences, organisational commitment has no single definition (Shurbagi & Zahari 2013:18). One definition is the strength of an individual's beliefs towards an organisation and its goals (Pool & Pool 2007:365). Meyer and Allen (1991:63) define organisational commitment as a psychological state that describes an employee's relationship with an organisation. On the other hand, Elizur and Koslowsky (2001:594) describe organisational commitment by referring to it as an attachment, emotionally and functionally, to one's place of work. In other words, organisational commitment is seen as the degree of personal identification with an organisation, the goals of that organisation, and low intentions to leave (Schultz *et al.* 2003:221).

Greenberg (1994:85) suggests that organisational commitment involves employees' beliefs in the goals and values of an organisation, and a desire to remain an employee of that organisation. Organisational commitment is also seen as a manifestation of the employee's own self, and reflects value standards that are basic to the employee's existence as a person (Elizur 1996:29). Empirical evidence suggests that work values are highly correlated with moral commitment to organisations (Elizur & Koslowsky 2001:595). Work values are a particularly important work commitment construct, as they play a key role in influencing an employee's affective responses in the workplace (Ho, Oldenburg, Day & Sun 2012:64). According to Singh *et al.* (2008:57), organisational commitment includes an employee's belief in the goals and values of an organisation, and reflects a desire by an employee to remain a member of the organisation and be loyal to it. As such, organisational commitment can be described as an employee's loyalty and

faithfulness towards an organisation and his/her intentions to continue to be part of that organisation (Bushra *et al.* 2011:261).

According to Tella *et al.* (2007:3), without committed employees in an organisation, it would be difficult for managers to achieve stated goals. Committed employees are enthusiastic in achieving and meeting objectives and the stated goals of an organisation (Hellriegel *et al.* 2012:375). Bushra *et al.* (2011:261) state that organisational commitment has significant importance within organisations. This is because committed employees have less intention to quit their jobs, are less often absent, and are highly motivated to perform at an advanced level. Consistent with this, organisational commitment is the strongest motivator of an employee's intentions to perform well, increase efficiency, and improve skills (Tella *et al.* 2007:6).

Organisational commitment is a good predictor of goal and objective achievement, productivity, absenteeism, and turnover (Appaw-Agbola, Agbotse & Ayimah 2013:91; Bushra *et al.* 2011:263). Abdullah and Ramay (2012:89) concur that organisational commitment has a strong relation with employee behaviour. They report that organisational commitment is directly related to a business's profitability and competitive position in the market. According to Elizur and Koslowsky (2001:594), organisational commitment is also commonly used to measure attitudes in organisational psychology.

Warsi *et al.* (2009:402) suggest that to increase employee commitment, it is necessary to have strong and effective motivational strategies at various levels of the organisation. Camilleri (2014) mentions that if employees are not committed to their organisations they may start to evaluate their skills, experience and marketability outside the organisation. Committed employees are aware of their duties and responsibilities and that performing them well will contribute to the success of the organisation (Mohamad, Cha, Ramlan & Azmi 2014:3). According to Meyer and Allen (1997), less committed employees direct their commitment to other things that will not necessarily benefit the organisation.

While no single definition of organisational commitment exists, for the purpose of this study *Organisational commitment* refers to employees having pride in and an

emotional attachment to the business in which they are employed, as well as being willing to make personal sacrifices and put in a great deal of effort to ensure its success.

To provide greater insights into the concept of organisational commitment, the following sections will discuss the dimensions of organisational commitment as proposed by several authors.

2.6.1 Bi-dimensional concept of organisational commitment

According to Mowday, Steers and Porter (1979:225), many definitions of organisational commitment focus on commitment-related employee behaviours. They suggest that organisational commitment is a bi-dimensional concept involving attitudinal and behavioural commitment.

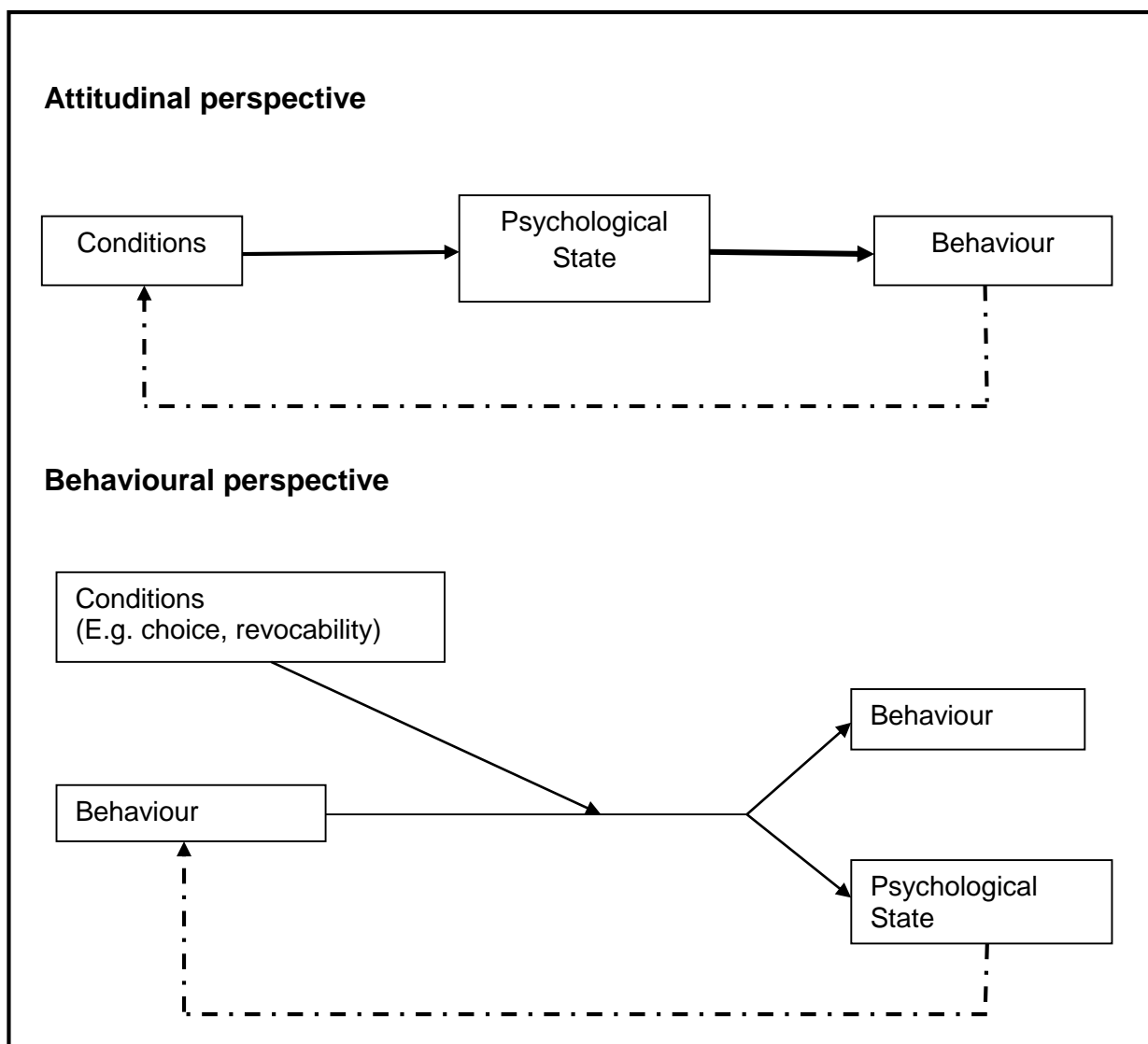
Singh *et al.* (2008:60) as well as Mowday, Steers and Porter (1982:26) define attitudinal commitment as a process by which employees evaluate the extent to which their own values and goals are in line or congruent with those of the businesses for whom they work. Similarly, Mowday *et al.* (1979:225) assert that an employee who displays attitudinal commitment identifies with a particular organisation and its goals. This means that an employee will ensure that he/she maintains membership with that organisation in order to facilitate his/her goals. Meyer and Allen (1991:62) point out that in the attitudinal process, the behavioural consequences of commitment will most likely have an impact on the circumstances that contribute to the stability or change in the commitment of employees. Employees attach themselves to an organisation in return for certain rewards or payments from that organisation (Mowday *et al.* 1979:225). Sharma, Young and Wilkinson (2001:2) state that attitudinal commitment is concerned with the intentions, preferences and the orientation of participants towards the relationships in which they are involved.

Behavioural commitment is defined as the process by which employees become locked into a certain organisation and how they deal with this situation (Singh *et al.* 2008:60; Mowday *et al.* 1982:26). In the behavioural approach, attitudes resulting

from behaviour can be expected to influence the probability of that behaviour occurring again in the future (Meyer & Allen 1991:62). According to Sharma *et al.* (2001:5), behavioural commitment includes effort, signalling commitment, and relational benefits. Employees, for example, show their state of mind and signal their intentions to make a valuable contribution to the organisation through effort and investments.

Figure 2.1 presents the attitudinal and behavioural perspectives on organisational commitment as presented by Meyer and Allen (1991).

Figure 2.1: The attitudinal and behavioural perspectives on organisational commitment



(Source: Meyer & Allen 1991:63)

In Figure 2.1, the solid arrows represent the primary casual relations among the conditions in which an employee operates, the psychological state and the behaviour displayed by an employee. Broken arrows indicate secondary relations which imply that a complementary set of processes may be used in the link between commitment and behaviour. In all these, commitment is then seen as a psychological attachment reflecting employees' thoughts and beliefs about their relationship with the organisation (Sharma *et al.* 2001:2).

2.6.2 Multi-dimensional concept of organisational commitment

Lok and Crawford (2004) declare that due to different personal values, attitudes and beliefs that are reflected in organisations, employees exhibit different levels of commitment to the organisations. As such employees may have different psychological attachments towards the organisation for whom they work as a result of different personal values and attitudes. Singh *et al.* (2008:63) as well as Meyer and Allen (1991:64) mention that organisational commitment has three general themes, namely affective attachment, perceived costs associated with leaving the organisation and obligation to remain with the organisation. Similarly, Jafri (2010:63) views a multidimensional approach as a psychological state consisting of three components, namely affective, continuance, and normative commitment. These three forms of organisational commitment are equally important and useful (Abdullah 2011:81). Affective, continuance and normative commitment must be considered simultaneously as components of organisational commitment rather than as different types of commitment (Singh *et al.* 2008:63; Meyer *et al.* 2002:21; Meyer & Allen 1991:67).

There is no absolute consensus on the measurements and the consequences among the different understandings of organisational commitment. However, there is a growing consensus that organisational commitment is a multidimensional construct (Jafri 2010:63). The psychological link between employees and their organisations can take various forms, reflecting the multidimensionality of organisational commitment (Vallejo 2009:138). Various authors have supported the existence of the distinct nature of these three dimensions of organisational commitment (Lumley *et al.*

2011:105; Lok & Crawford 2001:595). Table 2.2 presents the three dimensions of organisational commitment.

Table 2.2: Dimensions of organisational commitment

| Dimension | Description | Reasons for staying |
|------------------------|--|--|
| Affective commitment | An individual's psychological or emotional connection to, identification with, and participation in an organisation. | Individuals who are dedicated at an emotional level usually remain with an organisation because they see their individual employment relationship as being in harmony with the goals and values of the organisation for which they are currently working. |
| Continuance commitment | An awareness of the costs associated with leaving an organisation. | Individuals with a high continuance commitment remain with a specific organisation because of the value they add as experienced employees, to the organisation, and not because they want to. |
| Normative commitment | A sense of responsibility to continue employment with a specific organisation. | Individuals who are normatively committed remain with a specific organisation because of an internalised normative idea of ethical responsibility (moral obligation) to stay, which allows individuals to value their continued membership of a specific organisation. |

(Source: Ferreira & Coetzee 2013:242)

From Table 2.2 it can be seen that employees have various reasons why they stay or leave organisations. Each reason to continue the relationship with a particular organisation or not relates to a specific dimension of organisational commitment. The following sections will provide a discussion on each of the dimensions.

2.6.2.1 Affective commitment

According to Meyer *et al.* (2002:21) as well as Meyer and Allen (1991:67), affective commitment denotes an emotional attachment to identify with, and be involved in, an

organisation. Similarly, Schultz *et al.* (2003:221) defines affective commitment as an attitudinal component and the emotional bond with an organisation. Employees with a strong affective commitment continue to stay in an organisation because they want to do so (Meyer & Allen 1991:67). In a similar way, Lumley *et al.* (2011:106) maintain that employees who are dedicated at an emotional level usually remain with an organisation. This might be because they evaluate their employment relationship as being in harmony with the goals and values of the organisation for which they are currently working. Literature suggests that employees with strong affective commitment are more valuable in an organisation (Camilleri 2014:22). Meyer *et al.* (2002:39) note that affective commitment might not only have benefits for organisations but for employees as well. This is because affective commitment is negatively correlated with stress and work-family conflict problems (Meyer *et al.* 2002:39).

Affective commitment may be influenced by both individual and organisational factors (Mosadeghrad, Ferlie & Rosenberg 2008:212). Letele-Mataboee (2012:51) identifies individual factors such as personality, value orientation, education or age. Organisational factors include believing that employees' roles and job goals are clearly defined, as well as receiving management support (Letele-Mataboee 2012:51).

According to Jafri (2010:64), employees who are affectively committed strongly identify with the goals of an organisation, and wish to remain part of the organisation. These employees commit to the organisation because they voluntarily want to. Camilleri (2014:23), suggests that the development of affective commitment starts at the recruitment stage where employees are informed about the advantages and disadvantages of a job. In addition, employees must be treated with respect and consideration so that they feel that they are valued and appreciated (Camilleri 2014:22).

2.6.2.2 Continuance commitment

According to Abdullah (2011:82), continuance commitment refers to an employee's commitment to an organisation because of the negative consequences of leaving

that organisation, such as having few alternative jobs should the employee decide to leave the current employment. Continuance commitment is experienced when an employee is aware of the costs associated with leaving an organisation (Lumley *et al.* 2011:106; Jaros 2007:7). In other words, it is a commitment that is based on the costs that the employee feels will be incurred if leaving the organisation (Lok and Crawford 2001:594). Meyer and Allen (1991:77) suggest that anything that increases the cost associated with leaving an organisation has the potential to create continuance commitment. Similarly, continuance commitment is likely to increase when employees view compensation from a purely financial perspective (Camilleri 2014:23; Lumley *et al.* 2011:106). Meyer and Allen (1991:77) suggest that potential costs (economic and social) of leaving the organisation will only result in continuance commitment when employees actually recognise these costs.

Jafri (2010:64,66) asserts that employees stay with an organisation because they have accumulated many investments from the organisation, such as high income, seniority or retirement benefits. This makes it difficult for one to leave the organisation so they remain in the organisation because they have to. Shurbagi and Zahari (2013:18) add that employees' primary link to stay or leave an organisation is based on their continued commitment.

In their study, Meyer *et al.* (2002:39) found that continuance commitment is positively correlated with stress, anxiety and work-family conflict. Perceived lack of alternatives or an inability to transfer skills and education to another organisation were found to be antecedents of continuance commitment. Employees who display continuance commitment are not emotionally engaged with the organisation, and as a result they are not willing to give their best to the organisation. (Jafri 2010:66).

2.6.2.3 Normative commitment

Normative commitment is defined as a feeling of obligation that the employees have to continue employment with a particular organisation (Shurbagi & Zahari 2013:18). Abdullah (2011:81) as well as Jaros (2007:7) suggest that employees base this sense of obligation on their values and norms. However, in their study Lumley *et al.* (2011:113) conclude that an employee's decision to stay with an organisation may

not necessarily be related to their level of job satisfaction but to their feelings of attachment to the organisation as well as their satisfaction with extrinsic and intrinsic rewards. This suggests that job satisfaction is negatively associated with normative commitment.

According to Jernigan, Beggs and Kohut (2002:565), normative commitment is developed when an employee is given his/her first job by an organisation, and the organisation spends more resources in training and developing that employee. This dimension of organisational commitment is influenced by the individual's experiences both before the employee enters the organisation and before the employee becomes part of the family in the cultural socialisation of the organisation (Shurbagi & Zahari 2013:19).

2.7 FACTORS INFLUENCING JOB SATISFACTION AND ORGANISATIONAL COMMITMENT

From the paragraphs above it is clear that organisations need to pay attention to the job satisfaction and organisational commitment of their employees (Aydogdu & Asikgil 2011:46). Several factors influence the levels of job satisfaction and organisational commitment of employees. These sections that follow will discuss some of these factors.

2.7.1 Job involvement and employee participation

Employee participation is described as an employee's involvement in management and decision-making processes in an organisation (Turkyilmaz, Akman, Ozkan & Pastuszak 2011:681). According to Abdullah and Ramay (2012:92), employee participation in decision-making processes, planning and setting up of goals has a positive impact on their job satisfaction and organisational commitment level. Krüger and Rootman (2010:69) suggest that in order to improve job satisfaction and organisational commitment, employees should be allowed to participate in the goal-and-objective-setting process of the organisation.

Job involvement refers to the degree to which employees identify with their jobs, and whether they actively participate in their jobs and the activities surrounding these jobs (Schultz *et al.* 2003:221). Employees with high levels of job involvement foster organisational commitment among other employees, consequently leading to higher levels of organisational performance (Chughtai 2008:171). Mullins (2002:244) adds that to increase competitiveness, organisations have to develop and harness the talents and commitment of their employees, by allowing them to decide on issues that affect them in performing their work.

In their study, Ho *et al.* (2012:68) found that employees who have high job involvement are more committed to the organisations in which they are employed. Similarly, Mohamad *et al.* (2014:8) as well as Venter, Farrington and Sharp (2013:48) found that the extent to which employees experience their involvement as enjoyable, rewarding and fulfilling, is positively related to their level of organisational commitment.

2.7.2 Compensation and rewards

Rewards are one of the key factors that influence the job satisfaction levels of employees in organisations (Turkyilmaz *et al.* 2011:681; Brooks 2009:97). Grobler *et al.* (2011:401) contend that employee rewards or compensation influence employee performance, turnover and intention to stay with the organisation. On the other hand, the lower the rewards, the lower the performance of employees (Hellriegel *et al.* 2012:374-375). This is because employees generally expect that their performance will correlate with the rewards received from the organisation (Grobler *et al.* 2011:405).

Rewards can be classified as either intrinsic or extrinsic. Intrinsic rewards are personally satisfying outcomes such as feelings of achievement, autonomy and personal growth derived from doing or performing a job (Hellriegel *et al.* 2012:427). Extrinsic rewards are tangible benefits or outcomes provided by the organisation such as salary, status, job security and fringe benefits (Hellriegel *et al.* 2012:427). Klein and Bell (2007:27) refer to extrinsic rewards as compensation or incentives given to an employee in exchange for the services performed. According to Nujjoo

and Meyer (2012:2), rewards have also been classified as either monetary or non-monetary. Monetary rewards refer to tangible objects such as pay, bonuses, promotion and formal recognitions, whereas non-monetary rewards are non-tangibles such as praise and personal recognitions (Nujjoo & Meyer 2012:2).

2.7.3 Working conditions

Working conditions take into account factors such as the comfort experienced in the workplace as well the ventilation, lighting, temperature and cleanliness of work spaces (Turkyilmaz *et al.* 2011:681). DuBrin (2012:246) proposes that the environment or surrounding in which employees work need to be safe, and designed in a way that reduces physical harm to employees. Van Zyl, Du Plessis, Lues and Pietersen (2009:24) emphasise that a well-heated or air-conditioned environment, furniture and lighting can influence the level of job satisfaction displayed by employees in an organisation. This is consistent with the views of Turkyilmaz *et al.* (2011:689) who argue that working conditions have a significant influence on job satisfaction.

According to Letele-Mataboee (2012:95), good working conditions preserve the physical and mental health of employees. In addition, employees' levels of pride in the work they do are influenced by the environment in which they work. As a result, working conditions should be designed carefully and effectively so as to encourage employees to achieve stated goals (Gopala Sarma 2012:45). Employers should create working conditions in which employees feel inspired to work hard, avoid negativity, and are empowered by business leaders (Krüger & Rootman 2010:69). Lok and Crawford (2001:596) point out that business leaders must implement measures and strategies to ensure that employees are satisfied with their workplace.

2.7.4 Organisational policies

Organisational policies are statements of purpose that indicate broad guidelines on action to be taken to achieve a purpose (NSW Industrial Relations 2013). Proper organisational policies and rules must be present in an organisation to enhance the satisfaction and commitment levels of employees. It has been suggested that flexible

organisational policies that promote justice and equality within a business can be used to boost job satisfaction and organisational commitment among employees (Naeem 2013:67). Similarly, Mullins and Christy (2010:317) suggest that organisational policies that are well-developed and viewed as equitable and fair by employees, bring about harmony and cohesiveness within organisations. As a result, strong and organised employees are beneficial to organisations (Mullins & Christy 2010:314). An employee's decision to stay or leave a business is influenced by policies that stimulate performance evaluation, performance-based reward mechanisms, employee career growth, and promotional opportunities (Kwenin, Muathe & Nzulwa 2013:15).

2.7.5 Promotional opportunities

Mafini and Dlodlo (2014:3) as well as Naeem (2013:64) contend that there is a direct and positive association between promotional opportunities and job satisfaction. This view is supported by Haq, Jindong, Hussain and Anjum (2014:19) who observe that one of the fundamental motivations for joining and committing to a business is the level of opportunities that the business provides for the growth of a career. In their study, Suma and Lesha (2013:48) have found a strong positive correlation between promotional opportunities and the organisational commitment levels of employees.

According to Tansky and Cohen (2001), businesses should have formal programmes that contribute to the development of the careers of their employees. The availability of these programmes is important in enhancing job satisfaction and organisational commitment levels of employees (Mafini & Dlodlo 2014:3). For example, when employees perceive that there is high chance of promotion, they tend to feel motivated to stay and work harder to achieve stated business goals with a view of being elevated to a higher job rank (Mafini & Dlodlo 2014:3). To boost job satisfaction levels of employees, businesses should provide timely and accurate promotional systems which will enhance performance of employees (Naeem 2013:67).

2.7.6 Fairness

According to Grobler *et al.* (2011:401), employees need to be treated fairly, especially when it comes to compensation. Fairness has a significant positive influence on the job satisfaction and organisational commitment of employees (Venter *et al.* 2013:48). Thomas and Nagalingappa (2012:55) state that employees evaluate the fairness of an organisation based on their perceptions of how well the business treats them. A lack of perceived fairness in an organisation will increase the likelihood of an employee leaving the business.

Fairness is generally experienced in all structures and levels of an organisation through the application of policies and procedures (Kontakos 2014). In most cases, employees who perceive unfairness in the workplace, experience feelings of under-appreciation, and a lack of respect or a lack of recognition from co-workers. These perceptions of unfairness will result in their displaying actions of dissatisfaction, and they are more likely to leave the organisation (Kontakos 2014). However, leaders that possess moral values and ethical standards are seen to be fair by their employees because they are fair with regard to remuneration, and treat all employees with same level of respect (Bacha & Walker 2013:669).

2.7.7 Leadership and management abilities

According to Lok and Crawford (2001:596), the leadership style adopted in an organisation has an important role in influencing the culture of that organisation as well as the levels of employee job satisfaction and organisational commitment. Leadership is defined as the process of influencing employees towards achieving desired goals or outcomes (De Jong & Den Hartog 2007:44). Mafini and Dlodlo (2014:13) suggest that job satisfaction increases when the quality of supervision improves. Several studies have investigated the influence of leadership behaviours and their influence on employees and organisational outcomes (Belias & Koustelios 2014a; Rizi, Azadi, Farsani & Aroufzad 2013; Venter *et al.* 2013; Lok & Crawford 2004).

The influence of leadership on the job satisfaction and organisational commitment of employees cannot be ignored (Omidifar 2013:263-264). Business leaders must adopt appropriate leadership behaviours in order to improve job satisfaction and organisational commitment (Al-Ababneh & Lockwood 2014). The leadership styles exhibited by leaders must, however, be adapted to the culture or situation in a particular business (Yiing & Ahmad 2008:57).

Leadership is understood to have significant importance to the success of the business (Abomeh 2013:43) and acts as a key factor when implementing the strategies of an organisation (Kaiser, Hogan & Craig 2008:96; Mastrangelo, Eddy & Lorenzet 2004:435). However, leaders are becoming more obsessed with satisfying their personal needs instead of those of their employees and the organisation (Valdiserri & Wilson 2010:47). According to Mwangi, Sejjaaka, Canney, Maina, Kairo, Rotich, Owino, Nsereko and Mindra (2013:14) as well as Valdiserri and Wilson (2010:49), poor leadership practices are considered a key factor contributing to the business failure of most SMEs. In this study, several contemporary leadership styles (servant, authentic, ethical, and participative) serve as the independent variables and will be discussed in more detail in the next chapter.

2.8 SUMMARY

The main focus of this chapter was on discussing the nature of SMEs in the South African context. For the purpose of this study, an SME has been defined as a business that has been in operational for at least one year, employs more than five but fewer than 200 full-time employees, and where the owner is actively involved in the daily running and managing of the business. This chapter also elaborated on the important role that SMEs play in the economy. SMEs are faced with several challenges that influence their performance in the economy. These difficulties include a lack of marketing and financial knowledge, a high employee turnover, and a lack of leadership. This chapter defined and discussed job satisfaction and organisational commitment of employees as fundamental concepts of organisational effectiveness. Dimensions of organisational commitment as proposed by various authors were also presented in this chapter.

Various factors were identified from the literature as influencing the job satisfaction and organisational commitment levels of employees in SMEs. A lack of leadership was highlighted as specifically influencing job satisfaction and organisation commitment, ultimately contributing to employee turnover and SME failure. Leadership among SMEs forms the basis of Chapter 3.

CHAPTER 3

LEADERSHIP AND LEADERSHIP STYLES

3.1 INTRODUCTION

In the previous chapter the importance of SMEs in the South African economy was discussed. The various factors that influence the levels of job satisfaction and organisational commitment of employees were also highlighted in Chapter 2. Poor leadership was identified as one of reasons for the high failure rate of SMEs (Obiwuru *et al.* 2011:101). According to Lok and Crawford (2001:596), leadership has an important role in influencing the culture of the business as well as employee attitudes such as job satisfaction and organisational commitment. The influence of leadership on the levels of job satisfaction and organisational commitment of employees cannot be neglected (Khuntia & Suar 2004).

In light of the above, this chapter will focus on the nature of leadership as well as the importance of leadership in ensuring job satisfaction and organisational commitment. The difference between leadership and management will be highlighted, followed by a discussion on traditional and contemporary leadership styles. Lastly, this chapter will focus on contextualising leadership styles among SMEs.

3.2 NATURE OF LEADERSHIP

Most people are confronted with leadership in almost every day of their lives (Den Hartog & Koopman 2001:172) and leadership continues to be one of the most widely discussed topics by researchers all over the world (Kuchler 2008). According to Du Toit *et al.* (2010:210), leadership is one of the most controversial and most researched topics in management literature, but remains an indefinable concept. A possible reason for the difficulty in defining leadership may be the constant changes in the way people view the concept (Van Dierendonck 2011:1228). To understand the nature of leadership, the definition of leadership, various theories on leadership and the components of leadership will be explored in greater detail in the paragraphs that follow.

3.2.1 Defining leadership

There are several approaches to defining leadership, which is often seen as a multidimensional concept (Hough, Thompson, Strickland & Gamble 2011:285). According to Schermerhorn (2010:434), leadership is the process of inspiring others to work towards the accomplishment of assigned tasks. Similarly, Grobler *et al.* (2011:620) define leadership as a process of influencing relationships among leaders and employees towards accomplishing stated goals. Nelson and Quick (2013:193) add that leadership involves setting a direction for the organisation, aligning people through communication, and motivating employees to act and behave in a particular way. Hellriegel *et al.* (2012:374) contend that leadership involves influencing others to act towards attaining or accomplishing the goals of a business.

De Jong and Den Hartog (2007:44) note that leadership not only influences employees, but also involves the use of one's role and ability to influence employees to contribute to a business's overall success. However, in order to influence employees to achieve goals, leaders should understand what motivates their employees' behaviour (Palmer, Walls, Burgess & Stough 2001:5).

3.2.2 Leadership theories

Over time, various leadership perspectives or theories have developed (Werner 2011:354). Before the 1980's the main approaches to leadership were the trait, behavioural/styles and contingency approaches (Den Hartog & Koopman 2001:167). The trait leadership perspective attempts to identify physical or personality traits that differentiate leaders from followers (Werner 2011:355). The trait perspective assumes that leaders are born with certain traits that make them effective leaders (Luthans 2011:419). According to Den Hartog and Koopman (2001:167), the trait perspective emphasises the personal characteristics needed to be an effective leader.

Researchers later discovered that leaders do not have a uniform set of personal traits, hence there was a need to focus on the behaviours or styles that characterise

effective leadership (Hellriegel *et al.* 2012:377). The behavioural perspective of leadership focuses on the different behaviours or actions of effective and ineffective leaders (Hellriegel *et al.* 2012:377). This approach implies that leadership is a behavioural or leadership pattern, which can be learned (Den Hartog & Koopman 2001:168).

Studies (Schermerhorn 2010:439) have revealed two dimensions of leadership, namely consideration and initiating structure. Mullins and Christy (2010:379) define *consideration* as the degree to which a leader establishes a relationship of trust and mutual respect with employees by creating an atmosphere of warmth, support and consideration for employees. This dimension is associated with human interaction and relationships (Clegg, Kornberger & Pitsis 2008:133). *Initiating structure* refers to leaders' behaviour that is aimed at defining and organising work relationships, roles and activities which are geared towards the attainment of stated goals (Nelson & Quick 2013:195). Hellriegel *et al.* (2012:378) add that initiating structure is characterised by active planning, coordination of employees' activities, establishing standards of job performance, and encouraging employees to use uniform procedures.

Werner (2011:357) identify two leadership behaviours, namely employee-centred and job-centred behaviours. Leaders that are *job-centred* set standards, pay attention to the work of their employees, and maintain employee production schedules (Luthans 2011:418). On the other hand, *employee-centred* leaders encourage employees to participate in decision-making and focus on the welfare of the employees (Hellriegel *et al.* 2012:378). The Blake and Mouton's Leadership Grid describes how leaders vary in tendencies towards people and production concerns (Schermerhorn 2010:439). Mullins and Christy (2010:380) observe that some leaders are more concerned with people whereas others are more focused on the production of an organisation.

However, the behavioural leadership approach does not pay attention to the situational characteristics that act as possible moderators of the relationship between leadership and business outcomes (Den Hartog & Koopman 2001:169). According to Clegg *et al.* (2008:136), some leadership situations in an organisation call for high

concern about people whereas others call for high concern about production. This shows that leadership can be thought of as being situational or conditional, introducing a contingency approach to leadership

Contingency leadership theories posit a best leadership style for a given situation (Du Toit *et al.* 2010:215). The underlying assumption of this theory is that leaders must be able to adapt to dynamic business situations (Clegg *et al.* 2008:137). The effectiveness of any leadership style depends on the favourableness of the situation in which the leader finds him/herself (Nelson & Quick 2013:198). Thus the leadership styles of a leader must be matched to appropriate situational variables (Hellriegel *et al.* 2012:381). The contingency theories exist, namely the Fred Fiedler's contingency, the Hersey and Blanchard's situational leadership model, and the Path-goal contingency theory.

Fred Fiedler's contingency theory suggests that leaders are either task-orientated or relationship-orientated (Robbins & Judge 2013:407). According to Hellriegel *et al.* (2012:381), task-orientated leaders structure the job for employees and closely monitor their behaviour, whereas relationship-orientated leaders develop strong positive emotional connections with the employees.

