

A Critical Analysis of the Best Leadership Style for Small Medium Enterprises in Malawi

Geofrey Joseph Mfuni

PhD Candidate at University of Zambia.

Abstract

Leadership is key to the success or failure of any organization. In fact, everything starts and falls on leadership. Small, Medium Enterprise (SMEs) have a long history in Malawi. They have proven to be a source of economic development and employment for a majority of Malawians. Unfortunately, most SMEs do not make it beyond one or two years in operation due to poor leadership of its top management teams. This study seeks to answer the question what is the best leadership style for SMEs in Malawi. The study data was collected through extensive review of literature on the topics of leadership and enterprise. The results show that the best leadership style is contingency or situational leadership. This type of leadership takes advantage of the prevailing situation and hence make use any type of leadership style suitable at the moment. This could be transformational, transactional, democratic or autocratic leadership style.

Keywords: Leadership, Enterprise, SMEs, Management, Leadership Styles

Introduction

Leadership has so many definitions. Search for the term leadership on google scholar about 250,000 articles emerged on the search engine. For this paper we settle for the definition of leadership by Winston & Patterson (2006) who define leadership as the ability to influence a group of followers to rally behind a common goal or objective. The main job of a leader is to craft a message about the future that everyone aspires to achieve. The leader uses words and witty thinking to captivate the imagination of the people. This leads to the people buying in the vision and rallying their support to the leader. The leader should always influence the people in an ethical manner and do no harm to their followers.

According to Hogan and Kaiser (2005) leadership has the role to ensure collective effort is put in place to achieve certain goals and also to protect people from harmful effects of poor leadership. With exceptional leadership nations prosper, business make profits and people mental wellbeing is enhanced. A genuine leader acts like the very bond that binds the entire team together as they together weather the storms and challenges to achieve the common goals.

Small, Medium Enterprise (SMEs) can be defined as small to medium business firms which typically employ less than 500 people. Over the years SMEs have proven to be a gate way to the economic growth of developing countries which includes Malawi. The firms are usually headed by the owner as Chief Executive Officer (CEO) in a more personalized way such that it can sometimes be thought of as a family business (Dalitso & Peter, 2000). Leadership is key to the growth or failure of any firm.

Significance of study

Leadership plays a key role in the success or failure of any firm. In Malawi we have seen a majority of SMEs folding up within a year of operations. This can be mainly attributed to the leadership of these SMEs. This study will be significant since will be provide answers to what is the best leadership style that a SME can adopt so that it stays in business longer in the Malawian market.

Inquiry Question

The main purpose of this study is to answer the question ‘what is the best leadership style for Small Medium Enterprise in Malawi?’ The answer to this question will help guide the SMEs to make informed decisions on the type of leadership style to adopt. This will ensure that the SMEs remain profitable and sustainable for a long time on the Malawi market.

Literature Review

As alluded to in the introduction of this paper leadership has so many definitions that in the last century over 650 authors have attempted to define it (Bennis & Townsend, 1995). Bass (2008) agrees with a number of authors who argue that the definition of leadership depends on the interest of the person hence it is a futile exercise to pursue an exact and singular definition of leadership. However, it is important to have a working definition for this paper hence we shall define leadership as the ability to show direction to a team by influencing their action towards achievement of a particular goal (Silva, 2016).

A close review of several literature reveals that leadership has change over the years. The leadership seen in the 1800s, 1900s and 2000s is not the same. With each passing century leadership comes in play that resonates with the time in history (Silva, 2016). The best example to consider is how the British people looked to Prime Minister Churchill while face with war against Germany. Churchill was successful during the war but lost the Prime Mister elections three months later. This shows how Churchill was seen as suitable leader in a time of war but not a type of leader for a time of peace and rebuilding. Leadership can be thought of as to be about context, time and season.

Types of Leadership Styles

To effectively lead an organization a leader is required to adopt a certain type of leadership style. The leadership style will differ depending on the organization, its objectives and other specific needs required to achieve the set goals. The leader is the ultimate influencer of the entire organization. Everything raises and falls on leadership (Nan jundes waras wamy & Swamy, 2014). In this paper we shall look at transformational, transactional, democratic and autocratic styles of leadership.

Transformational leadership style. A transformational leader is all about changing the attitudes of the followers and developing them to think independently (Nan jundes waras wamy & Swamy, 2014). Managers who use this leadership style focus on the improvement and growth of their follower’s abilities. A transformational leader will aim to ‘transform’ their followers by influencing their thoughts and behaviors in a way that leads them to unleash their true potential (Bass, 1997).

According to Bass and Avolio (1994) transformational leadership has the following advantages; the leader has the best interest of the followers at heart since they develop their attitudes and thinking capabilities, they allow the followers to work for the common good of the whole team by clearly articulating the

importance of achieving the set goals, followers are encouraged to look beyond their own needs but embrace the larger vision of the group and transformational leaders arouse a spirit of togetherness and patriotism within the followers (Bruce and Timonthy 1995). Podsakoff et al (1990) summarized that transformational leadership can be attributed to positive employee satisfaction on the job and high employee job performance.

