

# Leadership style and Performance of Small and medium size enterprises in Cameroon

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# **UNIVERSITY OF YAOUNDE II**

### FACULTY OF ECONOMICS AND MANAGEMENT

# LEADERSHIP STYLE AND PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN CAMEROON

A dissertation presented and defended publicly for the award of a master's degree in Human Resource Management

16<sup>th</sup>, April 2016

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# DECLARATION

The University of Yaounde II did not give any approbation on the opinion of this memoire. This should hence be considered as the work of the author

# DEDICATION

To my parents

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# **ABBREVIATIONS**

CAHT: Chiffre d'affaire hors taxe
CFCE: Centre de formalité et création des entreprises
CHM: Charisma
CR: Contingent reward
FRLM: Full Range Leadership Model
GDP: Gross Domestic Product
IM: Inspirational motivation
INS: Intsitute Nationale de Statistiques
IS: Intellectual stimulation
MbE: A: Management by exception: Active
MFLQ: Multi factor Leadership Questionnaire
MINPMEESA: Ministry of Small and Medium-Sized Enterprise, Social Economy and Handicraft
NIS: National Institute of Statistics
OLS: Ordinary Least square
PA: Passive Avoidance
PCA: Principal Component Analysis
PROD: Productivity
<b>PSME<sub>TFLS</sub></b> : Performance of Small and medium size enterprises with Transformational Leadership Style
PSME <sub>TSLS</sub> : Performance of Small and medium size enterprises with Transactional Leadership Style
RGE: Recensement Générale des Entreprises
SAT: Satisfaction
SMEs: Small and Medium Size Enterprises
SPSS: Statistical Package for Social Science

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### ABSTRACT

In Cameroon, SMEs contribute about 50% of the GDP and accounts for about 92% of businesses (INS, 2009) but about 80% of this SME's created in Cameroon die before their 5<sup>th</sup> anniversary with one of the principal causes being the lack of corporate leadership. The main objectives of this research it to show the effects of leadership style on the performance of Cameroonian SMEs. The research follows a Hypothetico- deductive methodology through which primary data was collected through the Multi Factor Leadership Questionnaire which was administered on 114 workers form 38 SMEs in 05 major towns in the southwest region of Cameroon between the period of November 2015 to January 2016, the data was analysed using the Principal Component Analysis (PCA), the Pearson correlation coefficient and the Ordinary Least Square Multiple Regression(OLS), the SPSS version 20 was used for regression. The Principal results showed that the Transformational Leadership style exerted a positive and significant effect on the performance of SMEs in Cameroon, while the Transactional leadership style exerted a positive and significant impact on performance, this results are in coherence with the results obtained by Bass and Avolio, 2004 in their work entitled "Leadership and Performance beyond Expectations". This research will therefore propose that in order to achieve organizational performance, managers should use the Transformational alongside with the Transactional leadership style since a combination of the two leadership style will permit the enterprise to attain performance beyond expectations.

Keywords: Leadership style, Performance, Small and medium size enterprises

### RESUME

Au Cameroun, les PME contribuent 50% du PIB et comptes pour environ 92% des affaires (Institut National Des Statistiques, 2009) mais environ 80% de ces PMEs crées au Cameroun ont faire faillit avant leur 5<sup>eme</sup> anniversaire avec l'une des principal causes étant le manque du leadership ou le leadership inadapté. L'objectif principal de cette recherche est de montrer l'effet qu'a le leadership sur la performance des PMEs camerounaises. La recherche suit une méthodologie Hypothético-déductif par laquelle des données primaires ont été rassemblées par « Multi Factor Leadership Questionnaire » qui a été administré sur 114 salarie de 38 PMEs dans les 05 villes principales de la région de sud-ouest Cameroun entre Novembre 2015 et Janvier 2016, les données ont été analysées en utilisant l'analyse de composant principal (ACP), le coefficient de corrélation de Pearson et la régression multiple de moindre carré ordinaire(MCO), la version 20 de SPSS a été utilisé pour la régression. Le résultat principal prouve que le leadership Transformationnel exerce un effet positif et significatif sur la performance des PME et le leadership Transactionnel exerce également un impact positif sur la performance, ces résultats sont en concordance avec les résultats obtenus par Bass et Avolio, 2004 dans leur travail intitulé « Leadership and Performance beyond Expectations ». A l'issu de cette résultat on peut proposer donc que en fin de réaliser la performance organisationnelle, les gestionnaires devraient adopter à la fois le leadership transformationnel et transactionnel comme les complément et pas comme les substitute enfin d'atteindre les performance au-delà des expectations

Mot-clé : Style de Leadership, Performance, Petite et Moyenne Entreprise.



#### **1.** Context of the research

Leadership is an elusive concept. Like many complex ideas, it is deceptively easy to use in everyday conversation. Everyone talk about it, few understand it. Most people want it; few achieve it. What is this intriguing subject called "Leadership"? Perhaps, because most of us want to be leaders, we become emotionally involved when trying to define leadership. Or, perhaps because we know one who is a leader, we try to copy his or her behavior and describe leadership as a "personality". A common idea that runs through most definition is the notion that leadership involves influence in one form or the other. (Yurki,1994). The very idea of leadership presupposes the existence of follower. The activity of leadership cannot be carried out without followers to lead and what leaders do is to influence the behavior, beliefs and feelings of group members in an intended direction (Wright and Taylor, 1994).

Leadership can also be defined as "influence". "He who thinketh he leadeth and hath no one following him is only taking a walk". (Georges,2000) defined leadership as the ability to obtain followers. Notable persons like Marin Luther King Jr., and Winston Churchill were all leaders whose value systems and management abilities were very different, but each had followers. Most people defined leadership as ability to achieve a position, not to get followers. Therefore, they go after a position, or title and upon their arrival they think they have become a leader. This type of thinking creates two common problems: those who possess the 'status' of a leader and who often experience the frustration of few followers, and those who lack the proper titles may not see themselves as leaders and therefore do not develop their leadership skills. Good leadership begets good followership. Good leaders take their followers from where they are to where they have not been, they follow them.

Everyone influences someone Sociologists tell us that even the most introverted individual will influence ten thousand other people during his or her lifetime. That means that all of us are leading in some areas, while in other areas we are being led. No one is excluded from being a leader or follower. Realizing one's potential as a leader is one's responsibility. In any given situation at any given group there is a prominent influencer.

The first duty of a business manager is to strive for the best possible economic results from the resources currently employed or available. (Drucker, 2006, p. 81) From this point, it can be stated that leadership style affects the performance of the organization as well.

Some writers have however given the impression that leadership is synonymous with management. This assumption may be incorrect (Zalenznk, 1990). Leaders are not only found in the managerial hierarchy but also in informal work groups.

The difference between leadership and management has been stated as follows: "Leadership is a part of management but not all of it ... Leadership is the ability to persuade others to seek defined objective, enthusiastically. It is the human factor, which binds a group together, motivates it towards goals. Management activities such as planning, organizing and decision-making are dormant cocous until the leader triggers the power of motivation in people and guide them toward goals". (Davis, 1967).

Although Leadership and management overlap to a significant degree, they are not the same. While management is "getting things done through others", Leadership is distinct from management to the extent to which it is closely related with motivating and influencing others. It involves setting a new direction for a team and preparing people for roles and situations beyond their current experience. Management on the other hand, focuses on enhancing and controlling according to the established principles (that is planning, organizing, commanding and controlling)

Corporate leadership is needed to reshape organizational culture, propose a challenging vision of the future and set a performance improvement target, (Day 1994). Deshapande et al (1993) viewed leadership as a key element that shapes corporate culture, whereas, Slater and Narver (1995) identify it as a key component of organizational climate, which is a critical element of a learning organization.

Various leadership researches have generated the trait, behavioral, situational and the power-influence approaches to leadership (Chang, Polsa and Cheu, 2003; Politis, 2001). Among the various leadership styles suggested by these approaches, autocratic and participative styles are most common. A participative leadership style encourages members to participate in decision-making and exercise discretion on how to perform their tasks. An autocratic leadership provides for specific directions to subordinates by organizing the necessary functions to be performed, specifying rules,

regulations and procedures to be followed, clarifying expectations, scheduling work activities, establishing communication network and evaluating the work group performance (Chang, Polse and Chue, 2003; Robbins, 1996).

Managers at all levels and in all kinds of organizations have their own personal leadership styles, which determines not only how they lead their subordinates but also how they execute other management tasks. Apart from the managers' personal leadership styles, some research evidences suggest that leadership styles also vary among countries and cultures. For instance, research evidence suggests that European managers tend to be more humanistic or people oriented than both Japanese and American managers. The collectivist culture in Japan places prime emphasis on the group rather than the individual, so the importance of individuals' own personality, needs, and desires is minimized. Organization's in the United States tend to be very person oriented and thus tend to downplay the importance of individual employee's needs and desires. (Jones and Hill, 2000).

Although effective leadership is widely recognized as one of business most pressing problems, there is surprisingly little "agreement on what makes an effective leader". The literature on leadership is full of perceptions regarding effective leadership. The first systematic attempt to describe successful leadership focused on identifying personal characteristics that were responsible for effective leadership. A common belief is that leaders were born, not made. Around the turn of the 19<sup>th</sup> century, Max Weber brought into vogue the bureaucratic mode of management that stressed efficiency, equity and accountability (Weber, 1946). About the same time, Henri Fayol laid the foundation of the professional management school (Fayol, 1949). For many decades thereafter, writers on management prescribed the professional leadership style of management. Initially, this consisted of "principles" culled from experience (Barnard 1943). Later in the fifties, writers with training in social and industrial psychology began to advocate participative style of leadership (Likert, 1961). MacGregor's (1951) participative style of management was reinforced by human resource and organizational development.

Sporadically, management scholars and practitioners have also been extolling the entrepreneurial mode of leadership that create new industrial, and transform old ones. (Schumpeter, 1934 and Mintzberg, 1973). The growing awareness of social responsibility of organizations and efficacy of enlightened self-interest has led to formalization of altruistic modes of management (Khandawalla, 1992). In the seventies and the eighties, the economic success of Japan led to a lively interest in the

paternalistic Japanese style of management (Pascale and Authos, 1981). The concern with having to cope with breakthroughs of technological and market change has led to the identification of the flexibility and teamwork oriented organic style of management (Burns and Stalkers, 1961, and Khandwalla, 1992).

Stogdills (1974) conducted a survey to determine relationship between leadership, job and follower ship satisfaction and productivity. Two sets of leadership were compared; "person oriented" leadership and "work oriented" leadership. The survey indicated that under certain circumstances both persons oriented and work oriented leadership behavior may be related positively to group productivity but equally, in other circumstances, neither may be.

Leadership style is defined as the manner and approach of providing, directing implementing plans and motivating people. Leadership styles vary with personality and situational needs. Understanding the different types of leadership is a necessary step in leadership development. Each of the leadership styles has an impact on reforming and or creating an organizational culture.

Enterprise performance on its part refers to the ability of an enterprise to achieve such objectives as high quality product, large market share, good financial results and survival at pre-determined time using relevant action strategies.

Maire and Dubost, (2004) in their work "Les cle de la performance" defined performance as "the need to attain his proper objectives, it consist to give the best of yourself for its realization. To be performant is realizing a project in a manner that you exceed the level that you were previously situated. In any case, it consist to pose valid or valuable objectives and do all to attain the objectives.

In effect for certain authors, the performance of an enterprise will be linked directly to the nature of objectives fixed to the workers and not to the style of management. The objectives should be realizable, clear, precise and have to be an object of follow-up and a regular control. A fundamental equation was proposed by Maire, A. and Dubost, M.(2004) to understand this notion. And to them, performance is a function of the competence, motivation and the determination of objectives.

Understanding the effects of leadership on performance is also important because leadership is viewed by some researchers as one of the key driving forces for improving a firm's performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for improvement of organizational performance (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision (Avolio, 1999; McShane and VonGlinow, 2000). Zhu et al.(2005),suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in new organizational environments. Mehra, Smith, Dixon and Robertson (2006) argue that when organizations seek efficient ways to enable them outperform others; a long standing approach is to focus on the effects of leadership.

Team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action. This leader-centred perspective has provided valuable insights into the relationship between leadership and team performance (Guzzo and Dickson, 1996). Some studies have explored the strategic role of leadership to investigate how to employ leadership paradigms and use leadership behavior to improve organizational performance (Judge,Bono,Ilies,and Gerhardt,2002; Judge and Piccolo,2004; Keller,2006; McGrath and MacMillan,2000; Meyer and Hepard, 2000; Purcell, Kinnie, Hutchinson and Dickson,2004; Yukl,2002). This is because intangible assets such as leadership styles, culture, skill and competence, and motivation are seen increasingly as key sources of strength in those firms that can combine people and processes and organizational performance (Purcell et al, 2004). Previous studies led the expectation that leadership paradigms will have direct effects on customer satisfaction, staff satisfaction, and financial performance.