Another contingency leadership theory is the *Hersey and Blanchard's situational leadership model*. This model focuses on the extent to which employees are willing and able to accomplish assigned tasks, as well as employee readiness (Robbins & Judge 2013:410). Situational leadership theory proposes that leadership effectiveness depends on the leader's ability to tailor his/her behaviour to the maturity levels of the employees (Viviane 2009). According to Hersey, Blanchard and Johnson (2013:116-117), the levels of directive and supportive leader behaviour should be based on the level of readiness of the followers. Hence the relationship between the leader and employees is of high importance in situational leadership (Hersey *et al.* 2013:117).

Path-goal contingency theory describes how a leader's task-orientated and relationship-orientated behaviour influences subordinate satisfaction and performance in different situations (Yukl 2013:170). This theory suggests that the

leader clarifies the paths or means by which employees can attain job satisfaction and enhance their performance (Hellriegel *et al.* 2012:385). According to Clegg *et al.* (2008:137) as well as House (1996:326), leaders provide necessary clarifications to ensure that employees achieve their job-related objectives.

3.2.3 Components of leadership

Du Toit *et al.* (2010:212) and Smit *et al.* (2011:311) suggest that authority, power, responsibility, delegation, and accountability are important components of effective leadership.

Authority is defined as the right of a leader to give commands or instructions to employees, as well as allocating organisational resources (Daft 2014:314). According to Hellriegel *et al.* (2012:305), authority involves both responsibility and accountability. In other words, when exercising authority, leaders accept the responsibility for taking action and are willing to be held accountable for any outcome.

Power is defined as the leader's ability to influence the behaviour of employees (Du Toit *et al.* 2010:212). Luthans (2011:313) defines power as the ability to get employees or followers to do something. Effective leaders know how to use power in order to influence employees (Hellriegel *et al.* 2012:375). Luthans (2011:314-316) classifies power into five categories, namely: reward, coercive, legitimate, referent, and expert power. Reward power is enhanced when leaders are seen as having the ability to give appropriate rewards, whereas coercive power exists when there are costs or consequences associated with the non-performance of employees (Hersey *et al.* 2013:145-146). Legitimate power is defined as the formal management position that the leader occupies in an organisation, and the authority associated with it (Daft 2014:515). Hellriegel *et al.* (2012:396) describe referent power as power that is based on employees' personal identification with the leader, whereas expert is described as the power that is based on specialised knowledge.

Responsibility refers to the obligation to achieve or perform assigned tasks. According to Perry and McWilliam (2007:39-40), leaders are tasked with the

responsibility to ensure that the organisational values, principles and philosophies are enacted in the daily business operations. However, leaders are responsible not only for carrying out their own tasks, but also for the actions of their employees or subordinates in their business or department (Hellriegel *et al.* 2012:305; Du Toit *et al.* 2010:212).

The process of assigning responsibility and authority to employees or subordinates to make decisions and act in certain situations, is referred to as *delegation* (Du Toit *et al.* 2010:212). Delegation of authority by leaders is necessary for the efficient functioning of any organisation because leaders cannot accomplish or supervise all the organisational activities on their own (Hellriegel *et al.* 2012:306). It is important to note that delegation does not relieve a leader of responsibility and accountability (Hellriegel *et al.* 2012:306).

Du Toit *et al.* (2010:212) define *accountability* as an evaluation of how well an individual meets their responsibilities and assigned tasks. Stated differently, Daft (2014:314) asserts that both leaders and employees with authority and responsibility are subject to reporting and justifying task outcomes to those above them in the chain of command.

In addition to the above, effective leaders require knowledge, confidence, experience, communication competencies, and interpersonal skills. They also need to be trustworthy, dependable and credible if they are to carry out their responsibilities effectively (Abeera 2012:15; Gardnswartz & Rowe 2003:218-220). Leaders are also associated with several key qualities such as passion, decisiveness, conviction, integrity, adaptability, emotional resonance, self-awareness, and humility (Mills 2005a). Leaders must have the ability to inspire their employees to ensure that they go to the extreme of what they are capable of doing (Grobler *et al.* 2011:623).

3.3 IMPORTANCE AND ROLE OF LEADERSHIP

Modern leaders are operating in times that are characterised by radical change, volatility, and international dynamics (Werner 2011:352). In situations like this,

leadership becomes a key factor in coping with increasing competition, technological advancement, and political transformation, so as to maximise opportunities associated with these changes (Werner 2011:352). According to Swanepoel and Slabbert (2012:180), leadership is increasingly being seen as a key aspect and challenge of managerial work. Leaders are engaged in behaviours such as establishing a mission, creating a process for achieving goals, and aligning business processes and procedures (Mastrangelo *et al.* 2004:435). Hence organisational sustainability will depend on effective leadership. Mills (2005b:10) as well as Khuntia and Suar (2004:13) believe that without leadership, organisations move too slowly and tend to lose focus and direction. Leaders assist organisations to adapt to environments by eliminating ineffective patterns of behaviour and replacing them with new ones (Taylor, Cornelius & Colvin 2014:566).

Leadership can either be successful or unsuccessful in producing the desired organisational outcomes. Leadership is considered successful when the leader has inspired employees to take action in satisfying business goals (Hersey *et al.* 2013:101). The role of leadership in providing direction, motivating, engaging and influencing employees, as well as providing coordination, is discussed below.

3.3.1 Provide direction

The main task of leadership is to provide direction and to define a common purpose for the organisation as a whole (Mastrangelo *et al.* 2004:438). Taylor *et al.* (2014:567) add that organisational leaders provide direction, support, guidance, and assistance to employees. This is done to assist in fulfilling the mission of the organisation. Gardner *et al.* (2005:344) maintain that when faced with pressure in an organisation, employees look for organisational leaders of good character and integrity to provide direction and assistance, so that they can find meaning in their work. Leadership is considered to have the capacity of promoting unity within the organisation as well as connecting employees' efforts to achieve objectives of the organisation (Page & Wong 2000).

3.3.2 Employee motivation

Werner (2011:82) defines employee motivation as “the inner force or desire that arouses, directs and sustains human behaviour to satisfy unsatisfied needs”. According to Palmer *et al.* (2001:5), one of the most important roles of a leader is to motivate and inspire employees by fostering positive work attitudes. Wellington (2011:52) points out that leaders are supposed to inspire employees to work in teams or individually, and to encourage them to go beyond what is expected of them in terms of their required duties. Leaders create a sense of contribution and importance with and among employees (Palmer *et al.* 2001:5).

3.3.3 Employee engagement

Xu and Thomas (2011:401) insist that leadership should assist a business to influence employee engagement within the organisation. Engaged employees display integrated and focused commitment to the goals and objectives of the organisation. Engagement occurs when employees know what to expect, have the resources to complete their assigned duties, and feel that their needs are aligned with the vision and goals of the organisation (Right Management 2014). Werner (2011:21) adds that leaders create an environment in which they are able to engage with employees. One of the benefits of engaged employees is that they feel committed and emotionally invested in their jobs (Luthans 2011:124). Nel, Kirsten, Swanepoel, Erasmus and Poisat (2012:380) assert that leadership that engages and empowers employees is vital for improving employee retention.

3.3.4 Influence employees

According to Lok and Crawford (2001:596), leadership has an important role in influencing the culture of a business, as well as the attitudes of employees. Leaders are thus seen as a source of inspiration for employees (Khuntia & Suar 2004:13). Barbuto and Wheeler (2006:307) note that some leaders can influence their employees without relying on formal authority or legitimate power. Leaders know how and when to use their power to influence employee behaviour as well as transforming their visions into reality (Lunenburg 2012).

3.3.5 Coordination

Mastrangelo *et al.* (2004:439) identify coordination as one of the roles of leadership in an organisation. Leaders ensure that the resources and employees of an organisation are aligned with its strategic intentions so as to remove barriers to cooperation within the business (Mastrangelo *et al.* 2004:439). Leaders are seen as having the ability to coordinate strategies of the organisation as well as business functions such as organising, planning and controlling (Foss 2000:1). Bernstein (2011:627) considers that the duty of leaders is to coordinate employees' efforts by assigning tasks and clarifying expectations; this will provide direction to the employees in terms of what is required of them by their superiors.

3.4 DIFFERENCES BETWEEN LEADERSHIP AND MANAGEMENT

According to Grobler *et al.* (2011:622), the concepts of leadership and management are often used interchangeably, but it is important to note that they are different from one another. According to Den Hartog and Koopman (2001:166), leadership is distinguished from management and is seen as one of several managerial roles. Yukl (2013:22) points out that an individual can be a leader without being a manager and an individual can be a manager without being a leader.

Nelson and Quick (2013:193) distinguish leadership from management by defining the processes that are associated with each. Management is a process that involves planning, budgeting, organising, staffing and controlling. Similarly, Khuntia and Suar (2004:13) mention that the management processes involve managerial tasks such as organising, budgeting, time scheduling, resource allocation and controlling. Yukl (2013:22) adds that managers value stability, order and efficiency, and tend to be risk-averse and short-term focused.

In contrast, the leadership process involves providing direction for the organisation and aligning employees through communication and motivation (Nelson & Quick 2013:193). Khuntia and Suar (2004:13) suggest that one of the key distinguishing features of leadership is that it relies more on personal power, whereas management depends more on positional power. According to De Jong and Den Hartog (2007:45),

leadership is a subset of managerial activities, whereas others see leading and managing as overlapping roles. Leaders are flexible, innovative, and adaptive to situations, and care about their employees or followers (Yukl 2013:22). Effective leaders assist in the activities of an organisation by controlling the future of the organisation and acting as change agents within that organisation (Nelson & Quick 2013:194). Table 3.1 provides a summary of the main differences between leadership and management as viewed by several authors.

Table 3.1: Differences between leadership and management

| Attribute | Leadership | Management |
|-------------------------|--|--|
| Direction | Leaders create the vision and strategy of the business. | Managers are involved in the planning of activities and budgeting of the business's financial resources. |
| Alignment | Leaders create a shared culture and values by helping employees grow. | Management involves all managerial tasks such as organising, staffing, directing and controlling. |
| Relationships | Leaders pay attention to employees, inspiring and motivating followers to achieve stated goals. | Managers normally focus on production, and rely on positional power. |
| Attitudes towards goals | Leaders have a personal and active attitude, and believe that goals arise from desire and imagination. | Managers have an impersonal, passive, functional attitude, and believe that goals arise out of necessity and reality. |
| Outcomes | Leaders aim to affect organisational change. | Managers maintain stability within the organisation. |
| Conceptions of work | Leaders search for fresh approaches to old problems, and seek high-risk positions with high payoffs. | Managers view work as an enabling process that combines people, ideas and things, and seek moderate risk through coordination and balance. |

(Source: Adapted from Nelson & Quick 2013:194; Ryan 2008:2; Khuntia & Suar 2004:13)

Following the discussion on the distinction between leadership and management, the next section will present the various leadership styles that can be adopted by a leader.

3.5 LEADERSHIP STYLES

According to Schermerhorn (2010:439), a leadership style is the manner and approach of providing direction, implementing plans and motivating employees. Several different leadership styles exist, including autocratic, directive, laissez-faire, charismatic and participative leadership (Mullins & Christy 2010:381; Mosadeghard 2003:37). Most leaders use one leadership style in all situations, but a question that leaders should address is, what leadership styles work best for him/her in order to achieve the objectives of the organisation? (Johannsen 2014). Somech and Wenderow (2006:747) conclude that there is no single leadership style that will be effective or appropriate for all employees in an organisation. Effective leadership varies with different particular situations. While leaders are supposed to be flexible in the way they use their leadership styles, they are expected to choose the right and most effective style to suit the situation at hand (Johannsen 2014). Cogliser and Schriesheim (2000) add that the effectiveness of each leadership style will depend on the characteristics of both the leader and the follower(s), as well as their interaction.

Leaders can employ different styles in pursuit of organisational goals and the realisations of the organisation's mission. Leadership styles can be categorised as traditional or contemporary. Each category of styles will be described below.

3.5.1 Traditional leadership styles

According to Avolio *et al.* (2009:428), traditional leadership styles focus on providing directions, giving orders, and setting goals for employees. With traditional leadership styles, leaders are seen as having all the control of the organisation as well as the authority and power over all decisions made in the business (Komives & Dugan 2010:113). Examples of traditional leadership styles include autocratic, directive, laissez-faire, charismatic and participative leadership, each of which will be described below.

3.5.1.1 Autocratic leadership

Johannsen (2014) defines autocratic leadership as a style that is characterised by high control and low employee participation. An autocratic leader uses strong directive actions to control the rules, regulations, activities and relationships in an organisation (Nelson & Quick 2013:195). Power and authority reside with the leader and all interactions within the organisation are centred on the leader. The key distinguishing feature of autocratic leadership is that the leader makes all the decisions for the employees (Mullins & Christy 2010:381). In other words, there is centralisation of authority, and leaders derive power from position, control of rewards and coercion (Daft 2011:40). Mullins and Christy (2010:381) add that the leader is the only one with authority to determine policies, procedures, tasks and relationships within the organisation. Luthans (2011:449) mentions that autocratic theory is equivalent to McGregor's theory X that represents the traditional authoritarian leadership style. McGregor's theory X suggests that leaders believe that employees are motivated mainly by money, are lazy, and have poor work habits, hence the use of directive actions by leaders (Hellriegel *et al.* 2012:377).

3.5.1.2 Directive leadership

Directive leadership involves letting followers know what is expected of them, and informing them how to perform tasks to meet those expectations (Hellriegel *et al.* 2012:385). Somech and Wenderow (2006:748) define directive leadership as providing team members or employees with a framework for decision-making and actions that are in line with the superior's vision. This type of leadership style is appropriate when followers have an external locus of control, low task ability, and a high need for guidance (Werner 2011:361). Directive leadership is associated with high levels of organisational outcomes such as employee performance and organisational commitment (Somech & Wenderow 2006:748; Somech 2005:782). Somech (2005:783) adds that directive leaders articulate how the vision of an organisation can be reached by monitoring signs that convert organisational objectives into interim goals.

3.5.1.3 Laissez-faire leadership

The laissez-faire leadership style tends to minimise the level of direction given to employees by their leaders (Johannsen 2014). The leader avoids the leadership responsibilities, which results in him/her not making any efforts to motivate or satisfy the needs of employees (Loganathan 2013:34). An individual who adopts this leadership behaviour gives employees freedom to do what they think best on their own (Mullins & Christy 2010:381). According to Bhatti, Maitlo, Shaikh, Hashmi and Shaikh *et al.* (2012:193), the leader does not interfere with the way employees do their assigned tasks, and there is no particular way of attaining goals. A laissez-faire leadership style can be useful when subordinates are highly trained and motivated (Johannsen 2014).

3.5.1.4 Charismatic leadership

A charismatic leader is one who inspires employees or followers because of who he/she is, and not because of good management or business success (Mills 2005a). According to Daft (2014:509), charismatic leaders have the ability to inspire and motivate employees to do more than they would normally do, despite obstacles and personal sacrifice. Charismatic leaders are not very predictable because they create an atmosphere of change and motivate employees to work hard (Daft 2014:510). Charismatic leaders and their followers develop relationships based on the personality of the leader (Ghillyer 2009:159). They are seen to be skilled at managing public relations, and as a result, are good at articulating a powerful future vision to their employees or followers (Hickman 2010:97). Hellriegel *et al.* (2012:391) add that charismatic leaders are not easily moved from their mission, and are confident that they and their followers can succeed.

3.5.1.5 Participative leadership

Participative and democratic leadership are regarded as the same leadership style (Maqsood, Bilal, Nazir & Baig 2013:140). Various terms are used to describe participative leadership, including consultation, joint decision-making, decentralisation, empowerment, and democratic management (Yukl 2013:115).

Participative leaders use interaction and collaboration with followers to direct the work of employees (Nelson & Quick 2013:195). Bhatti *et al.* (2012:193) as well as Hellriegel *et al.* (2012:385-386) explain that a participative or democratic leader influences the job satisfaction levels of employees by involving them or team members in the decision-making processes of the organisation, even though he/she makes the final decision. A participative or democratic leadership style allows employees to influence the decisions of their leader (Yukl 2013:115). Employees and team members are motivated to work hard when they feel that they are in control of their own destiny (Bhatti *et al.* 2012:193). Mullins and Christy (2010:381) add that in participative leadership, the concentration of power resides with the group as a whole. As a result, there is greater interaction among team members, and leadership functions are shared with members of the group. According to Muczyk and Holt (2008:282), participative leadership might be more suitable in organisations whose members have a low regard for hierarchy, and an inclination to bypass the chain of command.

According to De Jong and Den Hartog (2007:44), participative leadership can involve consultation, joint decision-making, and delegation. Hellriegel *et al.* (2012:381) state that participative leaders recognise the importance of developing or building strong and positive relationships with their employees or followers. Leaders who display more democratic values and involve employees in decision-making, tend to be more successful, and have a positive impact on employee performance and productivity (Maqsood *et al.* 2013:140; Somech & Wenderow 2006:748).

Bogdanić (2012:64) as well as Fields and Herold (1997:572) assert that leaders should involve employees in decision-making processes, especially those associated with the job designs of employees. Employees feel encouraged when their superiors acknowledge their inputs in making decisions and solving problems. In the same way, participative leaders aim to encourage subordinates to discover new opportunities and challenges, and to learn through acquiring, sharing and combining knowledge (Somech & Wenderow 2006:748). Bogdanić (2012:64) adds that decisions reached through consultation are often seen as more effective and precise.

Yukl (2013:117) identifies the following benefits associated with participative leadership:

- The quality of decisions made by leaders will improve if leaders consult with their followers before making a final decision. The quality of the decision is likely to improve when employees have information and knowledge that the leader does not.
- A better understanding of the nature of the decision and the problem at hand is provided by considering the reasons why a particular alternative is accepted and others rejected.
- Through participating in complex decision-making processes, employees develop more skills and increased confidence. In addition, employees are more likely to perceive that they are being treated with dignity and respect when their leaders give them opportunities to express their opinions and preferences about decisions that influence them.

According to Grimsley (2014), a participative leadership style attempts to bring a democratic dimension into modern management. In addition, leaders are beginning to realise the need to shift from authoritarian practices, such as having strict rules and giving orders, to focusing on their employees or followers (Mind Resources Institute of Learning & Innovation 2014). Although participative leadership is considered a traditional leadership style, it has several attributes such as openness, compassion, and quality employee relationships that are associated with the more contemporary styles. It is for this reason that the participative leadership style is also referred to as a more contemporary leadership style in this study. The behaviours and attributes associated with participative leadership style that are similar to those of the more contemporary leadership styles will become evident in the paragraphs that follow.

According to Luthans (2011:428) the need exists for business leaders to go beyond the traditional leadership approaches. Several contemporary leadership styles will be described in the section below.

3.6 CONTEMPORARY LEADERSHIP STYLES

The contemporary leadership approach suggests that leaders must be principle-centred rather than personality-based. Contemporary leaders should possess attributes such as honesty, integrity, openness, compassion, humanity, equality, trust, participation and empowerment (Werner 2011:356). According to Ismail, Mohamed, Sulaiman, Mohamad and Yusuf (2011:90), contemporary leadership approaches focus on the quality of relationships between leaders and followers.

The following leadership styles are categorised as contemporary in nature: transactional leadership, transformational leadership, authentic leadership, servant leadership, and ethical leadership, each of which will be described in the paragraphs below.

3.6.1 Transactional leadership

Transactional leadership involves contingent reward behaviour, where followers are motivated by the leaders' promises, praise and reward (Van Zyl 2009:137). Fields and Herold (1997:570) as well as Howell and Avolio (1993:892) define transactional leadership as a leadership style that is based on the contingent reward or exchange model. Followers do the required tasks in anticipation of rewards from their leaders. Odumeru and Ifeanyi (2013:358) add that transactional leaders focus on supervision, organisation and the performance of employees. Compliance is promoted through the use of rewards or punishments (Odumeru & Ifeanyi 2013:358; Van Zyl 2009:137) such as good salary, status, job security, and fringe benefits. Transactional leaders highlight the costs that are associated with achieving the goals of the organisation (Ismail *et al.* 2011:90).

Another dimension of transactional leadership is management-by-exception. Management-by-exception provides an indication of whether a leader acts to prevent or resolve problems as they arise (Lai 2011). In other words, leaders are either active or passive when dealing with mistakes, complaints and failures that occur within organisations. Passive transactional leaders wait passively until employees deviate from the intended plans or make errors (Mesu 2013:12). Active transactional

leaders monitor performance and use preventative measures or methods to influence employee behaviour. As a result, leaders ensure that assigned tasks are completed according to accepted standards (Mesu 2013:12).

A transactional leadership style is effective in a crisis or emergency situation as well as when projects need to be carried out in a specific way (Van Zyl 2009:137). However, transactional leadership does not encourage trust, and does not motivate employees to fulfil their potential (Avolio, Bass & Jung 1999:460). Aarons (2006) mentions that a leader may display varying degrees of both transformational and transactional leadership, and a combination of both might enhance effective leadership. As a result, a leader can use both leadership styles as they complement each other in getting things done (Robbins & Judge 2013:416). The following section will provide a brief description of transformational leadership.

3.6.2 Transformational leadership

Transformational leadership was first studied by researchers such as Bass (1985) and Burns (1978). According to Bass (1990:21) transformational leadership occurs when leaders broaden and elevate the interests of their employees. Transformational leaders also encourage employees to look and act beyond their own self-interest for the good of the organisation (Robbins & Judge 2013:416). One of the distinguishing features of the transformational leadership style is that leaders are goal-orientated and encourage the completion of work based on a collective sense of beliefs, values and purposes (Loon, Lim, Lee & Tam 2012:195).

Transformational leaders excite and inspire followers to exert extra effort to achieve organisational objectives (Robbins & Judge 2013:416). They place more emphasis on employees' intrinsic motivation and personal development (Voon *et al.* 2011:25) which ensure high levels of employee commitment in meeting organisational objectives (Van Zyl 2009:137). Bushra *et al.* (2011:266) suggest that transformational leaders help employees to become more creative and innovative in generating new ideas, which allows organisations to grow and be competitive. Transformational leaders also encourage employees to view problems in new ways and help them to develop to their full potential, which results in enhanced creativity

amongst employees (De Jong & Den Hartog 2007:44). Van Dierendonck (2011:1235) adds that employees are inspired by their leaders to excel in their work and meeting assigned tasks. Employees are appreciated and valued for the value they bring into the organisation. Empowering and listening to employees are the key elements of transformational leadership. (Stone, Russell & Patterson 2004:354). Arnold, Turner, Barling, Kelloway and McKee (2007:194) assert that transformational leaders strive to enhance the well-being of employees. Transformational leadership brings about a mutually stimulating and engaging relationship between the leaders and their employees or followers (Krishnan 2012:550). As a result, employees are likely to be happier working for a person who displays transformational leadership behaviour (Krishnan 2012:551).

Transformational leadership consists of four distinct components which are: idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration (Luthans 2011:430; Liden *et al.* 2008:163; Bass 1990:22). *Idealised influence* is about building the confidence, trust, respect, dignity, integrity and loyalty of the team or the organisation as a whole (Van Zyl 2009:138). Odumeru and Ifeanyi (2013:356) indicate that idealised influence is the charismatic element of transformational leadership in which leaders become role models to their employees. *Inspirational motivation* is concerned with creating a shared vision or image of what the organisation could become and the route it should take to get there (Werner 2011:366). Loon *et al.* (2012:195) define inspirational motivation as the leader's ability to formulate and express a vision that employees and the entire organisation can identify with, from both a profit-making and individual perspective. Intellectual stimulation is viewed as the ability of a leader to care about the intelligence, rationality, logic and problem solving abilities of employees in the organisation (Krishnan 2012:552; Ismail *et al.* 2011:90). *Individualised consideration* is a leadership behaviour that cares about the followers' concerns and developmental needs (Ismail *et al.* 2011:90-91; Avolio & Bass 1995). The leader recognises and demonstrates acceptance of the employee's individual needs and desires (Loon *et al.* 2012:195; Stone *et al.* 2004:351).

3.6.3 Authentic leadership

Modern leadership is faced with a renewed focus on the authenticity of leaders (Avolio & Gardner 2005:316). Walumbwa, Avolio, Gardner, Wernsing and Peterson (2008:90) emphasise that corporate scandals, management misbehaving and other societal challenges faced by both public and private organisations have contributed to increased attention and focus being given to authentic leadership. According to Duignan (2014:154), authentic leadership has been written about since the time of ancient Greece. Similarly, Walumbwa *et al.* (2008:90) contends that the concept of authenticity is not new, and interest in the nature of the concept has increased over the years. A disjointed body of literature that focuses on authentic self-behaviour exists (Duignan 2014:155).

To understand the nature of authentic leadership, the following sections will focus on the definition of authentic leadership as well as the various components thereof.

3.6.3.1 Defining authentic leadership

Henderson and Hoy (1982:6) describe leader authenticity as the extent to which employees perceive their leaders as individuals who do not manipulate their subordinates, treat employees with respect, and readily admit when they are wrong. This behaviour leads to both greater self-awareness and self-regulated positive behaviours by leaders and employees. Gardner *et al.* (2005:344) define authentic leadership as the behaviour of leaders where they lead by example in promoting ethical climates characterised by transparency, trust, integrity, and high moral standards. Such leaders are not only true to themselves but assist their employees or followers to also achieve authenticity. The central characteristic of authentic leaders is that they foster the development of authenticity among followers through increased self-awareness, self-regulation, and positive modelling (Avolio & Gardner 2005:317).

Authentic leadership contributes to the wellbeing of both leaders and employees (Avolio & Gardner 2005:317). As leaders display their personal authenticity, they tend to be concerned about how their authenticity can be conveyed to others, in

order to influence their employees to work towards meeting the goals and objectives of the organisation (Clapp-Smith *et al.* 2009:230). Duignan (2014:167) points out that one of the frequently asked questions in the organisational behaviour literature is whether authentic leaders can be developed. Northouse (2012:268) provides answers stating that authentic values and behaviours can be developed in leaders over time.

However, critics of authentic leadership often label this leadership style as a soft approach to leadership. Only hardworking, aggressive and ruthlessly ambitious extrovert produce better results (Duignan 2014:160). Similarly, Northouse (2012:269) contends that authentic leadership is an interesting approach on the surface, but there are concerns whether this approach is effective in producing desired outcomes.

3.6.3.2 Components of authentic leadership

According to Walumbwa *et al.* (2008:93), Avolio and Gardner (2005:317) as well as Gardner *et al.* (2005:345), authentic leaders demonstrate high levels of self-knowledge, relational transparency, internalised moral perspective, self-awareness, and balanced processing. The following sections will provide a description of each of these components or dimensions of authentic leadership.

(a) Relational transparency

Relational transparency is characterised by leaders' commitment to displaying true or genuine behaviours or personalities through creating relationships based on trust (Gardner *et al.* 2005:357). The influence on employees is enhanced if leaders are open and transparent about the processes that they use in their businesses (Clapp-Smith, Vogelgesang & Avey 2009:230). Walumbwa *et al.* (2011:111) add that organisations require leaders who can promote positive relationships through openness, information sharing, and honesty, and by including employees in decision-making. Leaders act as examples to their followers by engaging in transparent decision-making that reflects integrity and trust in employees (Gardner *et al.* 2005:347). Duignan and Bhindi (1997:200) add that authentic leadership is

enhanced by authentic relationships. These relationships provide an environment for both leaders and employees to understand their authentic selves through interactions.

(b) Internalised moral perspective

According to Walumbwa *et al.* (2011:111), organisations require leaders who are guided by internal moral standards and values, as opposed to those who are influenced by external forces such as peers or market pressures. To achieve collective action from employees, and enhanced outcomes, authentic leaders make use of a moral purpose, vision and values, to inspire their employees or followers (Duignan 2014:165). A similar view point was presented by Gardner *et al.* (2005:347) when they mentioned that trust, transparency and ethical values result in improved authentic behaviour among employees. By leaders frequently demonstrating authentic behaviour, group norms for an ethical culture are developed. According to Gardner, Cogliser, Davis and Dickens (2011:1123-1124), ethical and moral perspectives are basic components of authentic leadership. In other words, leader authenticity is truly displayed when a leader is also committed to certain core ethical values.

(c) Self-awareness

Walumbwa *et al.* (2011:111) define self-awareness as the extent to which a leader possesses accurate self-knowledge and acts in manner that shows that he/she is cognisant of his/her impact on other people. Leaders can develop and enhance leadership capacities through higher levels of self-understanding (Walumbwa *et al.* 2011:111). In addition, Clapp-Smith *et al.* (2009:230) contend that followers or employees have a better sense of organisational goals and objectives when their leaders are aware of how their actions affect those around them. Walumbwa *et al.* (2008:93) add that when leaders know and accept themselves, including their strengths and weaknesses, they tend to display high levels of stability, as opposed to self-esteem. According to Gardner *et al.* (2005:347), leaders who know who they are and their values and promote a sense of self-understanding, provide a solid basis for decisions and actions. By knowing their limitations, leaders tend to be tolerant of

imperfections in others, and help their followers to learn, grow and succeed (Duignan & Bhindi 1997:206).

(d) Balanced processing

Balanced processing is defined as a “relatively unbiased form of information processing that is less susceptible to denials, distortions, exaggerations and ignorance regarding one’s personal experience, private knowledge on the self” (Walumbwa *et al.* 2011:111). Kernis (2003:14) uses the term ‘unbiased processing’ which involves objectivity and acceptance of one’s positive and negative aspects, attributes and qualities. Northouse (2012:264) states that with balanced processing, a leader avoids any form of favouritism and any other issues that can influence his/her level of objectivity in analysing information and exploring other people’s opinions. Walumbwa *et al.* (2011:113) add that authentic leaders demonstrate balanced processing behaviour by soliciting feedback from their employees and openly discussing their views. Similarly, Northouse (2012:264) mentions that authentic leaders are open about their own perspectives, and they are also objective in considering others’ perspectives.

3.6.4 Servant leadership

According to Humphreys (2005), the concept of servant leadership has been in existence since the early seventies, but researchers have only recently undertaken empirical studies on this style of leadership. Servant leadership is an emerging leadership approach that appears to be more relevant and timely in the present context of leadership (Sendjaya, Sarros & Santora 2008:402).

3.6.4.1 Defining servant leadership

According to Barbuto and Wheeler (2006:300), leaders who exhibit servant behaviours bring wisdom that appears to be the driving vehicle in organisational wisdom. Greenleaf (1970:4) describes a servant leader as an individual with a desire to serve others and to make sure their needs are taken care of. Van Dierendonck (2011:1229) describes servant leadership as a leadership style with the potential to

foster employee engagement and flourishing organisations. According to Page and Wong (2000), servant leadership involves the ideals of empowerment, total quality, team building, and participatory management.

Russell and Stone (2002:153) contend that servant leadership behaviour influence both employee and organisational performance. A similar view is presented by Nelson and Quick (2013:207) when they claim that servant leadership leads to higher team performance and increased organisational citizenship behaviours in a business. Servant leaders are guided by virtues or morals that define and shape their attitudes, characteristics, and behaviour (Dennis & Bocarnea 2005:601). Servant leadership differs from traditional approaches to leadership in that it stresses personal integrity and focuses on forming strong long-term relationships with employees (Liden *et al.* 2008:162).

Servant leaders strive to realise the mission of the organisation by sharing their power, ideas, and information with their followers (Daft 2014:494). Werner (2011:365) and Schermerhorn (2010: 437) define servant leadership as a style that is based on the leaders' commitment to serve employees' needs, and ensure that employees use their talents to their full potential.