Transactional leadership style. Transactional leadership is all about giving and taking. This is more like a trade-off where a leader offers the followers something in exchange for certain behaviors and attitudes. The followers are rewarded as they achieve goals or perform in a certain way towards achievement of goals (Trottier, Van and Wang, 2008). Prior to giving a suitable reward the transactional leader would set what is the most appropriate reward and give it accordingly when the goal is achieved (Scott, 2003).

In transactional leadership the main driving force is the exchange between rewards and output. The manager motivates the followers with rewards if targets are achieved. As stated by Bass and Avolio (1994) the employer in an organization would work hard at given tasks with the hope that once they achieve the target they will be rewarded. There is nothing like being attached to the emotion or being influenced by the leader. Rather what motivates and drives the team is the promise to be rewarded after accomplishing the set goals.

Bass and Avolio (1994) also emphasized that the motivation to achieve is not only about positive rewards but also the negative consequences. Employees can work hard because they are afraid of being fired or punished in a certain way for not meeting the targets. The manager in transactional leadership style heavily relies on employees being compliant to the set conditions and nothing to do with emotional attachment. Without rewards and fear of punishment the performance of the employees would be less than satisfactory.

Democratic Leadership Style. A democratic leader is one who encourages employees to voice out their feedback or concerns and ensures that decisions are made after hearing out the majority of the people (Khan et al, 2015). A democratic leader will make it a point to update the employees on each and every aspect of the organization in real time. The leader will always have the final say but it will be after a thorough consultation process to all who are concern with the issue. In a democratic environment employees feel involved and happy to own up to the final decisions made by the manager since they were part of the process. There is a sense of team spirit, trust, team work and unity in the organization.

A democratic leader will most set up goals to be achieved, then get the views of the employees, make changes as per the feedback and finally implement the goal achieving process. Democratic environments have been attributed to high employee performance rates, satisfied employees, highly motivated and equal rights or opportunities. On the negative side democracy is time consuming, lead to frustration in implementing decisions and long discussions can become monotonous (Khan et al, 2015).

Autocratic Leadership Style. This type of leadership style is also known as iron fist. The leader is responsible for all decisions in the organization. No input or consultation is sort from any other employee. What the leader decides is final. Anyone who agrees with the leadership is rewarded while stiff punishment awaits those with contrary views. The autocratic leadership style is the least favored in the world. It is

associated with pain, abuse and general low motivation for people to work. Studies in the last 30 years have shown that in autocratic work environment there is general poor work performance and high absenteeism from the employees (Khan et al, 2015).

Despite the numerous negativity associated with autocratic leadership there are some positives which include control of the team, no time wasted, no long consultation meetings, everyone knows what must be done and discipline of members. In some instances, autocratic leadership is what is needed to achieve the set goals. The manager needs to have a tight grip on the affairs of the company and ensure that everyone behaves as such. A clear demarcation between a leader and follower should be known so as to gain respect and set a tone for right behavior in the organization.

Contingency Leadership Style. Contingent leadership is sometimes also referred to as situational leadership. The idea is that there is no perfect leadership style but it all depends on the situation a leader encounters (Vroom and Jago, 2007). Varying situation occurring to you as a leader will force you to make use of a suitable leadership style as discussed above. Different situational variables, personalities and behavior of a leader will influence the type of leadership style to use. The leader must be quick to understand the work environment as it occurs and adjust the leadership style according (Vidal, 2017). This in a way demonstrates the fact that there is no one best leadership style but rather a leader must find the best fit as per the current situation in the organization.

Some scholars are not comfortable with the contingency leadership style because it does not take and form or shape. It is impossible to categorize it since it is situational. However, this is an opportunity for more studies to be carried out in this area so as to find one concrete theory to define it. The situational leadership style has advantages in that a leader is able to quick respond to the prevailing situation and deal with it decisively and a leader is able to make use of all the advantages of other form of leadership styles thus making sure that the organization is able to make progress.

Discussion

The literature review has described the transactional, transformational, autocratic, democratic and contingent leadership styles in detail. The advantages and disadvantages were examined one at a time. With reference to the inquiry question of what is the best leadership style for Small Medium Enterprise in Malawi we can conclude that the Contingent or Situational Leadership Style is the best suited for a SMEs in Malawi. With the ever changing business environment in the market place a situational leader will be able to use any form of leadership style to achieve the business goals provided that it is ethical. In times of making tough decision a leader can be an autocrat, in times of getting everyone involved the leader can be a democrat while in times of trying to get everyone one rallying behind the common vision of the company the leader can be transformational. Transactional leadership can be used in times to motivate the employees to achieve the set goals despite any other limitations.

Conclusion

It can be concluded that indeed leadership is key to the success or failure of any organization. With numerous types of leadership styles available a manager in the SMEs organization must make an informed decision on which type of leadership to use. From the discussion in this paper it is worth to note that

contingent of situational leadership style is the best type of leadership style a leader can use. This leadership style makes good use of all advantages of other types of leadership styles.

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