



**LEADERSHIP STYLES, SME SIZE AND ORGANIZATIONAL PERFORMANCE OF SMALL AND MEDIUM SIZED ENTERPRISES IN MOMBASA COUNTY, KENYA**

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**ABSTRACT**

*Performance is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of an organization. The main objective of this study was to evaluate the moderating effect of SME size on leadership styles and organizational performance in small and medium enterprises in Mombasa County, Kenya. This study used the contingency leadership theory, transformational leadership theory, behavioural theory and chasm theory of growth. The target population of this study was 374 SMEs operating within in Mombasa County while sample size was 193 SMEs arrived at using Yamane's formula. Correlation results revealed that autocratic leadership style, transactional leadership style, bureaucratic leadership style and laissez faire leadership style had positive correlation with organizational Performance. Regression results revealed that autocratic leadership style, transaction leadership style and laissez-faire leadership style had positive significant influence on organizational performance while bureaucratic leadership style had a positive but insignificant relationship in organizational performance. Further, the study found out that SME size positively and significantly moderates the relationship between autocratic leadership style, bureaucratic style and SME performance. SME size positively but insignificantly moderates the relationship between transactional leadership style, laissez faire and SME performance.*

**Key words:** Autocratic Leadership Style, Bureaucratic Leadership Style, Laissez-Faire Leadership Style, Performance, Transactional Leadership Style, SME Size

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## INTRODUCTION

Organizational performance pertains to the evaluation of a company's effectiveness based on criteria such as profitability, market presence, and product excellence when compared to other businesses within the same industry (Saasongu, 2015). Consequently, performance is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of an organization (Saasongu, 2015). Performance continues to be a key issue among organizational researchers and employees are bound to perform well where they are treated well (Haque *et al.*, 2017). Javier (2012) asserted that performance is equivalent to the famous 3 Es (economy, efficiency, and effectiveness) of a certain program or activity. However, according to Daft (2014), performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Daft (2014), Ricardo and Wade (2015) who define performance as the ability of the organization to achieve its goals and objectives.

Organization Performance refers to the level of success of a firm (Sulaiman *et al.*, 2015). This is a classic method of determining the generalized indicator of the economic efficiency of managerial work. The effect can be positive if the result is close to the ideal state, satisfies the objective function and corresponds to the constraint system. But it can turn out to be negative, if it is not possible to reach the goal. As stated, performance is a multidimensional concept (Simpson, Padmore & Newman, 2012). It can be referred to a level which the operation fulfils the performance objectives (primary measures) and satisfies the customer's expectations (secondary measures), (Slack, Chambers, & Johnston, 2015). Each organization starts its activity to establish certain economic indicators as targets. The efforts of management are aimed at certifying the feat of certain economic results. Accordingly, the scale of objectives distinguishes between general, intra-company and group efficiency. Some researchers argue that

performance measurement is a complex issue (Hakimpoor, Tat & Arshad, 2016). The performance of organizations can be measured in terms of innovation. In any case, the main task of the management system is to ensure an active impact on the managed object in order to improve its performance. The various properties and parameters of the subject's and the management's activity often do not agree with each other, they are in dialectical flaw, in connection with it there is the problem of defining a generalizing indicator that would be a measure of performance.

Leadership refers to a series of abilities and behaviors, which not necessarily have to be taught, but discovered, promoted and developed towards certain objectives and environment. Leadership has to have reliable pattern of behavior (DuBrin, 2013). Leadership is different from management where management is about coordinating activities, monitoring the operations and resources allocation in line with achieving organizational goals (Yanney, 2014). Leadership plays a central role among SMEs and significantly influences the day-to-day acts of the SMEs and subsequently their performance (Randeree & Chaudhry, 2014). So as to prosper, the SMEs require consultants with knowledge, skills, and education apt for their operations (Atamian & VanZante, 2015). SMEs leadership suffers from limited leadership expertise and operational practices appropriate for small business management (Samujh, 2011) that will help ensure their prosperity. Teng, Bhatia & Anwar (2013) thus noted that there was the need for a better understanding of leadership among small business to lower their failure rates for sustained economic wellbeing.

Leadership in SMEs is associated with the capability of one or several individuals at the top of the organization. Due to the small structure of the SMEs, the nature of leadership employed by the management highly determines its performance. Leadership plays vital role formulation of the firm's strategy in maximization of profits and ensuring the smooth flow of operations. However, more often

than not, personal goals of a leader affect the strategies out in place at the business (Kelchner, 2016). In the recent turbulent times caused by globalization, SMEs aim in ensuring they have strong leaders at the helm, together with a clearly articulated leadership development strategy that ensures a strong pipeline of future leadership (Kassim & Sulaiman, 2013). Various factors determine the effectiveness of leadership in SMEs. To begin with, is the skills and experience of those heading up the business, as well as the individuals with people management responsibilities within an SME. The second factor is associated with the size of the business and the structures that emerge as the organization develops. While the final factor impacting leadership and management in SMEs is the external context in terms of the external market (Haron, *et al* 2015). All these ought to well evaluate so as to ensure enhanced leadership skills in the organizations.