3.6.4.2 Components of servant leadership

Both Wong and Page (2003) and Russell and Stone (2002) have developed models that can be used to define servant leadership. Russell and Stone's model shows the inclusion of attributes such as vision, honesty, integrity, service, modelling, appreciation of others, and empowerment. The model includes attributes such as communication, stewardship, visibility, influence, persuasion, encouragement, and delegation (Russell & Stone 2002). Wong and Page (2003) note that servant leadership involves attributes relating to a leader's character and people-orientated values such as integrity, humility, caring for others, empowering and developing others. In addition, Wong and Page's (2003) model incorporates variables that are task-orientated and process-orientated. These values include visioning, goal setting, team building, and shared decision-making (Wong & Page 2003).

Based on the existing classifications of servant leadership, the following dimensions of this leadership style warrant further discussion: servant-hood (altruistic calling), emotional healing, persuasive mapping, organisational stewardship, humility, and caring for others (Barbutro & Wheeler 2006; Liden *et al.* 2008; Page & Wong 2000).

(a) Servant-hood

Unlike other leadership styles, the servant leadership style focuses more on serving employees' needs rather than control or self-interest (Olesia, Namusonge & Iravo 2013:90). Barbuto and Wheeler (2006:304-305) consider this as the fundamental characteristic of servant leadership, and define it as the "desire and willingness to serve employees or followers while on the other hand sacrificing self-interests". Öner (2012:301) as well as Russell and Stone (2002) state that servant leadership is seen as a holistic and altruistic approach to leadership that focuses on the commitment to serve not only employees, but customers and the community as well. Barbuto and Wheeler (2006:318) further elaborate by saying that the ultimate objective of altruistic calling is to serve and put others' interests ahead of one's own.

(b) Emotional healing

Emotional healing is defined as the "leader's commitment to and skill in fostering spiritual recovery from hardship or emotional issues". Servant leaders are highly empathetic, and create environments that are safe for employees to voice personal and professional issues (Barbuto & Wheeler 2006:318). Servant leaders have the ability to understand and experience the feelings of their followers. According to Liden *et al.* (2008:163), leaders form social exchange relationships with their followers rather than relying solely on the authority vested in their positions to ensure that employees stay motivated, and reduce psychological problems such as stress, depression and sexual harassment. Through fostering these important behaviours, leaders and followers experience feelings of warmth, compassion, and forgiveness even when confronted with undesirable circumstances (Liden *et al.* 2008:163).

(c) Persuasive mapping

Persuasive mapping is defined by Barbuto and Wheeler (2006:319) as the “extent to which a leader uses sound reasoning and mental frameworks to get employees to do the required tasks”. Leaders who are highly persuasive are skilled at conceptualising greater possibilities, and they encourage employees to visualise the future of the organisation (Barbuto & Wheeler 2006:319). According to Liden *et al.* (2008:163), leaders who display servant leadership set an example for their employees to emulate and inspire followers with enthusiasm and inspiration. Followers are encouraged by servant leaders to challenge the status quo and express different views (Liden *et al.* 2008:163).

(d) Organisational stewardship

According to Barbuto and Wheeler (2006:319), organisational stewardship is the “extent to which leaders prepare an organisation to make a positive contribution to society through community development, programs and outreach”. Page and Wong (2000) state that businesses are held responsible to ensure/uphold the greater good of the community. This means that businesses are encouraged to contribute significantly to the communities in which they operate in. Committed leadership can adopt a range of new policies to reduce waste, pollution, and energy usage associated with its products (Louw & Venter 2010:49). Barbuto and Wheeler (2006:319) add that the value of taking responsibility for the well-being of the community and making sure that the organisation is committed to give back to the community, leaves a positive business legacy.

(e) Humility

Van Dierendonck (2011:1233) defines humility as the “extent to which a leader puts the interest of employees first, facilitates their performance, provides them with essential support” and “is willing to step aside so as to allow employees to work independently” (Page & Wong 2000). The servant leader maintains his/her humility by showing respect for employees and acknowledging their contributions to the team and the success of the business (Dennis & Bocarnea 2005:602). Servant leaders are

described as being modest and avoiding public praise. In addition, leaders who have personal humility allow the organisation to achieve in the long run. (Van Dierendonck 2011:1237).

(f) Caring for others

Caring for others means that the leader can be approached to assist with the personal problems of his/her employees, as well as 'having a heart' for employees, and showing interest in their personal growth and development (Page & Wong 2000). Servant leaders have a duty to bring out the best in their followers. They take time to communicate with their followers and understand their abilities, desires and potential (Liden *et al.* 2008:162). Servant leaders see employees as an asset to the organisation, and enable subordinates to reach their full potential. Employees are also treated with respect, and made to feel part of a coherent team who work together to accomplish assigned tasks (Page & Wong 2000).

3.6.5 Ethical leadership

Over the past decade, interest in studying ethical leadership has increased, mainly due to repeated scandals involving corporate and public sector leaders (Yukl *et al.* 2013:38; Brown & Treviño 2006:595). Huang and Paterson (2014:1) point out that despite regulations enforced by governments, concerns remain about the unethical practices of organisations. The world is currently suffering from the consequences of a series of unethical decisions and poor judgements by both business and political leaders (Rossy 2011:35). Much has been written about ethics and leadership from a normative or philosophical perspective, suggesting how leaders should behave (Brown & Treviño 2006:595). According to Huang and Paterson (2014), a renewed focus on the meaning of ethical outcomes which informs both ethical leadership theory and practice, must be developed.

While ethical leadership has been described in different ways, ethical values and behaviour are an important aspect of prominent leadership theories (Yukl *et al.* 2013:38). The ethical value component is encompassed in modern leadership models such as authentic leadership (Luthans & Avolio 2003), as well as in servant

leadership (Avolio & Gardner 2005). Production and profitability goals are often viewed as a leader's primary objectives, but leaders also have a responsibility to ensure moral and ethical conduct in their organisations (Resick *et al.* 2006:346).

3.6.5.1 Ethical leadership defined

Brown, Treviño and Harrison (2005:120) define ethical leadership as the “demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and promoting such conduct to employees through two-way communication, reinforcement and decision-making”. Ethical leadership is characterised by the honesty and integrity that a leader displays to his/her employees, customers and other stakeholders (Daft 2011:38). Khuntia and Suar (2004:15) maintain that ethical leaders make efforts to incorporate moral principles in their actions, beliefs, and the way they behave towards others. Values such as unselfishness, compassion, honesty, fairness and justice are incorporated into the concept of ethical leadership (Yukl *et al.* 2013:38). For example, an ethical leader must be supportive and helpful when someone has a problem, and should be fair, open and honest when communicating and distributing rewards and benefits to employees. To be an ethical leader requires one to be accountable for ethical and unethical behaviours of employees within the business (Yukl *et al.* 2013:38).

Toor and Ofori (2009) argue that ethical leaders can improve organisational success in a continuing manner. Leaders who use an ethical leadership style are effective and display high levels of fairness. In contrast, unethical leaders can harm the organisation by striving for personal gain at the expense of the organisation and its employees (Toor & Ofori 2009). Huhtala, Kangas, Lämsä, and Feldt (2013:252) mention that employees imitate the behaviour of leaders, therefore, the unethical behaviour of leaders could signal that unethical actions are allowed in an organisation.

Van Dierendonck (2011:1236) observes that ethical leadership is similar to servant leadership in that ethical leaders also care for employees, display integrity and trustworthiness, and strive to serve others.

3.6.5.2 Components of ethical leadership

An ethical leader is one who acts with integrity, emotional maturity, fairness, is committed to ethical and moral standards, and provides ethical guidance to subordinates (Yukl *et al.* 2013; Kalshoven, Den Hartog & De Hoogh 2011:53; Khuntia & Suar 2004:15). The following characteristics are also displayed by ethical leaders: determination, honesty, humility, tolerance, enthusiasm, courage, and responsibility (Guillen & Gonzalez 2001:180). According to Khuntia and Suar (2004:15), these attributes become significant to followers/employees as they begin to copy these attributes displayed by their leaders. The following paragraphs elaborate on integrity and ethical commitment as components of ethical leadership.

(a) Integrity

Ethical leadership begins with personal integrity, that is, leaders should be honest, credible, and consistent in putting values into action (Schermerhorn 2010:450). Various researchers have long believed that personal traits such as integrity are important to perceptions of leadership effectiveness (Yukl *et al.* 2013:43; Brown & Treviño 2006:596). Integrity does not only relate to honesty and fairness, but also to compassion, humility, and being one's own person (Tait 1996:29). Ethical leaders constantly practise what they preach, and are proactive role models for ethical conduct (Brown & Treviño 2006:597). Kalshoven *et al.* (2011:54) as well as Van Zyl (2009:156) add that ethical leaders act with integrity when they keep their promises and do what they say. Leaders who show consistent behaviour and guide ethical behaviour are perceived as being more effective (Kalshoven *et al.* 2011:65).

(b) Ethical commitment

Ethical leaders incorporate moral principles into their beliefs, values, and behaviour (Khuntia & Suar 2004:15). Through commitment to ethical and moral standards, ethical leaders provide guidelines for ethical behaviour to employees (Brown *et al.* 2005). Leaders are proactive in influencing their employees' ethical and unethical behaviour by communicating ethics and values (Brown & Treviño 2006:597). Organisational citizenship behaviour by employees is stimulated by ethical leaders

when leaders are concerned about their employees (Kalshoven *et al.* 2011:59). According to Khuntia and Suar (2004:24), employees expect their leaders to nurture and take care of them when they are under uncertain situations. Consequently, employees are likely to follow such behaviours and exhibit organisational citizenship behaviour (Kalshoven *et al.* 2011:59).

3.7 LEADERSHIP STYLES AMONG SMES

Modern leadership is faced with several challenges such as influencing global markets, developing the ability to innovate, inspiring employees to perform and acquire new skills, and understanding the dynamic changes of technology (Trapp 2014). According to Franco and Matos (2013), leadership plays a fundamental role among SMEs. In their study, Arham, Boucher and Muenjohn (2013:124) as well as Aziz, Mahmood and Abdullah (2013) conclude that the leadership styles of SMEs owners can influence the success and survival of their businesses. Leadership has been considered to be a virtue of individuals concentrated at the top of the organisational hierarchy (Zheltoukhova & Suckley 2014). Zheltoukhova and Suckley (2014) identify three distinct factors that influence the quality of leadership among SMEs. Leadership capabilities and experience, size and structure of the organisation, and organisational strategy were found to be important factors influencing the quality of leadership among SMEs (Zheltoukhova & Suckley 2014).

Kempster, Cope and Parry (2010) contend that although distributed or shared leadership is seen to be significant in enhancing the growth of SMEs, most SME environments are seen to be dominated by a heroic individual leadership approach. Among SMEs most of the leadership responsibility rests on the shoulders of the owner, therefore it is important for these business owners to look for others within their businesses to assist them (Cherry 2013). Owing to the nature and characteristics of SMEs, these business leaders should channel the energy and motivation of employees in the right direction to accomplish organisational goals and strategies (Arham *et al.* 2013:125). Arham *et al.* (2013:125) find that leaders of SMEs possess the characteristics of both transformational and transactional leadership.

According to Pedraja-Rejas *et al.* (2006:503), supportive, participative and instrumental leadership styles are the most frequently used styles among SMEs. A supportive leadership style is defined as one that focuses on establishing good relationships with employees and shows concern for the well-being and the needs of employees (Pedraja-Rejas *et al.* 2006:502). Hellriegel *et al.* (2012:386) describe a supportive leader as a person who is considered to be friendly and approachable to his/her employees or followers. As previously stated, participative leadership enhances the involvement of employees in the decision-making processes of the business by allowing employees to influence critical decisions (Kalshoven *et al.* 2011; Khuntia & Suar 2004). Instrumental leadership is an approach that provides work schedules, rules and detailed procedures of how to conduct assigned jobs (Pedraja-Rejas *et al.* 2006:502).

3.8 SUMMARY

The main purpose of this chapter was to discuss the nature and importance of leadership. Leadership was defined and its importance discussed. In this study, leadership is described as the ability to influence employees to work towards accomplishing the objectives and goals of the organisation. It was noted that leadership plays an important role in coordination, influencing and motivating employees, and in providing direction for the organisation. Chapter 3 also dealt with the various components of leadership, and several leadership theories were discussed. The different traditional and contemporary leadership styles were described. Traditional leadership styles included autocratic, directive, laissez-faire, charismatic and participative. Contemporary leadership styles included transactional, transformational, authentic, servant, and ethical styles. Lastly, this chapter contextualised leadership styles among SMEs. This study focuses on the following leadership styles: servant, authentic, ethical, and participative leadership.

Chapter 4 will present a hypothesised model of leadership styles (servant, authentic, ethical, and participative leadership) hypothesised as influencing the levels of job satisfaction and organisational commitment of SME employees.

CHAPTER 4

THE RELATIONSHIP BETWEEN LEADERSHIP STYLES, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

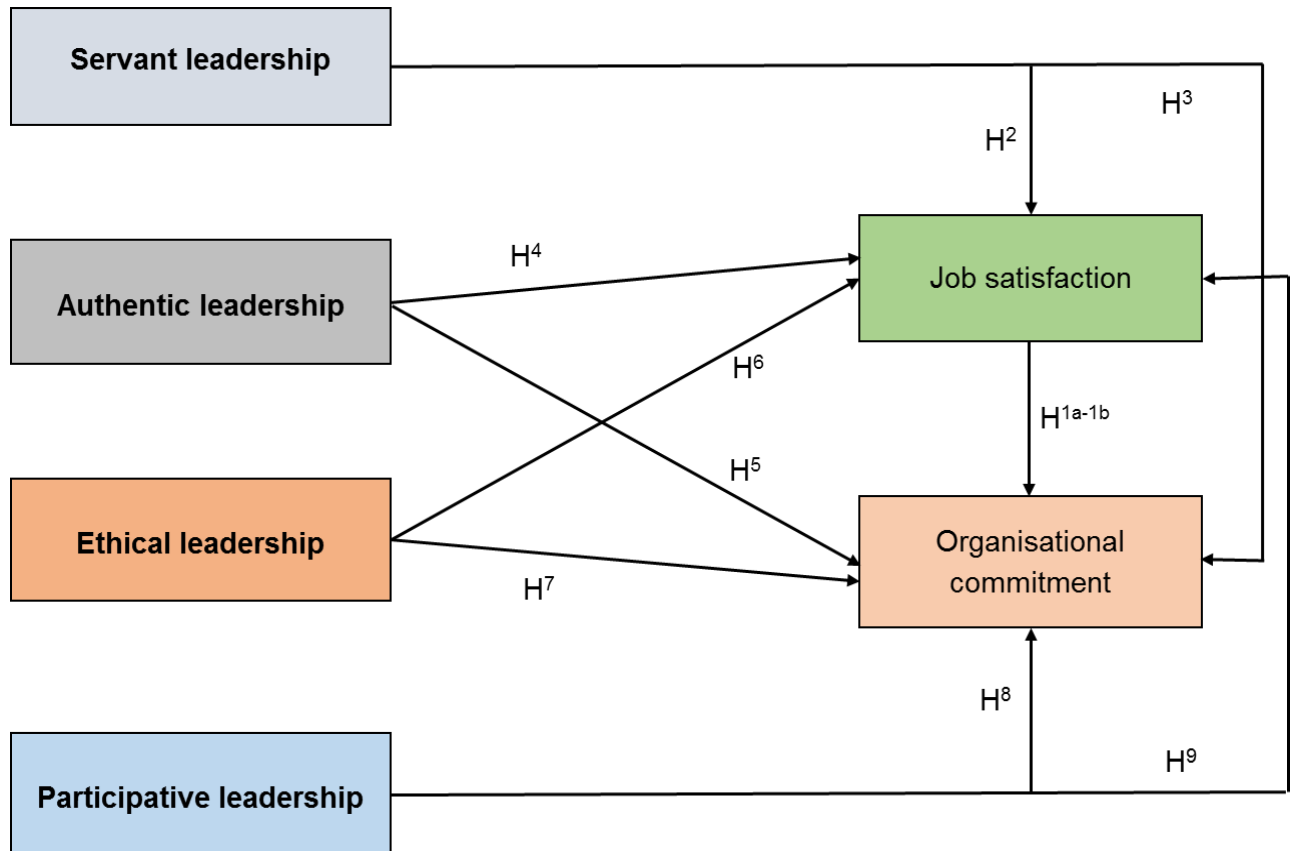
4.1 INTRODUCTION

In Chapter 3, various traditional and contemporary leadership styles were discussed. Traditional leadership styles included autocratic, directive, laissez faire, charismatic, and participative leadership, whereas contemporary styles included transformational, transactional, servant, authentic, and ethical leadership. Given the need for more ethical, inclusive and relational leadership approaches, this study focuses on servant, authentic, ethical, and participative leadership. This chapter will present a proposed model of the hypothesised relationships between these four leadership styles and the levels of job satisfaction and organisational commitment of SME employees. Both anecdotal and empirical evidence supporting the hypothesised relationships will be provided. In addition, the relationships between selected demographic variables and the job satisfaction and organisational commitment levels of SME employees will be examined. Evidence supporting these relationships will be presented, and hypotheses proposed.

4.2 THE HYPOTHESISED MODEL

In the hypothesised model, *Servant leadership*, *Authentic leadership*, *Ethical leadership*, and *Participative leadership* will serve as the independent variables, and *Job satisfaction* and *Organisational commitment* will serve as the dependent variables. According to the literature, these leadership styles consist of several dimensions, but in this study they are measured as single constructs. The motivation for investigating the dependent variables and the leadership styles as single constructs was presented in Section 1.8 of Chapter 1. Figure 4.1 depicts the proposed hypothesised model to be empirically tested in this study.

Figure 4.1: Proposed hypothesised model: Leadership styles influencing job satisfaction and organisational commitment of employees working in SMEs



(Source: Researcher's own construction)

Evidence has been found in both the leadership and organisational behaviour literature to support the relationships hypothesised between the contemporary leadership styles (independent variables) investigated in this study and *Job satisfaction* as well as between the styles and *Organisational commitment*. This evidence will be presented in the following sections.

4.3 JOB SATISFACTION AND ORGANISATIONAL COMMITMENT

Job satisfaction and organisational commitment are widely studied constructs in organisational behaviour (Chiu & Ng 2013:80; Suma & Lesha 2013:42; Bodla & Danish 2009). These constructs are work attitudes that reflect how employees feel about their work place and how well they commit themselves to its intended actions and behaviour (Kumari 2011:11). A person experiences job satisfaction when a job provides him/her with what he/she wishes to achieve from that job (Veronica &

Indradevi 2014:260). Sempene, Rieger and Roodt (2002:23) contend that job satisfaction deals with an individual's perception and evaluation of his/her job, and this perception is influenced by the person's unique needs, values, and expectations. For the purpose of this study, *Job satisfaction* refers to employees experiencing their involvement in the businesses in which they are employed as rewarding, fulfilling, satisfying, and enjoyable.

As previously indicated in Section 2.6 of Chapter 2, organisational commitment is defined as a psychological state that describes an employee's relationship with an organisation (Meyer & Allen 1991:63). Employees with high levels of organisational commitment are willing to exert substantial effort in the achievement of the organisation's objectives (Mowday *et al.* 1979). In this study *Organisational commitment* refers to employees having pride in and an emotional attachment to the business in which they are employed, as well as being willing to make personal sacrifices, and put in a great deal of effort to ensure its success.

Both job satisfaction and organisational commitment are important work attitudes in assessing employees' intention to stay with an organisation, as well as their overall contribution to that organisation (Lok & Crawford 2004:321), and both are seen as important factors influencing the productivity of an organisation (Khan, Razi, Ali & Asghar 2011:270; Bushra *et al.* 2011:266). Both job satisfaction and organisational commitment were discussed in detail in Chapter 2.

Gopala Sarma (2012:48) suggests that organisational commitment is the result of high levels of job satisfaction. According to Warsi *et al.* (2009:402), highly satisfied employees are also more likely to display greater levels of organisational commitment than those who are not satisfied with their work, co-workers, remuneration, and supervision. Several studies investigating the determinants of organisational commitment have consistently found a significant and positive relationship between job satisfaction and organisational commitment (Appaw-Agbola *et al.* 2013:93; Lumley *et al.* 2011:112; Mosadeghrad *et al.* 2008:211; Lok & Crawford 2001:607). Lumley *et al.* (2011:107) are of the opinion that job satisfaction influences organisational commitment, and satisfied employees tend to engage in behaviours which are helpful to the organisation. According to Warsi *et al.*

(2009:402), the relationship between job satisfaction and organisational commitment is crucial in attracting and retaining employees.

Susanty, Miradipta and Jie (2013:17) assert that job satisfaction and organisational commitment are predictors of each other. However, Elizur and Koslowsky (2001:594) contend that research has not confirmed the direction of the relationship between job satisfaction and organisational commitment. In their study on the influence of organisational culture on the relationship between leadership behaviour and organisational commitment, and between organisational commitment and job satisfaction, Yiing and Ahmad (2009:78) found that organisational commitment had a significant negative relationship with job satisfaction.

Based on the contradictory evidence given above, the following hypothesis is subjected to empirical testing:

H^{1a}: There is a positive relationship between the level of *Job satisfaction* of employees working in SMEs and their level of *Organisational commitment* to those SMEs.

According to Lok and Crawford (2001:607), job satisfaction has a significant positive relationship with organisational commitment, and can also be used as a mediating variable in explaining the relationship between other predictors of organisational commitment. Similarly, Warsi *et al.* (2009:401-402) contend that job satisfaction is a central concept in organisational psychology, and acts as a mediator between the working conditions and organisational and individual outcomes. According to Lok and Crawford (2001:579), several researchers have suggested that job satisfaction plays a significant role in understanding the influence of various variables on the organisational commitment levels of employees. In their study on the mediating role of job satisfaction between personality and organisational commitment, Spagnoli and Caetano (2012) have found that job satisfaction completely mediates the relationship between conscientiousness, extroversion and organisational commitment. In addition, Vandenabeele (2009) found that job satisfaction demonstrates a partial mediation effect on the relationship between employees' positive feelings towards a work situation and organisational commitment.

Against this background the following hypotheses will be subjected to empirical testing in this study:

H^{1b}: Job satisfaction mediates the relationships between the leadership styles investigated in this study (*Servant, Authentic, Ethical and Participative leadership*) and the *Organisational commitment* shown by employees working in SMEs.

The following section will discuss the influence of leadership in general on job satisfaction and organisational commitment.

4.4 LEADERSHIP, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

As previously mentioned in Section 3.2.1 of Chapter 3, leadership is a process of influencing relationships between leaders and employees towards accomplishing stated organisational goals (Hellriegel *et al.* 2012:374; Grobler *et al.* 2011:620). As described by Den Jong and Den Hartog (2007:44), leadership involves persuading employees to use their abilities and roles to contribute to the overall success of organisations.

According to Omidifar (2013:263-264), the influence of leadership on the job satisfaction and organisational commitment of employees is important. Leadership assists in producing desired organisational and employees' outcomes such as organisational performance, employee job satisfaction, and organisational commitment (Hersey *et al.* 2013:101). Belias and Koustelios (2014a:40) state that effective leadership, that considers employees' needs and well-being, inspires motivates and cultivates mutual trust amongst leaders and followers. This type of leadership is more likely to contribute to employees' job satisfaction and organisational commitment. Bushra *et al.* (2011:261) as well as Khuntia and Suar (2004:13) assert that leadership can either enhance or negatively influence employee levels of job satisfaction and organisational commitment. As such, ineffective leadership leads to low levels of job satisfaction and organisational commitment (Omidifar 2013:265-266).

Several studies show a positive relationship between leadership and the job satisfaction levels of employees (Monek & Umeh 2014:35; Kaiser *et al.* 2008:104). For example, Monek and Umeh (2014:35) have found that leadership is the primary factor in enhancing the job satisfaction levels of employees. In their study on the effects of organisational culture on the relationship between leadership behaviour and organisational commitment and between organisational commitment and job satisfaction, Yiing and Ahmad (2009:77) also report leadership to have a positive association with job satisfaction. Similarly, in their study investigating the influence of leadership on job satisfaction, productivity and organisational commitment in the health sector, Loke (2001:197) concludes that leadership has a positive influence on job satisfaction.

According to Özşahin *et al.* (2013:370), leadership enhances the organisational commitment levels of employees, and several studies (Dhladhla 2011:126; Yiing & Ahmad 2009:77; Loke 2001:197) have reported positive relationships between leadership and organisational commitment. In their study on transformational leadership and organisational commitment on staff nurses at a large public hospital in Singapore, Avolio, Zhu, Koh and Bhatia (2004) found a positive relationship between leadership and organisational commitment of employees. Loke (2001) also found leadership to be associated with organisational commitment in a study undertaken in the health sector.

In addition to evidence of the relationship between leadership and the levels of job satisfaction and organisational commitment of employees, evidence also exists supporting the relationship between the specific leadership style adopted and the aforementioned employee attitudes.

4.5 LEADERSHIP STYLES, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

According to Stogdill (1974:4), leadership style refers to “the behaviour that a leader uses to influence a group towards the achievement of goals”. Leadership style is defined as the method of leadership that a leader employs when running his/her

business (Business Dictionary 2014). For the purpose of this study, leadership style refers to the manner and approach of providing direction, implementing plans, and motivating employees.

According to Lok and Crawford (2004:323), organisations need a greater understanding of the importance of leadership styles and their influence on job satisfaction and organisational commitment. In his study on the relationship between a principals' leadership style, organisational commitment, and job satisfaction, Omidifar (2013:265-266) reports a positive and significant relationship between leadership style and job satisfaction as well as between leadership style and organisational commitment. Similarly, in their study investigating the influence of organisational culture and leadership style on job satisfaction and organisational commitment, Lok and Crawford (2004:335) conclude that leadership style is an important precursor of employee levels of job satisfaction and organisational commitment.

Various studies have reported positive relationships between specific leadership styles and the job satisfaction and organisational commitment levels of employees. For example Braun, Peus, Weisweiler and Frey (2013:278), Ekaterini (2010:8) as well as Voon *et al.* (2010:29) have found a positive relationship between transformational leadership and both job satisfaction and organisational commitment. Rowden (2000:33) reports that charismatic leadership is positively associated with organisational commitment, and Valdiserri and Wilson (2010:63) report a positive relationship between laissez-faire leadership and employee job satisfaction. Another example is that of the study by Ekona, Olusegun and Mukaila (2013) who have assessed managerial styles and staff turnover in Nigerian Banks. They report a significant relationship between autocratic leadership and organisational commitment (Ekona *et al.* 2013:84). Ashraf, Farooq and Din (2014) have investigated the influence of leadership on the job satisfaction and organisational commitment levels of employees in Pakistan, and report that directive leadership has a negative association with both job satisfaction and organisational commitment (Ashraf *et al.* 2014:436).

In addition to the above leadership styles, evidence has also been found that the leadership styles investigated in this study, namely servant, authentic, ethical, and participative leadership, influence the job satisfaction and organisational commitment levels of employees. As these styles are the focus of this study, they will be discussed in detail. Evidence supporting these relationships will be presented in the following sections.

4.6 SERVANT LEADERSHIP, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

As previously mentioned in Section 3.6.4.1 of Chapter 3, servant leadership is a leadership style where leaders commit to serving the needs of others rather than themselves (Werner 2011:365) and to enabling employees to reach their full potential (Page & Wong 2000). Van Dierendonck (2011:1229) suggests that servant leadership has the potential to foster employee engagement and organisational success. For the purpose of this study, *Servant leadership* refers to the SME owner displaying humility, servant-hood, and a caring for others (emotional healing).

Anecdotal evidence supporting the relationship between servant leadership and job satisfaction is provided by several authors (Mahembe & Engelbrecht 2014; Van Dierendonck 2011). Mahembe and Engelbrecht (2014) suggest that servant leadership influences the level of team or employee effectiveness. Leaders who embrace or practise servant leadership are likely to contribute to overall employee effectiveness in an organisation (Mahembe & Engelbrecht 2014).

Several empirical studies (Lisbijanto & Budiyo 2014; Melchor & Bosco 2010) also provide support for a positive relationship between servant leadership and job satisfaction. In their study on the influence of servant leadership on organisational performance through job satisfaction amongst employees in Surabaya, Lisbijanto and Budiyo (2014:3) have found a significant positive relationship between servant leadership and job satisfaction. Similarly, Melchor and Bosco (2010:84) report that servant leadership provides a successful alternative to other leadership styles, and creates a working environment that improves job satisfaction through employee empowerment (Melchor & Bosco 2010:77).

Against this background, the following hypothesis is proposed for empirical testing:

H²: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.

Various authors (Chinomona *et al.* 2013; Ebener & O'Connell 2010; West & Bocârnea 2008) contend that a relationship exists between servant leadership and organisational commitment. According to West and Bocârnea (2008), servant leadership focuses on employees, and is a contributing factor to organisational and employee outcomes such as organisational commitment. Similarly, Ebener and O'Connell (2010:316) assert that servant leadership is associated with higher levels of organisational commitment in organisations. If employees perceive a leader as displaying servant leadership behaviours, they are more likely to be committed to their organisation (Chinomona *et al.* 2013:405).

Chinomona *et al.* (2013:412) provide empirical support for a significant positive relationship between servant leadership and organisational commitment. From their study, Liden *et al.* (2008:174) also conclude that servant leadership enhances the organisational commitment of employees. Employees' commitment levels are enhanced by the servant leaders' behaviour that manifests through serving employees as well as upholding values such as empowerment, humility, and empathy (Chinomona *et al.* 2013:412). In contrast to the findings of Chinomona *et al.* (2013:412) and Liden *et al.* (2008:174), Drury (2004) reports a negative relationship between servant leadership and organisational commitment.

Given the contradictory findings above, the following hypothesis will be subjected to empirical testing in this study:

H³: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

4.7 AUTHENTIC LEADERSHIP, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

Authentic leaders are characterised by self-awareness, openness, commitment to ethical values and trustworthiness, and are open about their own views (Wang *et al.* 2014:5; Avolio, Luthans & Walumbwa 2004:4). In the present study *Authentic leadership* refers to the SME owner as displaying relational transparency and demonstrating an internalised moral perspective. Relational transparency occurs when leaders display their true or genuine behaviours or personalities (Gardner *et al.* 2005:357), and an internalised moral perspective exists when leaders are guided by their internal moral standards and values (Walumbwa *et al.* 2011:111).

Several authors (Wang *et al.* 2014; Valsania, León, Alonso & Cantisano 2012; Clapp-Smith *et al.* 2009) contend that authentic leaders influence the levels of job satisfaction among employees. According to Clapp-Smith *et al.* (2009:229), it is important to explore the relationship between authentic leadership and job satisfaction and it is necessary to quantify the impact thereof on employee outcomes such as job satisfaction. By displaying high levels of authentic leadership behaviour, leaders have the capacity to increase the job satisfaction levels of employees (Valsania *et al.* 2012:563). Authentic leaders lead by example, which demonstrates their commitment to their work and provides guidance to employees on how to remain emotionally connected to the organisation (Wang *et al.* 2014:7).

Empirical evidence (Azanza *et al.* 2013; Darvish & Rezaei 2011:431; Walumbwa *et al.* 2008) also exists supporting a positive relationship between authentic leadership and job satisfaction. In their study on the development and analysis of a multidimensional, theory-based measure on authentic leadership, Walumbwa *et al.* (2008:121) have found that authentic leadership at the individual level has an impact on the level of job satisfaction of employees. Similarly, in their study on drivers of employees' job satisfaction, Azanza *et al.* (2013:49) report a positive relationship between leaders who possess authentic leadership behaviour and the job satisfaction levels of employees. Darvish and Rezaei (2011:431) have investigated the impact of authentic leadership on job satisfaction and team commitment. These

authors also found a significant relationship between authentic leadership components and employees' levels of job satisfaction.

