

Synergic Effect of Leadership Style and Entrepreneurial Managerial Behavior

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Received 15 September 2011, Accepted 08 October 2011

ABSTRACT: Entrepreneurs in many small firms could not be experts in only one specific functional area but are required to operate across the range of management competencies; the applicability of competence-based MTD (management training and development) to the broader roles of entrepreneurs in small businesses is likely to be greater than to the roles of many entrepreneurs in large organizations. Competence based analyses of managerial work is causally related to effective and/or superior job performance. Different strategies, techniques, styles of leadership have been evolved to manage people effectively. However, success can be achieved through the use of particular style. Entrepreneurial Managerial behaviour of all employees' categories in an organisation is an essential component of success in the present day competitive environment. Leaders of the organisation have to understand the logic behind this ideology and accordingly nurture Entrepreneurial Managerial behaviour among their employees. This research finds out that there is a perfect positive relationship between Transformational leadership and Entrepreneurial Managerial Behaviour.

Keywords: Transformational leadership, Democratic leadership, Managing vision, Managing culture

INTRODUCTION

Leadership styles in an organisation will create a congenial climate for entrepreneurship and innovation in an organisation. There are certain common traits among successful leaders of top companies in the world whether they are designated as entrepreneur or executives (Bhattacharyya, 2006). The lifestyle entrepreneur may or may not need social competency skills. While these may be completely unimportant for his or her professional and creative work; they may prove highly important with regard to business partnerships and customer acquisition. Strategic managerial competency is of some importance in the early stages for lifestyle entrepreneurs, due to the necessary focus on innovative products and attractive markets.

Entrepreneurs in many small firms could not be specialists in only one specific functional area but are required to operate across the range of management competencies; the applicability of competence-based Management training and development (MTD) to the broader roles of entrepreneurs in small businesses is likely to be

greater than to the roles of many entrepreneurs in large organizations. Competence based analyses of managerial work is causally related to effective and/or superior job performance.

Need of the Study

Different strategies, techniques, and styles of leadership have been evolved to manage people effectively. However, success can be achieved through the use of particular style. Entrepreneurial Managerial behaviour for all categories of employees in an organisation is very much essential in the present day competitive environment (Sadler – Smith et al., 2003). Leaders of the organisations have to understand the logic behind this ideology and accordingly nurture Entrepreneurial Managerial behaviour among their employees.

This study intends to identify the pattern of leading behaviour of Micro, Small, and Medium Entrepreneurs. It also intends to find out whether the leadership styles practised by entrepreneurs and their Entrepreneurial Managerial Behaviour are synergic.

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Literature Review

Yang (2008), in his study examines how leadership style can affect the development and implementation of entrepreneurial orientation in small and medium enterprises in Taiwan. The study found that different leadership styles may affect business performance; that transformational leadership is significantly more correlated to the business performance than the transactional leadership and passive-avoidant leadership. Transformational leadership with higher entrepreneurial orientation can contribute to higher business performance.

Cerni et al. (2008), conducted two Studies:

Study 1

examined the relationship between Information Processing and Transformational Leadership among School leaders. To determine the relationship between information – processing system and transformational and transactional leadership Pearson's correlation tool was used. The result shows that there was significant positive correlation between rational system and transformational leadership.

Study 2

Examined the constructive nature of thinking in the experiential system and its connection with transformational and transactional leadership. Result suggests that improving leaders' awareness of their own information – processing and thinking systems might encourage more productive transformational-leadership techniques.

Lee and Chang (2006), studied the employees' views of the relationship between enterprise innovation ability and management leadership styles. The study adopts 'innovation ability' and 'leadership style' as its two dimensions, and then utilizes descriptive statistics and factor analysis to identify the major factors of the dimensions. Canonical correlation analysis is then used to discover the relationships between the dimensions. The study concludes that transformational leadership style is more acceptable to employees and indicates the correlation between innovation ability and leadership style.

Sadler – Smith et al. (2003), examined the relationship between the managerial behaviours and entrepreneurial styles. They identify the Entrepreneurial Managerial Behaviours which influence the Entrepreneurial Style and Firm type. The

study concludes that there is a positive relationship between managerial behaviours and entrepreneurial styles.