The connection between organizational performance and leadership styles hinges on the effective execution of leadership roles in driving business success. Various leadership styles yield distinct impacts on businesses globally (Dulewicz & Higgs, 2015). These styles can either enhance productivity or influence the overall functioning of a business organization. The chosen leadership approach directly influences the workforce and has the potential to shape a corporate culture that impacts the overall organizational routine (Ehigie & Akpan, 2014). Through the application of any leadership style, management has the ability to influence and shape employee motivation, effectiveness, and overall productivity (Adenyi, 2016).

In USA and Canada, a small firm employs less than 100 people while a medium firm employs up to 500 employees. According to World Bank, an SME is a registered business where small businesses employ between 10-50 people, has some total assets of between 100,000 to 3 million USD and some total annual sales of between 100,000 to 3 million USD while a medium enterprise employ between 50-300

people, has some total assets of between 3 million USD to 15 million USD and some total annual sales of between 3 million to 15 million USD (IFC, 2012). In Japan, an SME is defined according to the type of industry, paid-up capital and number of paid employees. SMEs in manufacturing industry have a stated capital of up to 300 million yens and employing up to 300 people (SMEA, 2013). The SME sector according to a study carried out in Western Uganda by Ayozie, Jacob, Umukoro and Ayozie (2013) revealed that it forms a vital fraction of the country's economy.

SMEs are critical in the economic growth of the developing and developed countries and provide job opportunities to many people. In Nigeria, SMEs contribute 60 per cent of GDP and 70 per cent of the overall employment (SMEs Development Agency of Nigeria, 2012). SMEs are extremely vulnerable and the rate of failure is also high such that no country can ignore it. Maduka (2018) observed that 60 per cent of SMEs crumple during their first three years of operations. In the United States, 80 per cent fail in their first five years. In the Nigerian case according to Abidemi (2018), approximately 70 per cent of Nigerian SMEs fail in the first five years of existence.

The small and medium scale enterprise plays a major role in the growth and development of the Kenyan economy in line of creating employment, poverty reduction, and investment distribution as stipulated in the Kenyan Economic Report (2013). The SME's sector is fast growing employing 42% of the working population and accounting for 75% of all modern accomplishments in Kenya as at 2011. As per the 2011 Kenyan economic survey, of the 503,000 jobs generated in 2010, 80.6 percent, amounting to 440,400 jobs, were attributed to small and medium enterprises, while the formal sector accounted for only 12.4 percent, equating to 62,600 jobs (RoK, 2011). Kenya's Vision 2030 (RoK, 2014), the primary strategic roadmap for the nation, anticipates the emergence of dynamic and resilient small and medium-scale enterprises in both the formal and informal sectors as key drivers

of growth and development in the country. According to the blue print, Kenya's competitive advantage lies in agro-industrial exports and one of the key strategies is to strengthen the manufacturing sector, specifically strengthening SME's to become the key industries of tomorrow. This goal can be accomplished by improving their productivity and innovation. The Vision 2030 Kenya's strategic plan document (RoK, 2014) therefore recommends the need to boost science, technology and innovation in the SME's sector by increasing investment in research and development.

### **Statement of the Problem**

Based on the Economic Survey (2012), the SME sector contributed over 50 percent of new jobs created in the year 2005 in Kenya. However, in spite of their numerous benefits, past statistics indicate that not all started SMEs become successful as three out of five businesses fail within the first few months of inception (Kenya National Bureau of Statistics, 2014). Bronwyn (2015) also supports this view that most SMEs go out of business at very early stages. Due to a number of challenges experienced by SMEs, they hardly grow beyond start-up stage. The business failure rate continues to rise due to numerous interferences to performance. Such hindrances include poor service delivery, inadequate cash flow, laws and regulations, leadership gap, lack of ICT, general economic conditions, inadequate customer service, poor locations and vital factors such as corruption, poor infrastructure, failure to implement appropriate strategies, poverty, and low demand for goods and services. The performance of SMEs across the world and Kenya has not been impressive. The association between business strategy and performance has been a topic of attention in the strategic management field. Irrespective of this development, there has not been much thought given to the relative evaluation of the association.