In general, however, the effects of leadership on organizational performance have not been well studied, according to House and Aditya's review (1997), who criticized leadership studies for focusing excessively on superior-subordinate relationships to the exclusion of several other functions that leaders perform, and to the exclusion of organizational and environmental variables that are crucial to mediate the leadership-performance relationship. Another problem with existing studies on leadership is that the results depend on the level of analysis. House and Aditya (1997), distinguished between micro-level research that focuses on the leader in relation to the subordinates and immediate superiors, and macro-level research that focuses on the total organization and its environment. Other scholars have also suggested that leaders and their leadership style influence both their subordinates and organizational outcomes (Tarabishy, Solomon, Fernald, and Sashkin, 2005).Fenwick and Gayle (2008), in their

study of the missing links in understanding the relationship between leadership and organizational performance conclude that despite a hypothesized leadership-performance relationship suggested by some researchers, current findings are inconclusive and difficult to interpret.

From this review of related literature, it is evident that although some scholars believe that leadership enhances organizational performance while others contrast this, different concepts of leadership have been employed in different studies, making direct comparisons virtually impossible. Gaps and unanswered questions remain. Consequently, this study is intended to re-examine the proposed leadership-performance relationship and, thus, contribute meaningfully to the body of growing literature and knowledge in this area of study.

According to law number 2015/010 of 16 july 2015 on the promotion of Small and Medium size enterprises in Cameroon; enterprises are considered as SMEs no matter their domain of activity when they employ between 6 to 100 workers and when their annual Chiffre D'affaire hors tax (CAHT) ranges between 15million to 3 billions FCFA. This implies enterprises with 06 to 20 personnel and a CAHT of 15million to 250 million FCFA are considered as small enterprises, while enterprises with 21 to 100 personnel and with a CAHT of 251million to 3 billion FCFA are considered as small enterprises.

Small and medium enterprises play a crucial role in the development of a countries economy (Ariyo, 2005). They are of significant importance to the economy of developing countries such as Cameroon, where challenges such as poverty eradication, corruption, unemployment... are still considered as major issues facing citizens. In Cameroon, SMEs are the main drivers of the economy, accounting for about 90% of the country's economic fabric and employ more than 50% of the work force in the private sector (INS, 2009). The recent enterprise survey conducted by the National Institute of Statistics (2009), revealed that there are 93 969 enterprises in Cameroon out of which 99.2% are SMEs. Statistics shows that about 33 000 enterprises have been created in Cameroon since 2010 (CFCE, 2015). SMEs are also believed to contribute greatly to the country's GDP.

In Cameroon, formal and informal SMEs contribute 50% of GDP and accounts for about 92% of business in Cameroon (INS,2005). As far as employment and poverty alleviation is concerned, SMEs remain the backbone of the economy. They account for about 62% of permanent employment and 31% turn over before interest and tax of all enterprises in Cameroon (INS/RGE, 2009). It is also important to know that SMEs contribute to the creation and redistribution of wealth in Cameroon. Between 2003 and

2005 formal and informal SMEs paid 208 billion as salaries per year (INS, 2006). As far as investment are concerned, SMEs still stand out clear as an important entity of the Cameroon, accounting for 40% of the Cameroonian economy (INS/RGE,2009).

"An organization that has no good leadership is like a ship on the high sea without a captain". Resources both man and material will be bound to be wasted despite the scarce nature. There has been an unending controversy as to the transferability of management principles and theories, Gonzales and Macmillan (1961), Oberg (1962), Harbison and Myers (1959) and Negandi and Estafan (1962). Given the fact that, most widely dispersed management theories and technics are based on western ideologies, values and systems, their "uncritical transferability" to developing countries has in many ways contributed to organizational inefficiency and ineffectiveness.

In recent years, many well-known companies such as Chrysler, Lehman brothers and Merrill Lynch have either disappeared or were taken over. Leadership is believed to be one of the contributing factors to their turmoil. Hence it proves that capable leadership is a critical element in any organization. An organization depends on leadership to guide them through unprecedented changes. Without proper leadership, even the best and boldest strategies "die on the vine" and their potential is never realized. The quality of Leadership talent determines the fate of the organization, ensuring that their strategic plans are successfully implemented. It also helps them to prepare for a more uncertain future.

In the Cameroonian context having a complicated business climate where small and medium enterprises face problems like limited access to capital, complex procedure of enterprise creation, complex fiscal system, inability to match-up with international competition, corruption, inadaptable leadership style... The absence of an effective leader will lead to the death of the enterprise. According to the Centre de formalité et de creation d'entreprise (CFCE, 2014), about 80% of SMEs created in Cameroon die before their 5<sup>th</sup> anniversary with the principal causes being limited access to capital, complex fiscal system and the lack of corporate leadership.

The success or failure of any SME is neither an abstract phenomenon nor a matter of chance. Good corporate management is a factor that determines success. Despite the government's effort to promote and develop the small and medium enterprises such as the creation of the Ministry of Small and Medium size enterprises, the creation of the Bank of Small and Medium size enterprises as a means of

enhancing industrial development in Cameroon, the sector's growth has been hampered by a multitude of problems.

From the above actualities, we can pose a question which in responding, it will permit us to be able to bring out the relationship that exist between the performance of SMEs and the leadership style adopted by the different managers of the SMEs. From here, the central question of our research is: *What is the impact of leadership style on the performance of SMEs?* in other words: *Which of the leadership styles is positively and significantly related to the performance of SMEs ?* 

### 2. Objectives

The objective of this study is to show that the performance of small and medium size enterprises depends on the style of leadership adopted by the manager. For transformational leadership style, the follower feels trust, admiration, loyalty and respect towards the leader, and is motivated to do more than what was originally expected to do (Bass, 1985; Katz & Kahn, 1978). The transformational leader motivates by making follower more aware of the importance of task outcomes, inducing them to transcend their own self-interest for the sake of the organization or team and activating their higher-order needs. He encourages followers to think critically and seek new ways to approach their jobs, resulting in intellectual stimulation (Bass et al., 1994). As a result, there is an increase in their level of performance, satisfaction, and commitment to the goals of their organization (Podsakoff et al, 1996).

Transactional leaders display both constructive and corrective behaviours. Constructive behaviour entails contingent reward, and corrective dimension imbibes management by exception. Contingent reward involves the clarification of the work required to obtain rewards and the use of incentives and contingent reward to exert influence. It considers follower expectations and offers recognition when goals are achieved. The clarification of goals and objectives and providing of recognition once goals are achieved should result in individuals and groups achieving expected levels of performance (Bass, 1985). Active management by exception refers to the leader setting the standards for compliance as well as for what constitutes ineffective performance, and may include punishing followers for non-compliance with those standards. This style of leadership implies close monitoring for deviances, mistakes, and errors and then taking corrective action as quickly as possible when they occur. This will lead us to two specific objectives which consist to:

- To show that transformational leadership is an important determinant to the performance of small and medium size enterprises.
- To show that transactional leadership style has an unfavourable impact on the performance of small and medium size enterprises.

### 3. Methodology

This research follows a Hypothetico-deductive methodology due to the abundance of literature in this domain which permited us to bring out some hypoyhesis and deduce them through an empirical analysis and the survey design and analysis is based on primary and secondary data. The primary data was collected through a structured questionnaire administered on respondents from SMEs in the South West Region of Cameroon. Survey instrument used in data generation is the multifactor leadership questionnaire (MLQ) developed by BASS (1985) in his study: "Leadership and performance beyond expectation". This instrument is by far the most widely used instrument for measuring leadership styles and outcomes or effects. It comes in several different versions and the version used in this study is the popular M L Q form 5x-short. And the secondary data will constitute documentation that is relevant literature from journals, reports, internet and related books which will contribute to the development of this work. The data was analsyed using statistical methods (Principal Component Analysis and the Pearson correlation coefficient) and econometric model (Ordinary least squares ) and we used the SPSS version 20 software to regress the data.

### 4.1. Hypothesis:

The assumption in this study progresses from the proposition that there is a positive relationship between the Transformational leadership style and performance and that the Transactional leadership style exert a negative effect on performance in the small and medium enterprises. Hence, the first hypothesis relates to the relationship between the Transformational leadership styles and performance in the enterprise. While the second relates to the effects of Transactional Leadership style on enterprise performance. Hence:

Hypothesis 1: Transformational Leadership style have a positive effect on the performance of SMEs

**Hypothesis 2**: Transactional Leadership has a negative effect on the performance of small and medium size enterprises

### 4.2. Choice of Variables

The independent variables are the transformational and transactional leadership styles, while the dependent variables are the performance outcomes: extra efforts, effectiveness and satisfaction (as performance measures of transformational leadership behavior); productivity and loyalty (as performance measures of transactional leadership behavior) in small and medium enterprises. Therefore questions in the questionnaire are those relating to leadership styles or behaviors and performance as measured by extra effort, effectiveness and satisfaction; effort, productivity and loyalty or commitment. These variables are proposed by BASS (1997). This study operationalizes these variables to evaluate the effect of leadership styles or behavior on performance of SME. In the MFLQ, each independent variable is given equal weighting each research statement has five potential responses from the Likert scale ranging from "not at all" to "all the times" and scale from 0 to 4



Leadership style is a key determinant of the success or failure of any organization. A leader is a person who influences, directs, and motivates others to perform specific tasks and also inspire his subordinates for efficient performance towards the accomplishment of the stated corporate objectives. Leadership style is the manner and approach of providing direction, implementing plans, and motivating people.

According to Ngambi et al. (2010) and Ngambi (2011),cited in Jeremy et al.(2011), leadership is a process of influencing others commitment towards realizing their full potential in achieving a valueadded, shared vision, with passion and integrity. The nature of this influence is such that the members of the team cooperate voluntarily with each other in order to achieve the objectives which the leader has set for each member, as well as for the group. The relationships between the leader and employee, as well as the quality of employees' performance, are significantly influenced by the leadership style adopted by the leader (Jeremyetal.,2011). Leadership style in an organization is one of the factors that play significant role in enhancing or retarding the interest and commitment of the individuals in the organization (Obiwuruetal.,2011).

According to Michael (2011) leadership as a direct cause and effect relationship upon organizations and their success. Leaders determine values, culture, change tolerance and employee motivation. They shape institutional strategies including their execution and effectiveness. Leaders can appearatanly level of an institution and are not exclusive to management. Successful leaders do, however, have one thing in common. They influence those around them in order to reap maximum benefit from the organization's resources, including its most vital and expensive.

The objective of this study was to identify the style or styles of leadership adopted by the managers, and examine its effect on workers' performance, which invariably translated to organizational performance. This part will be divided into two chapters of which the first chapter will streamline the theoretical foundations of leadership styles and performance of SMEs, we shall also have an overview of small and medium size enterprises and their contribution in Cameroon. And the second chapter will bring out the theoretical relationship or the contribution of Leadership to the performance of SMEs in Cameroon.

# **CHAPTER 1:**

# CONCEPTUAL FRAMEWORK OF LEADERSHIP STYLE AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

The concept of leadership has an ambiguous status in organizational practice, as it does in organizational theory. In practice, management appears to be of two minds about the exercise of leadership. Many jobs are so specified in content and method that within very broad limits differences among individuals become irrelevant, and acts of leadership are regarded as gratuitous at best, and at worst insubordinate. (Katz & Kahn, 1966, p. 300)

"The term leadership is a word taken from the common vocabulary and incorporated into the technical vocabulary of a scientific discipline without being precisely redefined" (Yukl, 2002, p. 2). There exist numerous definitions of leadership, almost as many as there are scientists who work on the concept of leadership (Stogdill, 1974), trying to narrow this concept down in terms of traits, behaviors, influence, interaction patterns, role relationships, occupation of an administrative position, or attributions. Still, the observation made by Bennis (1959) holds as it did many years ago: Always, it seems, the concept of leadership eludes us or turns up in another form to taunt us again with its slipperiness and complexity. So we have invented an endless proliferation of terms to deal with it ... and still the concept is not sufficiently defined.

Besides, leadership ideologies and myths further blur the common understanding of leadership. Yukl (2002) presents a compilation of representative definitions of leadership from 1957 up to 1999 Taking these definitions, it becomes clear that most of the leadership definitions assume that "leadership is a process whereby intentional influence is exerted by one person over others in order to guide, structure and facilitate organizational activities and relationships" (Yukl, 2002, p. 7). As this might be the lowest common denominator of leadership definitions, it is also chosen as the basic definition of leadership for this paper. However, the focus on leadership differs as to who exerts influence and in what manner, as well as the purpose and the outcome of the influence attempt. Hence, when leadership is defined in different ways, the research focus, as well as the interpretation of results, shifts.

### Section 1. Review of Leadership theories and styles

All through the research period dealing with leadership, the focus has changed quite a lot. However, certain tendencies can be identified. Bryman (1992) roughly splits leadership research into four decades, beginning with the trait approach up to the 1940s and ending to date with the so-called new leadership approach that includes charismatic and transformational leadership. This brief listing is, of course, not exhaustive but rather superficial. Motivational approaches, attribution theory, learning theories etc., which also play an important part in understanding leadership, are missing.

### **1.1. Leadership theories**

Although research trends have changed over the years, each new stage did not herald the demise of its predecessor; rather, a change in emphasis and perspective was indicated. Components of the preceding approaches can be found in the following trends. The new leadership approach, for example, refers to charisma and leadership behaviors and therefore combines the first two decades with newer theoretical suppositions. The attempts to organize the major approaches to leadership according to the literature have only been partially successful (Yukl, 2002). A more useful way is the classification according to the type of variable that is emphasized the most. The three major variables of leader research are (1) characteristics of the leader (traits, skills, behavior, influence tactics, attributions about followers, etc.), (2) characteristics of the followers (traits, skills, attributions about the leader, trust in the leader, task commitment, satisfaction, etc.), and (3) characteristics of the situation (type or size of organizational unit, position power, task structure, environmental uncertainty, external dependencies, etc.).