Research Objective

To identify the relationship between the Leadership style and Entrepreneurial Managerial behaviour prevailing among the entrepreneurs of Micro Small Medium Enterprises (MSME).

RESEARCH METHOD

The present study is a micro level study based on survey method from among registered MSME owners of Puducherry (formerly about this sound Pondicherry (help.info) is a Union Territory of India) . Samples were drawn from the District Industries Centre (DIC) Puducherry. The study covered various industries located in Pondicherry Industrial Promotion Development and Investment Corporation (PIPDIC) industrial estates viz Thattanchavady, Sedarapet, and Mettupalayam. Apart from the units in industrial estate, study covers Micro, Small and Medium Enterprises in the local areas as well. The study focuses on the leadership behaviours of MSME Entrepreneurs (PIPDIC established 6 Industrial Estates in Puducherry state, out of 6 the study cover industrial estates located in Thattanchavady, Sedarapet, and Mettupalayam).

The study is based both on primary and secondary data. Primary data has been collected through interview schedule from the MSME entrepreneurs. Personal observation and discussion with the entrepreneurs and conversation with Industrial Estate officials have also helped to understand the entrepreneurial style practised by entrepreneurs of MSME. Secondary data required for the study and the profile of industries in Puducherry have been collected from the statistical handbook issued by directorate of Economics and statistics in Puducherry, and directorate of Industry and Commerce, Puducherry.

The subjects of the study included 80 entrepreneurs in Puducherry region who were selected by adopting convenient-sampling method. The Sample entrepreneurs came from the DIC registered units located in three Industrial estates (Mettupalayam, Thattanchavady, Sedarapet) of region.

Specially designed interview schedule was used to elicit opinion from the respondents. Correction and Chi Square was used to test the relationship between Leadership Style with Entrepreneurial Managerial

Behaviour variables (Managing process, Managing Performance, Stakeholders management, Managing development, Managing Culture, Managing Vision).

Hypothesis of Study

There is no association between Leadership Styles and Entrepreneurial Managerial behaviour Qualities of MSMEs Entrepreneurs in Puducherry.

Entrepreneurial Managerial Behaviour

Since the mid-twentieth century neoclassical formulations of entrepreneurial behaviour have been embodied in more comprehensive theories of production, of the firm in perfectly competitive market structures, or of firm formation in a competitive equilibrium context. The traditional production function describes an engineering relationship between inputs and outputs rather than a behavioural phenomenon. Entrepreneurship, like other inputs, is a deployable scarce resource.

An attempt has been made in this study to identify the effectiveness of entrepreneurial Managerial behaviour with respect to different type of leadership styles of MSM entrepreneurs. Effectiveness of Leadership style has been identified through 6

entrepreneurial management behaviour viz (Sadler – Smith et al., 2003). See table 1.

- 1.Managing performance
- 2.Managing process
- 3.Stakeholders and environment
- 4.Managing vision
- 5.Managing development
- 6.Managing culture

The descriptive statistics and reliability estimate are presented in the table 2. Mean score (3.12 with SD of 0.63) for the items indicate that the transactional leadership have some what of a role in the business. From the Mean score (3.67 with SD 0.68) shows that strong importance transformational leadership in their business, (3.27 with SD 0.56) shows that least importance by Autocratic leadership in the business and Democratic leadership and Delegative leadership has moderate importance in firm (3.65 with SD.87) (3.40 with 0.89) respectively. Reliability analysis indicate that the measures had acceptable and coefficient alphas for transactional leadership, transformational leadership, autocratic leadership, democratic leadership, Delegative leadership, were 0.755, 0.789, 0.821, 0.842, 0.732 respectively.