Githuka (2017) discovered a positive correlation between leadership and employee commitment

within the organization. Waris (2016) observed that leaders' traits play a determining role in shaping employee commitment in the workplace. Conversely, Dunn (2012) conducted an empirical investigation into the influence of leadership on employees' commitment to their respective firms. Asra & Kuchinke (2016) found a significant association between transformational leadership and the outcomes of employee performance. In a separate study, Wachanga (2017) pointed out a substantial relationship between transformational and democratic leadership styles and the performance outcomes of employees.

Research shows that most SMEs lose between 5%-15% of sales revenue as a result of the lack of attention to SME's size (McMahon, 2019). This suggests that formal size of SMEs systems are important tools contributing to the growth and development of SMEs. Despite the presence of numerous studies in the field, there remains a scarcity of locally conducted research, particularly focused on the SME sector. It is against this backdrop that the study was initiated to investigate the influence of leadership styles on the performance of small and medium enterprises in Mombasa County, Kenya.

### **Research Objectives**

The main objective of this study was to evaluate the effect of SME size on leadership styles and the performance of small and medium enterprises in Mombasa County, Kenya. The study was guided by the following objectives:

- To investigate the effects of autocratic leadership style on performance of small and medium enterprises sized in Mombasa County, Kenya.
- To determine the effects of transactional leadership style on performance of small and medium enterprises sized in Mombasa County, Kenya.
- To investigate the effects of bureaucratic leadership style on performance of small and

medium enterprises sized in Mombasa County, Kenya.

- To determine the effects of laissez-faire leadership style on performance of small and medium enterprises sized in Mombasa County, Kenya.
- To determine the moderating effect of SME's size on leadership style on performance of small and medium sized enterprises in Mombasa County, Kenya.

The researcher sought to measure the objectives of the study and came up with the following hypotheses:

- **Ho<sub>1</sub>**: Autocratic leadership style has no significant effect on performance of small and medium sized enterprises in Mombasa County, Kenya.
- **Ho<sub>2</sub>**: Transactional leadership style has no significant effect on performance of small and medium sized enterprises in Mombasa County, Kenya.
- **Ho<sub>3</sub>**: Bureaucratic leadership style has no significant effect on performance of small and medium sized enterprises in Mombasa County, Kenya.
- **Ho<sub>4</sub>**: Laissez-faire leadership style has no significant effect on performance of small and medium sized enterprises in Mombasa County, Kenya.
- **Ho<sub>5</sub>**: SME's size has no significant effect on performance of small and medium sized enterprises in Mombasa County, Kenya.

## LITERATURE REVIEW

### The Concept of Organizational Performance

High mortality rate of firms characterizes the SMEs sector in Kenya according to (RoK, 2016); various past studies done have shown out of every five SMEs, three of them don't survive the first few years according to Bowen *et al*, 2016); while more than 60% fail every year according to KNBS, (2016); and most do not get to their third year (Ngugi,

2017). Many MSEs are generally imitators with low margin and with very little differentiation and many are driven by necessity or need to survive (The Guardian, 2014). The economic review report by Deloitte, (2017) showed very slow growth because of poor performance of the economic key factors. According to the Kenya Economic Outlook (2017), the sectors that recorded the largest deceleration were the financial and insurance. The SMEs in Kenya are a crucial pillar that creates jobs and in the economy growth as was reported in 2014, where SMEs created 80% of the jobs (KNBS, 2016).

Organizational performance depends on leaders' mastery to create a cooperative working climate and on their ability to lead a team. Effective results require emotional engagement and empathy from participants in terms of activities performed within a team in order to provide solutions to issues that need to be resolved as professionally as possible. Every organization wishes to develop continuously, and it is important to note that organizational performance is correlated with the individual performance of the members of the team working at the organization level. Achieving success requires three aspects, (Horga, 2012): economic efficiency: any organization wishes to achieve its goals with few resources; satisfaction of customers: getting superior results with few resources, but in a way that exceeds consumer's expectations and satisfaction of employees: the effectiveness of the leadership process depends on the leader's ability to enthusiastically lead the working team by meeting the personal needs of each member of the team.

### The Concept of SME's Size

In Kenya, the Small and Medium Enterprise sector, commonly known as Jua kali, is an integral part of the economy. The sector not only contributes majorly in creation of employment but also contributes over 18% to the nation's total GDP (Strategic Plan, 2012-2016). These statistics imply that despite considerable barriers to entry into a market, the importance of the sector cannot be under estimated. Debt management forms an

integral part of these SMEs and if not well coordinated, might lead to insolvency. The performance of a business is influenced by the leaders' actions regarding their willingness to make payments and the mechanisms established by the company for collecting outstanding accounts. It is worth noting that there is a limited comprehension of the fundamental aspects of the leadership roles within firms, especially in the context of debt management.

### **Theoretical Framework**

This study examined contingency leadership theory, transformational leadership theory and behavioural theory to understand the effects of leadership styles on performance of small and medium sized enterprises.