### 1.1.1. Traditional leadership theories (1640 to 1980)

This section discusses the various theories of leadership; namely: trait, behavioral, participative and the contingency or the situational theories. The characteristics and components of these theories are considered alongside.

### **1.1.1.1.** The trait leadership theory

The trait approach was popular up to the 1940s. The idea behind this school is that effective leaders share common traits. It effectively assumes that leaders are born, not made. Attempts to identify the

traits of effective leaders have focused on three main areas according to Turner and Muller (2005); the abilities traits demonstrate hard management skills, personality traits on the other hand addresses issues such as self-confidence and emotional variables and the physical appearance which include size and appearance. The Trait Approach according to Bolden et al (2003) arose from the "Great Man" theory as a way of identifying the key characteristics of successful leaders. It was believed that through this approach, critical leadership traits could be determined and people with such traits could then be recruited, selected, and installed into leadership positions. This approach was common in the military and is still used as a set of criteria to select candidates for commissions. This approach rests on the assumption that some people were born to lead due to their personal qualities, while others are not. It suggests that leadership is only available to the choosing few and not accessible to all. The problem with the trait approach lies in the fact that almost as many traits as identified after several years of such research, it became apparent that no consistent traits could be identified. Although some traits were found in a considerable number of studies, the results were generally inconclusive. Some leaders might have possessed certain traits but the absence of other traits did not necessarily mean that the person was not a leader.

Although there had been little consistency in the results of the various trait studies, however, some traits did appear more frequently than others, including technical skill, friendliness, task motivation, application to task, group task supportiveness, social skill, emotional control, administrative skill, general charisma, and intelligence. Kilpatrict and Locke (1991), in a meta-analysis, did seem to find some consistency around the following traits: drive to achieve; the motivation to lead; honesty and integrity; self-confidence, including the ability to withstand setbacks, standing firm and being emotionally resilient; and knowledge of business. They also note the importance of managing the perceptions of others in relation to these characteristics. Northouse (1997) provides a useful historical comparison of the list of traits uncovered in other studies.

Perhaps, the most well-known expression of the trait approach is the work relating to charismatic leadership. House (1976), for example, describes charismatic leaders as being dominant, having a strong desire to influence, being self-confident and having a strong sense of their own moral values. In a slightly different vein, Goleman (1998) carried out a meta- analysis of leadership competency frameworks in 188 different companies. These frameworks presented the competencies related to outstanding leadership performance. Goleman (1998) analysed the competencies into three groups;

technical, cognitive and emotional, and found that, in terms of the ratios between each group, emotional competencies "proved to be twice as importance as others. He goes on to describe five components of emotional intelligence which are *self –awareness*, *self- regulation, motivation, empathy and social skill*.

Goleman's research (1998) is slightly different from previous work on the trait approach, as here what makes an effective leader rather than what makes a leader is considered (irrespective of whether they are effective or not). It is also different in that Goleman (1998) refers to competencies rather than traits. Competencies include a combination of traits and abilities, among other things.

Rajan and Van Eupen (1997) also considered that leaders are strong on emotional intelligence, and that this involves the traits of self-awareness, zeal, resilience and the ability to read emotions in others. They argue that these traits are particularly important in the development and deployment of people skills. Herfetz and Laurie (1997) similarly identify that in order for leaders to regulate emotional distress in the organizations, which is inevitable in change situations, the leader has to have "the emotional capacity to tolerate uncertainty, frustration and pain. Along the same lines Goffe (2002) identifies that inspirational leaders need to understand and admit their own weaknesses (within reason); sense the needs of situations; have empathy and self-awareness.

### **1.1.1.2.** The behavioral theories of leadership

The results of the trait studies were inconclusive. Traits, amongst other things, were hard to measure. It was not easy for instance to measure traits such as honesty, integrity, loyalty, or diligence. To avert this situation, another approach in the study of leadership had to be found; the behavioral school. The behavioral or style school was popular from the 1940s to the 1960s. It assumed that effective leaders adopt certain styles or behaviors. It assumes, in effect, that effective leaders can be made. Most of the best-known theories characterize leaders against one or two parameters, and place them on a one-dimensional continuum or in a two dimensional matrix (Blake & Mouton, 1978 and Hershey & Blanchard, 1988). The parameters include concern for people or relationships, concern for production, use of authority, involvement of the team in decision-making, involvement of the team in decision-taking and flexibility versus the application of rules.

# 1.1.1.2.1. The managerial grid of Blake and Mouton

They brought out an imaginable mode of management in the organization. They tried to bring out the relationship or compromise between:

- Interest based on tasks, objective, results, performance
- Interest based on men, personnel



### Figure1: Managerial grid of Blake and Mouton, 1978.

We will explain each of the style in the managerial grid :

✤ The Laissez faire (1-1): it is characterized by an inexistent manager who avoids responsibilities and worries.

✤ The social or country club style (1-9): here, importance is given to the conviviality in the management style. It describes a manager who has more attention to the security and the comfort of workers, favouring a working atmosphere sometimes at the detriment of production.

✤ The Autocratic style (9-1): depicts a manager who pressurizes his team and is only preoccupied with results.

• The Intergrative style (9-9): represents an equilibrated manager who encourages and help his team in the realization of fixed objectives.

The institutional style (5-5): characterizes a manager who accords a certain importance to his personnel and production and who targets an acceptable level of performance.

This manageriale grid basically distinguishes 02 important leadership behaviors.

The first, is managers having a behavior oriented towards tasks, productivity or results. They have a central preoccupation which is the realization of objectives, they privilege efficiency to the detriment working relations.

The second dimension is managers having a behavior oriented towards towards the relation between workers. The manager is preoccupied with the social climate and searches to maintain a good working relation in the team.

## 1.1.1.2.2. The X and Y theory of McGregor

According to Mcgregor, there exist two ways of managing men which he described as theory X and theory Y

### 1. Theory X

Theory X is based on the following postulations :

Man is lazy, he does not like work hence he should be controlled, directed, submitted to sanctions. In the case work is necessary, only salary can compensate the disutility of work

Man prefers to be directed, he avoids all responsibility.

 $\succ$  He is afraid of ambitions and prefers security. He does not like changes, he likes routine task that he knows already.

## 2. Theory Y

The postulations of the Y theory include:

 $\checkmark$  Work is also as indispensable as rest.

 $\checkmark$  The system of sanction and external control are not the only means to make workers to satisfy the needs and objectives of the organization.

 $\checkmark$  Man has the capacity of auto-management and auto-control.

 $\checkmark$  The worker has the capacity to exercise his imagination and his creativity at the service of the organisation

The theory of X is very wide spread, but this method is not efficient and inadapted since it is based on motivations that are not very important.

The theory of Y is more efficient because it bases on more profound motivations which permits to intergrate individual goals and that of the organization.

Theory Y leaders assume:	
1.Employees can view work as being as natural	
possible, will rest or play	
2. Men and women will exercise self-direction	
and self-control if they are committed to the	
to achieve objectives	
3. The average person can learn to accept, even	
seek, responsibility	
4. The ability to make good decisions is widely	
dispersed throughout the population and is not	
necessarily the sole province of managers	

### Table 1: McGregor's Theory X and Theory Y(1960)

McGregor concluded that the mode of direction based on theory X can be applied with success when the psychological needs of the individual is not satisfied or in the absence of a legislation starting a minimum salary. But between 1945 and 1970, the living conditions ameliorated, there was a search to motivate individuals without using salary or remuneration. The shock of May 1968 in France revealed the worries of the workers to be motivated and given responsibilities. In the context of crisis and unemployment of the 80's and 90's, we realized a return in force of theory X in the organization and the same time the development of a participative management.

# 1.1.1.2.3. Participative Leadership theories of Kurt lewin

Lewin gave the following assumptions:

• Involvement in decision-making improves the understanding of the issues involved by those who must carry out the decisions.

- People are more committed to actions where they have involved in the relevant decision-making.
- People are less competitive and more collaborative when they are working on joint goals.

• When people make decisions together, the social commitment to one another is greater and thus increases their commitment to the decision.

• Several people deciding together make better decisions than one person alone.

A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Most participative activity is within the immediate team.

< Not participative				Highly participative >
Autocratic decision	Leader proposes	Team prosesses	Joint decision with	Full delegation of
by Leader	decision, listens to	decision, leader	team as equal	decision to team
	feedback then	has final say		
	decides			

## Table 2: Continuum of Participatory Style

Source: Kurt Lewin

This approach is also known as consultation, empowerment, joint decision-making, democratic leadership, Management By Objective (MBO) and power-sharing. Participative Leadership can be a sham when managers ask for opinions and then ignore them. This is likely to lead to cynicism and feelings of betrayal.

### K. Lewin presented three paticipative leaderships styles

- -Authocratic
- -Democratic
- -Laissez faire

### **1.1.1.3.** The Situational leadership theory

The failure to obtain consistent results with trait or behavior theories led to a focus on situational influences. The situational or contingency approach proposes that the effectiveness of a certain leadership style is situationally contingent, meaning that it will be effective in some circumstances but not in others. Those aspects of the situation that enhance the effects of the leader (or nullify them) are called 'situational moderator variables' (Yukl, 2002). Therefore, the contingency approach assumes that there is no universally appropriate leadership style or **'one-best-way'**.

The first comprehensive contingency theory of leadership was proposed by Fiedler (Fiedler, 1964, 1967), who determined the situation using three aspects: the leader member relations, the position power, and the task structure. The efficiency of a leadership style (here Fiedler distinguished between person- and task-oriented leaders as measured by the LPC [least-preferred coworker] – score; according to Fiedler a fixed leadership style that cannot be changed), depends on the situational favorability. The situational favorability results from weighing and combining the three situational aspects (leader-member relations being the most important and position power the least important aspect). According to Fiedler's theory, the correlation of the leadership style and the leader's efficiency varies according to the situation: in very favorable or very unfavorable situations, low LPC-leaders (i.e. task-oriented) are more effective, in the intermediate favorable situations, the person-oriented leader is more effective. Fiedler's achievement was to introduce the first contingency theory of leadership and thereby he encouraged greater interest in situational factors. However, the theory has a lot of conceptual weaknesses. One of the more serious weaknesses is the measurement of leadership behavior. The LPC score is a "measure in search of a meaning" (Schriesheim& Kerr, 1977, p. 23), as its interpretation has

been changed a lot of times. Its recent interpretation is still speculative (Staehle, 1999). The discordance of results, especially of those not obtained by Fiedler's scholars (Neuberger, 2002), or the one-sided reflection of efficiency as being a pure task efficiency can be noted as being other weaknesses of the theory.

Another approach to overcome the inconsistent findings in the context of behavior theories is the pathgoal theory of leadership (Evans, 1970; House, 1971). The path-goal theory "addresses the effects of leaders on the motivation and abilities of immediate subordinates and the effects of leaders on work unit performance" (House, 1996, p.323). It represents an application of the expectancy-theory of motivation (e.g. Vroom, 1964). Hence, the efficiency of the leader depends on his ability to positively influence the subordinates' expectancy of instrumentalities and valences and the probabilities of rewards. The motivational functions of the leader consist of increasing personal payoffs to subordinates for work goal attainment and making the path to these payoffs easier to travel by clarifying it, reducing roadblocks and pitfalls, and increasing the opportunities for personal satisfaction en route. (House, 1971, p. 324)

Later formulations of the theory (House & Mitchell, 1974) expanded the number of leadership behaviors relevant to the motivational processes emphasized by the theory to four: supportive leadership, directive leadership, participative leadership, and achievement-oriented leadership. The initial version only dealt with supportive leadership (similar to consideration) and directive leadership (similar to initiating structure) (Yukl, 2002). The extent to which each of these leader behaviors will have a positive impact upon subordinate performance and satisfaction is contingent upon two aspects of the situation: subordinates characteristics and environmental or task characteristics. According to House and Dessler (1974), "leader behavior will be viewed as acceptable to subordinates to the extent that the subordinates see such behavior as either an immediate source of satisfaction or as instrumental to future satisfaction" (p.31). Furthermore, subordinate's locus of control and experience are important variables. On the side of the environmental characteristics, the efficiency of leader behavior will depend upon the nature of the task. It the task is highly structured, directive leadership might lead to excessive control and therefore dissatisfaction, whereas this type of leadership might be successful with unstructured tasks (Bryman, 1992; Yukl,2002).

This chapter does not claim to provide an all-embracing overview of the history of leadership theories but rather offers short insights into a broad field of research and approaches to leadership. Every selection of leadership theories will have to be cut short at some point. As the focus of this is on the contemporal leadership theories such as transformational and transactional leadership which will be presented in the Full Range of Leadership Model of Bass and Avolio.

### **1.1.2.** Contemporal Leadership theories (1980 to present)

Here, we shall explore the different contemporal leadership theories such as the transformational, transactional and passive avoidance leadership styles using the Full Range of Leadership Model (FRLM) of Bass and Avolio, 1998

#### the full range leadership model

Over the past 20 years, there has been considerable interest in the new paradigm of transformational and transactional leadership (Avolio, 1999;Bass, 1998). Previous leadership models have fallen short in explaining a "full range" of leadership styles, ranging from the charismatic and inspirational leaders to avoidant laissez-faire leaders.