Table 1: Frequency distribution of respondent's personal data

| Sl.no | Variables | Categories | No. of Entrepreneurs | Total |
|-------|-----------------------------------|--|----------------------|-------|
| 1 | Age | Below 30yrs | 28 | 80 |
| | | 31-40yrs | 26 | |
| | | 41-50yrs | 16 | |
| | | Above 50yrs | 10 | |
| 2 | Firm type | Micro | 26 | 80 |
| | | Small | 28 | |
| | | Medium | 26 | |
| 3 | Experience in present institution | Below 5yrs | 32 | 80 |
| | | 6-10yrs | 20 | |
| | | 11-15yrs | 18 | |
| | | 16-20yrs | 2 | |
| | | Above 20 | 8 | |
| 4 | Category of industrial units | Food Industry | 6 | 80 |
| | | Paper Product | 14 | |
| | | Leather Industry | 6 | |
| | | Cotton textiles Industry | 8 | |
| | | Rubber and Plastic Industry | 16 | |
| | | Chemical and chemical Product Industry | 10 | |
| | | Metal Product Industry | 12 | |
| | | Others | 8 | |

Source: Primary Data

Table 2: Descriptive statistics and reliability test

| Variables | Reliability statistics | | | |
|-----------------------------|------------------------|------|------------------|--------------|
| | M | SD | Cronbach's alpha | No. of items |
| Transactional Leadership | 3.12 | 0.63 | 0.755 | 4 |
| Transformational Leadership | 3.67 | 0.68 | 0.789 | 4 |
| Autocratic Leadership | 3.27 | 0.56 | 0.821 | 7 |
| Democratic leadership | 3.65 | 0.87 | 0.842 | 8 |
| Delegative Leadership | 3.40 | 0.89 | 0.732 | 8 |

Leadership Styles with Entrepreneurial Managerial Behaviour

Transactional Leadership Style with Entrepreneurial Managerial Behaviour

The results of the correlation analysis of the overall scale items are presented in table 3. An assessment of the bivariate correlation showed that the overall items used to measure transactional leadership style was positively related to Managing Performance ($r=0.430$, $p<0.01$), Managing Process ($r=0.246$, $p<0.05$), Managing Culture ($r=0.469$, $p<0.01$).

Transformational Leadership Style with Entrepreneurial Managerial Behaviour

The result of the table 4 shows that relationship between transformational leadership styles with Entrepreneurial Managerial behaviour. There is perfect positive relationship between Transformational leadership with Managing performance ($r=0.419$, $p<0.01$), Managing Process ($r=0.331$, $P<0.01$), Stakeholders management ($r=0.371$, $p<0.01$), Managing Vision ($r=0.369$, $p<0.01$), Managing Development ($r=0.433$, $p<0.01$) Managing Culture ($r=0.464$, $p<0.01$). Transformational Leadership styles of Entrepreneurs are having perfect Entrepreneurial Managerial Behaviour.

Autocratic Leadership Style with Entrepreneurial Managerial Behaviour

The results of the correlation analysis of the overall scale items are presented in table 5. An assessment of the bivariate correlation showed that the overall items used to measure Autocratic leadership style were not associated with Entrepreneurial Managerial Behaviours. Hence, it is observed that, Autocratic Entrepreneurs in Puducherry are not having Entrepreneurial Managerial Behavioural Qualities.

Democratic Leadership Style with Entrepreneurial Managerial Behaviour

Table 6 reveals the relationship between Democratic leadership styles with Entrepreneurial Managerial behaviour. There is perfect positive relationship between Democratic leadership with Managing Process ($r=0.567$, $p<0.01$), Managing Vision ($r=0.386$, $p<0.01$), Managing Development ($r=0.563$, $p<0.01$) Managing Culture ($r=0.585$, $p<0.01$). Democratic Leadership styles of Entrepreneurs are having perfect Entrepreneurial Managerial Behaviour.

Delegative Leadership Style with Entrepreneurial Managerial Behaviour

The results of the correlation analysis of the overall scale items are presented in table 7. An assessment of the correlation showed that the overall items used to measure Delegative leadership style was positively related with Managing performance ($r=0.608$, $p<0.01$), Managing Process ($r=0.324$, $p<0.01$), Managing Vision ($r=0.276$, $p<0.05$), Managing Culture ($r=0.600$, $p<0.01$). A delegative Leadership style of Entrepreneurs has also influencing perfect Entrepreneurial Managerial Behaviour. To determine the association between the Leadership Styles and Entrepreneurial Managerial Behaviour Chi – Square tool was adopted.