### **Contingency Leadership Theory**

The contingency theory of leadership was firstly introduced in 1994 by an Austrian psychologist, Fred Edward Fiedler. The theory holds that what pre determines the effectiveness of the particular leader will be based on the factors at that particular organization. Particularly, each organization has unique features to itself and therefore favorable factors are most likely to result to efficient leadership. The theory thus holds that is no single best way of dealing with firms since each organization faces unique sets of internal and external constraints (Raduan *et al*, 2009). The theory makes assumptions that the efficiency of the operations of a particular organization will be dependent on the organization's ability to diagnose and understand situational factors like environment, and adopt organizational processes and structure that will enhance its performance. Some of the factors that have been considered to help organizations achieve leverage in their environment include organizational culture and leadership styles (Ogbonna & Harris, 2010). However, the major limitation of the theory is its static nature in that it views an organization as being able to gain fit within the environment every time thus being able to remain in equilibrium (Donaldson, 2013). The theory's preposition to the

study is that, the ability of the manager or owner in managing the debts of the SME, will be determined greatly by the internal factors in that particular SME.

### **Transformational Leadership Theory**

Transformational leadership theory was founded by Edward Burn McGregor in 1978 on his study on political leadership. This study is based on Burns work of 1978 and the work of Effelsberg, Solga and Gurt (2014) on transformational leadership. He described leadership as a collection of three behaviors, ability of leaders to inspire followers (known as charismatic leadership) work with followers separately to meet their personal needs also known as individualized consideration and support innovativeness and effortful problem solving known as intellectual stimulation. Transformational leadership represent successful strategic leadership who have to appeal to both the self- interest of the people they work with and to these social interests. Transformational leadership theory analyses effective behaviors among leaders and the effect of such behaviors on follower performance (Ciulla, 2014). Transformational leaders influence their followers using exemplary behaviors, inspiration, and selfless attitude. Transformational leaders also exhibit effective leadership, through their behaviors, and stimulate followers' commitment to goals. Transformational leadership represents a leadership strategy aimed at increasing the employees' motivation to achieve goals (Priest & Gass, 2017). Other studies have explored the link between transformational leadership behaviors and their impact on performance (Laymon, 1985 as cited by McCaffery, 2018).

### **Behavioural Theory**

The behavioral leadership outlook assumes that leadership is dominant to achieving organizational goals and objective. The theory focuses on the leader's conduct and not on leader's individual traits/characteristics. This style was first started by both the University of Michigan and Ohio State University (Kirkbride, 2012). They conducted

various studies to identify the leadership behaviors that are important in the effectiveness of an organization. From their findings it was discovered that there are two main actions of leader behavior's which are employee-centered and production-centered (Yukl, 2012). Through being people centered, the leader is able to appeal to the supporters through encourage and support their followers to engage in the decision-making process and coming up with solution together as opposed to the production centered where the leader is autocratic and sees as achieving set objectives as more key than appealing to supporters. This theory supports the idea that effective leadership can be learned and developed through the study and application of observable behaviors and their consequences. It emphasizes the importance of task-oriented and relationship-oriented behaviors in leadership, as well as the use of contingent rewards and consequences to shape desired behaviors. Behavioral Theory acknowledges diverse leadership styles, advocating for leaders to modify their strategies depending on the circumstances and the capabilities of their team. Through prioritizing skill enhancement, observation, and drawing insights from practical experiences, leaders can enhance their efficiency and cultivate a favorable and inspired work atmosphere.

### **Chasm Theory of Growth**

Chaston, (2010) suggested that under the life cycle concept of an enterprise, a new chasm has to be crossed before the next stage of growth can be commenced. Chasms are of five types: launch capacity, expansion, organizational formalization, succession, and long-term growth. Crossing each chasm will require leaders to acquire new skills and prioritize managerial task inside the organization. A well-established business will require a competent successor. The entrepreneur may decide to appoint an internal person or bring a new chief executive from the outside of the company. An ineffective replacement for the founder may cause the business to fail to cross chasm 5. However, if well addressed, the firm will be enjoying growth at the

top (Levie, & Lichtenstein, 2010). This theory supports the idea that during the Organizational Formalization Chasm, Transactional Leadership proves beneficial in addressing challenges related to establishing formal processes, structures, and systems as an organization grows.

### **Review of Study Variables**

Literature reviews autocratic leadership style, transactional leadership style, bureaucratic leadership style and laissez-faire leadership style on the performance of small and medium enterprises in Mombasa County, Kenya.