Against this background, the following hypothesis is proposed for empirical testing:

H⁴: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.

To better quantify the impact of authentic leadership on employee outcomes such as organisational commitment, Clapp-Smith *et al.* (2009:229) suggest that the relationship between the two should be further explored. Several studies have examined the relationship between authentic leadership and various employee outcomes such as job satisfaction, organisational commitment, and employee engagement (Bamford, Wong & Laschinger 2012; Leroy, Palanski & Simons 2012; Walumbwa, Wang, Wang, Schaubroeck & Avolio 2010). Walumbwa *et al.* (2011:116) suggest that leaders should demonstrate high levels of authentic leadership by interacting with employees in a transparent manner, and should develop trust and personal integrity to enhance employee commitment levels.

In their study on the development and analysis of a multidimensional, theory-based measure of authentic leadership, Walumbwa *et al.* (2008:121) found that authentic leadership at an individual level has an impact on the level of commitment of employees. Peus, Wesche, Streicher, Braun and Frey (2011:335) suggest that employees' levels of commitment are enhanced when leaders clearly and openly communicate their views, and behave in accordance with their convictions. Jensen and Luthans (2006:658) also found that employees who perceive their leaders as displaying authentic leadership behaviours have a higher level of organisational commitment. In their study on the impact of authentic leadership on job satisfaction and team commitment, Darvish and Rezaei (2011:431) conclude that all authentic leadership components (transparency, self-awareness, morals, and balanced processing) have a significant relationship with organisational commitment.

Against this background, the following hypothesis has been formulated for empirical testing:

H⁵: There is a positive relationship between the level of *Authentic leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

4.8 ETHICAL LEADERSHIP, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

As previously mentioned in Chapter 3, ethical leadership is characterised by demonstration and promotion of appropriate conduct in personal actions and interpersonal relationships by leaders (Brown *et al.* 2005:120). Ethical leaders make efforts to incorporate moral principles in their beliefs, values, and behaviour (Khuntia & Suar 2004:15). Values such as unselfishness, compassion, honesty, fairness and justice, are incorporated in the concept of ethical leadership (Yukl *et al.* 2013:38). For the purpose of this study *Ethical leadership* refers to the SME owner as displaying integrity and ethical commitment within his/her business.

Piccolo, Greenbaum, Den Hartog and Folger (2010:261) suggest that ethical leadership is associated with better task performance and organisational citizenship behaviours among employees. Brown *et al.* (2005) assert that ethical behaviours bring about employee trust and job satisfaction within organisations. Employees' levels of satisfaction are increased when leaders make fair and balanced decisions, stress moral values, and care for the needs of their employees (Piccolo *et al.* 2010:265). Graham (1995) contends that leaders with high levels of ethical moral reasoning are significant in influencing their employees' levels of job satisfaction.

Several empirical studies provide support for a positive relationship between ethical leadership and job satisfaction (Huhtala *et al.* 2013; Kalshoven *et al.* 2011; Okpara & Wynn 2008). Huhtala *et al.* (2013:252) conclude that ethical leadership is positively associated with employees' levels of job satisfaction among Finnish managers. Kalshoven *et al.* (2011) conducted a study on developing and validating a multi-dimensional ethical leadership-at-work questionnaire. This study was conducted

among employees in different industries and organisations in the Netherlands. Kalshoven *et al.* (2011:65) concluded that ethical leadership is positively related to employees' job satisfaction. Okpara and Wynn (2008:946) also found that an organisational climate characterised by ethics has an influence on the job satisfaction of employees. They concluded that leaders displaying ethical leadership behaviours such as caring for employee concerns, trust, consistency in behaviour, and fairness, significantly influence the levels of job satisfaction of employees (Okpara & Wynn 2008:946).

Against this background, the following hypothesis is subjected to further empirical testing:

H⁶: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.

Studies investigating ethical leadership have consistently reported significant and positive relationships between ethical leadership and the organisational commitment levels of employees (Ismail & Daud 2014; Rouzbahani, Soleimani, Rezai & Hemati 2013; Kalshoven *et al.* 2011; Liden *et al.* 2008; Jones & Ryan 1998). Ethical leaders who display or practise principles such as consistency, reliability, openness, respect and integrity, are more likely to encourage employees to be committed to the objectives of the organisation than leaders who do not display these principles (Ismail & Daud 2014:1730). Liden *et al.* (2008:174) also found a relationship between the ethical behaviours of leaders and the organisational commitment levels of employees. In their study on the influence of ethical leadership on organisational commitment, Rouzbahani *et al.* (2013) have found that a positive association exists between ethical leadership and all dimensions of organisational commitment among employees of an insurance business in the city of Ahvaz. Similarly, Kalshoven *et al.* (2011:65) found that ethical leadership is positively related to the organisational commitment of employees working in different businesses in the Netherlands.

Against this background, the following hypothesis is subjected to empirical testing in this study

H7: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

4.9 PARTICIPATIVE LEADERSHIP, JOB SATISFACTION, AND ORGANISATIONAL COMMITMENT

Participative leaders are defined as leaders who allow their employees/followers to participate in decision making, display more democratic values, and tend to build strong and positive relationships with their employees (Maqsood *et al.* 2013:140; De Jong & Den Hartog 2007:44; Somech & Wenderow 2006:748). For the purpose of this study, *Participative leadership* refers to the SME owners displaying management participation and autonomy towards their employees.

Anecdotal evidence exists to support a positive relationship between participative leadership and job satisfaction (Kehinde & Banjo 2014; Maqsood *et al.* 2013; Yukl 2013). According to Kehinde and Banjo (2014:153), leaders should involve their employees in decision-making processes and other work issues, as this will contribute to employee job satisfaction. Employees view participative leaders as friendly, receptive and approachable, hence they feel free to express their ideas (Mulki, Caemmerer & Heggde 2014). Employees' development is enhanced when they are given discretion to make their own decisions, and are involved in planning and decision-making processes. Yukl (2013:120) adds that the participation of employees in organisational processes such as decision-making, results in higher levels of job satisfaction, employee effort, and performance.

Several studies provide empirical support for a positive relationship between participative leadership and job satisfaction (Maqsood *et al.* 2013; Kim 2002). Maqsood *et al.* (2013) have investigated the relationship between managers' leadership style and employees' job satisfaction levels in the telecommunication sector in Pakistan. Maqsood *et al.* (2013:144) found a positive relationship between participative leadership and the job satisfaction levels of employees. In her study on participative management and job satisfaction, Kim (2002) examined the influence of participative leadership on job satisfaction levels of employees working in local

government agencies in Las Vegas. From her study, Kim (2002:232) concluded that employees who believed that their leaders exhibited participative leadership behaviour were more likely to express higher levels of job satisfaction.

Against this background, the following hypothesis is subjected to empirical testing:

H⁸: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.

Various authors (Bell & Mjoli 2014; Belias & Koustelios 2014a; Ogbeide & Harrington 2011) highlight the importance of a relationship between participative leadership and organisational commitment. According to Ogbeide and Harrington (2011:734), a high degree of participative leadership leads to overall business success. With participative leadership, employees feel more engaged in the organisational activities, and are more committed to an organisation because the leader encourages them to participate in decision-making processes (Belias & Koustelios 2014a:29). Leadership behaviours that give employees energy, confidence, and provide them with the option to make decisions, are important in enhancing employee organisational commitment (Bell & Mjoli 2014:454).

In their study on the relationship between employees' participation and job satisfaction in a regional electricity company in Iran, Hashemi, Pisheh, Sharifizadeh and Panahi (2013:35) have found that organisational commitment levels are enhanced when employees are allowed to share or participate in decision-making processes. These results are consistent with those of Ashraf *et al.* (2014) who also found that leaders who exhibit participative leadership behaviours enhance employees' levels of commitment to the organisation, as well as achieving the objectives of the business. Like Ashraf *et al.* (2014:436), Nemaie (2012:114) has also concluded that the display of participative leadership behaviours encourages higher levels of employee commitment.

Against this background, the following hypothesis is subjected to empirical testing:

H⁹: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

4.10 THE INFLUENCE OF DEMOGRAPHIC VARIABLES ON THE LEADERSHIP STYLE DISPLAYED BY SME EMPLOYERS

Although the primary objective of this study is to identify the influence of several contemporary leadership styles on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs, the relationships between several demographic variables and the aforementioned leaderships styles is also investigated.

Most previous research shows that *gender* is a good predictor of the quality of a leader-employee relationship (Bell & Mjoli 2014:454; Somech 2003:1014; Green, Anderson & Shivers 1996). According to Somech (2003:1005), gender can influence an employee's perception and attitude through interpersonal attraction. A leader's readiness to involve his/her subordinate in the decision-making process has been found to be influenced by the gender of his/her employees (Somech 2003:1014). Neal, Finlay and Tansey (2005) suggest that an employee's gender may influence their attitudes regarding the behaviour of leaders.

Oshagbemi (2004:16) reports that *age* is considered an influential factor in shaping organisational philosophy, behaviour and attitudes, as well as leadership behaviours. Oshagbemi (2004:27) found that differences exist between younger and older employees in terms of the overall leadership behaviour and success of an organisation. In contrast, Yavuz (2009:60) found that employee age does not influence their perceptions towards the leadership of an organisation.

Kim and Gelfand (2003:397) define *ethnicity* as an employee's self-concept that derives from an employee's knowledge of his/her membership of a specific ethnic group. According to Roach (2013:11), the influence of ethnicity on employees' perceptions or the understanding of effective leaders, remains unclear. A study by Chin (2013:9) found that different ethnic groups had similar perceptions about the

behaviours of their leaders. On the other hand, social identities associated with ethnicity (race/colour) were found to influence the behaviours of leaders (Chin 2013:6).

According to Kotur and Anbazhagan (2014:104), employees with certain educational *qualifications* tend to perceive their leaders differently. For example, Kotur and Anbazhagan (2014:109) report that as the educational qualifications of an employee increases, they themselves are more likely to exhibit characteristics associated with democratic leadership. Those who are less educated are more inclined towards autocratic behaviours, and hence perceive their leaders differently. Green *et al.* (1996:204) are of the opinion that employees tend to have different beliefs and values when they have different educational backgrounds or qualifications, and are consequently treated differently by their leaders. However, in a study among public and private sector banks, Kaur (2014:67) found that the perception of employees towards leadership does not vary according to the levels of employee qualification. Mohammed, Othman and D'Silva (2012:57) also found no significant difference between employees with and without educational qualifications with regard to their perception of the behaviour of their leaders.

Ekaterini (2010:3) suggests that employee *tenure* (length of service in the current organisation) is useful in influencing leadership behaviours. Green *et al.* (1996:204) as well as Tsui, Egan and O'Reilly (1992) consider tenure as an important demographic variable when investigating direct effects on outcomes such as leader-employee behaviour and other work attitudes. The number of years of working experience is also considered to have an influence on employee perceptions and the way in which they interact with others (Belias & Koustelios 2014b:138).

Based on the discussion above, it was decided to test the relationship between selected demographic variables relating to employees working in SMEs and the contemporary leadership styles investigated in this study. The following null hypotheses have been formulated and will be subjected to empirical testing in this study:

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

4.11 SUMMARY

In this chapter the relationships to be tested in this study were presented, and several hypotheses formulated. *Job satisfaction* and *Organisational commitment* were identified as the dependent variables, while the independent variables were identified as *Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership*. These leadership styles were hypothesised as influencing the job satisfaction and organisational commitment levels of employees working in the SMEs. Both anecdotal and empirical evidence was presented to support the hypothesised relationships. In addition, the influence of demographic variables on the leadership styles investigated was discussed.

In Chapter 5, the research design and methodology adopted to address the objectives of this study will be described and motivated.

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

In the previous chapters a literature overview on the nature and importance of SMEs was provided and the challenges of leadership highlighted. The constructs *Job satisfaction* and *Organisational commitment* were discussed, and several contemporary leadership styles introduced. The literature overview concluded by elaborating on the influence of the leader and the leadership style on the job satisfaction and organisational commitment of employees. The primary objective of this study was to assess the levels of several contemporary styles displayed by SME owners and to investigate their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. The literature overview provided the hypothesised model for testing this objective.

In order to achieve the objectives of a study the research design employed must first be identified and described. Bryman (2012:46) as well as Blumberg *et al.* (2011:501) define a research design as the blueprint or framework used to fulfil the objectives of a piece of research. It is important to understand the research design of a study in order to meet its objectives.

This chapter will provide an overview of the research design and methodology adopted in this study. First the research design and the research paradigm adopted will be explained. Thereafter the population studied as well as the sample selected will be described. Several sampling techniques will be elaborated on, and the technique adopted justified. The development of the measuring instrument will be described, the independent and dependent variables under investigation be operationalised, and the scales developed to measure them. The data collection method and the administration of the questionnaires will also be described. The chapter will describe the techniques employed to assess the validity and reliability of the measuring instrument as well as the statistical techniques used to analyse the

data. Lastly, the ethical considerations taken into account when undertaking this study will briefly be described.

5.2 RESEARCH DESIGN AND METHODOLOGY

Research is a process of enquiry and systematic investigation that seeks to increase knowledge (Amaratunga, Baldry, Sarshar & Newton 2002:17), whereas a research design is the roadmap or plan of how the research is to be conducted (Dahlberg & McCaig 2010:30). A research design provides the framework for the collection and analysis of data (Bryman 2012:46). A research design is the most important phase of the research (Alasuutari, Bickman & Brannen 2008:167) and researchers should understand the problem statement and the objectives of the research when planning its design.

A research design is the systematic plan adopted to study a scientific problem, and includes describing the research paradigm and research strategies adopted (Bryman 2012:46). More specifically the population, sample and sampling techniques used are identified and described. In addition, the process of data collection and data analysis techniques adopted are elaborated on. Each of the aforementioned will be described in the paragraphs that follow.

5.2.1 Research paradigms and methods

The research design of a study is greatly influenced by the paradigm of the researcher. Bryman (2012:45) mentions that researchers have to decide on the research paradigm in which the research will be carried out. Terre Blanche and Durrheim (1999) describe a research paradigm as a research system of interrelated practice and thinking that defines the nature of investigation. There are two main research paradigms, an interpretivism paradigm that relates to qualitative research and a positivistic paradigm which relates to quantitative research (Collis & Hussey 2014:44; Zikmund *et al.* 2013:133; Alvesson & Skoldberg 2009:7).

Hays and Singh (2012:4) define qualitative research as research that tends to be exploratory in nature with a tendency to focus on narratives or words over numbers.

Zikmund *et al.* (2013:132) contend that the objective of qualitative research is to provide a researcher with an opportunity to elaborate on the understanding of the participants without depending on mathematical measurement. Buchanan and Bryman (2007:494) add that qualitative researchers focus more on the reasoning and experience of the participants, which makes them have a limited interest in statistical generalisation. According to Hesse-Biber and Leavy (2011:3-4), qualitative research is mainly used when a researcher uses open discussion questions such as *how?*, *why?* and *what?*, to derive social meaning attributed to people's culture, experiences, feelings and behaviour. Creswell (2013:44) contends that qualitative research tends to occur in natural settings, enabling a researcher to gather more information because of the high involvement in the actual participants' experience.

Qualitative research makes use of small samples, and produces results that allow researchers to make contextual frameworks of the phenomenon being studied (Cooper & Schindler 2006:199). While qualitative research allows a researcher a greater understanding of the meanings of people as well as the ability to generate theory, the analysis and interpretation of the data collected may be difficult to understand (Amaratunga *et al.* 2002:20). Several methods of conducting qualitative research exist, which include, amongst others, ethnography studies, case studies, content analyses, grounded theory, and phenomenological studies (Williams 2007:67).

An ethnography study is defined as a method of enquiry through which the researcher studies issues that relate to a cultural group in a natural setting over a long period of time (Creswell 2013:90). Content analysis is a research method that is used to analyse the content of any text (Quinlan 2011:185). Grounded theory is a method used by researchers to generate and validate theory from present collected data (Hays & Singh 2012:49). Lastly, phenomenological research involves a researcher describing the meaning or essence of human experiences and knowledge about a participant's problem (Creswell 2013:76; Hays & Singh 2012:49).

Quantitative research is described as the numerical representation and manipulation of observations for the purpose of analysing and explaining respondents' experiences (Sukamolson 2014; Bless, Higson-Smith & Sithole 2013:16). According

to Hays and Singh (2012:129), quantitative research tends to be specific in nature, and researchers using this paradigm rely on existing theory and previous knowledge to hypothesise specific research problems. Williams (2007:66) adds that the use of quantitative research requires one to use a statistical approach and mathematical models as a way of analysing data. Similarly, Zikmund *et al.* (2013:134-135) describe quantitative research as involving numeric values derived from measuring concepts and variables, which are then used for statistical computations and hypothesis testing. According to Amaratunga *et al.* (2002:20), quantitative research can be considered to be fast and economical.

According to David and Sutton (2011:13-14), quantitative research can be explorative, correlational (explanatory), experimental, and descriptive in nature. According to De Vaus (2001:1-2), *explorative* research focuses on areas that have not previously been studied, and normally investigates problems about which little is known (Struwig & Stead 2013:6). Researchers use existing secondary sources to provide or develop new insights into the problem under investigation, as well as (Blumberg *et al.* 2011:150; Struwig & Stead 2013:6). *Correlational* research aims to examine and explain relationships between variables (Van Zyl 2014:12) and tries to answer questions such as *why?* and *how?* (Blumberg *et al.* 2011:9). Researchers that use correlational research strive to provide indications as to how two or more things are related to one another. Blumberg *et al.* (2011:9) add that correlational research is also referred to as explanatory research. According to Plowright (2011:28), researchers using *experimental* research have a greater level of control than in their surveys. This means that the researcher intervenes to control or manipulate certain variables in a setting, and observes how this affects the dependent variable under investigation (Blumberg *et al.* 2011:148; Somekh & Lewin 2011:221; Cooper & Schindler 2006:274). Bamberger, Rugh and Mabry (2012:248) state that experimental research is often undertaken in medical research, or when investigating animal behaviour, and is done in laboratories. *Descriptive* research encompasses a concrete description of the identified research problem. Blumberg *et al.* (2011:153) state that descriptive research provides a description of characteristics that are associated with questions like *who?*, *what?*, *when?*, *where?* and *how?*.

Examples of quantitative research methods include instrumental research and surveys (De Vaus 2001:10). Instrumental research is defined as the application of research to clinical practice with the aim of coming up with specific decisions or knowledge (Squires, Estabrooks, Newburn-Cook & Gierl 2011:2). Surveys provide researchers with quantitative or numeric descriptions of trends, attitudes, experiences, and opinions/perceptions of respondents from a target population (Van Zyl 2014:198). Surveys are either cross-sectional or longitudinal in nature, and make use of questionnaires (Bryman 2012:59, 63).

Cross-sectional research involves the examination of quantitative data on more than one case at a single point in time (David & Sutton 2011:207; Somekh & Lewin 2011:222). The results of this type of research are often used to draw conclusions on the association or relationships between variables of the whole population under study (Bryman 2012:59; Somekh & Lewin 2011:222). *Longitudinal* research involves measuring the characteristics of the same individuals at two or more different points in time, over time (Bryman 2012:63; Somekh & Lewin 2011:222; Salkind 2010:740). In contrast to cross-sectional studies, longitudinal studies collect information that allows comparisons over time among the same individuals or population (Salkind 2010:740). Longitudinal studies are found to be more expensive and time-consuming, and as a result are not often undertaken by individual researchers (David & Sutton 2011:209; Somekh & Lewin 2011:222).

Table 5.1 provides a summary of the characteristics of qualitative and quantitative research.

Table 5.1: Characteristics of qualitative and quantitative research

| Aspect of comparison | Qualitative | Quantitative |
|-------------------------|---|---|
| Research paradigms | Constructivism, Critical theory, Feminism, Queer theory, Interpretivism | Post-positivist, Positivistic |
| Research design methods | Ethnography, Content analysis, Grounded theory, Phenomenology, Case study | Experimental, Quasi-experimental, Non-experimental/Surveys |
| Data collection tools | Digital recorder, Video recorder, Transcribers, Computers | Questionnaires, Scales, Test scores, Inventories, Computers |
| Data analysis | Inductive generate theory | Deductive testing of theory |
| Sample sizes | Small sample sizes | Larger sample sizes |
| Researcher involvement | High as the researcher is the catalyst of the research | Low as the researcher is controlled to prevent bias |
| Nature of the research | Explorative research | Descriptive research |

(Source: Adapted from Zikmund *et al.* 2013:135; Bryman 2012:36; Hays & Singh 2012:11-12; Cooper & Schindler 2006:199)

5.2.2 Research paradigm and method adopted for the current study

The objective of this study is to quantify significant relationships between several contemporary leadership styles exhibited by owners of small and medium-sized business and the *Job satisfaction* and *Organisational commitment* of employees working in these businesses. Given the nature and objective of the study, a quantitative research paradigm was considered most suitable. Quantitative research establishes relationships based on numeric data between the independent and dependent variables, and it allows for hypothesis testing (Collis & Hussey 2014:52; Zikmund *et al.* 2013:133). In addition, this study will follow a descriptive and explanatory study of a cross-sectional nature. Cross-sectional studies are considered to be relatively fast and inexpensive (Van Zyl 2014:253), hence the researcher has adopted this type of research.

5.2.3 Population studied

According to Andrew, Pedersen and McEvoy (2011:49), a population is a group of cases that meet the specified criteria to which the researcher intends to generalise

the results of a study. Similarly, Blaikie (2010:161) defines a population as the total number of all cases that meet a certain designated set of criteria. For the purpose of this study, the population includes all employees working in SMEs within the border of the Eastern Cape Province of South Africa. Owing to the inability of the researcher to investigate the entire population, a sample of respondents was selected for investigation.

5.2.4 Sample and sampling method

It is not possible for a researcher to study an entire population (Thompson, Schwartz, Davis & Panacek 1996:75). Therefore, researchers make use of samples that are representative of the target population. A sample is defined by Collis and Hussey (2014:197) as well as Bryman (2012:715) as a segment or subset of the whole population. Researchers generally use a representative sample to generalise their findings from a sample to a wider population (Plowright 2011:38). However, the results of a study can only be generalised to the population as a whole if the sample is chosen effectively (Andrew *et al.* 2011:48). There are two groups of sampling strategies that a researcher can employ, namely probability and non-probability sampling (Lombaard *et al.* 2011:10). Each will be briefly described below.

Andrew *et al.* (2011:48) define probability sampling as techniques where every respondent in the population has an equal chance of being chosen. Examples of the most frequently used probability sampling techniques are simple random sampling, systematic sampling, stratified sampling, and cluster sampling (Plowright 2011:38).

Simple random sampling refers to a technique where every member of the population has an equal known chance of being selected in the sample (Andrew *et al.* 2011:48; Blumberg *et al.* 2011:502). Although this sampling technique is considered to be the best way of obtaining respondents, researchers require a population list that will act as the sampling frame, and it can be time-consuming and expensive (Blumberg *et al.* 2011:177; Cooper & Schindler 2006:414). In addition, researchers need to specify the population for the study (Andrew *et al.* 2011:414). *Systematic sampling* refers to the direct selection of the respondents or units from the sampling frame without making use of a table of random numbers (Bryman

2012:191). This kind of sampling can be effective if the manner in which the names are taken from the list is in a random order (Andrew *et al.* 2011:49). When using *stratified sampling*, the researcher has to categorise the sampling frame into homogeneous subgroups that are different from each other and do not overlap (Bless *et al.* 2013:168). The sampling in this technique is based on certain known characteristics of the population that are likely to have an impact on the research (Quinlan 2011:210). Bamberger *et al.* (2012:365) argue that the groups must be easy to administer and should cover the whole survey population.

According to Andrew *et al.* (2011:49), *cluster sampling* involves randomly selecting groups rather than using individual respondents. The sample population should be divided into clusters such as geographical areas, schools, departments, and demographics, and these clusters are listed and randomly selected (Bamberger *et al.* 2012:365; Dahlberg & McCaig 2010:177). Plowright (2011:41) mentions that in using cluster sampling, the cases of the cluster sample should be geographically close together. Bryman (2012:194) indicates that cluster sampling involves multi-stages as the researcher starts by grouping the population, then does other things later. Cooper and Schindler (2006:418) mention two conditions that assist in the use of cluster sampling. First, the researcher has to ensure that there is economic efficiency and secondly that there is a practical sampling frame for individual elements. However, this sampling technique has a higher sampling error than other techniques as the sample chosen might not be representative of the sample frame (Dahlberg & McCaig 2010:177).

Sometimes a researcher does not have sufficient information about the population to make use of probability sampling techniques, and a need arises to make use of non-probability sampling methods (Salkind 2010:922). With non-probability sampling strategies the probability of selecting a single individual is not known (Van Zyl 2014:102). According to Gray *et al.* (2007:104), when using non-probability sampling, all respondents do not have the same chance or likelihood of being included in the sample.

Quinlan (2011:213) describes non-probability sampling as a technique where the sample is selected to represent the population under study, but in a statistical sense

the sample cannot be said to be representative of the population. These techniques are most useful when it is not possible for the researcher to generalise the results of the study, as well as when it is not possible to develop a sampling frame for the population (Quinlan 2011:213). Collis and Hussey (2014:197) define a sampling frame as a record of the population from which the sample will be drawn. Non-probability sampling techniques include convenience sampling, quota sampling, snowball sampling, and judgement sampling (Andres 2012:101; David and Sutton 2011:231).

When using a *convenience sampling* technique, a sample is drawn based on the availability of the respondents to participate in a study (Bickman & Rog 2009:81). David and Sutton (2011:231) refer to this technique as availability or opportunity sampling. Andrew *et al.* (2011:49) add that a limitation of using convenience sampling is that the respondents may not be representative of the target population. The advantage of using convenience sampling is that it enables researchers to have a large sample size quickly, and it is a cost-effective technique (Bless *et al.* 2013:172).

Quota sampling is a non-probability sampling method where the researcher develops a sample using different quota criteria (Quinlan 2011:214). The objective of using this method is to have a proportional representation of the strata of the population in the total sample (Bryman 2012:203; Blumberg *et al.* 2011:192). Through the use of quota sampling researchers are able to quickly find respondents for the study at a low cost. However, quota sampling is subject to bias as researchers are responsible for the selecting of respondents (Bickman & Rog 2009:82). Selection of respondents by the researcher poses a problem to the representativeness of the population as the selection largely depends on the researcher's or field worker's convenience (Cooper & Schindler 2006:425).

Researchers can also use a *judgement sampling* technique which occurs when respondents are selected based on certain conditions or criteria (Cooper & Schindler 2006:425). This technique is also referred to as a purposive sampling. The researcher uses his/her judgement or knowledge to select the possible respondents (David & Sutton 2011:232). As with quota and convenience sampling, the advantage

in using judgement samples is that it is cost-effective and convenient (Struwig & Stead 2013:121).

Snowball sampling is a non-probability sampling technique that is used when the population under study is hidden and difficult to identify (David & Sutton 2011:232). With this technique the researchers use available means to locate a few respondents and the identified respondents are then asked to identify other possible respondents within the population (Bamberger *et al.* 2012:103).

In this study, the selection of the sample was done using judgement and convenience sampling. Respondents were selected based on certain criteria and on their availability to participate in a study. The criteria for selection were as follows:

The business in which the respondent was employed:

- has been in operation for at least one year, and
- employs more than five but fewer than 200 full-time employees.
- the respondent is an employee of this business, and
- the owner is actively involved in the daily running and managing of the business.

Judgement and convenience sampling were used in this study because of their ease of use, and the ability to obtain a large number of respondents quickly (Lombaard *et al.* 2011:17). Since there are no existing databases or sampling frames of employees working in the small and medium-sized enterprises in the Eastern Cape, judgement and convenience sampling were considered most appropriate in this study. Using these sampling techniques, employees working in SMEs that met certain criteria and who were willing to participate in this study were included in the sample.

5.2.5 Sample size

Determining the correct sample size is one of the most complex problems facing a researcher (Bryman 2012:197). According to Andrew *et al.* (2011:49, the goal of a

researcher is to collect a sample that is large enough to be representative of the population. Thus the sample size must be large enough to gather sufficient evidence about the target population (David & Sutton 2011:234; Alasuutari *et al.* 2008:527). There is also a need to reduce unnecessary costs and time wastages (Bryman 2012:198).

The sample size in this study was 450 respondents, namely employees working in SMEs. In total 275 completed questionnaires were returned, but only 236 were usable for statistical analysis. David and Sutton (2011:237) define response rate as the proportion of cases who participate in a research project, compared to those who were invited and refused. A higher response rate ensures that results of the study are representative of the population (Quinlan 2011:213). A response rate of 61.11 per cent (see Table 5.2) and an effective response rate of 52.44 per cent were achieved. Given the high response rate, non-response bias was not considered a problem in this study.

Table 5.2: Response rate

| | Number of respondents |
|---|-----------------------|
| Number of questionnaires distributed | 450 |
| Total number of questionnaires returned | 275 |
| Total number of usable questionnaires | 236 |
| Response rate | 61.11% |
| Effective response rate | 52.44% |

5.2.6 Method of data collection

A survey of a cross-sectional nature using a questionnaire was undertaken in this study. Bamberger *et al.* (2012:258) define a questionnaire as a research instrument through which all respondents in a study answer the same set of questions in a predetermined order. Questionnaires can be designed to be have open or closed questions (Bamberger *et al.* 2012:259; Bryman 2012:12). Questionnaires are regarded as useful for collecting comparable data from respondents as they give

quick responses and are less costly than other means of collecting data (Van Zyl 2014:148; Cooper & Schindler 2006:256).

After defining the research design and sample size, the researcher has to initiate the data collection process (Andrew *et al.* 2011:56). According to David and Sutton (2011:240) as well as Cooper and Schindler (2006:311), methods of data collection, include interviews and surveys. *Interviews* can be done in the form of face-to-face interviews, which involve a direct personal contact between the researcher and the potential respondent, or telephone interviews where the interviewer effects are minimised (David & Sutton 2011:245,249). Interviews can be structured or unstructured. Structured interviews are standardised so that differences between interviews are minimised. Interviewees are given the exact same context of questioning. (Bryman 2012:210). Unstructured interviews do not give the same context of questions and may result in a researcher having problems when analysing the data, as questions the raised vary from one interview to the next (Collis & Hussey 2014:135).

A *survey* is a research method through which data is gathered from respondents by means of a questionnaire (Zikmund *et al.* 2013:65). However, Andrew *et al.* (2011:80) maintain that survey research involves much more than using questionnaires. Collis and Hussey (2014:205) define a questionnaire as a predetermined set of questions that are designed to capture data from respondents. Surveys allow researchers to gather and assemble data (Zikmund *et al.* 2013:185). According to Dahlberg and McCaig (2010:160), questionnaires can be administered in person, by telephone, face-to-face, online, or through the post. Benefits such as cheaper and quicker administration, and absence of interviewer effects, are realised through the use of survey research. Questionnaires are sent out through various ways in large quantities at the same time, and respondents can complete them when they want to (Bryman 2012:234). However, the shortcomings of using self-completed questionnaires are that there is a greater risk of missing data, the researcher cannot collect additional data, and in some cases the researcher does not know whether the respondent is actually answering the questionnaire (Bryman 2012:234-235; Cooper & Schindler 2006:253).