The full range model of leadership was developed to broaden the range of leadership styles typically investigated in the field. The model was labeled "full range" to challenge the leadership field to broaden its thinking about what constitutes a much broader range of leadership styles than the paradigms of initiation of structure and consideration. The full range model of leadership assumes the existence of differences in the effectiveness of leadership styles, based on the active/passive distinction. Broad categories of leadership range thus from Passive / Avoidant Leadership (Laissez-Faire), through the classical model of Transactional Leadership and up to Transformational Leadership.

### **1.1.2.1.** Transformational Leadership style

A transformational leader's behaviour originates in the personal values and beliefs of the leader and motivates subordinates to do more than expected (Bass, 1985). Burns (1978), identified transformational leadership as a process where, "one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality".

For transformational leadership style, the follower feels trust, admiration, loyalty and respect towards the leader, and is motivated to do more than what was originally expected to do (Bass, 1985; Katz &
Kahn, 1978). The transformational leader motivates by making follower more aware of the importance of task outcomes, inducing them to transcend their own self-interest for the sake of the organization or team and activating their higher-order needs. He encourages followers to think critically and seek new ways to approach their jobs, resulting in intellectual stimulation (Bass et al., 1994). As a result, there is an increase in their level of performance, satisfaction, and commitment to the goals of their organization (Podsakoff et al, 1996).

Transformational leadership style focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). Transformational leadership acts as a bridge between leaders and followers to develop clear understanding of follower's interests, values and motivational level. It basically helps follower's achieve their goals working in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Bass, 1994). The transformational leader tries to widen the interests of his subordinates and to evoke the acceptance for the mission of the group (Bass, 1990). He takes the time to get to know the people he works with, what they need to know to perform at their best, and how far they can be challenged and supported (Avolio, 1999). He looks for new directions that can be taken and evaluates the chances when taking risks but does not support the status quo. Rather than reacting to changes in the environment, he tries to be actively involved. Transformational leaders motivate others to achieve more than they think is possible by addressing and modifying their subordinates' values and self-esteem.

"Transformational leaders get their followers to 'buy into' their visions and internalize them so that the followers become intrinsically motivated to strive for the common goals and visions" (Goodwin, Wofford, & Whittington, 2001, p. 772). Furthermore, they inspire them to go beyond their egoistic interests. Bass (1998) points out that transformational leaders shift goals away from personal interests and security towards achievement, self-actualization, and the greater good. As a consequence, followers are ready to show extra effort to achieve these aims. The transformational process implies changing the followers' needs and values in order to accomplish higher order objectives. "The application of transactional leadership must take into account individual needs. When these needs are elevated, the

leadership exchange begins its shift from transactional to transformational leadership" (Bass &Avolio, 1997, p. 26).

The transformational dynamic involves a strong personal identification with the leader, a joint vision of the future, and going beyond the self-interest exchange for rewards (Hater & Bass, 1988).

According to Bass and Avolio (1994), transformational leadership is seen when leaders: -stimulate interest among colleagues and followers to view their work from new perspectives, -generate awareness of the mission or vision of the team and organization, -develop colleagues and followers to higher levels of ability and potential, and -motivate colleagues and followers to look beyond their own interests toward those that will benefit the group.

Bass (1990), proposed four behaviors or components of transformational leadership to include charisma, inspirational motivation, intellectual stimulation, and individual consideration.

#### > Charisma or idealized influence/attribute (CHM)

Charisma, or idealized influence or attributes, is characterized by vision and a sense of mission, instilling pride in and among the group, and gaining respect and trust (Humphreys & Einstein, 2003). Charismatic behaviour also induces followers to go beyond self-interest for the good of the group, providing reassurance that obstacles will be overcome, and promoting confidence in the achievement and execution influence (Conger and Kanungo, 1998; Howell and Frost, 1989) and followers place an inordinate amount of confidence and trust in charismatic leaders (Howell and Avolio, 1992).

The importance of charisma for transformational leadership

In his first conceptualization, Bass (1985) identified three important facets of transformational leadership: charisma, intellectual stimulation and individualized consideration, with charisma being "the fundamental factor in the transformational process" (Deluga, 1988, p. 457). The latter two are still part of the more recent conceptualizations (Bass &Avolio, 1995a; Bass &Avolio, 1997). The factor charisma, however, was subdivided into idealized influence and inspirational motivation. Reasons for this being conceptual criticism on the operationalization of charisma, the bad connotation attached to charisma, particularly in Europe or Asia, and the various meanings it has in the public mind ranging from celebrated to flamboyant and personable (Bass, 1995).

However, transformational and charismatic leadership are often treated equally<sup>1</sup>(Hunt, 1999). Reasons may be the nearly isochronic<sup>2</sup> upcoming of research concerning transformational and for this charismatic leadership, or their theoretical similarity and empirical overlapping. Both streams of research diverge from religious and mystic aspects or the extraordinary, superhuman capabilities of outstanding heroes of the first charisma theories (Weber, 1922/1976) and the charismatic styles identified later. They changed the former concepts towards a more behavior-orientated and pragmatic perspective. Key aspects of both, charismatic and transformational leadership, are value-based attractive visions, inspiration, role modeling, support of personal growth, trust and consideration of followers' needs (Alimo-Metcalfe & Alban-Metcalfe, 2001; Bass, 1985; Conger & Kanungo, 1987; House, 1977; House & Podsakoff, 1994; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). Central to both theories is that by influencing followers' values, self-esteem and self-concept, these show higher levels of effort, performance, satisfaction and commitment (Bass, 1985; Shamir, House, & Arthur, 1993). Furthermore, in Bass' literature review for the first conceptualization of the transformational leadership theory, Weber's (1922/1947) and House's (1977) treatises on charismatic leadership were, amongst others, important markers (Bass, 1995).

#### > Inspirational motivation (IM)

Inspirational motivation is usually a companion of charisma and is concerned with a leader setting higher standards, thus becoming a sign of reference. Bass (1985), points out followers look up to their inspirational leader as one providing emotional appeal to increase awareness and understanding of mutually desirable goals. This is characterized by the communication of high expectations, using symbols to focus efforts, and expressing important purpose in simple ways. The leader always behaves talking optimistically about the future, articulating a compelling vision for the future and providing an exciting image of organizational change (Bass and Avolio, 1994). The motivation occurs by providing meaning and challenge to the follower's work; individual and team spirit are aroused and. enthusiasm and optimism are displayed. The leader encourages followers to envision attractive future states, for the organization and themselves (Bass et al, 1997).

<sup>&</sup>lt;sup>1</sup>Yet, for Bass, charisma is only a part of transformational leadership, "the three additional transformational factors, although intercorrelated with charisma, are conceptually distinct from charisma" (Bass &Avolio, 1993a, p. 62). Bass and Avolio argue that an intellectually stimulating leader does not have to be charismatic toencourage followers to consider old problems in new ways, and neither do inspirational or individually considerate leaders have to be charismatic. "Charismatic leaders do not necessarily consult with followers…before using their personal power to direct and even coerce followers whose needs are being met by the followers" (Bass, 1990b, p. vii).

<sup>&</sup>lt;sup>2</sup> Develop at the same time

#### Intellectual stimulation (IS)

Intellectual stimulation provides followers with challenging new ideas and encourages them to break away from the old ways of thinking (Bass, 1985). The leader is characterized as one promoting intelligence, rationality, logical thinking, and careful problem solving. The attributes include seeking differing perspectives when solving problems, suggesting new ways of examining how to complete assignments and encouraging re-thinking of ideas that have not been questioned in the past (Bass and Avolio, 1994). The leader encourages the followers to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways.

#### > Individualized consideration (IC)

The fourth dimension of transformational leadership is "individual consideration" which is concerned with developing followers by coaching and mentoring (Bass, 1985; Bass &Avolio, 1990). The leader pays close attention to the inter-individual differences among the followers and act as mentor to the follower. He teaches and helps others develop their strengths, and listens attentively to others" concerns (Bass and Avolio, 1994). Followers are treated individually in order to raise their levels of maturity and to enhance effective ways of addressing their goals and challenges (Bass, 1985).

#### **1.1.2.2.** Transactional leadership

Transactional leadership involves an exchange process that results in follower compliance with leader request but not likely to generate enthusiasm and commitment to task objective. The leader focuses on having internal actors perform the tasks required for the organization to reach its desired goals (Boehnke et al, 2003). The objective of the transactional leader is to ensure that the path to goal attainment is clearly understood by the internal actors, to remove potential barrier within the system, and to motivate the actors to achieve the predetermined goals (House and Aditya, 1997). Bass presented two dimensions of the transactional leadership style and they include contingent Reward and active management by exception.

It is a matter of contingent reinforcement of employees based on performances. It motivates subordinates by appealing to their personal desires, based on instrumental economic transactions. Transactional leaders generally use organizational bureaucracy, policy, power, and authority to maintain control; this style of leadership is occasionally referred to as authoritative (Bennet, 2009).Previous leadership scholars (e.g., Bass, 1985, Podsakoff, 1990) have identified *contingent reward*, which involves leaders clarifying roles and task expectations and providing contingent rewards on the fulfillment of contractual obligations, as the principal behavior to represent transactional leadership because it "captures the exchange notion fundamental to transactional leader behavior"(Podsakoff, 1990, p.113).The transactions or exchanges

included in contingent reward may include tangible (e.g., pay increases) or intangible (e.g., recognition) commodities.

Note that the transactional process, in which the leader clarifies what the associates need to do for a reward, is nevertheless viewed here as an essential component of the full range of effective leadership. The newer paradigm adds transformational leadership to previous transactional leadership models. It is likely to have direct relevance particularly to the volunteer sector where the rewards are more personal and social and are based on commitment to ideals. In introducing the concept of transformational leadership, Burns (1978) pointed out that the moral movers and shakers of the world don't cater to their self-interest as much as they enable others to transcend their own self interest for the good of their group, organization, community, or society.

Transformational leadership does not replace transactional leadership, it augments transactional leadership in achieving the goals of the leader, associate, group, and organization. Although transformational leaders can be transactional when appropriate, transactional leadership is often a prescription for lower levels of performance or non-significant change.

#### ✓ Contingent reward (CR)

Contingent reward enables the followers to perceive the consistency in leadership behavior as well as the reliability of their leaders. "The leader assigns or secures agreements on what needs to be done and promises rewards or actually rewards others in exchange for satisfactorily carrying out the assignment" (Avolio, 1999, p. 49). Those rewards are connected to the followers' needs, which are identified by the leader and linked to what the leader wants to accomplish. The workers can rely on the honoration by their leaders for their efforts through instrumental support or assistance in confrontations with superiors. CR builds the basis of the receptivity of transformational leadership (Bass &Avolio, 1995a).

#### ✓ Management by Exception (MbE:A)

Management by exception (MbE) describes a leader who only acts if there are deviations of standards, his motto is "if it ain't broken don't fix it" (Bass, 1990a, p. 20). The most 'positive' reward in this case is the absence of criticism. MbE may appear in a more active way (management by exception active - MbEa) when there is active monitoring and correction before things go wrong, or in passive way (management by exception passive - MbEp) when executives wait passively and react when mistakes or problems occur (Bass &Avolio, 1994). "The active manager arranges to monitor and correct deviations; the passive manager waits for them to occur before taking corrective action" (Bass &Avolio, 1993a, p. 61).

#### **1.1.2.3.** Laissez faire Leadership (LF)

Laissez-Faire (LF) is the avoidance or absence of leadership. In its extreme, nothing is transacted between the leader and the follower. The leader delays decisions, gives neither instructions nor feedback, there is no attempt to motivate followers nor does the recognition and satisfaction of their needs take place. Laissez-faire leadership is the most ineffective leadership (resp. non-leadership) style in the full range of leadership.

Passive / avoidant leadership is typical for managers who do not react systematically to situations and problems which arise. Passive leaders do not clarify misunderstandings, do not make their expectations clear, do not set clear objectives and performance standards for their followers. This style has very often a serious negative effect upon individual, group and organizational results. Outcomes are most of the time exactly opposed to the intended consequences. This is why this outlook on leadership is often called "no leadeship". This leadership style has two components and they include Management by Exception: Passive (MbE:P) and Passive avoidance or laissez faire (LF)

#### • The Management-by-Exception: Passive

Identifies leaders who are able to fight fires in their team or organization. If active management by exception focuses on continuously monitoring mistakes and deviations from the expected norm and taking corrective measures against the apparition of errors and mistakes, before these errors appear, passive management by exception waits for problems to appear before taking corrective actions. Managers using this leadership style adhere to the opinion that "if it isn't broken, don't fix it" and wait

for problems to become severe before taking corrective action. Corrective actions are most of the time punitive.

#### • The laissez-faire or Passive avoidance

Identifies leaders who tend to avoid involvement. This leadership style could be easily defined as "nonleadership" and is the exact opposite of an efficient transformational leadership style. Permissive leaders refuse to assume the responsibilities that are part of their position as leaders: they do not offer enough information to their followers, do not offer feedback, do not acknowledge or work towards their followers' satisfaction. High scorers in this scale avoid approaching important problems, are absent when needed, avoid making decisions and have late reactions to urgent problems.