### **Autocratic Leadership Style and Organizational Performance of SMEs**

O'Reilly, Lapiz, and Self (2010) define autocratic managers as those leaders who horde power, authority and decision-making activities. Micromanagers are autocrats with a compelling need to control every activity within their jurisdiction. The antithesis of the autocrat is the delegating manager who prefers a style of hands-off management and tends to delegate authority, duty, and accountability to others. Autocratic leadership is effective when there is a need for quick decision-making. It is most used in small or upcoming businesses where decision-making is always fast. Autocratic leaders do not experience stress in caused by relying on outsiders to complete the assigned tasks and totally dependent on their own in executing the daily duties and responsibilities. The autocratic leadership style does not need many levels of leadership in the organization (Kippenberger, 2014). Autocratic leaders can manage several responsibilities. On the other hand, Democratic managers have a tendency to engage in participative decision-making. According to Martinez-León and Martínez-García (2011), participation can help foster subordinates' growth and development and may result in higher performance levels and job satisfaction.

Leadership style plays a crucial role in the business landscape, with company owners often crafting a specific leadership approach to guide their organizations and oversee employees. An autocratic



leadership style places decision-making authority in the hands of a single individual within a business. Small enterprises frequently adopt an autocratic leadership style, particularly when the business owner assumes responsibility for all decisions (Gachingiri, 2015). Autocratic leadership is characterized by a more authoritative management approach (Singhry, 2018). Business owners employ this style to ensure uniformity and alignment among all employees, fostering an environment with limited flexibility. The use of autocratic management aims to maintain consistency in the production of goods or services. Consequently, leaders employing this style tend to formulate intricate yet strategic goals and objectives for the organization. These goals are designed to align with the core values, mission, and long-term aspirations of the organization (Amagoh, 2013).

#### **Transactional Leadership Style and Organizational Performance of SMEs**

Allio (2012), transactional leaders clarify the responsibilities of their team, articulate the leaders' expectations, delineate the tasks that need to be accomplished, and highlight the rewards aligned with the followers' self-interests for compliance. Transactional leaders typically operate within the confines of the existing system, prioritizing process over substance as a means of control, and are effective in stable and predictable environments (Brown & May, 2012). Key elements of the transactional leadership model encompass contingent reward, management-by-exception, and laissez-faire (Brown & May, 2012).

Transactional leaders place expectations on their followers, requiring attributes such as commitment to goals, the anticipation of goal attainment, an expectation of rewards, and a need for role clarity. To optimize subordinate performance, these leaders leverage rewards and punishments as tools (Gachingiri, 2015). In instances of performance breakdown, transactional leaders play a significant role in addressing the lack of objectives and opportunities for remuneration on the part of followers. Their responses often involve goal

setting, instruction, training, work assignment, and the application of rewards or punishments. Tahsildari, Hashmi, and Normeza (2014) has demonstrated that transformational leadership significantly and positively influences innovative work behaviour and organizational innovation.

In this approach, the action-to-action and outcome ideologies are fully leveraged, as organizational leaders actively participate alongside employees, ensuring the achievement of shared goals and objectives. Additionally, transactional leaders possess the ability to comprehend needs, articulate organizational visions, enforce regulations, and delegate responsibilities effectively to their followers. Furthermore, transformational leaders excel in creating a conducive and meaningful work environment that promotes creativity and development (Gachingiri, 2015). This collaborative engagement contributes value to the organizational chain and empowers workers directly involved in shaping and implementing policies (Xue, Bradley, & Liang, 2013). Such involvement boosts motivation among workers, fostering a positive organizational output.

#### **Bureaucratic Leadership Style and Organizational Performance of SMEs**

Bureaucratic leadership style is characterized by a hierarchical structure based on fixed official duties within a chain of authority, emphasizing a systematic approach to managing the organization and making decisions (Gottlieb, 2012). This leadership style is prevalent in public sector organizations, where each employee is assigned a specific duty and is expected to follow instructions for the collective good of the organization (Alonderiene & Majauskaitė, 2016). Orders originate from top-level officials and flow through various channels to subordinate officials in the organization. Communication within the organization follows a hierarchical structure, with information passing from subordinate members to superordinate members in an ordered sequence, ultimately reaching top management (Amagoh, 2013).

Bureaucracy relies on the division of labour, where each individual has a defined role that is distinct from others, avoiding overlapping responsibilities (Brown & May, 2012). It necessitates a level of strictness in enforcing rules and roles, with senior positions imposing guidelines on junior positions (Adenyi, 2016). Despite certain characteristics of bureaucracy conflicting with leadership principles, some argue that the impact on leadership abilities can be mitigated through diversification of leadership styles rather than relying on a singular approach (Adenyi, 2016). Amagoh (2013) emphasizes that the focus should be on the kind of leadership administrators practice, highlighting the importance of an accommodating leadership style. Creativity and innovation are fundamental principles of effective leadership, requiring leaders to foster a high level of autonomy among employees. However, bureaucracy is associated with negative attributes that hinder innovation and autonomy (Sandvik & Selart, 2018). The strict regulations within bureaucratic organizations can limit employees' ability to innovate, and despite ambitious leadership, administrative hurdles may persist (Alonderiene & Majauskaite, 2016). In bureaucratic leadership, a hierarchical structure governs the flow of information and instructions, typically involving a progression of individuals in their seniority ranks (Alonderiene & Majauskaite, 2016). Hierarchy in organizations delineates various levels of authority and responsibility, with clear subordination and superordination roles in the chain of command (Awan & Mahmood, 2015).