Based on the sample size of this study, a survey using a structured, self-administered questionnaires was used. Primary data relating to the influence of contemporary leadership styles on the *Job satisfaction* and *Organisational commitment* levels of employees working in the small and medium-sized enterprises in the Eastern Cape was collected. The questionnaires were made available to the respondents by personal delivery through fieldworkers from the Nelson Mandela Metropolitan University.

The following paragraphs elaborate on the development of the measuring instrument and the operationalisation of the variables of the study. This section will also elaborate on questions used to determine whether respondents qualified to participate in the study.

5.2.6.1 Measuring instrument development

The measuring instrument employed in this study included a cover letter and three sections (see Annexure A). Included in the cover letter was a description of the purpose and objective of the study as well as the type of information that was being requested from the respondents. Assurance of confidentiality and instructions on how to complete and return the questionnaire were also given in the cover letter.

Section A of the measuring instrument requested certain demographic information relating to the respondent. This information related to the respondent as an individual and to the small and medium-sized enterprise in which the respondent is employed. Information requested concerning the respondent as individual included gender, age, population group, and whether the respondent had a post-matric qualification or not. Information requested relating to the business in which the respondent was employed included whether the business was a family business or not, which generation was currently managing the family business, the number of employees working in the business, and the nature of the industry in which the business operated. Also included in section A of the measuring instrument, were several questions that required the respondent to verify whether the business in which he/she worked qualified as a small and medium-sized business for the purpose of this study. (See qualifying questions below).

Section B consisted of 43 randomised statements describing the leadership styles investigated in this study. A 5-point Likert-type ordinal scale (ranging from 1 = *strongly disagree* to 5 = *strongly agree*) was used in this section. Respondents were requested to indicate their extent of agreement with each statement. According to Salkind (2010:629), a Likert scale is scale that measures attitudes, perceptions, positions, feelings, thoughts and points of view of respondents.

Section C consisted of 10 randomised statements describing *Job satisfaction* and *Organisational commitment*. As in the case of Section B, a 5-point Likert-type scale was used to measure the extent to which respondents agreed with each statement.

5.2.6.2 Qualifying questions

As mentioned above, Section A of the measuring instrument included questions that required the respondents to verify whether the business in which they worked was a small or medium-sized business. This was done to ensure that the respondent qualified to participate in the study and to minimise response error. In order to ensure that respondents participating in this research were employed by SMEs the following criteria had to be met:

- The business in which the respondent was employed had to be in operation for at least one year, and
- had to employ more than five but fewer than 200 full-time employees.
- The respondent had to be an employee of the business, and
- the owner had to be actively involved in the daily running and managing of the business.

5.2.6.3 Scale development and operationalisation

According to McLeod (2008), operationalisation refers to how the researcher defines and measures a variable(s) under investigation to suit the purpose of a study. When researchers operationalise they enact their ideas about how the variables should be

measured in their study situation (Martin, Cohen & Champion 2013:6). Martin *et al.* (2013:6) describe operationalisation as the development of specific research measures and procedures that will result in data representing the abstract concepts of interest in the study under investigation.

(a) Organisational commitment

Using previous studies investigating organisational commitment, a 6-item scale (see Table 5.3) was developed to measure the first dependent variable *Organisational commitment* in this study. One item was sourced from the studies of Hechanova and Franco (2008), Arnolds (2005) and Boshoff and Arnolds (1995). Another item was sourced from the studies of Letele-Mataboee (2012) and Liu (2007). Two items were sourced from the studies of Eybers (2010), Hechanova and Franco (2008), Arnolds (2005), as well as Boshoff and Arnolds (1995). The last two items were sourced from the studies of Jafri (2010), Valdiserri and Wilson (2010) and Singh *et al.* (2008).

Table 5.3: Items measuring Organisational commitment

| Organisational commitment | Items: 6 |
|--|--|
| | Sources |
| 1. I am proud to tell others that I work in this business. | Hechanova & Franco 2008; Arnolds 2005; Boshoff & Arnolds 1995 |
| 2. I feel emotionally attached to the business. | Letele-Mataboee 2012; Liu 2007 |
| 3. I am willing to put in a great deal of effort beyond that which is normally expected of me in order to help this business to be successful. | Eybers 2010; Hechanova & Franco 2008; Arnolds 2005; Boshoff & Arnolds 1995 |
| 4. I really care about the fate of this business. | |
| 5. I am willing to make personal sacrifices to ensure the success of this business. | Jafri 2010; Valdiserri & Wilson 2010; Singh <i>et al.</i> 2008 |
| 6. I am dedicated to ensuring the success of this business. | |

In this study *Organisational commitment* refers to employees having pride in and an emotional attachment to the business in which they are employed, as well as being willing to make personal sacrifices and put in a great deal of effort to ensure its success.

(b) Job satisfaction

A 4-item scale (see Table 5.4) was developed to measure the second dependent variable *Job satisfaction*. Three items were sourced from the studies of Eybers (2010) and Farrington (2009) and one item was sourced from the study of Dua (1994).

Table 5.4: Items measuring Job satisfaction

| Job satisfaction | Items: 4 |
|---|------------------------------|
| | Sources |
| 1. I experience my involvement in this business as rewarding. 2. I experience my involvement in this business as fulfilling. 3. I am satisfied with the way that people work together in this business. | Eybers 2010; Farrington 2009 |
| 4. I enjoy working in this business. | Dua 1994 |

For the purpose of this study, *Job satisfaction* refers to employees experiencing their involvement in the businesses in which they are employed as rewarding, fulfilling, satisfying, and enjoyable.

(c) Servant leadership

In order to measure the factor *Servant leadership*, a 15-item scale was developed. These items were sourced from several studies (See Table 5.5) and contextualised to the current study. In this study *Servant leadership* was considered to be a single higher-order construct which included items measuring three dimensions of *Servant leadership* namely humility, servant-hood and caring for others (emotional healing). Therefore, for the purpose of this study *Servant leadership* refers to the SME owner displaying humility, servant-hood and care for other (emotional healing).

Table 5.5: Items measuring Servant leadership

| Servant leadership | Items: 15 |
|---|---|
| | Sources |
| 1. Finds it easier to celebrate the accomplishments of others than his/her own accomplishments. 2. Works behind the scenes and lets others take the credit. 3. Does not seek recognition or reward in serving subordinates. 4. Acknowledges his/her dependency on subordinates. 5. Is always prepared to step aside for someone better qualified to do the job. 6. Learns from subordinates. 7. Has a desire to serve others. | Page & Wong 2000 |
| 8. Does everything he/she can to serve subordinates. | Barbuto & Wheeler 2006; Page & Wong 2000 |
| 9. Is willing to make personal sacrifices to serve subordinates. | Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008; Barbuto & Wheeler 2006; Page & Wong 2000 |
| 10. Goes out of his/her way to help subordinates. | Barbuto & Wheeler 2006; Khuntia & Suar 2004 |
| 11. Puts the interests of subordinates ahead of his/her own. 12. Can be approached to assist with the personal problems of subordinates. | Liden <i>et al.</i> 2008; Barbuto & Wheeler 2006; Page & Wong 2000 |
| 13. Takes time to talk to subordinates on a personal level. | Kalshoven <i>et al.</i> 2011; Liden <i>et al.</i> 2008 |
| 14. Pays attention to the personal needs of subordinates. | Kalshoven <i>et al.</i> 2011 |
| 15. Genuinely cares for the welfare of his/her subordinates. | Kalshoven <i>et al.</i> 2011; Liden <i>et al.</i> 2008; Page & Wong 2000 |

(d) Authentic leadership

In this study an 8-item scale was developed to measure the variable *Authentic leadership*. All 8 items were sourced from previous studies, which are summarised in Table 5.6.

Table 5.6: Items measuring Authentic leadership

| Authentic leadership | Items: 8 |
|--|--|
| | Sources |
| 1. Is genuine and candid with subordinates. | Page & Wong 2000 |
| 2. Says exactly what he/she means. 3. Makes decisions based on his/her core beliefs. | Walumbwa <i>et al.</i> 2008 |
| 4. Readily admits when he/she is wrong. | Yukl <i>et al.</i> 2013; Walumbwa <i>et al.</i> 2008; Page & Wong 2000 |
| 5. Demonstrates actions that are consistent with his/her beliefs. | Yukl <i>et al.</i> 2013; Walumbwa <i>et al.</i> 2008 |
| 6. Does not allow group pressure to influence him/her. 7. Is guided by his/her morals. 8. Rarely presents a false front to subordinates. | Northouse 2012 |

Authentic leadership has been identified as consisting of four dimensions (Wang *et al.* 2014:11). In this study *Authentic leadership* was considered to be a single higher-order construct taking the dimensions of relational transparency and internalised moral perspective into account. Therefore, in this study *Authentic leadership* refers to the SME owner displaying relational transparency and demonstrating an internalised moral perspective.

(e) Ethical leadership

A 10-item scale was developed to measure the factor *Ethical leadership*. These items were sourced from several studies (See Table 5.7) and were contextualised to the current study. In this study *Ethical leadership* was considered to be a single higher-order construct which includes items measuring two dimensions of *Ethical leadership* namely integrity and ethical commitment. Therefore, for the purpose of this study *Ethical leadership* refers to the SME owner displaying integrity and ethical commitment within his/her business.

Table 5.7: Items measuring Ethical leadership

| Ethical leadership | Items: 10 |
|--|---|
| | Sources |
| 1. Practices what he/she preaches. 2. Is more concerned about doing what is right than with looking good. | Page & Wong 2000 |
| 3. Is honest and can be trusted to tell the truth. | Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008 |
| 4. Shows a strong concern for ethical and moral values. | |
| 5. Can be relied on to honour his/her promises and commitments. | Yukl <i>et al.</i> 2013; Kalshoven <i>et al.</i> 2011 |
| 6. Keeps his/her promises. | Kalshoven <i>et al.</i> 2011 |
| 7. Regards honesty and integrity as important personal values. 8. Insists on doing what is fair and ethical even when it is not easy. | Yukl <i>et al.</i> 2013 |
| 9. Opposes the use of unethical practices to achieve success. | Yukl <i>et al.</i> 2013; Liden <i>et al.</i> 2008; Page & Wong 2000 |
| 10. Values ethical behaviour more than business success. | Liden <i>et al.</i> 2008; Page & Wong 2000 |

(f) Participative leadership

In the present study, a 10-item scale has been developed to measure the factor *Participative leadership*. A combination of items from several literature sources as well as previous studies was used in the development of this scale (see Table 5.8). In this study *Participative leadership* was considered to be a single higher-order construct taking the dimensions of management participation and autonomy into account. Therefore, in this study *Participative leadership* refers to the SME owners displaying management participation and autonomy towards their employees.

Table 5.8: Items measuring Participative leadership

| Participative leadership | Items: 10 |
|--|---|
| | Sources |
| 1. Involves subordinates in setting goals. | Khuntia & Suar 2004 |
| 2. Involves subordinates in planning the actions that the business will take. | Kalshoven <i>et al.</i> 2011; Fields & Herold 1997 |
| 3. Allows subordinates to influence critical decisions. 4. Delegates challenging responsibilities to subordinates. | Kalshoven <i>et al.</i> 2011 |
| 5. Involves subordinates in decision-making. | Kalshoven <i>et al.</i> 2011; Khuntia & Suar 2004; Page & Wong 2000 |
| 6. Places the greatest amount of decision-making in the hands of those most affected by the decision. | Liden <i>et al.</i> 2008; Page & Wong 2000 |
| 7. Encourages subordinates to handle important work decisions on their own. | Liden <i>et al.</i> 2008 |
| 8. Is willing to share his/her power and authority with subordinates. | Page & Wong 2000 |
| 9. Gives subordinates a sense of ownership of the projects they work on. 10. Gives subordinates the discretion to make their own decisions. | Fields & Herold 1997 |

5.2.7 Administration of the measuring instrument

The measuring instrument was administered by means of a survey under the name of a registered research unit at the Nelson Mandela Metropolitan University, namely the Unit of Applied Management Sciences.

As previously mentioned, the potential respondents were identified by means of judgement and convenience sampling. Potential respondents were personally approached by fieldworkers from Nelson Mandela Metropolitan University during the months of August and September 2013, and asked to participate in this study. Respondents who agreed to participate were given a questionnaire in person and these were collected upon completion at a date agreed upon by the respondent. The questionnaires were examined, and those that met the criteria for participating and were correctly completed were then put forward for data capture. The data on the completed questionnaires was captured on an Excel sheet and then prepared for statistical analysis.

5.2.8 Missing Data

Once captured, the data provided by the respondents was examined for missing data. According to Hair *et al.* (2014:44), missing data normally occurs when a respondent fails to answer one or more questions in the survey. Missing data normally occurs when a lack of supervision exists over the respondent by the researcher (Bryman 2012:235). This means that more supervision and guidance is needed in answering questions to avoid the likelihood of respondents skipping questions (Hair *et al.* 2014:40). Missing data can influence the validity of the results of a study and hence there is a need to identify and resolve this problem (Hair *et al.* 2014:40).

Various methods of imputation exist to solve the problem of missing data. These methods include complete data, case substitution, regression imputation and mean substitution (Hair *et al.* 2014:53). Salkind (2010:804) defines imputation as replacing missing values with an estimated value. For the purpose of this study, the mean substitution method was used to calculate and replace missing data because it is the most widely method used and because it is easy to implement (Hair *et al.* 2014:51, 53). A mean substitution technique involves replacing the missing values for a variable with a mean value of that variable calculated from all valid responses (Hair *et al.* 2014:51; Cooper & Schindler 2006:455). The mean substitution is suitable when only a few responses were missing for each variable (Hair *et al.* 2014:53), as was the case in this study.

5.2.9 Method of data analysis

Once primary data is collected, data analysis is initiated to better summarise the data. Bryman (2012:13) defines data analysis as a process that is concerned with reducing large amounts of information gathered from respondents into simpler elements. This process allows the researcher to interpret the data in a more organised way. The data analysis in this study involves first assessing the validity and reliability of the measuring instrument. Thereafter, descriptive statistics including means, standard deviation and frequency distributions are calculated to summarise the sample data. Lind *et al.* (2012:6) as well as Lombaard *et al.* (2011:3) define

descriptive statistics as a collection of different methods that are used to organise and summarise collected data in an informative way.

In addition to descriptive statistics, inferential statistics such as Pearson's product moment correlations, multiple regression analyses and analyses of variance, were also undertaken. Pearson's product moment correlations were calculated to establish the correlations between variables under study, whereas multiple regression analyses was undertaken to determine the relationships between the contemporary leadership styles investigated in this study and the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. An analysis of variance (ANOVA) was undertaken to determine the influence of several demographic variables on the leadership styles investigated in this study.

The programme STATISTICA version 13 was used to undertake the statistical analysis in this study.

5.2.9.1 Validity of the measuring instrument

According to Andrew *et al.* (2011:52) as well as Salkind (2010:607), validity refers to the extent to which a measuring instrument accurately measures what it is designed to measure. Similarly, Hair *et al.* (2014:126) define validity as the extent to which a scale measures or represents the concept of interest. Salkind (2010:607) states that it is necessary to make sure that a measuring instrument is valid before it can be used in a specific study. There are several ways of assessing or measuring the validity of a scale, namely criterion validity, construct validity and content validity (Bryman 2012:171-172; Jackson 2011:71-72).

Criterion validity measures the extent to which a test estimates present performance or predicts future performance (Van Zyl 2014:124). This means criterion validity measures the ability of a measure to correlate with other standard measures of similar constructs or established criteria (Zikmund *et al.* 2013:648). Criterion validity can measure two forms of validity namely *concurrent validity* and *predictive validity* (Bless *et al.* 2013:231). Concurrent validity attempts to measure present performance of a test (Jackson 2011:72), whereas predictive validity assesses the

ability of a test to predict another criterion at a future point in time (Bless *et al.* 2013:231).

Construct validity is established to determine whether a scale measures or correlates with the theoretical construct that it is supposed to measure (Andrew *et al.* 2011:52). Hypotheses are deduced from theories that are relevant to the concept under investigation (Bryman 2012:172). Construct validity involves two types of validity, namely *discriminant* and *convergent* validity. Convergent validity refers to the degree to which the construct is positively correlated with other measures of the same construct, while discriminant validity is the degree to which the construct does not correlate with other measures that are different from it (Hair *et al.* 2014:618-619).

The *content validity* of a measuring instrument refers to the extent or degree to which the content of the items provides sufficient representativeness of all relevant items or questions guiding the study (Cooper & Schindler 2006:318). According to Hair *et al.* (2014:601) and Andrew *et al.* (2011:52), content validity is sometimes referred to as face validity where the validation of the content involves consulting experts to judge the suitability of the items chosen to represent the construct. However, a researcher cannot test or measure content validity, hence it is not regarded as a credible form of validity (Andrew *et al.* 2011:52).

In this study, construct validity was the method used to assess the validity of the scales measuring the independent and dependent variables. Construct validity relies on how well the results that the researcher obtains when using the measuring instrument fit with theoretical expectations (Fabrigar & Wegener 2012:151; De Vaus 2001:30). Factor analysis was performed to assess the construct validity of the measuring instrument in this study. According to Hair *et al.* (2014:94), factor analysis is a technique that provides summarised information relating to original variables into a smaller set of new dimensions or factors. This is done with a minimum loss of information by data reduction. Factor analysis can be used to analyse interrelationships among a large number of variables (Hair *et al.* 2014:92).

In order to assess the validity of the independent variables in this study an exploratory factor analysis (EFA) was undertaken. EFA is performed when the

researcher is uncertain about how many factors may exist among a set of variables (Zikmund *et al.* 2013:595).

In assessing the validity of the scales measuring the independent variables, Principal component analysis and Varimax raw were specified as the extraction and rotation methods. Principal component analysis involves the total variance and derives factors that contain small proportions of unique variance and error variance (Hair *et al.* 2014:105). Collis and Hussey (2014:277) add that principal component analysis is a widely used technique in business research hence it is used in this study. Varimax raw rotational approach centres on simplifying the columns of the factor matrix, and it maximises the sum of variances or required loadings of the factor matrix (Hair *et al.* 2014:113). Varimax raw minimises the tendency of each variable to load on one factor only (Collis & Hussey 2014:277).

The percentage variance explained and the factor loadings were considered when assessing the validity of the measuring instrument. For the independent variables factor loading of greater than 0.4 was considered significant for this study. According to Hair *et al.* (2014:115), factor loading readings of greater than 0.4 can be considered significant for a sample size of greater than 200.

Tests for uni-dimensionality (using factor analysis) were undertaken on the dependent variables, namely *Job satisfaction* and *Organisational commitment*. Blumberg *et al.* (2012:504) define uni-dimensionality as an instrument that seeks to measure only one attribute of the respondents or object. Uni-dimensionality refers to the existence of one underlying measurement construct (dimension) that accounts for variation in the responses of the respondents (Yu *et al.* 2007). In assessing the uni-dimensionality of the scales measuring the dependent variables, *Job satisfaction* and *Organisational commitment*, principal component analysis was specified as the extraction method. Factor loadings of greater than 0.7 (Hair *et al.* 2014:114; Mustakallio *et al.* 2002:212) were considered significant for the dependent variables (*Job satisfaction* and *Organisational commitment*).

5.2.9.2 Reliability of the measuring instrument

According to Andrew *et al.* (2011:52), it is possible that a measuring instrument can be considered valid but not be reliable. If a measuring instrument is not reliable then it cannot be valid (Somekh & Lewin 2011:221). Andrew *et al.* (2011:202) contend that measuring instruments must be both reliable and valid in order for researchers to have confidence in the data they have collected from respondents. Bryman (2012:170) as well as Somekh and Lewin (2011:221), define reliability as the stability or consistency of the results yielded by a measuring instrument if the test applied were to be repeated. Hair *et al.* (2014:123) define reliability as an assessment of the degree of consistency between several measurements of a variable.

Internal reliability measures the degree to which an instrument's items are similar and reflect the same fundamental construct (Cooper & Schindler 2006:322). According to Bryman (2012:170), the calculation of Cronbach's alpha coefficients to test the internal reliability of a measuring instrument has become popular nowadays, and will be used in the present study. The Cronbach's alpha varies between 1 and 0, where 1 denotes perfect internal reliability and 0 denotes no internal reliability (Bryman 2012:170; Dane 2011:140). Cronbach's alpha coefficients of greater than 0.7 are considered significant (Bryman 2012:170; Andrew *et al.* 2011:202; Nunnally 1978:226). Tucker and MacCallum (1997) state that high reliability coefficients indicate high levels of consistency in a research instrument. As such the higher the coefficient, the more reliable and acceptable the measuring instrument (Dane 2011:140; Tolmie, Muijs & McAteer 2011:148). For the purpose of this study, Cronbach's alpha coefficients of greater than 0.70 are considered significant and deem a scale to be reliable.

5.2.9.3 Analysis of the empirical results

The data collected was summarised by using descriptive statistics such as the mean, standard deviation and frequency distribution. Aron, Coups and Aron (2011:2) define descriptive statistics as procedures that summarise data collected from the sample, making the data more understandable. Means were calculated to identify the central location of responses for both the independent and dependent variables, and

standard deviations were calculated to determine the variability and dispersion of these responses (Lind *et al.* 2012:74).

In order to establish the relationships between the various factors under investigation Pearson's product moment correlations were established. Pearson's product moment correlation is a technique that is used for examining relationships between variables, and the correlation coefficient (r) ranges between -1.00 and +1.00 (Mendenhall & Sincich 2012:116; Andrew *et al.* 2011:215). The closer the coefficient is to 1 the stronger the relationship, and the closer it is to 0, the weaker the relationship (Bryman 2012:342; Mendenhall & Sincich 2012:116). According to Statsoft (2014), a coefficient value of 0 indicates that there is no correlation at all. The coefficient is either positive or negative, indicating the direction of the relationship between the variables (Bryman 2012:342). Perfect positive relationship ($r = +1$) implies that as one variable increases, the other variable increases by the same effect or amount. Perfect negative relationship ($r = -1$) implies that as one variable decreases the other variable decreases by the same effect or amount (Bryman 2012:342). Andrew *et al.* (2011:215) refer to negative correlations as inverse correlations. While correlation coefficients reveal the associations of relationships, they do not indicate causality between variables (Andrew *et al.* 2011:216).

Zikmund *et al.* (2013:564), Mendenhall and Sincich (2012:116) and Jackson (2011:159) state that a correlation can be interpreted in the following ways:

- -1.0 to -0.7 reflects a strong negative association,
- -0.7 to -0.3 reflects a weak negative association,
- -0.3 to +0.3 reflects little or no association,
- +0.3 to +0.7 reflects a weak positive association, and
- +0.7 to +1.0 reflects a strong a strong positive association.

For the purpose of this study, multiple regression analysis was used to determine the influence of the independent variables (*Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership*) on the dependent variables *Job*

satisfaction and *Organisational commitment*. The relationship between the two dependent variables *Job satisfaction* and *Organisational commitment* was also assessed using multiple regression analysis.

According to Babbie (2013:467), multiple regression analysis provides a means of analysing the influence of several independent variables or predictor variables on a dependent variable. Hair *et al.* (2014:157) describe multiple regression analysis as a method that predicts the changes in the dependent variables in response to changes in the independent variables. Multiple regression analysis estimates the regression coefficients (b), which indicate both the type of relationship and the strength of the relationship between several independent and dependent variable (Hair *et al.* 2014:159). With multiple regression analysis, the standardised coefficient known as the beta coefficient (β) is used to indicate the strength of relationship between an independent variable and dependent variable expressed in one standard deviation (Hair *et al.* 2014:207; Zikmund *et al.* 2013:569). According to Rubin and Babbie (2011:559), the higher the beta weight, the greater the influence a variable has in explaining the variation in the dependent variable. Multiple coefficient of determination (R^2) is calculated to determine how well the independent variables explain the variance in the dependent variable (Mendenhall & Sincich 2012:181). The R-squared (R^2) is a sample statistic that determines the proportion of the total variance of a variable accounted for by another values of another variable (Zikmund *et al.* 2013:564).

According to Warsi *et al.* (2009:402) and Lok and Crawford (2001:597), job satisfaction was found to be a mediator or partial mediator between organisational commitment and other variables that influence organisational commitment. Baron and Kenny (1986:1173) define mediation as a function of a third variable influence on the relationship between the independent variable and dependent variable. According to Baron and Kenny (1986:1177), evidence of the mediating role of *Job satisfaction* between the independent variables (*Servant leadership*, *Relational leadership*, *Ethical leadership*, and *Participative leadership*) and *Organisational commitment* is provided if the following conditions hold:

- Firstly, the possible mediating variable must be regressed on the independent variables and the independent variables should have a significant influence on the possible mediator variable. (Analysis 1).
- The dependent variable must be regressed on the independent variables and the independent variables should have a statistical significant effect on the dependent variable. (Analysis 2).
- The dependent variable must be regressed on both the possible mediator variable and the independent variables. The possible mediating variable should have a significant influence on the dependent variable. (Analysis 3).
- Finally, the regression coefficient of the independent variables in analysis 3 must be smaller than that of analysis 2.

Although the main focus of this study was to investigate the influence of several leadership styles on the *Job satisfaction* and *Organisational commitment* of employees working in the SMEs, the influence of selected demographic variables pertaining to SME employees on their perceptions of the leadership style displayed by the owner of the SME in which they worked was also assessed. To determine the influence of these demographic variables on the dependent variables, an analysis of variance (ANOVA) was undertaken. For the purpose of this analysis, *Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership* served as dependent variables.

Aron *et al.* (2011:315) describe an ANOVA as a technique in which two or more independent population means are compared to determine whether they are equal. According to Quinlan (2011:401), an ANOVA is used to test differences among the means of several groups at once. As such ANOVA provides results as to whether one group is statistically different from another (Salkind 2010:786). To identify where the significant differences are between mean scores, post-hoc tests are undertaken. To identify significant differences between the mean scores returned for the aforementioned leadership styles as per the different categories of demographic variables (*Gender*, *Age*, *Ethnicity*, *Qualification* and *Tenure*), an ANOVA and post-hoc Scheffé tests were undertaken. According to Hilton and Armstrong (2006:36), the Scheffé test is one of the most popular methods for post-hoc analysis, and is

regarded as the most conservative method that gives protection against making Type 1 error. Type 1 error is defined as the error that is caused by rejecting the null hypothesis when it is true (Zikmund *et al.* 2013:514).

5.3 ETHICAL CONSIDERATIONS

Several ethical considerations were taken into account in the administration of the measuring instrument. Ethics is defined as the moral values or principles that form the basis of a code of conduct (Collis & Hussey 2014:30). Ethical considerations were made to ensure that the methodology used in this study was used in the right manner (Blumberg *et al.* 2011:114). Zikmund *et al.* (2013:92) mention that researchers should do everything they can in protecting research respondents from any harm that can be experienced by participating in a study. To ensure that no harm would come to the respondents in this study it was subjected to the research ethics approval procedures at the Nelson Mandela Metropolitan University where it was deemed that no potential harm to the respondents existed (see Annexure B).

As this study involved human participants, the following ethical principles were adhered to:

5.3.1 Right to anonymity and confidentiality

Collis and Hussey (2014:33) define anonymity as the assurance given to respondents or participants that they will not be named in a research activity. This enables the respondents to express their opinions in an open manner, and encourages greater freedom of expression (Collis & Hussey 2014:32-33). Confidentiality occurs when a researcher is obligated to protect the confidentiality of respondents (Zikmund *et al.* 2013:98). Bryman (2012:136) adds that identities and records of individuals should be maintained as confidential. In this study, the researcher has guarded against unauthorised access to the collected data. The data will only be made available to the researcher and the supervisor. Names of respondents as well as names of the businesses for whom respondents work were withdrawn during the process of data collection. The research data will be kept safe

and password-protected. Only the researcher and the supervisor will have access to this data.

5.3.2 Right to voluntary participation

Respondents must not be forced to partake in a research (Collis & Hussey 2014:32). Voluntary participation involves providing information to respondents about what is required if they agree to take part, and about the duration of the research (Bryman 2012:138-139). In conducting this study, the objectives of the study were explained to the respondents, and their informed consent was obtained. Respondents were informed of their rights to withdraw from the study at any time. Bryman (2012:139) adds that respondents must be given all the details concerning the research to assist them in make informed decisions about their participation. However, Collis and Hussey (2014:32) mentions that a balance must be struck between giving sufficient information to allow informed consent, and avoiding risking the purpose of the research.

5.3.3 Right to privacy

The right to privacy refers to the need to protect the privacy of research subjects or avoid invasions of privacy (Collis & Hussey 2014:310). The researcher is encouraged to respect the opinions of respondents and be aware that he/she does not have the right to invade a respondent's privacy (Bryman 2012:142-143).

5.4 SUMMARY

In this chapter, the research design and methodology adopted for the study were described. Differences between the qualitative and quantitative research paradigms were highlighted and a quantitative research paradigm was adopted for the study. The population, sample and sampling technique employed in the study together with the sample size were discussed. Various methods of data collection, as well as the development of the measuring instrument were described. The development of the scales measuring the independent and dependent variables was described and the operational definitions provided. The process of administering the questionnaires

was explained together with the method employed in replacing missing data. The methods of assessing the validity and reliability of the measuring instrument were described and the statistical techniques adopted to analyse the data explained.

The empirical findings of this study will be presented in Chapter 6.

CHAPTER 6

EMPIRICAL RESULTS

6.1 INTRODUCTION

In Chapter 5, an overview of the research design and methodology used to investigate the influence of several contemporary leadership styles on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs was presented. The sample and sampling techniques, the data collection method, and the statistical techniques used to test validity and reliability of the measuring instrument in this study were described. In addition to this, the statistical techniques adopted to analyse the data were described and justified. This chapter presents the findings of these statistical analyses.

First, the demographic information collected from the respondents participating in the study is tabled and described. Thereafter, the results of the validity and reliability assessments are presented. In order to assess the validity of the measuring instrument, a factor analysis was undertaken. The reliability of the measuring instrument was assessed by means of calculating Cronbach's alpha coefficients. Based on the results of these assessments, the hypothesised model was revised and the hypotheses reformulated. Descriptive statistics such as means, standard deviation and frequency distributions were calculated, and are tabled to summarise the sample data. The results of the Pearson's product moment correlations are then presented, and the relationships between the variables in this study discussed. Furthermore, the results of the multiple regression analyses, showing the influence of the various leadership styles on the levels of *Job satisfaction* and *Organisational commitment* of employees working in SMEs, are presented. Finally, an analysis of variance was undertaken to establish whether relationships exist between selected demographic variables and the independent variables investigated in this study, the results of which are presented in this chapter.

6.2 DEMOGRAPHIC INFORMATION

Section A of the questionnaire comprised several questions concerning demographic information relating to the respondents and the SME in which the respondents were employed. From Table 6.1 it can be seen that a more or less even number of males (46.61%) and females (52.12%) participated in the study. Most of the respondents were below the age of 29 years (44.07%) and those between the ages of 30 and 39 constituted 27.12 per cent of the sample. The remaining respondents were either between the ages 40 and 49 years (14.41%) or older than 50 years (13.98%). Most of the respondents in this study were White (42.37%), followed by Black (35.17%) and Coloured/Asian (21.61%) respondents. The majority of respondents also reported that they did not possess a post-matric qualification (50.85%).