The table 8 shows the association between the different leadership styles and Entrepreneurial Managerial Behaviour through Chi – Square test. It finds that there is association between the Entrepreneurial Managerial Behaviour with Transformational, Democratic and Delegative leadership styles ($X^2=42.15$, 33.75 , 31.47) $p>0.001$. Hence reject the null hypothesis with represent 3 Leadership styles. Whereas, leadership styles like Transactional, and Autocratic are not associated with Entrepreneurial Managerial Behaviour as ($X^2=8.262$, 1.858) $p<0.001$ indicates that the null hypothesis may hold well on these three leadership styles (table 9).

Table 3: Correlation results between transactional leadership styles with Entrepreneurial Managerial Behaviour

| | Transactional leadership | EMB 1 | EMB 2 | EMB 3 | EMB 4 | EMB 5 | EMB 6 |
|------------------------------|--------------------------|---------|---------|---------|---------|---------|-------|
| Transactional Leadership | 1 | | | | | | |
| Managing Performance EMB 1 | 0.430** | 1 | | | | | |
| Managing Process EMB 2 | 0.246* | 0.567** | 1 | | | | |
| Stakeholder management EMB 3 | 0.194 | 0.197 | 0.299** | 1 | | | |
| Managing Vision EMB 4 | 0.189 | 0.282* | 0.386** | 0.295* | 1 | | |
| Managing Development EMB 5 | 0.165 | 0.120 | 0.251* | 0.315** | 0.632** | 1 | |
| Managing Culture EMB 6 | 0.469** | 0.565** | 0.386** | 0.143 | 0.319** | 0.306** | 1 |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

Table 4: Correlations results between Transformational leadership styles with Entrepreneurial Managerial Behaviour

| | Transformational leadership | EMB 1 | EMB 2 | EMB 3 | EMB 4 | EMB 5 | EMB 6 |
|------------------------------|-----------------------------|---------|---------|---------|---------|---------|-------|
| Transformational Leadership | 1 | | | | | | |
| Managing Performance EMB 1 | 0.419** | 1 | | | | | |
| Managing Process EMB 2 | 0.331** | 0.567** | 1 | | | | |
| Stakeholder management EMB 3 | 0.371** | 0.197 | 0.299** | 1 | | | |
| Managing Vision EMB 4 | 0.369** | 0.282* | 0.386** | 0.295** | 1 | | |
| Managing Development EMB 5 | 0.433** | 0.120 | 0.251* | 0.315** | 0.632** | 1 | |
| Managing Culture EMB 6 | 0.464** | 0.565** | 0.386** | 0.143 | 0.319** | 0.306** | 1 |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

Table 5: Correlations results between Autocratic leadership styles with Entrepreneurial Managerial Behaviour

| | Autocratic leadership | EMB 1 | EMB 2 | EMB 3 | EMB 4 | EMB 5 | EMB 6 |
|------------------------------|-----------------------|---------|---------|---------|---------|---------|-------|
| Autocratic Leadership | 1 | | | | | | |
| Managing Performance EMB 1 | 0.129 | 1 | | | | | |
| Managing Process EMB 2 | -0.049 | 0.567** | 1 | | | | |
| Stakeholder management EMB 3 | 0.170 | 0.197 | 0.299** | 1 | | | |
| Managing Vision EMB 4 | 0.047 | 0.282* | 0.386** | 0.295** | 1 | | |
| Managing Development EMB 5 | 0.082 | 0.120 | 0.251* | 0.315** | 0.632** | 1 | |
| Managing Culture EMB 6 | -0.049 | 0.565** | 0.386** | 0.143 | 0.319** | 0.306** | 1 |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

Table 6: Correlations results between Democratic leadership styles with Entrepreneurial Managerial Behaviour

| | Democratic leadership | EMB 1 | EMB 2 | EMB 3 | EMB 4 | EMB 5 | EMB 6 |
|------------------------------|-----------------------|---------|---------|---------|---------|---------|-------|
| Democratic Leadership | 1 | | | | | | |
| Managing Performance EMB 1 | -0.109 | 1 | | | | | |
| Managing Process EMB 2 | 0.567** | 0.567** | 1 | | | | |
| Stakeholder management EMB 3 | 0.043 | 0.197 | 0.299** | 1 | | | |
| Managing Vision EMB 4 | 0.386** | 0.282* | 0.386** | 0.295** | 1 | | |
| Managing Development EMB 5 | 0.563** | 0.120 | 0.251* | 0.315** | 0.632** | 1 | |
| Managing Culture EMB 6 | 0.585** | 0.565** | 0.386** | 0.143 | 0.319** | 0.306** | 1 |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