#### **Laissez-Faire Leadership Style and Performance of SMEs**

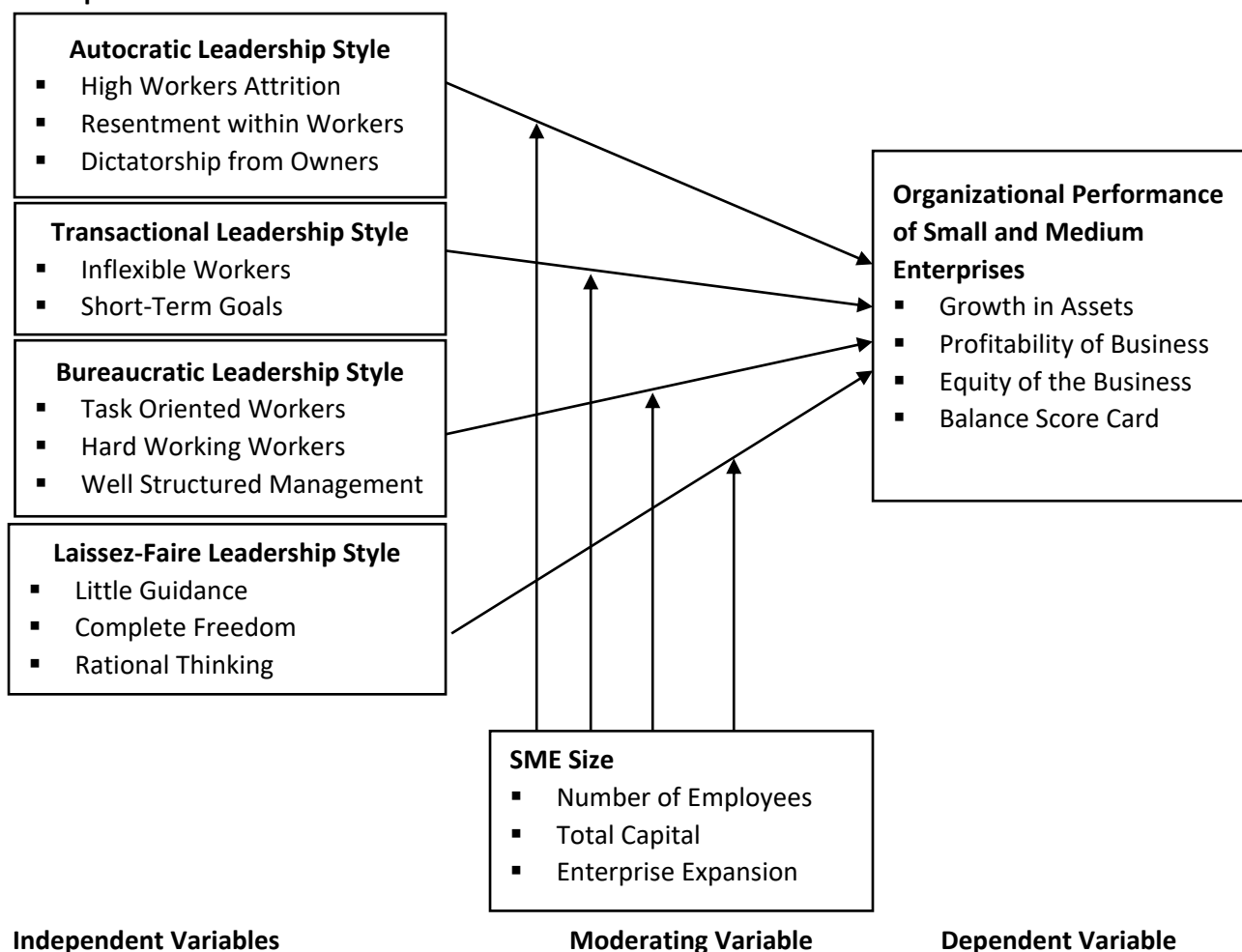
This leadership style involves an inert leader who doesn't concern himself/herself in the motivation of subordinates to get them to achieve certain goals (Giri & Santra, 2015). The Laissez-Faire style of leadership encourages the subordinate centered attribute where they are left to make decisions (Yukl, 2015). Leaders using this leadership style fail to offer any positive or negative direction to their employees (Rothfelder & Harrington, 2017). Pieterse, Van Knippenberg *et al.*, (2016) notes that these leaders renounce their leadership which ends up giving employees more decision-making power than any other leadership style. This in turn leads to employees amplifying their power and influence in an organization or company.