Table 6.1: Demographic information pertaining to the respondents as individuals

| Gender | Frequency | Percentage % |
|-------------------------|------------------|---------------------|
| Male | 110 | 46.61 |
| Female | 123 | 52.12 |
| Missing | 3 | 1.27 |
| Total | 236 | 100.00 |
| Age | Frequency | Percentage % |
| 0-29 | 104 | 44.07 |
| 30-39 | 64 | 27.12 |
| 40-49 | 34 | 14.41 |
| >50 | 33 | 13.98 |
| Missing | 1 | 0.42 |
| Total | 236 | 100.00 |
| Population group | Frequency | Percentage % |
| White | 100 | 42.37 |
| Black | 83 | 35.17 |
| Coloured/Asian | 51 | 21.61 |
| Missing | 2 | 0.85 |
| Total | 236 | 100.00 |

Table 6.1: Demographic information pertaining to the respondents as individuals (cont...)

| Post-matric qualification | Frequency | Percentage % |
|---------------------------|-----------|--------------|
| Yes | 111 | 47.03 |
| No | 120 | 50.85 |
| Missing | 5 | 2.12 |
| Total | 236 | 100.00 |

Table 6.2 presents the demographic information pertaining to business in which the respondents were employed. Most (61.86%) of the respondents were employed in family businesses which operated in a variety of industries. The most prominent industries were the service (40.25%) and retail/wholesale (30.93%) industries. The remaining respondents were employed in businesses operating in either the manufacturing (9.75%) or other (19.07%) industries. Industries categorised as 'other' included business operating across several industries.

Table 6.2: Demographic information pertaining to the respondents in the context of the business

| Family business | Frequency | Percentage % |
|--------------------------|-----------|--------------|
| Yes | 146 | 61.86 |
| No | 89 | 37.71 |
| Missing | 1 | 0.42 |
| Nature of the business | Frequency | Percentage % |
| Retail and/or Wholesaler | 73 | 30.93 |
| Manufacturer | 23 | 9.75 |
| Service industry | 95 | 40.25 |
| Other | 45 | 19.07 |
| Total | 236 | 100.00 |
| Number of employees | Frequency | Percentage % |
| 1 - 5 | 38 | 16.10 |
| 6 – 10 | 111 | 47.03 |
| 11 – 20 | 46 | 19.49 |
| 21 – 180 | 38 | 16.10 |
| Missing | 3 | 1.27 |
| Total | 236 | 100.00 |

Table 6.2: Demographic information pertaining to the respondents in the context of the business (cont...)

| Tenure of employment | Frequency | Percentage % |
|-----------------------------|------------------|---------------------|
| 1-5 years | 156 | 66.10 |
| 6-10 years | 48 | 20.34 |
| 11-42 years | 26 | 11.02 |
| Missing | 6 | 2.54 |
| Total | 236 | 100.00 |

Most (47.03%) of the businesses in which the respondents worked employed between 6 and 10 employees. Only 16.10 per cent indicated that fewer than 5 employees or between 21 and 180 employees worked in the SMEs where they were employed. The majority of respondents (66.10%) had been employed in these businesses for 5 years or less, whereas 20.34 per cent had been working in the SMEs for between 6 and 10 years and 11.05 per cent for between 11 and 42 years.

6.3 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSIS

Factor analyses were undertaken to assess the validity of the scales measuring the independent and dependent variables in the study. An exploratory factor analysis (EFA) was undertaken on the independent variables and tests for uni-dimensionality (using factor analysis) were undertaken on the dependent variables, namely *Job satisfaction* and *Organisational commitment*.

When undertaking the EFA on the independent variables, principal component analysis was specified as the method of extraction, and varimax raw as the method of rotation. Factor loadings of greater than 0.4 (Hair *et al.* 2014:115; Mustakallio *et al.* 2002:212) were acceptable and considered significant. Only factors with more than two items loading on to them were considered for further statistical analysis, and items that cross loaded were eliminated. The tests for uni-dimensionality were done on *Job satisfaction* and *Organisational commitment* because both constructs are well recognised in the literature (Griffin, Hogan, Lambert, Turker-Gail & Baker 2010:245). In assessing the uni-dimensionality of the scales measuring the dependent variables, *Job satisfaction* and *Organisational commitment*, principal

component analysis was specified as the method of factor extraction. Factor loadings of greater than 0.7 (Hair *et al.* 2014:114; Mustakallio *et al.* 2002:212) were considered significant. According to Zu, Fredendall and Robbins (2006:20), in assessing the uni-dimensionality for the measurement used in the study, factor loadings should be 0.7 or higher to confirm that variables are valid.

Cronbach's alpha coefficients were calculated to assess the reliability of the scales measuring the independent and dependent variables in the study. For the purpose of this study, only Cronbach's alpha (CA) coefficients of 0.70 (Bryman 2012:170; Nunnally 1978:226) or higher were regarded as providing sufficient evidence of a reliable scale.

The results of the validity and reliability assessments for both the dependent and the independent variables will be presented below.

6.3.1 Dependent variables

The results of the tests for uni-dimensionality undertaken on the dependent variables *Job satisfaction* and *Organisational commitment* are tabled and discussed below.

6.3.1.1 Job satisfaction

Three out of the original four items intended to measure *Job satisfaction* loaded together as expected (SATIS3, SATIS1 and SATIS2), explaining 62.06 per cent of the variance in the data. Factor loadings of between -0.854 and -0.809 were reported for this factor. These loadings were above the cut-off point of 0.7 (Hair *et al.* 2014:114) suggesting that sufficient evidence of validity for the scale measuring this factor was provided. *Job satisfaction* returned a Cronbach's alpha coefficient of 0.815 which is greater than the lower limit of 0.7 (Andrew *et al.* 2011:202), suggesting that the scale measuring this factor was reliable. As a result of the factor analysis the operationalisation of *Job satisfaction* changed, which for the purpose of this study refers to employees experiencing their involvement in the business in which they worked as enjoyable, rewarding and fulfilling. Table 6.3 reports the validity and reliability results for the dependent variable *Job satisfaction*.

Table 6.3: Validity and Reliability of Job satisfaction

| % of Variance: 62.06 | | Cronbach's alpha : 0.815 | | |
|----------------------|--|--------------------------|--------------------|-------------------|
| Item | | Factor loading | Item-total correl. | CA after deletion |
| SATIS2 | I enjoy working in this business | -0.854 | 0.680 | 0.734 |
| SATIS3 | I experience my involvement in this business as fulfilling | -0.833 | 0.664 | 0.750 |
| SATIS1 | I experience my involvement in this business as rewarding | -0.809 | 0.657 | 0.755 |

6.3.1.2 Organisational commitment

The six items intended to measure *Organisational commitment* all loaded as expected (COMMIT4, COMMIT6, COMMIT3, COMMIT2, COMMIT5 and COMMIT1) and explained 63.34 per cent of the variance in the data. Factor loadings of between -0.851 and -0.741 were returned for *Organisational commitment*, which was above the cut-off of 0.7 (Hair *et al.* 2014:114). Sufficient evidence of validity for this construct was thus provided. *Organisational commitment* returned a Cronbach's alpha coefficient of 0.878 which is greater than the lower limit of 0.7 (Bryman 2012:170). Satisfactory evidence of reliability for this factor was thus provided. Table 6.4 summarises the validity and reliability results for *Organisational commitment*.

Table 6.4: Validity and Reliability of Organisational commitment

| % of Variance: 63.34 | | Cronbach's alpha : 0.878 | | |
|----------------------|--|--------------------------|--------------------|-------------------|
| Item | | Factor loading | Item-total correl. | CA after deletion |
| COMMIT1 | I am dedicated to ensuring the success of this business | -0.851 | 0.763 | 0.849 |
| COMMIT3 | I am willing to put in a great deal of effort beyond that which is normally expected of me in order to help this business to be successful | -0.815 | 0.712 | 0.853 |
| COMMIT5 | I really care about the fate of this business | -0.808 | 0.704 | 0.854 |
| COMMIT6 | I feel emotionally attached to this business | -0.782 | 0.674 | 0.862 |
| COMMIT2 | I am willing to make personal sacrifices to ensure the success of this business | -0.775 | 0.668 | 0.862 |
| COMMIT4 | I am proud to tell others that I work in this business | -0.741 | 0.637 | 0.865 |

For the purpose of this study *Organisational commitment* refers to employees having pride in the business, having an emotional attachment and a sense of belonging to the business, caring about the fate of the business, and being dedicated and willing to put in a great deal of effort to ensure its success.

6.3.2 Independent variables

The results of the EFA undertaken on the independent variables, namely *Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership* are presented below. In determining the factors to extract, the percentage of variance explained and the individual factor loading were considered. Four factors were extracted explaining 48.38 per cent of the variance in the data. The resulting factor structure is presented in Table 6.5.

Table 6.5: Factor structure for the independent variables

| | Relational | Participative | Servant | Ethical |
|---------|-------------------|----------------------|----------------|----------------|
| INTEG5 | 0.699 | -0.039 | 0.079 | 0.277 |
| INTEG2 | 0.679 | 0.101 | 0.053 | 0.218 |
| CARE1 | 0.663 | 0.165 | 0.333 | 0.132 |
| SERV2 | 0.617 | 0.282 | 0.075 | 0.062 |
| CARE4 | 0.615 | 0.269 | 0.393 | 0.100 |
| HUM3 | 0.570 | 0.082 | 0.283 | 0.261 |
| CARE2 | 0.565 | 0.228 | 0.325 | 0.128 |
| INTEG3 | 0.560 | 0.037 | 0.147 | 0.425 |
| INTEG4 | 0.535 | 0.102 | 0.046 | 0.467 |
| SERV4 | 0.518 | 0.391 | 0.256 | 0.206 |
| SERV5 | 0.510 | 0.142 | 0.575 | 0.142 |
| ETHCOM6 | 0.469 | 0.112 | 0.136 | 0.418 |
| RELA1 | 0.467 | 0.114 | 0.016 | 0.498 |
| RELA3 | 0.450 | 0.264 | 0.122 | 0.401 |
| ETHCOM1 | 0.437 | 0.061 | 0.059 | 0.608 |
| INTEG1 | 0.424 | 0.190 | 0.077 | 0.511 |
| PART3 | 0.202 | 0.755 | 0.073 | 0.023 |

Table 6.5: Factor structure for the independent variables (cont...)

| | | | | |
|---------|--------|--------------|--------------|--------------|
| PART1 | 0.260 | 0.728 | 0.176 | -0.020 |
| AUTO5 | -0.030 | 0.649 | 0.221 | 0.262 |
| AUTO6 | 0.049 | 0.645 | 0.103 | 0.117 |
| AUTO4 | 0.234 | 0.606 | -0.007 | 0.057 |
| PART4 | -0.111 | 0.539 | 0.274 | 0.097 |
| PART2 | 0.143 | 0.514 | 0.535 | 0.104 |
| AUTO3 | 0.186 | 0.510 | 0.452 | 0.048 |
| AUTO1 | 0.059 | 0.482 | 0.561 | 0.106 |
| SERV3 | 0.288 | 0.082 | 0.717 | 0.091 |
| HUM1 | 0.023 | 0.144 | 0.652 | 0.196 |
| HUM4 | 0.091 | 0.325 | 0.640 | 0.026 |
| SERV1 | 0.362 | 0.167 | 0.532 | 0.238 |
| RELA4 | 0.299 | -0.001 | 0.472 | 0.358 |
| AUTO2 | 0.144 | 0.349 | 0.460 | 0.284 |
| HUM6 | 0.279 | 0.355 | 0.444 | 0.273 |
| INTERN4 | 0.201 | 0.177 | 0.116 | 0.675 |
| INTERN3 | 0.151 | 0.104 | 0.065 | 0.623 |
| ETHCOM2 | 0.315 | 0.059 | 0.282 | 0.621 |
| ETHCOM5 | 0.280 | -0.061 | 0.394 | 0.528 |
| INTERN2 | 0.046 | 0.114 | 0.213 | 0.525 |
| RELA2 | 0.115 | -0.038 | 0.320 | 0.517 |
| ETHCOM3 | 0.380 | 0.162 | 0.049 | 0.473 |
| ETHCOM4 | -0.004 | -0.010 | 0.335 | 0.467 |
| INTERN1 | 0.390 | 0.224 | 0.092 | 0.434 |
| CARE3 | 0.173 | 0.304 | 0.239 | 0.365 |
| HUM2 | 0.344 | 0.153 | 0.272 | 0.221 |
| HUM5 | 0.390 | 0.203 | 0.267 | 0.215 |

6.3.2.1 Relational leadership

Sixteen items loaded together onto the first factor extracted by means of the EFA. However, eight of these items loaded onto more than one factor and were thus eliminated from further analysis. According to Costello and Osborne (2005), the

researcher can decide whether to drop cross loading or problematic items from the analysis provided there are several adequate items left. Of the eight usable items loading onto factor one, two items were originally intended to measure *Ethical leadership* (INTEG5 and INTEG2) and six originally intended to measure *Servant leadership* (CARE1, CARE4, SERV2, HUM3, CARE2 and SERV4). Similar wording in these items such as ‘cares’, ‘pays attention to’, ‘serves’ and ‘assists’ provides a possible explanation as to why they loaded together onto one factor. Given the nature of these items, factor one was named *Relational leadership*. *Relational leadership* explains 14.06 per cent of the variance in the data, and factor loadings of between 0.518 and 0.699 were reported for this factor which were all above 0.4 (Hair *et al.* 2014:115). The validity of the scale measuring this factor is thus confirmed. The Cronbach’s alpha coefficient for *Relational leadership* is 0.870, which is above 0.7 (Bryman 2012:170), suggesting that the scale measuring this factor is reliable. Table 6.6 summarises the results of the validity and reliability assessments for this factor.

Table 6.6: Validity and Reliability of Relational leadership

| % of Variance: 14.60 | | Cronbach’s alpha : 0.870 | | |
|----------------------|--|--------------------------|--------------------|-------------------|
| Item | The owner of my business is someone who... | Factor loading | Item-total correl. | CA after deletion |
| INTEG5 | practices what he/she preaches | 0.699 | 0.585 | 0.858 |
| INTEG2 | is honest and can be trusted to tell the truth | 0.679 | 0.581 | 0.860 |
| CARE1 | genuinely cares for the welfare of his/her subordinates | 0.663 | 0.716 | 0.844 |
| SERV 2 | has a desire to serve others | 0.617 | 0.537 | 0.863 |
| CARE4 | pays attention to the personal needs of subordinates | 0.615 | 0.716 | 0.843 |
| HUM 3 | does not seek recognition or reward in serving subordinates | 0.570 | 0.597 | 0.857 |
| CARE2 | can be approached to assist with the personal problems of subordinates | 0.565 | 0.674 | 0.848 |
| SERV4 | does everything he/she can to serve subordinates | 0.518 | 0.595 | 0.857 |

For the purpose of this study, *Relational leadership* refers to the owner of the SME being honest and trustworthy, genuinely caring, attentive and approachable concerning the needs of subordinates, practising what he or she preaches, and doing everything possible to serve others.

6.3.2.2 Participative leadership

The second factor extracted from the EFA corresponded with the theoretical dimensions of *Participative leadership*. Of the ten items originally intended to measure *Participative leadership*, six loaded together onto one factor (PART3, PART1, AUTO4, AUTO6, AUTO5 and PART4). The factor loadings returned for *Participative leadership* ranged between 0.539 and 0.755, and 10.52 per cent of variance in the data is explained by this factor. The Cronbach's alpha coefficient returned for *Participative leadership* is 0.795, which is above 0.7 (Andrew *et al.* 2011:202). Therefore, sufficient evidence of validity and reliability for the scale measuring *Participative leadership* is provided.

As a result of the EFA, the factor name *Participative leadership* was retained, but because of the items that loaded onto this factor, the operationalisation thereof was adapted slightly. For the purpose of this study *Participative leadership* refers to a SME owner who involves subordinates in business planning and goal setting, and delegates and encourages independence in terms of decision-making and the handling of responsibilities. The factor loadings and reliability coefficient for *Participative leadership* are presented in Table 6.7.

Table 6.7: Validity and Reliability of Participative leadership

| % of Variance: 10.52 | | Cronbach's alpha : 0.795 | | |
|----------------------|---|--------------------------|--------------------|-------------------|
| Item | The owner of my business is someone who... | Factor loading | Item-total correl. | CA after deletion |
| PART3 | involves subordinates in setting goals | 0.755 | 0.664 | 0.735 |
| PART1 | involves subordinates in planning the actions that the business will take | 0.728 | 0.656 | 0.736 |
| AUTO5 | encourages subordinates to handle important work decisions on their own | 0.649 | 0.529 | 0.768 |
| AUTO6 | delegates challenging responsibilities to subordinates | 0.645 | 0.529 | 0.768 |
| AUTO4 | places the greatest amount of decision-making in the hands of those most affected by the decision | 0.606 | 0.509 | 0.772 |
| PART4 | allows subordinates to influence critical decisions | 0.539 | 0.415 | 0.796 |

6.3.2.3 Servant leadership

The third factor extracted by the EFA was identified as the independent variable *Servant leadership*. Five of the original fifteen items intended to measure *Servant leadership* loaded together (SERV3, HUM1, HUM4, SERV1 and HUM6). In addition, the items AUTO2 and REL44 also loaded onto this construct. Despite these two additional items, the name *Servant leadership* was retained for this factor. *Servant leadership* explains 11.12 per cent of variance in the data, and factor loadings of between 0.716 and 0.444 were reported for this factor. *Servant leadership* returned a Cronbach's alpha of 0.810. Sufficient evidence of validity and reliability is thus provided for the scale measuring this factor.

For the purpose of this study *Servant leadership* will be defined as a leader who learns from and acknowledges dependency on subordinates, readily admits when he or she is wrong, is willing to make personal sacrifices to serve subordinates, and instils a sense of ownership among them. Table 6.8 shows the results of the validity and reliability assessments for *Servant leadership*.

Table 6.8: Validity and Reliability of Servant leadership

| % of Variance: 11.12 | | Cronbach's alpha : 0.810 | | |
|----------------------|---|--------------------------|--------------------|-------------------|
| Item | The owner of my business is someone who... | Factor loading | Item-total correl. | CA after deletion |
| SERV3 | puts the interests of subordinates ahead of his/her own | 0.716 | 0.590 | 0.777 |
| HUM1 | is always prepared to step aside for someone better qualified to do the job | 0.652 | 0.551 | 0.785 |
| HUM4 | learns from subordinates | 0.640 | 0.589 | 0.777 |
| SERV1 | is willing to make personal sacrifices to serve subordinates | 0.532 | 0.484 | 0.795 |
| RELA4 | readily admits when he/she is wrong | 0.472 | 0.512 | 0.793 |
| AUTO2 | gives subordinates a sense of ownership of the projects they work on | 0.460 | 0.553 | 0.785 |
| HUM6 | acknowledges his/her dependency on subordinates | 0.444 | 0.561 | 0.783 |

6.3.2.4 Ethical leadership

The fourth factor extracted from the EFA was identified as *Ethical leadership*. Only four of the original items (ETHCOM2, ETHCOM5, ETHCOM4 and ETHCOM3) expected to measure *Ethical leadership* loaded together. In addition to these four items, five items (INTERN4, INTERN3, INTERN2, RELA2 and INTERN1) originally intended to measure *Authentic leadership* also loaded onto this construct. The wording in several of these items such as ‘ethical’, ‘beliefs’ and ‘morals’ provides a possible explanation as to why these items loaded together onto the same construct. According to Gardner *et al.* (2011:1123-1124), ethical and moral perspectives are basic components of *Authentic leadership*. This explains why the five items originally intended to measure *Authentic leadership* loaded together with *Ethical leadership*. Despite these additional items relating to *Authentic leadership* loading onto this factor, the name of *Ethical leadership* was retained for this factor.

Ethical leadership explains 12.12 per cent of the variance in the data, and factor loadings of between 0.434 and 0.675 were reported, which are above 0.4 (Hair *et al.* 2014:115). Sufficient evidence of validity is thus provided for this factor. The Cronbach’s alpha coefficient returned for *Ethical leadership* was 0.811, which is above the recommended 0.7 (Bryman 2012:170), suggesting that the scale measuring this factor is reliable. Table 6.9 presents the results of validity and reliability assessments for *Ethical leadership*.

Table 6.9: Validity and Reliability of Ethical leadership

| % of Variance: 12.12 | | Cronbach’s alpha : 0.811 | | |
|----------------------|--|--------------------------|--------------------|-------------------|
| Item | The owner of my business is someone who... | Factor loading | Item-total correl. | CA after deletion |
| INTERN4 | is guided by his/her morals | 0.675 | 0.633 | 0.7784 |
| INTERN3 | does not allow group pressure to influence him/her | 0.623 | 0.463 | 0.7970 |
| ETHCOM2 | insists on doing what is fair and ethical even when it is not easy | 0.621 | 0.685 | 0.7699 |
| ETHCOM5 | values ethical behaviour more than business success | 0.528 | 0.572 | 0.7830 |
| INTERN2 | makes decisions based on his/her core beliefs | 0.525 | 0.458 | 0.7977 |
| RELA2 | rarely presents a false front to subordinates | 0.516 | 0.520 | 0.7924 |

Table 6.9: Validity and Reliability of Ethical leadership (cont...)

| | | | | |
|---------|---|-------|-------|--------|
| ETHCOM3 | regards honesty and integrity as important personal values | 0.473 | 0.457 | 0.7996 |
| ETHCOM4 | opposes the use of unethical practices to achieve success | 0.467 | 0.396 | 0.8128 |
| INTERN1 | demonstrates actions that are consistent with his/her beliefs | 0.434 | 0.507 | 0.7943 |

For the purpose of this study *Ethical leadership* refers to a SME owner who makes decisions and demonstrates actions that are guided by and consistent with his/her beliefs and morals, values ethical behaviour above success, and insists on and acts with fairness, honesty and integrity.

6.4 REVISED HYPOTHESISED MODEL AND HYPOTHESES

As a result of the factor analyses, the operationalisation of the dependent and independent variables was reformulated. Table 6.10 presents the reformulated operational definitions.

Table 6.10: Reformulated operational definitions

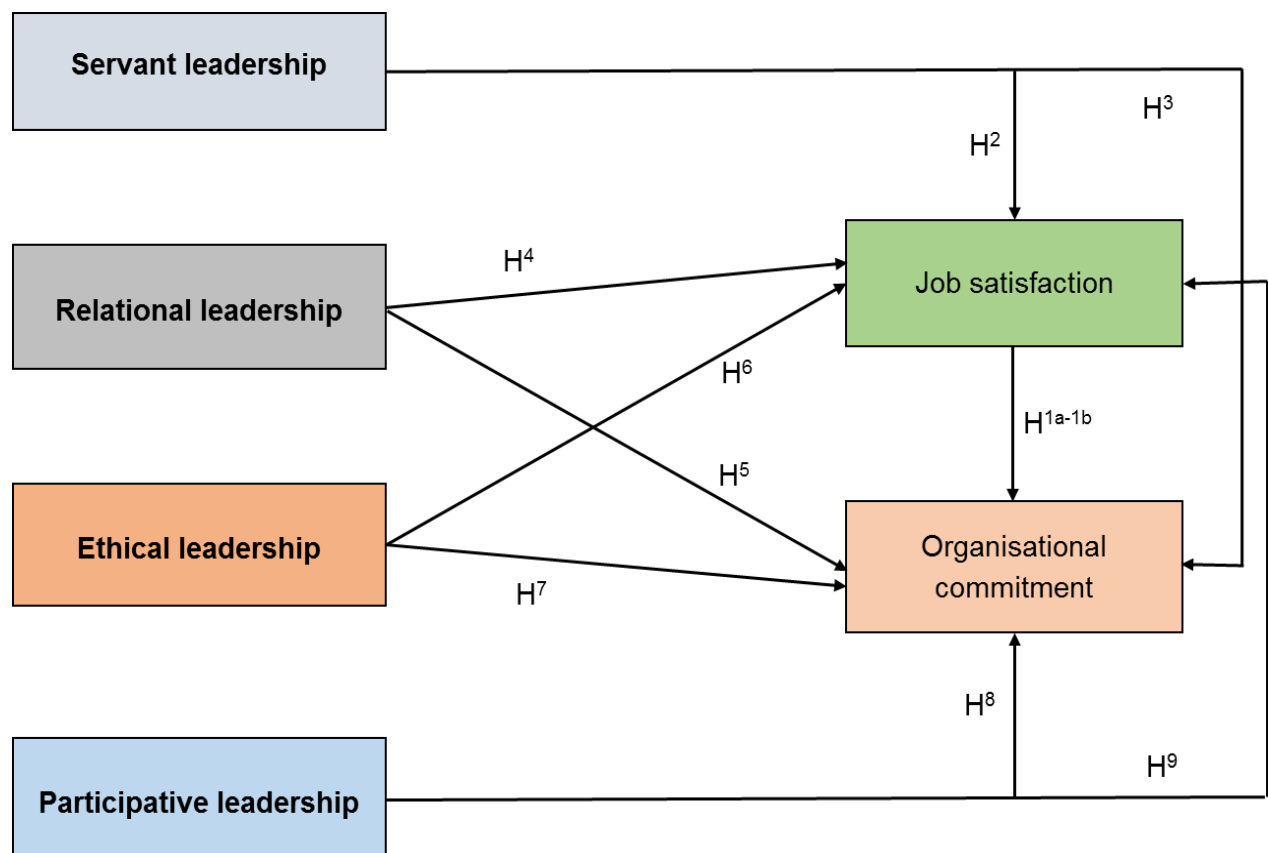
| Factor | Operationalisation |
|---------------------------|---|
| Job satisfaction | Refers to employees experiencing their involvement in the businesses in which they work as enjoyable, rewarding and fulfilling. |
| Organisational commitment | Refers to employees having pride in the business, having an emotional attachment and a sense of belonging to the business, caring about the fate of the business, and being dedicated and willing to put in a great deal of effort to ensure its success. |
| Servant leadership | Refers to an SME owner who put the interests of the subordinates first by making personal sacrifices, give subordinates a sense of ownership, acknowledges their dependence on subordinates and are prepared to learn from subordinates by stepping aside for someone better than themselves. |
| Relational leadership | Refers to an SME owner who cares about the welfare of the subordinates, is honest, trustworthy and pays attention on the needs of the subordinates, practising what he/she preaches and doing everything possible to serve others. |

Table 6.10: Reformulated operational definitions (cont...)

| | |
|--------------------------|---|
| Ethical leadership | Refers to an SME owner who makes decisions and demonstrates actions that are guided by and consistent with their beliefs and morals, value ethical behaviour above success, and insists on and acts with fairness, honesty and integrity. |
| Participative leadership | Refers to an SME owner who involves subordinates in setting goals, planning the actions that the business will take and encourages subordinates through delegation of challenging responsibilities to them. |

In addition, the hypothesised model was revised (see Figure 6.1) and the hypotheses reformulated. The relationships depicted in the revised hypothesised model and the reformulated hypotheses presented below are subjected to further empirical testing in this study.

Figure 6.1: Revised hypothesised model: Leadership styles influencing job satisfaction and organisational commitment of employees working in SMEs



(Source: Researcher's own construction)

The reformulated hypotheses are as follows:

- H^{1a}: There is a positive relationship between the level of *Job satisfaction* of employees working in SMEs and their level of *Organisational commitment* to those SMEs.
- H^{1b}: Job satisfaction mediates the relationships between the leadership styles investigated in this study (*Servant, Relational, Ethical* and *Participative leadership*) and the *Organisational commitment* shown by employees working in SMEs.
- H²: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H³: There is a positive relationship between the level of *Servant leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁴: There is a positive relationship between the level of *Relational leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁵: There is a positive relationship between the level of *Relational leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁶: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁷: There is a positive relationship between the level of *Ethical leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.
- H⁸: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Job satisfaction* experienced by employees working in SMEs.
- H⁹: There is a positive relationship between the level of *Participative leadership* displayed by SME owners and the level of *Organisational commitment* shown by employees working in SMEs.

6.5 EMPIRICAL RESULTS

The programme STATISTICA version 13 was used to undertake the statistical analysis in this study. The results of the descriptive and inferential analyses done are presented below. Descriptive statistics included calculating means, standard deviation and frequency distributions, and inferential statistics included calculating Pearson's product moment correlations, and undertaking multiple regression analyses as well as analyses of variance.

6.5.1 Descriptive statistics

Descriptive statistics such as the mean, standard deviation and frequency distributions were calculated in order to describe the sample data. For the sake of brevity and discussion purposes, response categories on the 5-point Likert scale for both the dependent and independent variables were categorised as follows: responses from $1 \leq x < 2.333$ were categorised as *disagree*; $2.333 \leq x < 3.667$ categorised as *neutral*; and $3.667 \leq x \leq 5.000$ were categorised as *agree*. Table 6.11 presents the descriptive statistics of all variables.

Table 6.11: Descriptive statistics

| Factor | Mean | Std. Dev | Disagree% | Neutral% | Agree% |
|---------------------------|-------|----------|-----------|----------|--------|
| Organisational commitment | 4.277 | 0.626 | 0.85 | 11.86 | 87.29 |
| Job satisfaction | 4.265 | 0.636 | 0.85 | 9.32 | 89.83 |
| Servant Leadership | 3.736 | 0.666 | 2.12 | 35.59 | 62.29 |
| Relational leadership | 4.159 | 0.574 | 0.85 | 16.53 | 82.63 |
| Ethical leadership | 4.115 | 0.534 | 0.00 | 16.95 | 83.05 |
| Participative leadership | 3.699 | 0.658 | 2.97 | 33.90 | 63.14 |

N = 236

With regard to the dependent variables, *Organisational commitment* returned the highest score mean ($\bar{x} = 4.277$) followed by *Job satisfaction* ($\bar{x} = 4.265$). The great majority of respondents agreed with the statements measuring both *Organisational commitment* (87.29%) and *Job satisfaction* (89.83%). In other words the majority of

respondents agreed that they experienced their involvement in the businesses in which they work as enjoyable, rewarding and fulfilling, and that they took pride in having an emotional attachment and a sense of belonging to the business, care about its fate, and were dedicated and willing to put in a great deal of effort to ensure its success.

Of the four independent variables *Relational leadership* reported the highest mean score ($\bar{x} = 4.159$). The majority of respondents (82.63%) agreed with the statements measuring *Relational leadership*. As such, they agreed that the owner of the SME in which they worked was honest and trustworthy, genuinely caring, attentive and approachable concerning the needs of subordinates, practising what he/she preached and did everything possible to serve others.

Ethical leadership returned the second highest mean score ($\bar{x} = 4.115$) with the great majority of the respondents (83.05%) agreeing that the SME owners for whom they worked made decisions and demonstrated actions that were guided by and consistent with his or her beliefs and morals, valued ethical behaviour above success, and insisted on and acted with fairness, honesty and integrity.

Servant leadership returned the third highest mean score ($\bar{x} = 3.736$) with the majority of respondents (62.29%) agreeing that the SME owners for whom they worked put the interests of the subordinates first by making personal sacrifices, providing subordinates with a sense of ownership, acknowledging their dependency on subordinates and were prepared to learn from subordinates by stepping aside for someone better than themselves.

Participative leadership reported the lowest mean score ($\bar{x} = 3.699$), but the majority of the respondents (63.14%) agreed that the SME owners for whom they worked involved subordinates in setting goals, planning the actions that business would take and encouraged subordinates through delegating challenging responsibilities to them.

6.5.2 Pearson's product moment correlations

The results of the Pearson's product moment correlation, which was undertaken to establish the associations between the various variables under investigation, are presented in Table 6.12.