The Snapshot of the leadership profile visualizes an overview of the concepts of the Full Range Leadership model. These concepts include Transformational Leadership, Transactional Leadership and Passive / Avoidant Leadership. The Snapshot also visualises the passive vs. active forms of leadership, as well as the more effective vs. rather ineffective forms.

## Figure 2: THE Full Range Leadership Model OF BASS AND AVOLIO, 1995, 2005



Source: Bass and Avolio,(1995)

From the above Leadership theories, we can bring out a summary of the evolution of leadership theories and styles ranging from the Traditional to Contemporal leadership styles and theories. Hence the table below will attempt to bring out a historiography or evolution of leadership theories according to Bryman in 1992

	Periods	Approach	Core theme	Authors
	Up to late 1940's	Trait approach	Leadership ability is innate	Stodgill
	Late 1940 to Late	Style approach	Leadership effectiveness is to o	- Blake and
	1960		do with how the leader behave	Mouton - Mc Gregor
TRADITIONAL				-Kurt Lewin
LEADERSHIP	Late 1960 to early	Contingency/ Situation	It all depends " no one best way	Fiedler
THEORIES	1980	approach	effective leadership is affected b the situation	
CONTEMPORAL	Early 1980 to Present	New leadership approach:	Leaders needs vision	Bass and
LEADERSHIP		including Transformationa		Avolio
THEORIES		Transactional and Laissez faire Leadership		

Source: authors conception

#### **Figure 3: Cycle of the evolution of Leadership theories**



Source: author's conception

After seing the different leadership theories, we shall proceed to present to see the different theories of performance and also a general presentation of Small and Medium size enterprises

#### Section 2. Theories of Performance and the presentation of SME's in Cameroon

Here, we shall present the different theories of performance and the presentation of Small and medium size enterprises according to the law of 16 July 2015

#### **1.2.1.** Theories of performance

Enterprise performance refers to the ability of an enterprise to achieve such objectives as high quality product, large market share, good financial results and survival at pre-determined time using relevant action strategies.

Maire, E. and Dubost, M. (2004) in their work "Les cle de la performance" defined performance as "the need to attain his proper objectives, it consist to give the best of yourself for its realization. To be performant is realizing a project in a manner that you exceed the level that you were previously situated. In any case, it consist to pose valid or valuable objectives and do all to attain the objectives.

In effect for certain authors, the performance of an enterprise will be linked directly to the nature of objectives fixed to the workers and not to the style of management. The objectives should be realizable, clear, precise and have to be an object of follow-up and a regular control.

Today, our era is marked by globalization and hyper competition. This explains why the notion of performance is very important. This concept is regularly used in recent times and it is applied in all domains. It's sense is reinforced when we talk of enterprise performance, in effect, it is the first or primary objective of every enterprise. Traditionally, to be performant means to be efficacious ( attaining your objectives) and efficient ( attaining objectives while minimizing resources or inputs). But we will see with respect to different authors that performance is linked to different modalities

#### 1.2.1.1. Performance of the enterprise linked to the method of management

According to GILBERT, P. and CHARPENTIER, M.: «Performance designs the realization of objectives, no matter the nature or variety of the objectives. Performance is multidimensional that is with respect to the image of organizational goals it is subjective and depends on the reference chosen »

In effect, performance of an enterprise is based on the behavior of the manager and more generally to the method of management, it is for this reason that we say performance is subjective. At the end of the 60's, Blake and Mouton realized a managerial grid in a situational mode of reasoning. It is a comportmentalist approach which does not seek to analyse the personality trait of the manager but his manner of managing. From the works of Blake and Mouton, we can bring out two performance dimensions with respect to the behavior of the manager

The manager having a behavior oriented towards tasks, productivity and results. He has as principal preoccupation the attainment of objectives, they privilege efficiency to the detriment of working relations.

✤ Managers having a behavior oriented towards the relations between workers. The manager is preoccupied with the social climate and searches to maintain good working relation in the team

#### **1.2.1.2.** Performance of the enterprise linked to fixed objectives

MAIRE, E. and DUBOST, M. (2004) in their book entitled *Les clés de la performance*, defined performance as « the exigencies to attain your proper objectives. Once the objectives has been fixed, it necessitate giving the your best to attain them. To be performant is to realize a project in a manner that you surpass the level that you were previously situated. In any case it consist to pose a valuable objective and to do all to attain it »

Ineffect, for some authors, the performance of an enterprise will e linked directly to the nature of objectives fixed to the workers and not the style of management. The objectives should be realizable, clear, and precise and should be an object of follow-up and regular control. Emmanuel MAIRE and Mathieu DUBOST proposed a fundamental equation to better understand the notion of performance:

Performance = competence X motivation X determination of objectives

Hence, performance results from a combination of different factors.

Understanding the effects of leadership on performance is also important because leadership is viewed by some researchers as one of the key driving forces for improving a firm's performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for improvement of organisational performance (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision (Avolio, 1999; McShane and VonGlinow, 2000). Zhu et al.(2005),suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in new organizational environments. Mehra, Smith, Dixon and Robertson (2006) argue that when organizations seek efficient ways to enable them outperform others; a long standing approach is to focus on the effects of leadership.

Team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action. This leader-centered perspective has provided valuable insights into the relationship between leadership and team performance (Guzzo and Dickson, 1996). Some studies have explored the strategic role of leadership to investigate how to employ leadership paradigms and use leadership behavior to improve organizational performance (Judge, Bono, Iliesand Gerhardt, 2002; Judge and Piccolo, 2004; Keller, 2006; McGrath and MacMillan, 2000; Meyer and Hepard, 2000; Purcell, Kinnie, Hutchinson and Dickson, 2004; Yukl,2002). This is because intangible assets such as leadership styles, culture, skill and competence, and motivation are seen increasingly as key sources of strength in those firms that can combine people and processes and organizational performance (Purcell et al, 2004). Previous studies led the expectation that leadership paradigms will have direct effects on customer satisfaction, staff satisfaction, and financial performance. . Thus the main objective of this study is to investigate the impact of leadership style on the performance of Cameroonian SMEs.

#### 1.2.2. Presentation of SME's and their role in Cameroon

According to **law number 2015/010 of 16 july 2015** on the promotion of Small and Medium size enterprises in Cameroon; enterprises are considered as SME's no matter their domain of activity when

they employ a maximum of 100 workers and when their 'Chiffre D'affaire hors tax'' (CAHT) does not exceed 3 billions.

SMEs play a crucial role in the development of a countries economy (Ariyo, 2005). They are of significant importance to the economy of developing countries such as Cameroon, where challenges such as poverty eradication and unemployment are still considered as major issues facing citizens. In Cameroon, SMEs are the main driver of the economy, accounting for almost 90% of the economic fabric and employ more than 50% of the workforce in the private sector (INS, 2009). The recent enterprise survey conducted by the National Institute of Statistics (2009) reveals that there are 93.969 enterprises in Cameroon out of which 99.2% are SMEs. Statistics also show that 33 000 SMEs<sup>2</sup>have been created in Cameroon, formal and informal SMEs contribute 50% of GDP and account for about 92% of businesses in Cameron (INS, 2005). As far as employment and poverty alleviation is concerned, SMEs remain the backbone of the economy.

The creation of the Ministry of Small and Medium-Sized Enterprise, Social Economy and Handicraft (MINPMEESA) in December 2004 and the creation of the bank of SMEs in Cameroon by the head of state in 2014 are great indicators of how important this sector is to the Cameroonian economy. SMEs therefore have a crucial role to play in stimulating growth, generating employment, contributing to poverty alleviation, given their economic weight in the country.

The following are some contributions of SME's to Cameroon economic growth:

SMEs are sources of employment generation, this is because more jobs per unit of investment capital and per unit of energy consumed are created worldwide by SMEs than large -scale enterprises, providing employment to a lot of unemployed Cameroonians.

SMEs provide a training avenue for the creation of local entrepreneurs in several areas of economic activities. They are regarded as training ground for developing human capital and potential entrepreneurs who are well equipped to establish and successfully manage business organizations regardless of size.

SMEs proliferation has increase the level of economic and social development particularly in the rural areas. They are easily located in rural areas because they can survive on rudimentary industrial infrastructures. Consequently, they serve as major facilitators for industrial dispersal and

rural development and thus help in mitigating the rural-urban drift. When SMEs are cited in rural areas, they help to improve rural infrastructure and the living standard of the people. Social amenities such as: road, electricity, pipe-borne water, telecommunication facilities,... are attracted to the area as a result of the presence of SMEs in the community.

Also, existence of SMEs has minimized the pressure and dependence on government and large companies by job seekers for salaried employment. They provide opportunities for the development of local skills and technological acquisition. The "Aba made" syndrome is a clear example of such technological acquisition. This is made possible by the liberalization policy of the government in some sectors including communication, education, and energy among others. Further encouragement in this regard will give rise to rapid economic development.

SMEs act as catalysts to large enterprises through the supply of raw materials and goods to them. They also engage in the distribution of finished products from such big firms to the final consumers.

Sound development of SMEs has positive implications for improved standard of living of the people. In addition, it generates foreign exchange for further development of the economy

From the above conceptual study of the different leadership styles and the different dimension of performance and based on the importance of small and medium size enterprises in the development of the Cameroonian economy we shall go ahead to see the relationship that exist between Leadership styles and the Performance of SME's in Cameroon

### **CHAPTER 2**

### IMPACT OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLE ON THE PERFORMANCE OF SMEs

The extent to which members of an organization contribute in harnessing the resources of the organization equally depends on how well the managers (leaders) of the organization understand and adopt appropriate leadership style in performing their roles as managers and leaders. Thus, efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance depends, to a large extent, on leadership style, among other factors. From this consideration, this study is intended to evaluate the effect of leadership style on the performance of Small an medium enterprises, contribute to empirical studies on leadership style and organisational performance, proffer quantitative-based recommendations for policies and programs to reposition SMEs at integral part of the engine of economic growth and development in Cameroon.

Understanding the effects of leadership on performance is also important because leadership is viewed by some researchers as one of the key driving forces for improving a firm"s performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001).

Here, section 1 will bring out the impact of Transformational leadership and transactional leadership style in the scope of the FRLM and section 2 will present the benefits of Leadership development and contribution of Leadership on productivity

# Section 1: Impact of Transformational leadership and transactional leadership style in the scope of the FRLM

The magnitude and importance of leadership in different organizations has long been unnoticed and unobserved from a long period of time. But now its importance has been realized and now it has become a burning issue all over the world. Effective leadership enhances the productivity of employees in all the sectors of the economy in a country and now it has motivated researchers, nationwide and global organizations to receive keen and intense notice in it. Productivity can be defined as "an economic measure of output per unit of input. Inputs include labor and capital, while output is typically measured in revenues and other GDP components such as business inventories". With a variety of new techniques, better leadership abilities and skills can be established to be successful in increasing the employee's productivity in the organizations. Due to the aggressive competition of the global and worldwide market and added diversified forces, the collection of management and leadership abilities and skills must be increased and expanded to increase the productivity of the employees in the organizations (Wart, 2003). The leaders direct the affiliates of business in the direction of the objectives of the organization. So one of the major duties of a high-quality leader to make certain that the tasks of the business are executed in disciplined and economical way.

The importance of leader in the organization is just like sun in the "solar system". Leaders can greatly influence their subordinates and have the ability to increase their productivity. The traits of leaders are visibly significant, particularly in joint effort in particular. Leaders require the abilities to employ its employees in prolific and pleasing shared pursuits. But, this is an exit from the normal means of considering leader traits as belongings, rather than interpersonal relations to others involved in common actions. The leadership skills and knowledge cannot be inherited, rather can be got and taken from others, built-up and are apparent in routine working (Katz, 1974).

Normally, leadership is the method or practice with the help of which an influential person convinces and directs the employees working in the organization towards the accomplishment of his/her aims (Yukl, 1989; Greenburg and Giacalonc, 1997).

The literature on leadership proposes that leaders apply a huge amount of power on their employees and followers on dyadic intensity. Particularly, it implies that leaders who provide continuous help to their group "sense of self-worth" will help that group to display an acceptable height of performance and productivity (Dansereau*et al.*, 1995).

The standard practices, ethics and principles are started from the head/leader, later on built-up by the leader and also continued by him/her (Grosenick and Gibson, 2001). The productivity of employees is mainly significant matter to bosses and administrators because the main intention of their work is to obtain the maximum from their jobs and work. The exercise of features like cash, job safety and a relaxed workplace for inspiring workers is frequently overvalued, because they may likely be just effect in inhabitants not becoming fewer encouraged, but leading by leaders have more impact for their motivation.

Leaders put in place the paradigm for perfect practices, model actions and performance, then it is followed by the employees. They set the examples may be called the initiator and originator of organization's customs and norms. Attainment of morals plans in business is just because of enthusiastic leaders (Hejka-Ekins, 2001; Lewis and Gilman, 2005). The expertise of leadership definitely enhances the efficiency of the managerial leaders, also increases the productivity of the employees working in the organization. The most important function of the leaders is to supervise the productivity of the employees and it is one way through which the leaders can increase performance of the employees (Humphrey, 2002).

The research done by Bertrand and Schoar (2003) showed that the leader recognizes subject; their research showed the effects of the leaders are positively correlated with the profitability of the organization.