Laissez-faire leadership is characterized by leaders being hands-off, allowing group members to take charge of decision-making (Cherry, 2019). In this style, leaders lack a strong belief in their supervisory abilities and do not provide clear guidance on how the group should function. Instead, they refrain from actively assisting the group in decision-making, placing a significant burden on subordinates (Bass & Bernard, 2016). However, laissez-faire leaders were argued not to invest in the progress of workers because they believe that workers can take care of themselves (Puni *et al.*, 2014) which results in misery and inefficiency.

#### **Conceptual Framework**

The independent and dependent variables in this research were as follows;

### Conceptual Framework



### Independent Variables

Figure 1: Conceptual Framework

Source: (Researcher, 2023)

### METHODOLOGY

**Research Design:** The study employed explanatory research design and was carried out in Mombasa County and included small and medium enterprises.

**Target Population:** The target population was 374 SMEs based in Mombasa County as registered by

the County Government of Mombasa, as at December 2021.

Table 1: Target Population and sample Size

Category	Target Population	Sample Size
Catering and Accommodation	125	62
General Trade, Wholesalers and Retailers	141	75
Professionals, Financials and Technical Services	108	56
<b>Total</b>	<b>374</b>	<b>193</b>

Source: (Mombasa County, 2023)

Stratified random sampling method was used to come up with the three strata. This was done to

ensure proper representation (Wiek & Lang, 2016). For each of the strata, simple random sampling was used. The unit of analysis was the SMEs in Mombasa County while the unit of observation were the owners/managers of the SMEs in Mombasa County.

**Data Collection Instruments:** Structured questionnaires were used to collect primary data from the respondents in the selected SMEs. The questions were formulated utilizing a 5-point Likert scale, where respondents could express their agreement or disagreement on a scale ranging from (1) strongly disagree to (5) strongly agree.

#### Data Processing, Analysis and Presentation

Data collected from the field was coded, cleaned, summarized and tabulated then entered into the computer for analysis using SPSS. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) version 21. Correlation, Regression ANOVA and model summary was generated. Data was presented in tables and figures.

The Pearson's moment correlation test was conducted at a significance level of 5%.

**Table 2: Reliability Test Results**

Variable	No. of Items	Alpha
Autocratic	5	.775
Transaction	5	.851
Bureaucratic	5	.844
Laissez-faire	5	.877
Organizational Performance	5	.829

Source: Research Data (2023)

#### Validity Test

**Table 3: KMO and Bartlett's Test; Test of Sampling Adequacy**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.885
Bartlett's Test of Sphericity	Approx. Chi-Square	2827.945
	Df	300
	Sig.	.000

Source: Research Data (2023)

From the results, the KMO value is more than 0.7 (KMO = .885) and the Bartlett statistic is significant (chi square=2827.945, df=300, p=.000) thus are in

The Moderated Multiple regression model was shown as follows:

$$Y = \alpha + \beta_1 X_1 Z + \beta_2 X_2 Z + \beta_3 X_3 Z + \beta_4 X_4 Z + \epsilon$$

Where

$\alpha$ : is the intercept.

Y: is performance of SMEs

$X_1$ : is autocratic leadership style

$X_2$ : is transactional leadership style

$X_3$ : is bureaucratic leadership style

$X_4$ : is laissez-faire leadership style

Z: is SME size

$\epsilon$ : Error term.

$\beta_1$ -  $\beta_4$  : coefficient of the independent variable in which measures the responsiveness of Y to changes in i.

## FINDINGS

### Reliability and Validity Test.

#### Reliability Test

The results shows that all variables had a Cronbach's alpha score greater than 0.7. This demonstrate that the adequate reliability.

support of a data structure that is appropriate for factor analysis.

## Descriptive Analysis Results

**Table 4: Descriptive Statistics**

	N	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Autocratic	137	2.53	.578	.768	.207	-.886	.411
Transaction	137	4.03	.709	-.954	.208	.860	.413
Bureaucratic	137	3.88	.738	-.812	.207	.625	.411
Laissez-faires	137	3.73	.836	-.912	.207	.853	.411
Organizational Performance	137	3.90	.740	-.947	.207	.548	.411

**Source: Research Data (2023)**

From the results, the mean values range from 2.53 for autocratic style (std=.578) to 4.03 (.709) meaning that in general, most SME managers practices transaction leadership styles and few of the SMEs practice autocratic leadership style. A significant number of SMEs also employ bureaucratic leadership (style 3.88, SD=.738) and faire leadership style (m=3.73, SD=.836). In checking the distribution statistics, it is evident that the Skewness and Kurtosis statistics are all less than

one indicating normal distribution. Skewness range from .548 to .886 all are less than 1 in absolute values. Thus, the data shows normal distribution which is desired property in some inferential analysis such as correlation and regression analysis.