Table 6.12: Pearson's correlations coefficients

| Factor | 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1 Servant Leadership | 1.000 | 0.632 | 0.621 | 0.509 | 0.503 | 0.543 |
| 2 Relational leadership | 0.632 | 1.000 | 0.614 | 0.458 | 0.573 | 0.612 |
| 3 Ethical leadership | 0.621 | 0.614 | 1.000 | 0.327 | 0.490 | 0.513 |
| 4 Participative leadership | 0.509 | 0.458 | 0.327 | 1.000 | 0.340 | 0.392 |
| 5 Organisational commitment | 0.503 | 0.573 | 0.490 | 0.340 | 1.000 | 0.790 |
| 6 Job satisfaction | 0.543 | 0.612 | 0.513 | 0.392 | 0.790 | 1.000 |

(**Bold = $p < 0.05$**)

From Table 6.12 it can be seen that all independent variables are significantly ($p < 0.05$) and positively correlated with both the dependent variables *Job satisfaction* and *Organisational commitment*. R-values of between 0.573 and 0.340 were reported for the associations between *Organisational commitment* and the independent variables. According to Statsoft (2014), these values reflect weak to moderate positive associations. The R-values of 0.573 and 0.503, respectively, reflect moderate positive correlations between *Organisational commitment* and *Relational leadership* and *Organisational commitment* and *Servant leadership*. A weak but positive association is seen between *Organisational commitment* and the independent variables, *Ethical leadership* ($r = 0.490$) and *Participative leadership* ($r = 0.340$). (Zikmund *et al.* 2013:564, Mendenhall & Sincich 2012:116; Andrew *et al.* 2011:216; Jackson 2011:159).

In addition, R-values of between 0.612 and 0.392 were reported for the associations between *Job satisfaction* and the independent variables. The R-value of 0.612 reflects a strong positive association between *Job satisfaction* and *Relational leadership* whereas the R-value of 0.543 between *Job satisfaction* and *Servant leadership* represents a moderate positive association (Andrew *et al.* 2011:216).The

R-value of 0.513 reflects a moderate positive association between *Job satisfaction* and *Ethical leadership* whereas the R-value of 0.392 reflects a weak positive association between *Job satisfaction* and *Participative leadership*. (Zikmund *et al.* 2013:564, Mendenhall & Sincich 2012:116; Andrew *et al.* 2011:216; Jackson 2011:159). In addition to these findings, significant positive relationships were also reported between all the independent variables themselves.

Significant positive associations ($p < 0.5$) were reported between *Servant leadership* and the other independent variables, namely *Relational leadership* ($r = 0.632$), *Ethical leadership* ($r = 0.621$), *Participative leadership* ($r = 0.509$). The R-values reported between *Servant leadership* and *Relational leadership*, and *Ethical leadership* indicate that there is strong positive association whereas the R-value reported between *Servant leadership* and *Participative leadership* indicates that there is a moderate positive association. (Zikmund *et al.* 2013:564, Mendenhall & Sincich 2012:116; Andrew *et al.* 2011:216; Jackson 2011:159).

Significant positive relationships were also reported between *Relational leadership* and the independent variables *Ethical leadership* ($r = 0.614$) and *Participative leadership* ($r = 0.458$). The R-value reported between *Relational leadership* and *Ethical leadership* indicates that there is a strong association whereas the R-value reported between *Relational leadership* and *Participative leadership* represents a weak but positive association (Andrew *et al.* 2011:216). A significant positive relationship between *Ethical leadership* and *Participative leadership* ($r = 0.327$) was also reported. This means that there is a little or no association between these variables. (Zikmund *et al.* 2013:564, Mendenhall & Sincich 2012:116; Andrew *et al.* 2011:216; Jackson 2011:159).

6.5.3 Multiple regression analyses

In order to investigate the influence of the various independent variables on the levels of *Job satisfaction* and *Organisational commitment* of employees working in SMEs, multiple regression analyses were undertaken. In addition, the relationship between the dependent variables *Job satisfaction* and *Organisational commitment* was also assessed.

6.5.3.1 Independent variables and Organisational commitment

From Table 6.13 it can be seen that the independent variables (leadership styles) explained 37.62 per cent of the variance in *Organisational commitment*.

Table 6.13: Influence of the independent variables on Organisational commitment

| Dependent variable: Organisational commitment | | R-Square = 0.3762 | |
|---|---------------|-------------------|-----------------|
| Independent variables | Beta | t-value | Sig.(p) |
| Intercept | 1.1877 | 4.1637 | 0.0000 |
| Servant leadership | 0.1466 | 2.0373 | 0.0428** |
| Relational leadership | 0.3879 | 4.8279 | 0.0000* |
| Ethical leadership | 0.1868 | 2.2346 | 0.0264** |
| Participative leadership | 0.0433 | 0.7367 | 0.4621 |

(*p<0.001; **p<0.05)

A significant positive linear relationship (beta = 0.3879; p<0.001) was reported between *Relational leadership* and *Organisational commitment*. As such the more the SME owner displayed *Relational leadership*, the more likely his/her employees were to be committed to the business in which they were employed. Of the leadership styles investigated in this study *Relational leadership* exerted the greatest influence on *Organisational commitment*. A positive linear relationship (beta = 0.1868; p<0.05) was also reported between *Ethical leadership* and *Organisational commitment*. In other words, the more the SME owner displayed *Ethical leadership* the more likely his/her employees were to be committed to the businesses in which they worked. Another positive linear relationship (beta = 0.1466; p<0.05) was reported between *Servant leadership* and *Organisational commitment*. This means that the more the SME owner displayed *Servant leadership* the more committed his/her employees were likely to be.

No relationship was identified between *Participative leadership* and *Organisational commitment* in this study. In other words, whether the SME owner displayed a participative style of leadership or not had no influence on the level of the *Organisational commitment* shown by his/her employees.

Against this background, support was found for the hypothesised relationships between *Servant leadership* (H³), *Relational leadership* (H⁵) and *Ethical leadership* (H⁷), and the dependent variable *Organisational commitment*. However, no support was found for the hypothesised relationship between *Participative leadership* (H⁹) and *Organisational commitment*.

6.5.3.2 Independent variables and Job satisfaction

The results of the multiple regression analysis show that the independent variables explained 43.14 per cent of the variance in *Job satisfaction* (see Table 6.14).

Table 6.14: Influence of the independent variables on Job satisfaction

| Dependent variable: Job satisfaction | | R-Square = 0.4314 | |
|--------------------------------------|---------------|-------------------|-----------------|
| Independent variables | Beta | t-value | Sig.(p) |
| Intercept | 0.8965 | 3.2373 | 0.0014 |
| Servant leadership | 0.1641 | 2.3491 | 0.0197** |
| Relational leadership | 0.4120 | 5.2824 | 0.0000* |
| Ethical leadership | 0.1791 | 2.2069 | 0.0283** |
| Participative leadership | 0.0824 | 1.4434 | 0.1503 |

(*p<0.001; **p<0.05)

From Table 6.14 it can be observed that a significant positive linear relationship (beta = 0.4120; p<0.001) was reported between *Relational leadership* and *Job satisfaction*. As such the more the SME owner displayed *Relational leadership* the more likely his/her employees experience *Job satisfaction*. As in the case of *Organisational commitment*, *Relational leadership* exerted the greatest influence on *Job satisfaction*. A positive linear relationship (beta = 0.1641; p<0.05) was also reported between *Servant leadership* and *Job satisfaction*. In other words the more the SME owner adopted a servant style of leadership, the more satisfied his/her employees were likely to be. Another positive linear relationship (beta = 0.1791; p<0.05) was reported between *Ethical leadership* and *Job satisfaction*, which suggests that the more the SME owner displays an ethical style of leadership, the more likely his/her employees are to experience satisfaction in their jobs.

As in the case of *Organisational commitment*, no significant relationship was identified between *Participative leadership* and *Job satisfaction*. In other words whether the SME owners adopted a participative style of leadership or not, had no influence on *Job satisfaction* levels of the employees participating in this study.

Against this background, support was found for the hypothesised relationships between *Servant leadership* (H²), *Relational leadership* (H⁴) and *Ethical leadership* (H⁶), and the dependent variable *Job satisfaction*. However, no support was found for the hypothesised relationship between *Participative leadership* (H⁸) and *Job satisfaction*.

6.5.3.3 Mediating role of Job satisfaction

In order to test whether *Job satisfaction* mediates the relationship between the independent variables (*Servant leadership*, *Relational leadership*, *Ethical leadership* and *Participative leadership*) and the dependent variable *Organisational commitment* the steps recommended by Baron and Kenny (1986:1177) were followed.

The steps recommended by Baron and Kenny (1986:1177) involve a series of regression analyses. According to Baron and Kenny (1986:1177), the beta coefficient of three regression equations must be compared. First the mediator (*Job satisfaction*) must be regressed on the independent variables (*Servant leadership*, *Relational leadership*, *Ethical leadership* and *Participative leadership*). Second, the dependent variable (*Organisational commitment*) must be regressed on the independent variables (*Servant leadership*, *Relational leadership*, *Ethical leadership* and *Participative leadership*), and third, the dependent variable must be regressed on both the mediator and the independent variables. The results of these three regression analyses can be seen in Table 6.15.

Table 6.15: Regression analyses testing for mediation

| | | | Step 1 | | |
|---|--|--------|----------|----------|---------|
| Mediator variable: Job satisfaction | | | Beta | p-value | |
| Servant leadership | | | 0.1641 | 0.0197** | |
| Relational leadership | | | 0.4120 | 0.0000* | |
| Ethical leadership | | | 0.1791 | 0.0283** | |
| Participating leadership | | | 0.0824 | 0.1503 | |
| R ² | | | 0.4314 | | |
| | | Step 2 | | Step 3 | |
| Dependent variable: Organisational commitment | | Beta | p-value | Beta | p-value |
| Servant leadership | | 0.1466 | 0.0428** | 0.0367 | 0.5090 |
| Relational leadership | | 0.3879 | 0.0000* | 0.1119 | 0.0854 |
| Ethical leadership | | 0.1868 | 0.0264** | 0.0668 | 0.2999 |
| Participating leadership | | 0.0433 | 0.4621 | -0.0119 | 0.7918 |
| Job satisfaction | | / | / | 0.6699 | 0.0000* |
| R ² | | 0.3762 | | 0.6401 | |

(*p<0.001; **p<0.05)

From Table 6.15 it can be seen that *Job satisfaction* mediated the relationship (H^{1b}) between the independent variables (*Servant leadership*, *Relational leadership*, *Ethical leadership*) and the dependent variable *Organisational commitment*. However, *Job satisfaction* was proved not to be a mediating variable between *Participative leadership* and the dependent variable *Organisational commitment*.

For each of the aforementioned styles of leadership a perfect mediation occurred because in Step 3 when controlling for *Job satisfaction*, the independent variables *Servant leadership*, *Relational leadership* and *Ethical leadership* no longer had an influence on *Organisational commitment*. When controlling for *Job satisfaction* in Step 3, the explanatory power of the model increased, which was indicated by an increase in R² of 0.2639. Therefore, *Job satisfaction* adds to explaining the variance in *Organisational commitment*. As a result, hypothesis H^{1b} is accepted for *Servant leadership*, *Relational leadership* and *Ethical leadership*, however, rejected for *Participative leadership*.

6.5.4 The influence of demographic variables on the leadership styles investigated in this study

In section A of the measuring instrument, demographic information relating to *Gender*, *Age* and *Ethnicity* was sought from respondents. In addition, information relating to *Qualification* of the respondents and *Tenure* (years of employment) was also requested. In order to establish whether relationships exist between selected demographic variables and the dependent variables (*Relational leadership*, *Participative leadership*, *Servant leadership* and *Ethical leadership*) investigated in this study, an analysis of variance was undertaken. The independent variables were used as dependent variables to calculate ANOVA. In addition, the post-hoc Scheffé test was used to identify significant differences between the means scores of the various categories within each demographic variable. The results of these analyses are tabled and discussed in the paragraphs below.

6.5.4.1 Demographic variables and Relational leadership

The results of the analysis of variance reported no significant relationships between the demographic variables *Gender*, *Age*, *Ethnicity*, *Qualification* and *Tenure*, and the independent variable *Relational leadership*. These findings suggest that the gender, age and ethnicity of the employee, their level of qualification and their tenure of employment has no influence on the level of *Relational leadership* perceived by them to be displayed by the SME owner.

Table 6.16: Demographic variables and Relational leadership

| Dependent variable: Relational leadership | | |
|---|----------|----------|
| Independent variables | F-values | Sig.(p) |
| Gender | 0.000750 | 0.978180 |
| Age | 0.695844 | 0.555432 |
| Ethnicity | 0.088212 | 0.915598 |
| Qualification | 0.624870 | 0.430061 |
| Tenure | 1.761419 | 0.174141 |

Against this background, the null hypothesis (H^{0b}) stating that there is no relationship between demographic variables of employees and the level of *Relational leadership* perceived by them to be displayed by the SME owner is accepted for *Gender*, *Age*, *Ethnicity*, *Qualification* and *Tenure*.

6.5.4.2 Demographic variables and Participative leadership

The results of the analysis of variance reported a significant positive ($p < 0.05$) relationship between demographic variables *Gender* and *Qualification*, and the dependent variable *Participative leadership*. The post-hoc Scheffé test revealed that *Female* respondents ($\bar{x} = 3.796$) scored a significantly higher ($p < 0.05$) mean score than *Male* respondents ($\bar{x} = 3.592$) for *Participative leadership*. In other words female employees perceived that the owners of the SMEs in which they were employed displayed a participative leadership style more than male employees did. In addition, respondents in possession of a post-matric qualification ($\bar{x} = 3.795$) reported a significantly higher ($p < 0.05$) mean score than respondents without such a qualification ($\bar{x} = 3.598$). This implies that employees with a post-matric qualification perceived that SME owners for whom they worked displayed a participative leadership style more clearly than did those without a post-matric qualification.

Table 6.17: Demographic variables and Participative leadership

| Dependent variable: Participative leadership | | |
|--|----------|------------------|
| Independent variables | F-values | Sig.(p) |
| Gender | 5.621631 | 0.018562* |
| Age | 1.020989 | 0.384071 |
| Ethnicity | 2.014999 | 0.135657 |
| Qualification | 5.118061 | 0.024616* |
| Tenure | 1.026095 | 0.360060 |

(* $p < 0.05$)

The null hypothesis (H^{0d}) stating that there is no relationship between demographic variables of employees and the level of *Participative leadership* perceived by them to be displayed by the SME owner is accepted for *Age*, *Ethnicity* and *Tenure*, but not for *Gender* and *Qualification*.

6.5.4.3 Demographic variables and Servant leadership

As seen in Table 6.18, the results of analysis of variance revealed that no significant relationship existed between the demographic variables *Gender*, *Age*, *Ethnicity*, *Qualification* and *Tenure*, and the dependent variable *Servant leadership*. These findings suggested that the gender, age, ethnicity of the employee or their level of qualification and tenure of employment, had no influence on the level of *Servant leadership* perceived by them to be displayed by the SME owner.

Table 6.18: Demographic variables and Servant leadership

| Dependent variable: Servant leadership | | |
|--|----------|----------|
| Independent variables | F-values | Sig.(p) |
| Gender | 1.547865 | 0.214712 |
| Age | 0.825571 | 0.480947 |
| Ethnicity | 1.045448 | 0.353191 |
| Qualification | 0.708136 | 0.400941 |
| Tenure | 0.761087 | 0.468347 |

Against this background, the null hypothesis (H^{0a}) stating that there is no relationship between demographic variables of employees and the level of *Servant leadership* perceived by them to be displayed by SME owners, is accepted for *Gender*, *Age*, *Ethnicity*, *Qualification* and *Tenure*.

6.5.4.4 Demographic variables and Ethical leadership

The results reported a significant ($p < 0.05$) relationship between the demographic variable *Ethnicity* and the dependent variable *Ethical leadership*. These results suggested that ethnicity of SME employees had an influence on the level of *Ethical leadership* perceived by them to be displayed by the SME owner. The post-hoc Scheffé test revealed that *White* respondents ($\bar{x} = 4.189$) scored a significantly higher ($p < 0.05$) mean score than *Asian/Coloured* ($\bar{x} = 3.991$) and *Black* ($\bar{x} = 4.177$) respondents. On the other hand, the results of analysis of variance revealed no significant relationship between the demographic variables *Gender*, *Age*,

Qualification and *Tenure*, and the dependent variable *Ethical leadership*. These findings suggest that the gender, age, qualification and tenure of employment had no influence on the level of *Ethical leadership* perceived by them to be displayed by the SME owner.

Table 6.19: Demographic variables and Ethical leadership

| Dependent variable: Ethical leadership | | |
|--|----------|------------------|
| Independent variables | F-values | Sig.(p) |
| Gender | 0.694162 | 0.405613 |
| Age | 0.210715 | 0.888920 |
| Ethnicity | 3.583294 | 0.029339* |
| Qualification | 0.942202 | 0.332736 |
| Tenure | 0.168736 | 0.844838 |

(*p<0.05)

Against this background, the null hypothesis (H^{0c}) stating that there is no relationship between demographic variables of employees and the level of *Ethical leadership* perceived by them to be displayed by SME owners, is accepted for the *Gender*, *Age*, *Tenure* and *Qualification*, but not for *Ethnicity*.

6.6 SUMMARY

In this chapter the empirical results of the study were presented. A summary of the demographic information collected from the respondents was provided. The results of the validity and reliability of the measuring instrument were given. Based on the factor analyses, four contemporary leadership styles were identified as possibly influencing *Job satisfaction* and *Organisational commitment* levels of employees in SMEs. These leadership styles were named *Servant leadership*, *Relational leadership*, *Ethical leadership* and *Participative leadership*. Both dependent and independent variables provided satisfactory evidence of validity and reliability. The proposed hypothesised model was revised and the reformulated operational definitions of the factors were presented.

The empirical results of the study were examined by means of undertaking several statistical analyses. The results of the descriptive statistics, the Pearson's product moment correlations, multiple regression analysis and ANOVAs were presented In Chapter 6, a brief summary of various chapters in the study will be provided. Thereafter, the empirical results will be interpreted, highlighting managerial implications and recommendations for the SME sector. The contributions and limitations of the study will be discussed, and recommendations for future research presented.

CHAPTER 7

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

In Chapter 6, the empirical results of the present study were presented. Chapter 7 will provide an overview of the study as a whole by highlighting the research objectives, providing a summary of the literature review, and briefly describing the research design and methodology adopted in this study. The main empirical results, the interpretation of these results and pertinent recommendations will also be presented in this chapter. The contributions of this study as well as its limitations will also be highlighted. Given the limitations of the study, suggestions for future research will be presented. The chapter will conclude by providing a self-reflecting note as well as final concluding remarks by the researcher.

7.2 OVERVIEW OF THE STUDY

In order to give the background of the present study, Chapter 1 presented the problem statement, the purpose of the study, and the research objectives. The problem statement highlighted the dishonest, selfish and corrupt nature of modern leadership and identified a gap in the literature regarding the practice of leadership, especially in South African SMEs. Given the problem statement, the purpose of this study was to investigate the degree to which four contemporary leadership styles are practised among SME owners, and whether practising these styles has an influence on the *Job satisfaction* and the *Organisational commitment* levels of employees working in SMEs. The section to follow will summarise the objectives of the study as well as the chapters in which they were achieved. In addition a summary of the literature review, the research design and methodology adopted, and the empirical results will be presented.

7.2.1 Research objectives

The primary objective of this study was to assess the levels of several contemporary leadership styles displayed by SME owners, and to investigate their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs in the Eastern Cape. In order to address this primary objective, the following secondary objectives (SOs) were identified:

- SO¹ To conduct a literature review on the nature and importance of SMEs, as well as the nature of several contemporary leadership styles (*Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership*);
- SO² To develop a hypothesised model that reflects the relationships between the independent variables (*Servant leadership*, *Authentic leadership*, *Ethical leadership* and *Participative leadership*) and the dependent variables (*Job satisfaction* and *Job commitment*);
- SO³ To choose an appropriate research design and methodology for this study;
- SO⁴ To develop a measuring instrument that would empirically test the relationships as described in the hypothesised model;
- SO⁵ To collect data on the levels of *Servant leadership*, *Authentic leadership*, *Ethical leadership*, and *Participative leadership*, as well as their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs;
- SO⁶ To offer pertinent conclusions and recommendations based on the findings of the study to SME owners on how to improve their contemporary leadership styles and ultimately enhance the levels of *Job satisfaction* and *Organisational commitment* levels experienced by their employees.

The chapters in which the objectives were achieved are summarised in Table 7.1 and briefly described in the paragraphs that follow.

Table 7.1: Achieved secondary objectives of the study and relevant chapters

| Secondary objectives | Chapter in which objectives were achieved |
|--|---|
| To conduct a literature review on the nature and importance of SMEs as well as the nature of several contemporary leadership styles (<i>Servant leadership, Authentic leadership, Ethical leadership and Participative leadership</i>). | Chapter 2 and Chapter 3 |
| To develop a hypothesised model that reflects the relationships between the independent variables (<i>Servant leadership, Authentic leadership, Ethical leadership and Participative leadership</i>) and the dependent variables (<i>Job satisfaction and Job commitment</i>). | Chapter 4 |
| To choose an appropriate research design and methodology for this study. | Chapter 5 |
| To develop a measuring instrument that would empirically test the relationships as described in the hypothesised model. | Chapter 5 and Annexure A |
| To collect data on the levels of <i>Servant leadership, Authentic leadership, Ethical leadership, and Participative leadership</i> as well as their influence on the <i>Job satisfaction and Organisational commitment</i> levels of employees working in the SMEs. | Chapter 6 |
| To provide pertinent conclusions and recommendations based on the findings of the study to SME owners on how to improve their contemporary leadership styles and ultimately enhance the levels of <i>Job satisfaction and Organisational commitment</i> levels experienced by their employees. | Chapter 7 |

7.2.2 Literature review

The literature study was undertaken and written up in Chapters 2, 3 and 4. Chapter 2 focused on the nature and importance of SMEs as well as the challenges they face. Chapter 2 highlighted various categories and definitions of SMEs. For the purpose of this study, SMEs were defined as businesses that had been in operation for at least one year, employed more than five but fewer than 200 full-time employees, and the owner of the business was actively involved in the daily running and managing of the business. SMEs were considered to have the potential to enhance economic growth and innovation by producing goods and services, creating jobs, assisting large businesses in the distribution of goods and services, and stimulating competition in the economy. Despite their contributions, SMEs face several challenges that influence their longevity, growth and success. These challenges include a lack of marketing skills, access to resources, infrastructure, and finance. High employee

turnover and poor leadership were specifically highlighted as challenges facing SMEs.

Chapter 2 also elaborated on the concepts *Job satisfaction* and *Organisational commitment*. In this study *Job satisfaction* referred to employees experiencing their involvement in the businesses in which they were employed as rewarding, fulfilling, satisfying and enjoyable. *Organisational commitment* referred to employees having pride in and an emotional attachment to the business in which they were employed, as well as being willing to make personal sacrifices and put in a great deal of effort to ensure its success. To provide insights into *Organisational commitment*, a discussion on both bi-dimensional and multi-dimensional conceptualisations of *Organisational commitment* was presented. Various factors were identified from the literature as influencing the level of *Job satisfaction* and *Organisational commitment* of employees in SMEs. A lack of leadership was highlighted as influencing *Job satisfaction* and *Organisational commitment*; ultimately contributing to employee turnover and SME failure. As a result, *Job satisfaction* and *Organisational commitment* were considered as the dependent variables for this study.

Chapter 3 focused on the nature of leadership as well as the importance of leadership in ensuring *Job satisfaction* and *Organisational commitment*. Leadership was identified as a key factor in providing direction within an organisation as well as enhancing employee motivation and participation. Leadership was considered to be important in coordinating employee efforts and business resources, to ensure that business objectives were achieved. In addition, leadership was found to influence employee behaviour in order to achieve objectives of the organisation. Various traditional and contemporary leadership styles were discussed. Traditional leadership styles included autocratic, directive, laissez-faire, charismatic, and participative leadership. On the other hand, contemporary leadership styles included transactional, transformational, authentic, servant, and ethical leadership.

For the purpose of this study, four leadership styles, namely *Servant*, *Authentic*, *Ethical* and *Participative leadership* were considered as independent variables and were discussed in more detail in Chapter 3. The comprehensive literature study

conducted and presented in Chapters 2 and 3 ensured the accomplishment of the first secondary objective of the study.

The next secondary objective of this study was achieved in Chapter 4. In this chapter, a hypothesised model depicting the relationships between the independent variables and the dependent variables was developed. In developing this model, both empirical and anecdotal evidence was provided to support the relationships hypothesised. In addition, the relationships between selected demographic variables and the independent variables under investigation were hypothesised, and the empirical support for these relationships was given. Demographic variables such as *Gender*, *Age*, *Ethnicity*, *Qualification*, and *Tenure* were considered.

7.2.3 Research design and methodology

In Chapters 5 and 6, the third and fourth secondary objectives were achieved. In Chapter 5, an explanation and description of the research design and methodology adopted for this study were given. A quantitative research paradigm was adopted. The population, sample and sampling technique employed in the study together with the sample size were discussed. A sample was drawn from employees working in SMEs in the Eastern Cape, comprising 450 respondents. The selection of the sample was done using judgement and convenience sampling techniques.

The method of data collection as well as the development of the measuring instrument was described. A cross-sectional survey using a structured questionnaire was undertaken. A total of 236 completed questionnaires were returned on which to undertake the statistical analysis. As such an effective response rate of 52.44 per cent was achieved. The methods of assessing the validity and reliability of the measuring instrument were then described. In order to assess the validity of the dependent variables, namely *Job satisfaction* and *Organisational commitment*, tests for uni-dimensionality (using factor analysis) were undertaken. An exploratory factor analysis (EFA) was undertaken to assess the validity of the independent variables. For the independent variables, factor loadings of greater than 0.4 were considered significant, and factor loadings of greater than 0.7 were considered significant for the

dependent variables. The reliability of the measuring instrument was assessed by the calculation of Cronbach's alpha coefficients, using a cut-off point of 0.7.

Chapter 5 also described the statistical techniques used to analyse the data collected in this study. These techniques included descriptive statistics, Pearson's product moment correlations, multiple regression analysis, and analysis of variance (ANOVA). The programme STATISTICA version 13 was used to undertake the statistical analysis.

7.2.4 Empirical results

Chapter 6 presented a summary of demographic information collected from respondents as well as the findings of the statistical analyses. A more-or-less even number of males and females participated in the study. Most of the respondents were below the age of 29 years. Most of them were employed in family businesses; the most prominent industries were service and retail/wholesale industries.

The results of the tests for uni-dimensionality undertaken on the dependent variables *Job satisfaction* and *Organisational commitment* showed that three of the original four items intended to measure *Job satisfaction* loaded together as expected, and all six items intended to measure *Organisational commitment* loaded as expected. From the exploratory factor analyses undertaken on the independent variables, four factors were extracted which corresponded with the theoretical dimensions of *Relational leadership*, *Participative leadership*, *Servant leadership* and *Ethical leadership*. The items intended to measure *Authentic leadership* did not load as expected, but loaded together with several items measuring *Ethical* and *Servant leadership*. Given the nature of the items that loaded together, this factor was named *Relational leadership*. All the factors returned a Cronbach's alpha coefficient greater than 0.7. As such, sufficient evidence of validity and reliability for the scales measuring the dependent and the independent variables was provided. As a result of the validity and reliability assessments, the proposed hypothesised model was revised and the operational definitions reformulated.

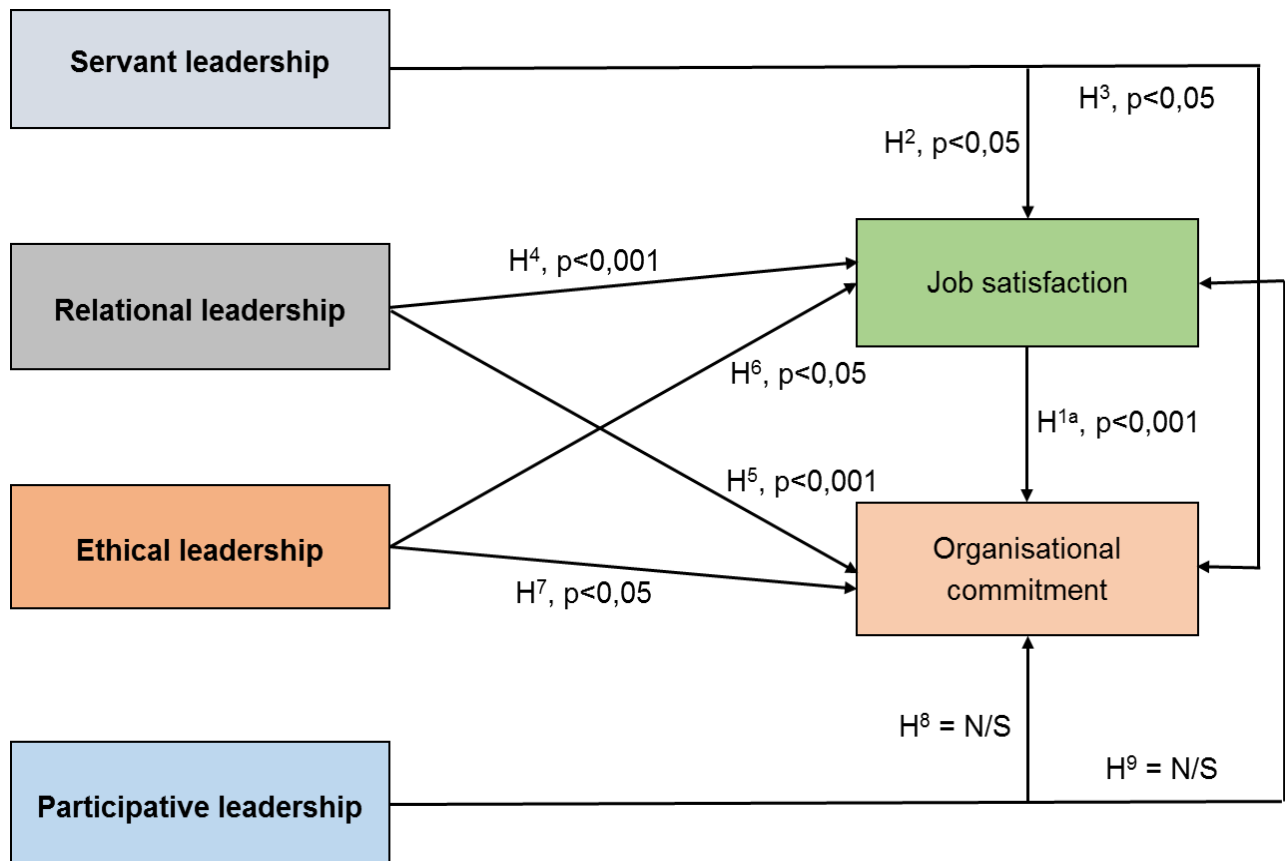
Descriptive statistics were calculated to summarise the sample data. The majority of the respondents agreed that they experienced *Job satisfaction* in the SMEs in which they were employed. In addition, the majority agreed that they were committed to these businesses. This implies that these employees working in SMEs experienced their involvement in the businesses in which they worked as enjoyable, rewarding and fulfilling. Furthermore, employees working in SMEs had pride in the business, had an emotional attachment and a sense of belonging to it, cared about the fate of the business, and were dedicated and willing to put in a great deal of effort to ensure its success.

The independent variable returned means scores of between 5.159 and 3.736 on the 5-point Likert scale. *Relational leadership* returned the highest mean score while the lowest score was returned for *Participative leadership*. The majority of respondents also agreed with the statements measuring the leadership styles under investigation.

Pearson's product moment correlations were reported in Chapter 6. It was noted that all independent variables were significantly and positively correlated with both dependent variables *Job satisfaction* and *Organisational commitment*. In addition to these findings, significant positive associations were reported between all the independent variables.