Relationship between leadership style and organizational performance has been discussed often. Most research showed that leadership style has a significant relation with organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin et al., 2010).

McGrath and MacMillan (2000) report that there is significant relationship between leadership styles and organizational performance. Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Sun (2002) compares leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organizational performance in both schools and enterprises.

We shall examine the effects of leadership on performance following the different recent leadership styles in order to better understand the relationship that exist between leadership style and performance, we will analyze the effect of transformational and transactional leadership style on the performance of SMEs in Cameroon.

The difference between transformational and transactional leadership lies in the way of motivating others. A transformational leader's behavior originates in the personal values and beliefs of the leader and motivates subordinates to do more than expected (Bass, 1985). Burns (1978), identified

transformational leadership as a process where, "one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality".

## **2.1.1.** Impact of Transformational leadership style on performance using the performance outcomes

For transformational leadership style, the follower feels trust, admiration, loyalty and respect towards the leader, and is motivated to do more than what was originally expected to do (Bass, 1985; Katz & Kahn, 1978). The transformational leader motivates by making follower more aware of the importance of task outcomes, inducing them to transcend their own self-interest for the sake of the organization or team and activating their higher-order needs. He encourages followers to think critically and seek new ways to approach their jobs, resulting in intellectual stimulation (Bass et al., 1994). As a result, there is an increase in their level of performance, satisfaction, and commitment to the goals of their organization (Podsakoff et al, 1996).

The difference between transformational and transactional leadership lies in the way of motivating employees. A transformational leader's behavior originates in the personal values and beliefs of the leader and motivates subordinates to do more than expected (Bass, 1985). Burns (1978), identified transformational leadership as a process where ''one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality''. For transformational leadership style, the follower feels trust, admiration, loyalty and respect towards the leader, and is motivated to do more than what was originally expected to do (Bass, 1985; Katz & Kahn, 1978). The transformational leader motivates by making followers more aware of the importance of task outcomes, inducing them to transcend their own self-interest for the sake of the organization or team and activating their higher-order needs. He encourages followers to think critically and seek new ways to approach their jobs, resulting in intellectual stimulation that results in an increase in level of performance, satisfaction, and commitment to the goals of their organizations (Podsakoff et al, 1996; Bass et al, 1994).

Bass (1990), proposed four behaviors or components of transformational leadership to include charisma, inspirational motivation, intellectual stimulation, and individual consideration. Charisma, or idealised influence or attributes, is characterized by vision and a sense of mission, instilling pride in and

among the group, and gaining respect and trust (Humphreys & Einstein, 2003). Charismatic behavior also induces followers to go beyond self-interest for the good of the group, providing reassurance that obstacles will be overcome, and promoting confidence in the achievement and execution influence (Conger and Kanungo, 1998; Howell and Frost, 1989) and followers place an inordinate amount of confidence and trust in charismatic leaders (Howell and Avolio, 1992).

Inspirational motivation is usually a companion of charisma and is concerned with a leader setting higher standards, thus becoming a sign of reference. Bass (1985), points out followers look up to their inspirational leader as one providing emotional appeal to increase awareness and understanding of mutually desirable goals. This is characterized by the communication of high expectations, using symbols to focus efforts, and expressing important purpose in simple ways. The leader always behaves by talking optimistically about the future, articulating a compelling vision for the future and providing an exciting image of organisational change (Bass and Avolio, 1994). The motivation occurs by providing meaning and challenge to the followers' work; individual and team spirit were aroused and, enthusiasm and optimism are displayed. The leader encourages followers to envision attractive future states, for the organisation and themselves (Bass and al, 1997). Individual stimulation provides followers with challenging new ideas and encourages them to break away from the old ways of thinking (Bass, 1985). The leader is characterised as one promoting intelligence, rationality, logical thinking, and careful problem solving. The attributes include seeking differing perspective when solving problems, suggesting new ways of examining how to complete assignments and encouraging re-thinking of ideas that have not been questioned in the past (Bass and Avolio, 1994). The leader encourages the followers to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways.

Finally, the fourth dimension of transformational leadership is ''individual consideration'' which is concerned with developing followers by coaching and mentoring (Bass, 1985; Bass &Avolio, 1990). The leader pays close attention to the inter-individual differences among the followers and act as mentor to the follower. He teaches and helps others develop their strengths, and listens attentively to others' concerns (Bass and Avolio, 1994). Followers are treated individually in order to raise their levels of maturity and to enhance effective ways of addressing their goals and challenges (Bass, 1985).

Research findings shows that:

- Transformational leaders created greater alignment around strategic visions and missions.
- Transformational leadership behavior factors are associated with organisational sales increases,
   market share, earnings and ROI.
- Scores on transformational leadership predict individual and group performance.

• Transformational leadership has been found to explain between 45% and 60% of organizational performance.

- Transformational leaders created greater unit cohesion, commitment, and lower turnover.
- Transformational leadership predicted higher levels of product innovation in R & D teams.
- Transformational leaders created safer work environments.

• Transformational leadership training has been shown to improve leadership and associated performance over time.

Charisma is the key component of transformational leadership, it generates profound emotional connection between the leader and follower and it creates excitement about the mission (Bass, 1985). Charisma is operationalized through vision where the charismatic leader earns the respect and trust of followers, which leads to the acceptance of challenging goals (Bass &Avolio, 1990). The second transformational component is inspiration where leaders communicate their vision with optimism and enthusiasm. They also use symbols to heighten awareness of desired goals (Bass &Avolio, 1990). Another major component of transformational leadership is individualized consideration where the leader gives personal attention to followers by treating them "differently but equitably" (Bass &Avolio, 1990). In exhibiting individualized consideration, the leader first identifies the individual needs and abilities of followers and then mentors and coaches them, and also uses delegation. Finally, intellectual stimulation. Here the leader helps followers to think on their own and analyze problems from their personal perspectives, encourages creativity, innovation, and challenge conventional wisdom (Bass &Avolio, 1990).

Further, transformational leaders create a strategic vision, communicate that vision through framing and use of metaphor, model the vision by "walking the talk" and acting consistently, and build commitment towards the vision (Avolio 1999 and McShane& Von Glinow 2000).

This view suggests that transformational leadership will result in high levels of cohesion, commitment, trust, motivation, and performance in these new organizational environments. Previous empirical

research and Meta analyses have indicated that transformational leadership has a positive effect on individual performance and organizational outcomes (Howell & Hall-Merenda 1999). Numerous studies have reported positive relationships between transformational leadership and outcomes at the individual level and firm levels (Avolio 1999 and Kirkpatrick & Locke 1996). Most recently, many empirical studies have reported that transformational leadership has a positive impact on follower performance and firm outcomes (Avolio 2003 Jung & Sosik 2002 MacKenzie 2000 and Walumbwa 2002). A number of comparative studies (Waldman Ramirez House & - 32 - Puranam 2001) have also reported that transformational leadership behaviors are more positively related to subordinate effectiveness in a variety of organizational settings than are transactional behaviors.

Transformational leadership raises the follower's level of maturity together with concerns for achievement, self-actualization, and well-being of the others (Bass,1999). Burns described a transforming leader as one who not only moved followers up on Maslow's hierarchy of needs, but also moved them to go beyond their own self-interests, supposedly including their own self-realization (Bass, 1999).

Transformational leadership is built upon stimulating and inspiring followers for achieving extraordinary outcomes, developing their own leadership capacity, helping followers grow and develop by empowering them and aligning the objectives and goals at all levels of the organization. Transformational leadership moves followers to exceed their performance beyond expectations, and lead to satisfaction and commitment to a group and organisation (Bass &Riggio, 2006). Seeing the leaders doing sacrifices for reaching the mission, and getting the support from the leader in achieving the mission motivates employees to work harder. As a result, their motivation and self-efficacy are enhanced, and their readiness to accept challenges is much higher (Avolio& Bass, 2004).

A transformational leader recognizes the needs of the employees and gives them a chance to be developed into leaders (Avolio& Bass, 2004). Transformational leaders arouse follower motives for achievement, power, affiliation etc., and such motive arousal results in increased self-monitoring and self-evaluation, which in turn leads to increased commitment. Thus, followers are transformed from being concerned for their self-interests to being concerned for their group or organization (Bass, 1999). Bass (1985) described transformational leaders as those who make their employees aware of how

important it is to reach the valued results and the strategies for achieving them, encourage the employees to give up their own interests for the sake of the team or the organization, and help the employees to develop in achievement, affiliation and autonomy (Avolio& Bass, 2004).

Transformational leaders possess the strong forces of leadership, which are those that motivate the employees to exceed their potential for their own sake and for the sake of a larger unit. These forces with the help of leader's vision are able to create transformative shifts in outlook, orientation, and perspective, and are most apparent in times of despair or crisis. A new leadership paradigm should be enforced in order to turn the focus from the quantity onto quality and speed, by changing the viewpoint of the employees about what they consider meaningful in their work. Some leaders tend to blame their employees for mistakes in acceptable performance, while other leaders may suggest assistance and help learn valuable lessons from these errors. Transformational leadership releases reserve energy, making the employees capable of mastering their own work situations (Avolio& Bass, 2004).

#### 2.1.2. Impact of Transactional leadership style on performance

Transactional leadership involves an exchange process that results in follower compliance with leader request but not likely to generate enthusiasm and commitment to task objective. The leader focuses on having internal actors perform the tasks required for the organisation to reach its desired goals (Boehnke et al, 2003). The objective of the transactional leader is to ensure that the path to goal attainment is clearly understood by the internal actors, to remove potential barrier within the system, and to motivate the actors to achieve the predetermined goals (House and Aditya, 1997).

Transactional leaders display both constructive and corrective behaviours. Constructive behaviour entails contingent reward, and corrective dimension imbibes management by exception. Contingent reward involves the clarification of the work required to obtain rewards and the use of incentives and contingent reward

Transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring employees have the resources needed to get the job done. The level of integration and interdependencies that are needed for the new work environment as

well as global competition require leadership that goes beyond the more basic transactional styles, which involve contingent reinforcement and management-by-exception, to styles that are more intellectually stimulating, inspirational, and charismatic (Avolio 1999, Bass 1997 and Bass &Avolio 1993).

Transactional leadership builds upon giving rewards or compensations for successful fulfilling of the work tasks within a set up contract or agreement between the leader and the employees (Avolio& Bass, 2004). The exchange relationship between the leader and the follower aims to meet their own self-interests (Bass, 1999). The focus of transactional leadership is on setting standards and waiting for errors to take place before action is taken (Avolio& Bass, 2004).

According to Bass and Riggio (2006), transactional leadership stands for leadership through social exchange and consists of two components:

**Contingent reward (CR)** implies that the leader promises a reward to the followers in exchange for achievement of good results. It can be both transformational (when a reward is psychological, for example a praise) and transactional (when reward is material, like a bonus) (Bass & Riggio, 2006).

**Management-by-exception** has two variants: active (MBEA) and passive (MBEP), although MBEP is related to passive-avoidant style. In active MBE, the leader tries to take measures to avoid mistakes and deviances from standards by monitoring and taking corrective action (Bass &Riggio, 2006).

By clarifying their requirements for the employees, transactional leaders create the needed confidence to employ the necessary effort. Anyway, the process of transaction is an essential part of the full range of effective leadership. Effective leaders are able to turn other's self-interests for the good of their group or organization (Avolio& Bass, 2004).

Avolio and Bass (2004) mean that "the transactional leader works within the existing organizational culture, the transformational leader changes it" (p. 29). When individual needs are met, transactional leadership starts its shift towards transformational. Employees' perceptions of their own efficacy or potential for development are augmented through the transactional leadership process. Transactional leadership alone is incomplete since transaction based changes represent small, however sometimes significant, improvements in employees' performance and effort. Transformation occurs when

subordinates understand that they are interested in their work and they want to work as a contribution to their own self development (Avolio& Bass, 2004).

Transformational leadership does not replace, but enhances transactional leadership when it comes to reaching the goals. Transactional leadership is effective at lower levels of performance or non-significant change, especially when a leader employs passive management-by-exception, interfering only when the standard requirements are unmet. Focus on failures is necessary, especially when mistakes are resulted in high costs. Nevertheless, if the leader only focuses on mistakes, the development of the employees will decline (Avolio& Bass, 2004).

Some leaders even try to avoid transactional relationship with the subordinates by turning to contingent reinforcement and practicing management-by-exception. Different leaders have different relations with their employees. Some leaders establish close relationships with certain associates, while other leaders communicate with all employees on important issues. Some transactional leaders are capable of fulfilling their employees' expectations, and therefore gain reputation for managing to give pay, promotions and recognition. Other transactional leaders fail to deliver the needed rewards and lack the necessary reputation, and are therefore considered ineffective (Avolio& Bass, 2004).

Adequate performance may be evoked by feeling of obligation for providing non contingent rewards. Immediate feedback concerning the learning potential and performance of an individual is very important (Avolio& Bass, 2004). Contingent punishment makes transactional leadership much less successful though it can have a positive impact on performance, or sometimes even on satisfaction and motivation. In other situations contingent punishment can be motivational and improve performance. According to Bass (1990), employees might comply in order to avoid punishment (as cited in Avolio& Bass, 2004). Contingent punishment should be applied when poor performance is delivered, if a leader makes clear what behavior is acceptable or unacceptable and sticks to the given standard, then employees will see contingent punishment as effective and fair. Non-contingent punishment is negatively related to performance, especially when employees feel that any amount of the effort they put into their job is not enough to decrease the frequency of punishment (Avolio& Bass, 2004).

Transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring employees have the resources needed to get the job done. The level of integration and interdependencies that are needed for the new work environment as well as global competition require leadership that goes beyond the more basic transactional styles, which involve contingent reinforcement and management-by-exception, to styles that are more intellectually stimulating, inspirational, and charismatic (Avolio 1999, Bass 1997 and Bass &Avolio 1993). Further, transformational leaders create a strategic vision, communicate that vision through framing and use of metaphor, model the vision by "walking the talk" and acting consistently, and build commitment towards the vision (Avolio 1999 and McShane& Von Glinow 2000).

#### 2.1.2.1. Advantages of transactional leadership style

**1. Rewards and Incentives:** This type of leadership functions on the system of giving rewards and incentives. People will be given remuneration once they accomplish task and the objectives given. The relationship of the leader and subordinates are plain transactional, many company or organizations uses this to encourage productivity. People under transactional leadership will get additional reward when they exceeded form the expectations and the leader will also handle and work on those people with low performance.

**2. Structure is Clear:** Subordinates under this leadership benefit a structured and clear system. They clearly know what is expected from them and the chain of commands. They know that when they completed task, follow objective and orders they will be rewarded of something which they find to be with great value. It's also clear to them that a negative consequence is always a result of not being obedient to the orders, this makes them motivated to constantly perform their best for them to reach the positive effect.

**3.** Short Term Goal: Under this leadership, objectives and goals were only short term which makes them less demoralizing but fulfill easier. Employees and subordinates were motivated by its fact that short term goals can be easily attained. This goal provides opportunity for the sense of autonomy or independence since there is a low need for the micromanagement. It's clearly understood by the

employees what the company expected from them, they independently complete and accomplish the task at a hand.

**4. Control Rewards:** Most people cannot control job satisfaction under this leadership, but it's easy for them to settle on what value more. There are cases that the leaders and management gives their employees say or control on what type of reward they want once they completed the task. Incentives can come in a lot of form that ranges from points or financial gain which they can redeemed for a variety of process like an added time to accumulate a paid day off.

#### 2.1.2.2. Disadvantages or shortcomings of the Transactional Leadership style

**1.** This type of leadership is flawed since it motivates people only on the base level. Punishment and reward does not motivate on the higher level of peoples thought and development. This type of leadership will only be effective on works were followers perform their task and processes, which well produced and designed dependably with strong good results.

**2.** This is poor when higher thinking skills level is needed to utilize. In this, creativity is very limited since its objectives and goals cannot be defined only with set of process.

**3.** This also limits its follower that wishes to engage with higher level of professional environment. Motivating is not effective this type of level, these followers is much motivated in unique individual way. The punishment and reward are very basic to a motivator of this level of subordinates.

Combined Effects of Transformational and Transactional Leadership Styles on performance

Based on theory and earlier empirical studies, we predicted both independent variables to be significantly related to organizational performance since we view both leadership styles to be complementary as was shown in a recent study (Al-Dmour and Awamleh; 2002). However, results clearly show that only transformational style is positively and significantly related to satisfaction. Indeed, this is a major result that requires explanation. Individual performance, is for the most part, determined by the flow of work, more than the input of managers especially on daily or weekly basis. Of course, as the performance in this study is self-assessed, it reflects only what employees perceive as the role of their manager. On the other hand, satisfaction is significantly influenced by the manager, they

attributed part of their satisfaction to him/her. In such programmed environments, satisfaction becomes a result of appealing to higher level needs which helps to overcome the routine and the frustration of limited career planning and restricted participation. Importantly, the results show that in some environments, both leadership styles are not necessarily complementary, indeed as in this case one can have an impact without the other. Although there exists no evidence here to support the view that both styles are necessary conditions for leadership or that they both act as components of same construct, there is also no evidence to suggest that they are competing or opposite of each other.

## Figure 4: Augmentation model of transactional and transformational leadership (Bass & Avolio, 1997, p. 21)



Source:Bass and Avolio,1997

In the light of the theoretical explainations on the impact of Transformational and transactional on the performance of enterprise, we shall attempt to give a preliminary relation which states that

transformational and transactional leadership styles exert a positive relation on performance which will consist of our first hypothesis and of which will be tested empirically in small and medium size enterprises in the South West Region of Cameroon. Hence:

Hypothesis 1: Transformational Leadership style have a positive effect on the performance of SMEs

# Section 2: Benefits of Leadership development and contribution of Leadership on productivity

Here, we shall the show how the development of Leadership can constitute a great key to the success of the organization and how leadership contributes to productivity.

#### 2.2.1. Benefits of Leadership development

A report by Bersin and Associates indicated that organisations with leadership development programmes might experience significant business impacts, which includes improvements in leadership strength, leader retention and employee retention. The impact of leadership development is not determined by the amount of money spent, but how it is designed and executed. The five key benefits of leadership development are;

#### (i) Morale booster

This is the most obvious benefit, which is also the hardest to measure. Having well-trained leaders and intentional in how they lead would create an immediate impact on the work environment. This leads to a "snowball effect" of positive outcomes.

#### (ii) Limits employee turnover

Employees, who are constantly motivated, contented and respected, would be less likely to leave the organisation. A low turnover impacts the bottom line immensely. The organization would also be able

to retain skilled employee and the team dynamics, while avoiding the costs of recruiting and training of new employees.

#### (iii) Increases productivity

Effective leaders are able to guide their team and minimise obstacles, hence, getting the best results out of the resources available. This shows that team members are ultimately empowered to succeed, which would result in a much better productivity.

#### (iv) Provides better vision

Leaders who are well connected with their team could see the issues affecting their group better. This makes problem solving easier as leaders are more aware of the current situations and surroundings. It also allows them to create a solid set of actionable goals, which could lead to success.

#### (v) Fosters new ideas

An effective leader is a good facilitator, which makes sharing of new ideas in the team comfortable. It also allows for those ideas to be further studied and explored in detail. A good steward of new ideas could help keep the organisation dynamic and ever evolving

#### 2.2.2. Contribution of leadership to productivity

Leadership undeniably affects organisation performance, in particular employee outcomes. Job satisfaction, productivity and organisational commitment are affected by leadership behaviours. Leaders, apart from their actions and personal influence, should be empowered to make the critical decisions and keep operations running smoothly and effectively. They also need to constantly keep themselves up to date with the current affairs and situations. It is critical for leaders to be aware and able to identify the new emerging markets, which may present new business opportunities that they could consider venturing into.

For organisations to achieve a higher level of productivity, there are many steps and activities that could be undertaken by leaders. The following highlights six steps that could be taken into consideration.

#### Employee Ownership and Accountability

Leaders should increase employee ownership and accountability. Multiple owners to one project create ambiguity and tension among them. Often multiple ownerships also decrease work productivity. Hence, a single ownership to a project is recommended. The person assigned with the ownership would then "owns success or failure" of the project, and would be responsible for creating the work team, setting up meetings and determining the timelines. The leaders could also then make the assignment of ownership public, to increase the owners' feeling of personal accountability. Leaders should also set clear expectations to the owner for updates and reports on the progress of the project.

#### **4** Defining Big Projects, Initiatives and Goals

It is crucial for leaders to clearly define big projects and initiatives. When employees are not clear of what the team is really trying to accomplish, it often affects productivity. The ultimate goal or deliverable of each project should then be emphasised and communicated to all employees. The current state of situation should also be addressed. This would assist employees in identifying the gaps and tasks that are needed to be put in place in order to achieve the goal.

#### **4** Managing Employee's Satisfaction

Leaders need to utilise their resources efficiently to maximise on their productivity capabilities. Saving costs through employing more unqualified and low cost workers may not necessarily raise productivity. They should also demonstrate a strong support in allowing their employees to acquire new skills and knowledge, and be individually productive.

Leaders play an important role in maintaining or improving their employees' job satisfaction. They would need to keep a close pulse on employee's morale, and taking specific actions to improve it when necessary. Leaders need to set appropriate examples and inspire their subordinates to ensure that the organisation's objectives are met. An inefficient leadership causes job dissatisfaction, which leads to absenteeism, low morale and high turnover. This further impacts the productivity of an organisation, while employees who experience job satisfaction are more likely to be productive and less likely to

leave the organisation. Apart from organising team building activities, taking the time to celebrate key milestones or the successful completion of projects would also help improve employees' morale. This would ultimately lead to more engaged employees and better results on future projects.

#### **Communication**

Leaders should employ open communication to increase the trust between them and their employees. They need to help employees feel as though they are valued and trusted. A frank communication promotes a trustworthy relationship between the leader and his employees, which helps to get issues solved quickly and competently. Leaders would also need to show their appreciation towards their employees. It is critical for leaders to listen to their employees to give them a better understanding of their feelings as well as to gather their feedback or ideas that could be beneficial to the organisation and could be taken into consideration.

#### **4** Recognition and Incentives

Leaders could motivate their employees through recognition and incentives for a job well done. Through small gestures, such as having "Employee of the Month" award would increase employee's sense of self-esteem and create positive impact on productivity. Performance incentives, in the form of monetary awards, could also be given to employees, based on their performance. Employees would be judged based on the quality of their work, productivity, time lines, and discipline.

#### \star Innovation

Innovation is one of the key factors that impacts the productivity and growth of an organisation. Leaders must embrace innovation to stay ahead of their competitors. In today's economic scenario, "innovativeness has become a major factor in influencing strategic planning". Leaders who actively supports and promotes innovation to their employees would create and re-invent new markets, products and services, which would contribute to the organisational growth.

From the above literature showing the undeniable necessity of an effective leadership style in organizational performance, we shall do a synthesis of some empirical studies in the field of leadership particularly on Transformational and Transactional leadership and performance. From there we shall

also pose a hypothesis to see which leadership style is positively and significantly related or which leadership style is optimal.

## Table 4: An overview of some empirical studies on Leadership style andPerformance

Author	Dimensions of leadershi styles	Components	Type of the Industries	Outcomes
Berson Jonathan Linton (2003)	<ol> <li>1 Transformational Leadership,</li> <li>2 Transactional And Non- Transactional,</li> <li>3 Laissez-Faire Leadersh</li> </ol>	Employee Satisfaction	Telecommunication Firms	Impact of transformationalleadership styles is more significant to establish quality environment in the R and D part of Telecommunication firms
Goh Yuan Sheng et al (2005)	1 Transformational Leadership, 2 Transactional leadership	<ol> <li>Job Performance,</li> <li>Deontology</li> <li>Ethical Approach,</li> <li>Teleolog Ethical Approach</li> </ol>		The result indicates that the ethical behavior of leader have an important mediating effect between their leadership styles and job performance of employees
Lirong Long and Minxin Mao (2008)	1 Transformational Leadership 2 Transactional Leadership	Organizational Change	Employees from different types of private and public organizations in China	The findings indicate that both transformational leadership and transactional leadership have positive impact on organizational change.
Hsien-Che Lee Yi-Wen Liu (2008)	1 Transactional Leadership 2 Transformation Leadership	1 Organizational Innovation Performance, 2 Organizational Innovation Capability	Electronics Information Industry in Taiwan	The leadership style has a positive relationship on organizational innovation performance, and the leadership style moderates the relationship between organizational innovation capability and organizational innovation performance

Li-Ren Yang	1 Transactional	1 Teamwork	Employees of	The analyses suggest that project Manager's
and Yen-Ting	Leadership	a.Communication	Taiwanese industry,	leadership style, teamwork, and project performance are highly correlated. The findings
Chen (2010)	2 Transformation	b. Collaboration	Taipei, Taiwan	also indicate that teamwork dimensions may partially or fully mediate the relationships
	Leadership	c. Cohesiveness		between leadership style and project performance
		2 Performance		
Voon et al	1 Transactional	Job Satisfaction	Malaysian	The results showed that transformational leadership style has a stronger relationship with
(2011)	Leadership		executives working	job satisfaction. This implies that
	2 Transformation		in public sectors,	transformational leadership is deemed suitable for managing government organizations
	Leadership		Malaysia	
Lu Ye et al	Transactional	1 Innovation	Employees of hightech	
(2011)	Leadership	Climate,	corporations in	perceptions about transactional or transformational leadership style of executive both have highly positive correlation with
	2 Transformation	2 Job Independent	Hebei	perceptions about executive's encouragement
	Leadership	3 Job Challenging		factors of its innovation climate. Between them, transformational leadership style has had a higher influence on cognition of leader's
				Motivation

Source: assembled by author from prior research

After a synthetical review of the empirical study carried out in the field of leadership style and performance of enterprises, we shall proceed to verify which of the leadership styles given above (Transformational or Transactional ) is optimal in the optimization of performance in the small and medium size enterprises in Cameroon and particularly in the South west region. This will hence lead us to the second hypothesis which is:

Hypothesis 2: Transactional Leadership has a negative impact on the performance of SMEs



After haven passed through the review of theories and explicative models of leadership style practiced by a manager and its effect or impact on the performance of small and medium size enterprises, we realized that effective leadership can permit the enterprises to have a performance that goes even beyond expectations (Bass and Avolio, 1985) and hence acquire a strong competitive advantage particularly in the SMEs sector that is faced with internationalization of competition and an outstanding technical and cultural evolution. Given that all enterprises faced the same financial meltdown, inflation in the prices of raw materials, increasing demands from syndicates for the amelioration of the wellbeing and standard of workers, fiscal suffocation, limited access to capital particularly to SMEs who lack access to the financial market, increasing capitalization... it is basically immaterial or psychological (human factors) elements such as Leadership behavior that can permit an enterprise to survive given the high death rate<sup>3</sup> of enterprises in developing countries and Cameroon in particular. Hence part one permitted us to see the theoretical relationship existing between Leadership style and performance and also permitted us to see how we can use 1 which made us to bring out some hypothesis or verifiable relations existing between the two concepts.