### Correlation Results

The correlation analysis is a technique to analyze association between two variables. In this study, it helps investigate nature of leadership style variables and organizational performance.

**Table 5: Correlation Coefficient on Leadership Style and Performance**

		Autocratic	Transaction	Bureaucratic	Fairies	Organizational Performance
Autocratic	Pearson Correlation	1				
	Sig. (2-tailed)					
Transaction	Pearson Correlation	.239**	1			
	Sig. (2-tailed)	.001				
Bureaucratic	Pearson Correlation	.224	.453*	1		
	Sig. (2-tailed)	.433	.014			
Laissez Fairies	Pearson Correlation	.236**	.265	.322*	1	
	Sig. (2-tailed)	.010	.313	.000		
Organizational Performance	Pearson Correlation	.446	.692	.320	.566	1
	Sig. (2-tailed)	.001	.000	.000	.000	

**\*\*.** Correlation is significant at the 0.01 level (2-tailed) \*.

Correlation is significant at the 0.05 level (2-tailed)

c. Listwise N=137

**Source: Research Data (2023)**

The correlation matrix results show that autocratic leadership style, transaction leadership style, bureaucratic leadership style and laissez faire

leadership style have positive and significant correlation with SME Performance.

### Moderated Multiple Regression Results

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the I
1	.807 <sup>a</sup>	.615	.632	.595

Source: Research Data (2023)

The Adjusted R Square value of 0.632 indicates that the four leadership styles explain 63.2% of the variance in organizational performance of SME

while the remaining 36.8% can be attributed to other factors outside this model.

### ANOVA

**Table 7: ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	84.511	7	12.073	34.060	.000b
Residual	45.371	128	.354		
Total	129.882	135			

Source :Research Data (2023)

The F-statistic is 34.060, ( $p < .001$ ) means that there is a significant difference between the mean scores of the four leadership styles. The results of the ANOVA table suggest that there is a significant

difference between the mean scores of the four leadership styles. This means that the four leadership styles have different effects on organizational performance.

**Table 8: Moderated Multiple Regression Coefficients**

Model	Unstandardized Coefficients			Standardized Coefficients		
	B	Std Error	Beta	T	Sig.	
1	(Constant)	.205	.334		.614	.540
	Autocratic	.236	.120	.245	1.968	.051
	Transaction	.255	.098	.251	2.595	.011
	Bureaucratic	.272	.078	.284	3.484	.001
	Laissez Faire	.267	.113	.266	2.374	.019
	SME Size	.304	.114	.302	2.678	.008
	Autocratic * SME Size	.318	.092	.304	3.446	.001
	Transaction *SME Size	.115	.123	.096	.928	.355
	Bureaucratic *SME Size	.025	.077	.028	.329	.743
	Laissez Faire*SME Size	.153	.075	.171	2.048	.043

### Dependent Variable: F. Performance

Source: Research Data (2023)

From the results, autocratic leadership style, transaction leadership style, bureaucratic leadership style and laissez faire leadership style positively and significantly affect SMEs

organizational performance. Further, SME size positively significantly moderated the relationship between autocratic leadership style, laissez faire leadership style and SME performance. On the

other side, SME size positively but insignificantly moderated the relationship between transactional leadership style, bureaucratic leadership style and SME performance.

## CONCLUSIONS AND RECOMMENDATIONS

The study made the following conclusions

- Autocratic leadership style positively and significantly influences organizational performance in Mombasa County.
- Transaction leadership style positively and significantly influences organizational performance in Mombasa County.
- Bureaucratic leadership style positively but insignificantly influences organizational performance in Mombasa County.
- Laissez-faire leadership style positively and significantly influences organizational performance in Mombasa County.
- SME size positively and significantly moderates the relationship between

autocratic leadership style, Laissez-faire leadership style and organizational performance of SMEs.

- SME size positively and significantly moderates the relationship between Transactional leadership style, bureaucratic leadership style and organizational performance of SMEs.

The study recommended the following;

- SMEs managers should implement autocratic leadership styles, transactional leadership styles and laissez-faire leadership styles so as to increase their SMEs Performance.
- SMEs managers should discourage bureaucratic leadership styles as they can stifle the performance of their SMEs.
- SMEs managers should work to increase the size of their SMEs as it positively moderates the relationship between leadership styles and their SMES Performance.

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