To investigate the influence of the contemporary leadership styles on *Job satisfaction* and *Organisational commitment*, multiple regression analyses were undertaken. The multiple regression analyses revealed that three of the four leadership styles investigated in this study had a significant influence on both *Job satisfaction* and *Organisational commitment* levels of employees working in the SMEs. These significant relationships are summarised in Figure 7.1. The fifth secondary objective was thus achieved.

Figure 7.1: Summary of significant relationships



N/S = Not significant

Chapter 6 also presented the results of the test to determine the mediating role of *Job satisfaction* between the independent variables (*Servant*, *Relational*, *Ethical* and *Participative leadership*) and *Organisational commitment*. The results showed that *Job satisfaction* mediated the relationships between *Servant*, *Relational* and *Ethical leadership*, and the *Organisational commitment* displayed by employees working in SMEs. However, *Job satisfaction* did not mediate the relationship between *Participative leadership* and *Organisational commitment*. In Table 7.2 the acceptance or rejection of the hypotheses, based on the results of the multiple regression analyses, are summarised.

Table 7.2: Summary of hypotheses

| | Hypotheses | Decision |
|-----------------|---|----------|
| H ^{1a} | There is a positive relationship between the level of <i>Job satisfaction</i> of employees working in SMEs and their level of <i>Organisational commitment</i> to those SMEs. | Accepted |
| H ^{1b} | Job satisfaction mediates the relationships between the leadership styles investigated in this study (<i>Servant, Relational, Ethical</i> and <i>Participative leadership</i>) and the <i>Organisational commitment</i> shown by employees working in SMEs. | Accepted |
| H ² | There is a positive relationship between the level of <i>Servant leadership</i> displayed by SME owners and the level of <i>Job satisfaction</i> experienced by employees working in SMEs. | Accepted |
| H ³ | There is a positive relationship between the level of <i>Servant leadership</i> displayed by SME owners and the level of <i>Organisational commitment</i> shown by employees working in SMEs. | Accepted |
| H ⁴ | There is a positive relationship between the level of <i>Relational leadership</i> displayed by SME owners and the level of <i>Job satisfaction</i> experienced by employees working in SMEs. | Accepted |
| H ⁵ | There is a positive relationship between the level of <i>Relational leadership</i> displayed by SME owners and the level of <i>Organisational commitment</i> shown by employees working in SMEs. | Accepted |
| H ⁶ | There is a positive relationship between the level of <i>Ethical leadership</i> displayed by SME owners and the level of <i>Job satisfaction</i> experienced by employees working in SMEs. | Accepted |
| H ⁷ | There is a positive relationship between the level of <i>Ethical leadership</i> displayed by SME owners and the level of <i>Organisational commitment</i> shown by employees working in SMEs. | Accepted |
| H ⁸ | There is a positive relationship between the level of <i>Participative leadership</i> displayed by SME owners and the level of <i>Job satisfaction</i> experienced by employees working in SMEs. | Rejected |
| H ⁹ | There is a positive relationship between the level of <i>Participative leadership</i> displayed by SME owners and the level of <i>Organisational commitment</i> shown by employees working in SMEs. | Rejected |

Finally, ANOVA tests were undertaken to establish whether relationships existed between selected demographic variables (*Gender, Age, Ethnicity, Qualification, and Tenure*) and the independent variables investigated in this study. Further to the ANOVA, the post-hoc Scheffé test was conducted to identify significant differences between the mean scores of the various categories within each selected

demographic variable. The findings showed that the selected demographic variables had no influence on how SME employees perceived the *Servant* and *Relational leadership* behaviours of the SME owners. However, a significant relationship was reported between demographic variables *Gender* and *Qualification*, and the independent variable *Participative leadership*. The ANOVA also revealed a significant relationship between the demographic variable *Ethnicity* and the independent variable *Ethical leadership*. Based on the results of the ANOVA and the post-hoc Scheffé tests, Table 7.3 summarises the acceptance or rejection decisions for the null hypotheses.

Table 7.3: Summary of null hypotheses

| | Null hypotheses | Demographic variables | Decision |
|-----------------|--|--|----------|
| H ^{0a} | There is no relationship between selected <i>Demographic variables</i> and the level of <i>Servant leadership</i> displayed by SME owners. | Gender, Age, Ethnicity, Qualification and Tenure | Accepted |
| H ^{0b} | There is no relationship between selected <i>Demographic variables</i> and the level of <i>Relational leadership</i> displayed by SME owners. | Gender, Age, Ethnicity, Qualification and Tenure | Accepted |
| H ^{0c} | There is no relationship between selected <i>Demographic variables</i> and the level of <i>Ethical leadership</i> displayed by SME owners. | Ethnicity | Rejected |
| | | Gender, Age, Qualification and Tenure | Accepted |
| H ^{0d} | There is no relationship between selected <i>Demographic variables</i> and the level of <i>Participative leadership</i> displayed by SME owners. | Gender and Qualification | Rejected |
| | | Age, Ethnicity and Tenure | Accepted |

7.3 INTERPRETATIONS OF THE EMPIRICAL RESULTS AND RECOMMENDATIONS

The primary objective of this study was to assess the levels of several contemporary styles displayed by SME owners, and to investigate their influence on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs in the Eastern Cape. The results presented in Chapter 6 led to the achievement of this objective. Based on these findings, several conclusions and recommendations were made, achieving the final secondary objective.

7.3.1 Levels of contemporary leadership styles

The findings of this study show that for the SME employees, *Relational leadership* returned the highest mean score, followed by *Ethical leadership*. The great majority of the SME employees agreed that the SME owner for whom they worked adopted these leadership styles. *Servant leadership* and *Participative leadership* returned the third highest and lowest mean scores respectively, with the majority of the respondents also agreeing that the SME owner for whom they worked adopted these styles of leadership. The level of *Servant* and *Participative leadership* was much lower than that of *Relational* and *Ethical leadership*.

The results of this study indicated that there were high levels of *Relational*, *Ethical*, *Servant* and *Participative leadership* perceived by employees to be displayed by SME owners. This is in line with the literature which suggests that SME owners frequently use supportive, participative and instrumental leadership styles (Pedraja-Rejas *et al.* 2006:503). Supportive leaders tend to focus on establishing good relationships with their employees, as well as showing concern for the well-being and needs of employees. Instrumental leaders empower their employees by giving them necessary information, work schedules and procedures on how to conduct assigned tasks.

Although the majority of respondents agreed that the SME owners for whom they worked displayed *Participative leadership*, this style returned the lowest mean score. This finding could be attributed to the nature of the sample in that the majority of businesses for whom the respondents worked were family businesses. According to Ter Haar (2010:8), family business owners tend to display autocratic behaviour in their style of leadership.

7.3.2 The influence of contemporary leadership styles on Job satisfaction and Organisational commitment

In Chapter 6, various contemporary leadership styles were reported as having a significant influence on the levels of *Job satisfaction* and *Organisational commitment* of employees working in SMEs. These relationships were summarised in Figure 7.1.

This section will provide an interpretation of these significant relationships, as well as subsequent recommendations to SME owners on how to improve their contemporary leadership styles and ultimately enhance the levels of *Job satisfaction* and *Organisational commitment* experienced by their employees. In doing so, the final secondary objective of this study was achieved.

7.3.2.1 Servant leadership

The findings of this study show that *Servant leadership* has a significant positive influence on the levels of *Job satisfaction* of employees working in SMEs. This implies that the more SME owners put the interests of their subordinates first by making personal sacrifices, giving subordinates a sense of ownership, acknowledging their dependence on subordinates and being prepared to learn from subordinates by stepping aside, the more employees will experience their involvement in the businesses in which they work as enjoyable, rewarding and fulfilling. This finding is supported by the studies of Lisbijanto and Budiyo (2014) and Melchor and Bosco (2010), who also found significant relationships between servant leadership and job satisfaction. According to Melchor and Bosco (2010), leaders who display servant leadership are concerned with the development of their employees, and this enhances their levels of job satisfaction.

The empirical findings of this study also revealed that *Servant leadership* had a significant positive influence on the *Organisational commitment* levels of employees working in SMEs. Based on this finding, it can be suggested that the more SME owners put the interests of their subordinates first by making personal sacrifices, giving subordinates a sense of ownership, acknowledge their dependence on subordinates and are prepared to learn from subordinates by stepping aside, the more likely it is that employees will have pride in the business, have an emotional attachment and a sense of belonging to it, care about the fate of the business, and be dedicated and willing to put in a great deal of effort to ensure its success. This finding is consistent with the studies by Chinomona *et al.* (2013), Van Dierendonck (2011) and Liden *et al.* (2008) who reported that servant leadership influences the organisational commitment levels of employees.

Given the findings of this study, several recommendations are put forward to enhance the levels of *Servant leadership* among SME owners:

- SME owners should show humility by working behind the scenes and allowing employees to take the credit for the success of the business where it is due. SME owners need to show humility when they celebrate the accomplishments of their employees more than their own accomplishments.
- SME owners should learn from their subordinates. In order to do this, they should be prepared to step aside when there is someone better qualified to do the job than themselves. In addition, SME owners should capitalise on their employees' competences by appreciating their skills and using them when appropriate.
- SME owners should empower their employees as this will enable them and their employees to use the talents of employees to the full. In order to empower employees, SME owners must delegate responsibility and authority to employees, and must allow them to make decisions independently. Power-sharing will show employees that they are trusted, and will give them the opportunity to develop their own leadership skills. Employees feel empowered when their leaders show interest in their personal growth and development.
- SME owners should allow their employees to contribute to the development of the business' vision, mission and goals. The more input SME employees are given in this process, the more they will feel that they are part of a team and part of the business.
- SME owners should show appreciation for the contributions of their employees to the success of the business. This can be done by providing incentives to employees who perform well and have contributed to the business's success. A pay increase, a cash bonus, or offering a paid day off to employees are forms of incentives that can be used by SME owners as a way to show their appreciation. SME owners can also present awards to best employees, such as an employee-of-the-month award.

- SME owners should wish to serve the needs of their employees by placing the interest of their employees ahead of their own, and by being prepared to make personal sacrifices to serve their employees. For instance, SME owners should offer fair and competitive salaries to their employees, so that their needs for rent, utilities, food and clothing as well as transport, are met.

7.3.2.2 Relational leadership

The findings of this study show that *Relational leadership* has a significant positive influence on the levels of *Job satisfaction* of employees working in SMEs. This implies that the more the SME owners care about the welfare of their subordinates, are honest, trustworthy and pay attention to their needs, practise what they preach, and do everything possible to serve others, the more employees will experience their involvement in the businesses in which they work as enjoyable, rewarding and fulfilling.

Given that several items originally intended to measure *Servant* and *Ethical leadership* loaded together to form *Relational leadership*, the literature supporting the relationship between *Servant leadership* and *Job satisfaction* as well as between *Ethical leadership* and *Job satisfaction* is also relevant to *Relational leadership*. The finding that *Relational leadership* influences *Job satisfaction* is supported by the studies of Lisbijanto and Budiyanto (2014), Melchor and Bosco (2010) who agree that servant leadership plays a significant role in influencing the levels of job satisfaction of employees. The studies of Huhtala *et al.* (2013), Kalshoven *et al.* (2011) and Okpara and Wynn (2008) who report that ethical leadership plays a significant role in influencing the employees' levels of job satisfaction, also support the finding of the present study.

The empirical findings also show that *Relational leadership* has a significant positive influence on the *Organisational commitment* levels of employees. Based on this finding it can be suggested that the more SME owners care about the welfare of their subordinates, are honest, trustworthy and pay attention to the needs of their subordinates, practise what they preach and do everything possible to serve others, the more employees are likely to have pride in the business, have an emotional

attachment and a sense of belonging to it, care about the fate of the business, and be dedicated and willing to put in a great deal of effort to ensure its success. Given that *Relational leadership* is measured using several items sourced from studies originally intended to measure *Servant* and *Ethical leadership*, it can be said that the finding relating to *Relational leadership* in this study is supported by the studies of Chinomona *et al.* (2013) and Liden *et al.* (2008).

In order to enhance the levels of *Relational leadership* among SME owners, the following recommendations are put forward:

- SME owners should show that they care about their employees. They should be approachable so that employees are able to come to them with problems that are influencing their work performance, and assistance should be made available to overcome these problems. To show that they care, SME owners should also put policies in place to ensure that employees are protected from sexual harassment and other physical threats that may occur in the workplace. SME owners should acknowledge happy and sad moments of their employees. For example, celebrating employees' birthdays can show that they are cared for and valued.
- SME owners should meet with employees individually at least twice a year so that they get to know their employees better. Such individual sessions give employees the opportunity to share their views and voice their ambitions. SME owners can use an open-door policy to make employees feel comfortable about approaching them.
- SME owners should do everything possible to serve their employees by paying attention to their needs of their employees. This can be done by offering sick leave to employees should they become ill, or by enriching the lives of their employees through developing their gifts and talents. In cases where there are opportunities for advancement and development in a particular field, SME owners should allow their employees to take up those opportunities.

- SME owners should be honest and trustworthy. They should always tell their employees the truth about the position of the business, be open about their thoughts and feelings, and never cheat their employees. SME owners should honour the commitments that they make to their employees as well as to their clients.
- SME owners should practise what they preach. They must always lead by example in everything they do. For example, they should treat their employees with respect by showing that they value employees' perspectives and views. When employees make suggestions these suggestions should not be swept aside but carefully taken into consideration, and when not adopted, explanations should be given why not. In order to practice what they preach, SME owners should act with high levels of integrity. This can be done by fully disclosing the challenges of the business to their employees, for example, in circumstances where the SME experiences financial problems and product failure, employees should be made aware of the possible threats to the future of the business. The future of the SME should be communicated to all employees in the business by having formal presentations with employees, or using business memos and bulletins.

7.3.2.3 Ethical leadership

The findings of this study show that *Ethical leadership* has a significant positive influence on the *Job satisfaction* levels of employees working in SMEs. This suggests that the more the SME owners make decisions and demonstrate actions that are guided by and consistent with their beliefs and morals, value ethical behaviour above success, and insist on and act with fairness, honesty and integrity, the more the employees will experience their involvement in the businesses in which they work as enjoyable, rewarding and fulfilling. The finding of this study is supported by several other empirical studies. For example, Huhtala *et al.* (2013), Kalshoven *et al.* (2011) and Okpara and Waynn (2008), all report a positive relationship between ethical leadership and the job satisfaction levels of employees.

Ethical leadership was also found to have a significant positive influence on the *Organisational commitment* levels of SME employees. In other words, the more SME owners make decisions and demonstrate actions that are guided by and consistent with their beliefs and morals, value ethical behaviour above success, and insist on and act with fairness, honesty and integrity, the more employees are likely to have pride in the business, have an emotional attachment and a sense of belonging to it, care about the fate of the business, and be dedicated and willing to put in a great deal of effort to ensure its success. The finding of this study is supported by Yates (2014) who asserts that employees who are led by highly ethical leaders are more committed to their organisations than those led by less ethical leaders, as well as by Munir, Malik, Javaid, Arshad, Khalid, Nawaz and Nazir (2013:16) who report a strong correlation between leaders who display ethical leadership and the organisational commitment levels of employees.

Given the findings of this study, several recommendations are put forward to enhance the levels of *Ethical leadership* among SME owners:

- SME owners should make decisions and demonstrate actions that are guided by and consistent with their beliefs and morals. The conduct of SME owners should demonstrate high levels of moral standards, such as standing up for what is right in business, and avoiding favouritism and any other issues that can influence their level of objectivity. SME owners can establish and strictly adhere to business policies relating to recruitment, reward, and recognition.
- SME owners should establish non-discrimination policies in the business to ensure that recruitment of employees is done in a transparent manner. SME owners should avoid nepotism and hiring relatives into top management positions of the business. When recruiting potential employees, employment opportunities must be made available to individuals of different sexual orientations and races as well as disabled people.
- SME owners should treat their employees with fairness. For example, employees should be given fair compensation that is benchmarked against

other businesses in the same industry. In addition, rewards and benefits to SME employees should be distributed with fairness and without nepotism. When promoting employees, SME owners should compare the performance of the employee against the performance of other employees in the business to prove that the employee that is being promoted truly deserves the promotion.

- SME owners should ensure that a culture of moral and ethical conduct is established in their businesses. Such a culture can be developed by formulating internal policies such as a code of conduct for employees that specifies what kind of behaviour is expected in the workplace. SME owners can incorporate ethical standards into employee performance reviews to encourage ethical behaviour.
- SME owners should value ethical behaviour above success. They should reward employees for reporting unethical behaviour. This will create a culture in the business that unethical behaviour will not be tolerated.
- SME owners should encourage and pay for employees to attend seminars relating to ethical behaviour in business. These seminars will educate employees on appropriate ethical behaviour in the workplace. In addition, SME owners can celebrate and reward employees who demonstrate ethical behaviours.
- SME owners should act with fairness, honesty and integrity in all their dealings with employees, customers and other stakeholders. They should set an example to their employees and insist that such values are upheld in the business. For example, when clients are overcharged by mistake, refunds should be made, or when bribes are offered these should be turned down. Some clients may approach SME owners with suggestions to avoid paying value-added tax, SME owners should turn these clients down. SME owners must also ensure that they provide honest, clear and complete financial reporting to all their stakeholders. SME owners must demonstrate that they are guided by the values of honesty and integrity in all their actions and decisions.

7.3.2.4 Participative leadership

Despite theoretical and empirical support for the relationship between the independent variable *Participative leadership* and the dependent variable *Job satisfaction*, no relationship were found between these variables. In other words, whether SME owners involve subordinates in setting goals and planning the actions of the business, or encourage subordinates through delegating challenging responsibilities to them, or not, has no influence on employees experiencing their involvement in the SMEs in which they work as enjoyable, rewarding and fulfilling. This finding contradicts that of several studies (Hashemi *et al.* 2013:45; El-Nahas, Abd-El-Salam & Shawky 2012; Kim 2002:236) who report that participative leadership has a significant positive influence on job satisfaction. A possible explanation for this finding is the skewness of the sample of this study in that most of the respondents were employed in family businesses. Family business owners are generally regarded as autocratic and directive in their styles of leadership (Ter Haar 2010:8).

No relationship was found between *Participative leadership* and *Organisational commitment*. This finding implies that whether or not SME owners involve subordinates in setting goals and planning the actions of the business, or encourage them through delegating challenging responsibilities, has no influence on employees having pride in the business, having an emotional attachment and a sense of belonging to it, caring about the fate of the business, and being dedicated and willing to put in a great deal of effort to ensure its success. In contrast to this finding, Bell and Mjoli (2014:457) have found that participative leadership leads to an increase in subordinates' belief in and acceptance of the organisation's goals and values. In addition, Huang, Shi, Zhang and Cheung (2006:359) suggest that participative leadership tends to make employees feel competent to perform their tasks and therefore feel more committed to their organisation.

A possible explanation for no relationship being reported between *Participative leadership* and *Job satisfaction* and between *Participative leadership* and *Organisational commitment* in this study could also be related to the skewness of the sample in that most of the respondents were employed in family businesses. As

mentioned above, family business owners are generally regarded as autocratic and directive in their styles of leadership (Ter Haar 2010:8).

7.3.3 Mediating role of Job satisfaction

The findings of this study show a significant positive relationship between *Job satisfaction* and *Organisational commitment*. The more SME employees experience their involvement in the businesses in which they are employed as enjoyable, rewarding and fulfilling, the more likely they are to have pride in the business, have an emotional attachment and a sense of belonging to it, care about the fate of the business, and be dedicated and willing to put in a great deal of effort to ensure its success. The findings of this study are consistent with the studies of Lumley *et al.* (2011:112), Warsi *et al.* (2009:407) as well as Lok and Crawford (2001:607) who also report significant positive relationships between job satisfaction and organisational commitment.

In addition to confirming a positive relationship between *Job satisfaction* and *Organisational commitment*, the present study shows that *Job satisfaction* mediates the relationship between the independent variables (*Servant, Relational and Ethical leadership*) and the dependent variable *Organisational commitment*. This implies that *Servant, Relational and Ethical leadership* influences *Job satisfaction*, which will in turn influence the dependent variable *Organisational commitment*. The finding supports the work of Lok and Crawford (2001:607) who report that job satisfaction plays a significant role in mediating the relationship between organisational commitment and 'other' predictors of organisational commitment. In addition, Vandenberg (2009) report that job satisfaction mediates the relationship between employees' positive feelings towards a work situation and organisational commitment.

7.3.4 Demographic variables

Although the primary objective of this study was to assess the levels of several contemporary leadership styles displayed by SME owners, and to investigate their influence on the *Job satisfaction* and *Organisational commitment* levels of

employees working in SMEs, an analysis was performed to assess the influence of selected demographic variables on the leadership styles investigated in the study.

The results of this analysis revealed that the gender, age, ethnicity, qualification and tenure of employment of the employee has no influence on the level of *Relational* or *Participative leadership* perceived by them to be displayed by the SME owner. The findings do, however, show that female respondents perceived SME owners as displaying a *Participative leadership* style more than male employees thought they did. This finding corresponds with that of Somech (2003:1014) who reports that a leader's readiness to involve his/her employees in decision-making process is influenced by the gender of his/her employees.

In addition, the findings show that employees with a post-matric qualification perceived that SME owners displayed higher levels of *Participative leadership* than those without a post-matric qualification perceived that they did. This finding is in line with Green *et al.* (1996:204) who suggest that leaders treat their employees differently based on their level of qualification. Employees with higher levels of qualification are given more responsibility. The findings of this study suggest that SME owners are more likely to give greater decision-making power to those employees who are in possession of a post-matric qualification than those without. Therefore, it can be assumed that employees in possession of a post-matric qualification are able to see their leaders as acting in a more participative manner than those that are not in possession of such a qualification.

The results of this study suggest that the ethnicity of SME employees has an influence on the level of *Ethical leadership* perceived to be displayed by SME owners. The findings do, however, show that the gender, age, qualification and tenure of employment of respondents had no influence on the level of *Ethical leadership* perceived to be displayed by SME owners. *White* respondents perceived that their SME owners exhibit ethical behaviours more than *Black* respondents did. The findings of this study concur with those of Chin (2013:6) who reports that the ethnicity of employees is found to influence the behaviour of leaders. Leaders tend to behave differently towards people of different ethnicities; as a result, their employees perceive them differently. The respondents in this study came from different cultures

and customs and this appeared to influence the way they perceived the ethical behaviour of their leaders.

7.4 CONTRIBUTIONS OF THE STUDY

This study has made several contributions. Firstly, the scales used to measure the leadership styles under investigation were sourced from existing studies. Many of the items did not load onto a factor at all, or did not load as expected. By validating several items measuring the leadership styles under investigation in the context of SMEs, as well as identifying items that were problematic, this study has made a contribution.

A lack of databases on SME exists in South Africa. This study makes a contribution in that it adds to the creation of a database for SMEs in the Eastern Cape Province. The names of the businesses in which the respondents worked can be added to the names of SME obtained in similar studies, hopefully leading to the creation of a database which future researchers can use.

SMEs play a vital role in the South African economy and are considered to be the driving force for economic growth, competitiveness, job creation, and social stability (Bosch *et al.* 2011:580; Fumo & Jabbour 2011:849). Despite the economic contributions of SMEs, they face several challenges that influence their longevity, growth and success. Amongst others, poor leadership and high employee turnover are identified as reasons for SME failure. According to Albion and Gagliardi (2007:3), businesses depend on leadership to manage and influence employees to accomplish the goals of the business. Without proper leadership, employees are not motivated to meet these goals. As far as can be established, a lack of research on leadership, especially with regard to the more contemporary styles of leadership, exists among SMEs in South Africa. Not much is known about how leadership is practised among SMEs and how it can be used to inspire individuals towards change (El Hadidy & Ospina 2010:3). Therefore, this study has added to the body of knowledge on leadership in general and more specifically the more ethical, inclusive and interactive leadership approaches. Furthermore, by assessing the levels of contemporary leadership styles and investigating their influence on the *Job*

satisfaction and *Organisational commitment* levels of employees working in the SMEs, this study has contributed to the body of knowledge on leadership among SMEs.

Based on the empirical findings of this study, various contemporary leadership styles were found to influence the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. As a result of these findings several recommendations have been provided in an attempt to assist SME owners to improve their leadership and ultimately enhance the levels of *Job satisfaction* and *Organisational commitment* experienced by their employees. Greater insights into the role of leadership in ensuring *Job satisfaction* and *Organisational commitment* of employees working in the SMEs has thus been provided for SME owners. SME owners now also have insights into how their leadership styles or behaviours are perceived by their employees.

In addition, the findings of this study assist SME consultants and SME support organisations by providing insights into the leadership behaviours of SME. SME consultants can advise their clients accordingly and SME support organisations can adapt their training workshops so that the appropriate leadership behaviours are developed among SME owners.

7.5 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

While this study has attempted to make several important contributions with regard to the role of leadership among SMEs, several limitations must be highlighted. The present study used employees working in SMEs to provide their perceptions on whether SME owners display behaviours which are associated with the contemporary leadership styles. Perceptions may not be accurate, and a degree of bias may have been introduced into the findings of this study. Furthermore, the use of non-probability sample techniques (judgement and convenience sampling) prevented the researcher from being able to generalise or extend the research findings to the entire population of SMEs in South Africa. This means that the results that have been generated from this study need to be considered carefully and cannot

be used to represent the perception of the entire population of employees working in SMEs. Future research should strive to develop a more comprehensive database or sampling framework from which probability samples can be drawn.

A further limitation of the present study is that it focused on employees working in SMEs in the Eastern Cape Province only. As such the findings of the present study are only applicable to employees working within this geographic area. The advantage of this is that it has allowed the researcher to conduct the study with relative ease because of the proximity of the researcher to the respondents. However, information based on one geographical area can tend to be biased towards that geographical area. Therefore, future research should consider including other provinces in South Africa or other geographical areas. In addition, the present study was only conducted among SMEs. Future research could consider including other businesses of different sizes.

According to Van Wyk and Adonisi (2008:391), *Job satisfaction* is considered to be two-dimensional, involving constructs which include extrinsic and intrinsic job satisfaction. *Organisational commitment* is also considered a multi-dimensional construct, consisting of affective, normative and continuance commitment (Singh *et al.* 2008:63; Meyer *et al.* 2002:20). Each of these aspects reflects a distinctive component of organisational commitment (Lok & Crawford 2001:595). However, in the present, study *Job satisfaction* and *Organisational commitment* were considered as one-dimensional constructs. The findings of this study should be interpreted in light of this and future research should account for the multi-dimensional nature of these constructs.

A further limitation of the present study is that although there are several leadership styles that may influence the levels of *Job satisfaction* and *Organisational commitment* of employees working in SMEs, only four contemporary styles were tested (servant, authentic, ethical, and participative leadership styles). As noted in the literature, these leadership styles have several underlying dimensions (Wang *et al.* 2014:5; De Jong & Den Hartog 2007:44; Barbuto & Wheeler 2006; Resick *et al.* 2006; Avolio & Gardner 2005:317; Guillen & Gonzalez 2001:180). This study focused only on selected dimensions of the leadership styles investigated, and these

were measured as single higher order constructs. This approach is in line with several other studies (Wang *et al.* 2014; Azanza *et al.* 2013; Bello 2012; Ding *et al.* 2012; Ponny & Tennakoon 2009) who have also measured these leadership styles as single higher order constructs. The findings of this study should be interpreted in light of this and future studies should attempt to investigate these leadership styles as multi-dimensional constructs focusing on all dimensions.

Upon scrutinising the questionnaires that were returned it was evident that many had missing data. As a result several questionnaires could not be used for further statistical analysis. To reduce non-response bias in future studies, the statements for which missing data was common should be reconsidered. In addition, although the items used to develop the measuring instrument had been proved valid and reliable in previous studies, several items did not load as expected. Several items that were intended to measure the contemporary leadership styles under investigation were eliminated from further statistical analyses. Future research should reconsider and redevelop the items that were identified in the literature as measuring the leadership styles. This will ensure that measuring scales used to assess the leadership styles are an accurate representation of the constructs. Specific attention should be given to the scale measuring authentic leadership because none of the items sourced to measure this style loaded together, and authentic leadership could not be statistically analysed.

Despite the above limitations, the present study contributes to the body of knowledge by providing insights into the perceptions of employees working in SMEs regarding the contemporary leadership styles (*Servant, Relational, and Ethical leadership*) adopted by their employees.

7.6 SELF-REFLECTION BY THE RESEARCHER

The present study has allowed the researcher to develop a greater understanding of the influence of several contemporary leadership styles on the *Job satisfaction* and *Organisational commitment* levels of employees working in SMEs. For one to be a successful leader, one must put the interests of others (employees/followers) above one's own and make decisions that are based on one's core beliefs. This study has

changed the perception of the researcher about the role of leadership among SMEs. Leadership is and will remain an important factor that positively influences the behaviour of employees in accomplishing business goals.

Apart from the knowledge acquired on the four leadership styles investigated in this study, the researcher has also gained specific skills such as conducting data analysis, writing, and interpreting empirical results. Being a worthy researcher is a process that should be guided by the principles of effective listening, openness to other people's views, and always being willing to go the extra mile.

7.7 CONCLUDING REMARKS

From the investigation conducted, knowledge and greater insights have been gained into the role of several contemporary leadership styles in influencing the *Job satisfaction* and the *Organisational commitment* levels of employees working in SMEs. The role of leadership among SMEs is a topic of growing interest. It is hoped that the findings of this study will provide SME owners with practical recommendations on how to attract and retain employees by adopting appropriate leadership behaviours. Employees play a vital role in achieving the goals and vision of a business. Satisfied and committed employees put more effort into ensuring that the goals and vision of the business are achieved, contributing to business success and ultimately the economy as a whole.

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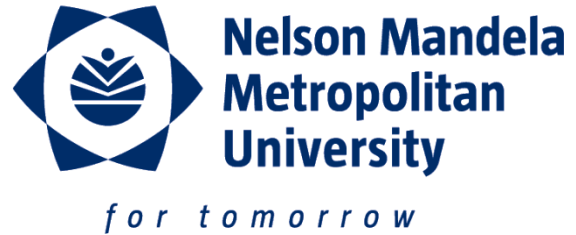
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ANNEXURE A: QUESTIONNAIRE

• PO Box 77000 • Nelson Mandela Metropolitan University

• Port Elizabeth • 6031 • South Africa



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

February 2014

Dear Respondent (Employee/subordinate)

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

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

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

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

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

Yours faithfully

Prof SM Farrington, Mr R Lillah

Mr W Kupangwa

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

Student

A GENERAL INFORMATION

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

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

| | | |
|-----|--|---|
| Yes | | 1 |
| No | | 2 |

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

Is your business a family business?

| | |
|-----|---|
| Yes | 1 |
| No | 2 |

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

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

- 2 Please indicate your gender

| | | |
|--------|--|---|
| Male | | 1 |
| Female | | 2 |

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

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

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

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

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

| | | |
|-----|--|---|
| Yes | | 1 |
| No | | 2 |

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

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

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

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

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

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

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

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

C **JOB SATISFACTION, COMMITMENT AND FINANCIAL PERFORMANCE**

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

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

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

ANNEXURE B: ETHICS FORM



FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: Business and Economic Sciences _____

SCHOOL/DEPARTMENT: Department of Business Management _____

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

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

_____ (student number) TBA _____

a candidate for the degree of TBA _____

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

TBA _____

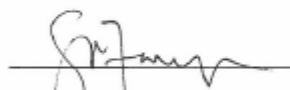
considered the following ethics criteria (*please tick the appropriate block*):

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

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

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

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


SUPERVISOR(S)

16/08/2013
DATE


HEAD OF DEPARTMENT

16/08/2013
DATE

STUDENT(S)

DATE

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