Table 7: Correlations results between Delegative leadership styles with Entrepreneurial Managerial Behaviour

| | Delegative leadership | EMB 1 | EMB 2 | EMB 3 | EMB 4 | EMB 5 | EMB 6 |
|------------------------------|-----------------------|---------|---------|---------|---------|---------|-------|
| Delegative Leadership | 1 | | | | | | |
| Managing Performance EMB 1 | 0.608** | 1 | | | | | |
| Managing Process EMB 2 | 0.324** | 0.567** | 1 | | | | |
| Stakeholder management EMB 3 | 0.151 | 0.197 | 0.299** | 1 | | | |
| Managing Vision EMB 4 | 0.276* | 0.282* | 0.386** | 0.295** | 1 | | |
| Managing Development EMB 5 | 0.163 | 0.120 | 0.251* | 0.315** | 0.632** | 1 | |
| Managing Culture EMB 6 | 0.600** | 0.565** | 0.386** | 0.143 | 0.319** | 0.306** | 1 |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

Table 8: Results of Chi – Square Test

| Leadership Styles | χ^2 Value | Sign |
|-------------------|----------------|-------|
| Transactional | 8.262 | 0.220 |
| Transformational | 42.153* | 0.000 |
| Autocratic | 1.858 | 0.762 |
| Democratic | 33.755* | 0.000 |
| Delegative | 31.470* | 0.000 |

* Significant at 1 % level

Table 9: Different Leadership Styles and Entrepreneurial Managerial Behaviour

| | Transactional leadership | Transformational leadership | Autocratic leadership | Democratic leadership | Delegative leadership |
|------------------------|--------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| Managing Performance | 0.430** | 0.419** | 0.129 | -0.109 | 0.608** |
| Managing Process | 0.246* | 0.331** | -0.049 | 0.567** | 0.324** |
| Stakeholder management | 0.194 | 0.371** | 0.170 | 0.043 | 0.151 |
| Managing Vision | 0.189 | 0.369** | 0.047 | 0.386** | 0.276* |
| Managing Development | 0.165 | 0.433** | 0.082 | 0.563** | 0.163 |
| Managing Culture | 0.469** | 0.464** | -0.049 | 0.585** | 0.600** |

** Correlation is significant at the 0.01 level

* Correlation is significant at the 0.05 level

RESULTS AND DISSCUSSION

The study explains the relationship between the Different Leadership Styles with Entrepreneurial Qualities. Table 4 shows there is perfect positive relationship between Transformational leadership with Managing performance, it is observed that Managing performances, Managing Culture are correlated with Transactional leadership style; all the Entrepreneurial Managerial Behaviours are related with Transformational leadership style; whereas from the table 5 exhibits Autocratic leadership styles is not correlated with Entrepreneurial Managerial Behaviour Qualities in MSMEs. In Democratic leadership styles is correlated with managing vision, and also managing process, managing development, managing culture are highly correlated with this style, similarly managing culture, and managing performance are highly correlated with Delegative style, managing process and managing vision are correlated with this style. Hence there is a synergic effect of transformational leadership style and Entrepreneurial Managerial Behaviour.

CONCLUSION

The purpose of this study is to examine the relationships among different leadership styles, and Entrepreneurial managerial behaviour. Further, this research finds out that there is perfect positive relationship between Transformational leadership and Entrepreneurial Managerial Behaviour. Hence, Micro Small Medium entrepreneurs have to adopt the transformational leadership styles to optimise their effort in enriching Entrepreneurial Managerial

Behaviour; there is an synergic effect of transformational leadership style and Entrepreneurial Managerial Behaviour; these entrepreneurs has the qualities of managing performance, managing process, managing culture, managing of vision, development management and stakeholders management which lead to the achievement of their organisational goal in right time.

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