Hence we will proceed to an empirical analysis which will be done in part 2 to verify and see if there exist an observable relation between the two concepts and bring out managerial recommendations on how to use a particular leadership style (Transformational or transactional) to improve on the performance of SMEs in Cameroon

<sup>&</sup>lt;sup>3</sup> 80% of enterprises in Cameroon die before their 5<sup>th</sup> anniversary (CFCE, 2014)

### **PART 2:**

EMPERICAL EVALUATION OF THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES
Previous studies led the expectation that leadership paradigms will have direct effects on customer satisfaction, staff satisfaction, and financial performance. In general, however, the effects of leadership on organizational performance have not been well studied, according to House and Aditya"s review (1997), who criticised leadership studies for focusing excessively on superior-subordinate relationships to the exclusion of several other functions that leaders perform, and to the exclusion of organizational and environmental variables that are crucial to mediate the leadership-performance relationship. Another problem with existing studies on leadership is that the results depend on the level of analysis. House and Aditya (1997), distinguished between micro-level research that focuses on the total organization and its environment. Other scholars have also suggested that leaders and their leadership style influence both their subordinates and organizational outcomes (Tarabishy, Solomon, Fernald, and Sashkin, 2005).

The second part of this memoire has as goal to verify the relation that exist between Leadership style and the performance of small and medium size enterprises. This part is divided in two chapters; the first chapter consist to present the methodology used in answering the research question by presenting the epistemology of the research and the sample of our study including the mode of collection of data and also the mode of analysis of the data. The second chapter presents results of the different analysis and presents the empirical relationship between the leadership style adopted by the manager and its impact on the performance of enterprises, this chapter also brings out some managerial implications or contribution which will permit the enterprise to be performant.



Every research has to follow a procedure which is defined and approved in advance, the restitution of our study will be done in conformity with a methodological approach. The methodology responds to the question how will the subject be treated "comment traiter le sujet" it is the set of methods and technics used to verify and validate our hypothesis. The proceeding chapters permitted us to circumscribe from the available literatures factors that are susceptible to orientate the performance of SMEs with respect to the leadership style applied. And according to the Full Range of Leadership Model (FRLM) of Bass and Avolio in 1985, there exist a strong and positive relationship between Transformational leadership style and the performance of enterprises, other studies have reported that transformational leadership has a positive impact on follower performance and firm outcomes (Avolio 2003 Jung &Sosik 2002 MacKenzie 2000 and Walumbwa 2002). A number of comparative studies (Waldman Ramirez House & - 32 - Puranam 2001) have also reported that transformational leadership behaviors are more positively related to subordinate effectiveness in a variety of organizational settings than are transactional behaviors.

From the above theoretical considerations, we will present the methodology on which is based our research. We had access to data through Questionnaires and interviews (primary data) address to some workers and managers in the South west region of Cameroon which constituted our population and sample of the study. To access the said data, we took rendez-vous with some managers of SMEs in order to have an interview with them and to solicit their authorization to meet the workers and distribute our questionnaires to them. We will start by presenting by presenting the methodology used in the research which will be articulated around 02 main sections, with the first section being the recall of research objectives, hypothesis and collection of data, while the second section is the model specification and extraction of data. We will also present and elaborate on the target population, sample and the tools used in data analysis and justifying on our choice.

This research follows a Hypothetico-deductive methodology and the survey design and analysis is based on primary and secondary data. The primary data will be collected through a structured questionnaire and interviews administered on respondents from enterprises in the South West Region of Cameroon. Survey instrument used in data generation is the multifactor leadership questionnaire (MLQ) developed by BASS (1985) in his study: "Leadership and performance beyond expectation". This instrument is by far the most widely used instrument for measuring leadership styles and outcomes or effects. It comes in several different versions and the version used in this study is the popular M L Q form 5x-short. And the secondary data will constitute documentation that is relevant literature from journals, reports, internet and related books which will contribute to the development of this work. Hence, we will use a triangulation of tools for data collection. That is Questionnaire, Interveiw and Documentation

Small and medium size enterprises were selected in the South West Region of Cameroon through a non probabilistic sampling technic depending on the respective industries and sector of activity. With respect to the method of Data analysis, we will use Statistical and Econometric model. The Principal Component Analysis (PCA) and Ordinary Least Square (OLS) Regression model will be used to analyse the data and show the relationship between Leadership and Performance of SME"s in Cameroon and also to show which Leadership style is positively and significantly related to Performance. We shall also use the SPSS version 20 software to regress the data

#### Section 1: Recall of research objectives, hypothesis and presentation of data

Here, we will bring out the objective or the reason or the goal that we want to demonstrate in the dissertation, we will also bring out some hypothesis which serves as a anticipated responds to our problematic and these hypothesis will be verified empirically to see if they will be accepted or rejected. We shall equally present our data and the sources through which the data was obtained.

#### 3.1.1. Objectives and hypothesis of the study

At this point, we shall present a recall of the objectives and the hypothesis of our research which will be verified in the next chapter.

#### 3.1.1.1. Recall of objectives

The objective of this study is to show the relationship that exist between the style of enterprise leadership (Transformational and Transactional) and the performance of small and medium size enterprises in Cameroon. We shall equally try to see between Transformational leadership and Transactional leadership, which one of them has a stronger relationship with the performance of SMEs.

Given that most research in the domain of Leadership style particularly in the Full Range of Leadership Model always tries to compare the styles stated above to see which one is more related to performance, our research will try to see if a combination of the two leadership styles can lead to a higher performance of enterprise. Given that most enterprises in Cameroon are facing serious problems such as limited access to capital, strong foreign competition, complex fiscal system... this research will try show how we can use the Human factor (Leadership) to ameliorate the performance of SMEs and hence reduce their death rate which stood at 80% in 2014 according to CFCE

In this work, we are also going to show that there is no universally efficient or optimum style of enterprise leadership but that each manager should be able to choose his Leadership style in function of the environmental realities or the context in which the enterprise or the organization is found. Hence we have two specific specific objectives as presented below.

- To show that transformational leadership is an important determinant to the performance of small and medium size enterprises.
- To show that transactional leadership style has an unfavourable impact on the performance of small and medium size enterprises

#### 3.1.1.2. Recall of hypothesis

On the basis of the theories that we reviewed, it shows that Leadership style is and significant mechanism that can be used to attain organizational performance. This is because workers will always have a high sense of belonging, satisfaction and hence become productive if they believed that their leader is an effective leader

Many empirical research has brought out a relation between leadership style and performance, and majority of them were based on the Traditional leadership theories such as the Democratic, Autocratic, Participative, people oriented, task oriented .... Leadership styles. While others were consecrated on the New Leadership theories such as: Transformational, Transactional and Laissez faire leadership styles. But no matter the difference in generation or approach of Leadership, all the theoreticians demonstrated that there exist a positive relation between an effective leadership style and the performance of the organization

Hence the assumption in this study progresses from the proposition that there is a positive relationship between leadership styles (Transformational and Transactional Leadership style) and performance and that the Transactional leadership style is the optimal leadership style implying that it exert a positive and significant effect on performance in the small and medium enterprises.

Table 5:	Summary	of research	hypothesis
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Hypothesis	Concept	Variables	Indicators		
Hypothesis: 1 Transformational Leadership style have a	Leadership style	Transformational Leadership style	<ul> <li>Charisma,</li> <li>Inspirational Motivation,</li> <li>Intellectual Stimulation</li> </ul>		
positive effect on the performance of SMEs	Performance	PSME <sub>TFLS</sub>	<ul> <li>Extra effort,</li> <li>Effectiveness</li> <li>Satisfaction</li> </ul>		
Hypothesis: 2 Transactional Leadership style have a negative	Leadership style	Transactional Leadership style	<ul> <li>Contingent Reward,</li> <li>Management by Exception</li> <li>Active</li> </ul>		
impact on Performance	Performance	PSME <sub>TSLS</sub>	<ul><li>Productivity,</li><li>Loyalty</li></ul>		

Source: author's conception

## **3.1.2.** Presentation of the population, data base and tools of collection and analysis of data

The data exploited in the scope of our study was furnished or gotten with the help of a questionnaire, interview and that was executed on workers and managers respectively from 05 Small and medium size enterprises selected randomly from the South west region.

#### **3.1.2.1.** Population and sample of the study

Here we will present the target population and the variables used to collect the data

#### Population of study

We will explain what we mean by population and present our sample. The population of a study or the mother population is the set of individuals having characteristics that responds to the objectives of the envisaged study and which serve as a support to the verification of the research hypothesis. In our work, the population of study is the set of persons (workers and managers) working in small and medium size enterprises<sup>4</sup> in the South west region particularly in Kumba, Buea, Limbe, Tiko and Mutenguene . This towns were chosen due the fact that they have the greatest concerntration of entrprises in the South west region of Cameroon.

#### Sample of the study

According to Rogere (1976), sampling is a technique which consist to verify an observation on a small number of individuals belonging to the universe of the investigation, in a manner that we can affirm validly that the characteristics observed in this sample is equally present in the same proportion in the population in which it was extracted. The sample was obtained in our study following a non-probabilistic technic precisely sampling by convenience and the south west region of Cameroon was selected due to the Language advantage since our questionnaires were done in English. And according to this technic, we did our research with the workers and managers present or available at the time of the research. Hence we administered 114 questionnaires and recuperated 114, giving a recuperation rate of 100%

We will present the characteristics of the sample which will be done in function of the sex of the respondents, the number of enterprises and respondents selected from each town and the branch of activity of the different respondents.

<sup>&</sup>lt;sup>4</sup>According to **law number 2015/010 of 16 july 2015** on the promotion of Small and Medium size enterprises in Cameroon, enterprise with an annual Chiffre D'affaire hors tax ranging between 15 million to 3 billion FCFA and with a personnel ranging between 06 to 100 workers are considered as SMEs no matter their sector of activity

Representation of our sample with respect to the towns making up our population of study.

Figure 5: Percentage of the respondents in function of the Towns



#### Source: Research data

From the research data, we realise that only 10% of the respondents came from Mutenguene, 13% came from Tiko, 19% came from Buea, 21% came from Kumba and 37% came from Limbe. These shows that the majority of our respondents (58%) came from the towns of Limbe and Kumba, this is due to the fact that they are border towns to Nigeria, Equatorial Guinee, Gabon...which stimulates business and inter border transactions and also due to the fact that Limbe is a historical and Touristic town.

Representation of our data with respect to the number enterprises selected per town making up our population of study ie number of enterprises per town

Towns	Frequency	Percentage	CumulativePercent
Kumba	10	26	26
Buea	5	13	39
Limbe	16	42	81
Mutenguene	3	8	89
Tiko	4	11	100
Total	38	100	

Table 6: Number of enterprises selected per town

Source: Research Data

The data shows that, 8% of the enterprise in used in the research came from Mutenguene, 11% came from Tiko , 13% came from Buea, 26% came from Kumba and 42% came from Limbe since Limbe and Kumba constitute the economic fabric of the South West Region.

## Representation of our data with respect to the sex of the respondents making up our population of study



Figure 6 : Representation on the sex of the respondents

Source: Research data

We realise that 53% of the respondents were Male and 47% were female. The higher percentage of male is due to the fact that the men were more receptive and more understanding with respect to the women.

#### Representation of the population of study with respect to branch of activity of the different enterprises from which our respondents came from



Figure7: Branch of activity of the enterprises

Source: Research data

With respect to the branch or sector of activity, 9% of the sample population was made of enterprise coming from the primary sector which includes activities such as Agriculture, fishing, wood extraction..

while 30% came from the manufacturing sector and includes activities such as transformation of forest and agricultural products... and finally 61% came from the service or the tertiary sector with activities such as hotels and restauration services, insurance services, educational services...Hence the majority of our sample came from the service sector.

#### Scope and statistical unit of our research

The study covered the 05 towns (Kumba, buea, Tiko, Limbe, Mutenguene )in the south west region of Cameroon and 38 SMEs were selected in the region. Hence the statistical unit is the SME and the unit of Observation are the workers and managers.

#### **3.1.2.2.** Technics and tools of data collection and analysis

For the realisation of our research; we had to use many technics and tools to know:

#### ✤ Documentary research

The documentary research on its part permitted us to analyse the points of views of some authors that have worked in this scientifical and thematic domain that we explored. We consulted the report of some SMEs in Cameroon in order to understand the problems they faced the domain of human resource and particularly the style of leadership practiced by the manager. Hence we used to textbooks; journals; memoires; as well as web pages.

#### ✤ Questionnaire

Since our theories show that there exist a reality (positivism) that defines the relationship between the style of Leadership practiced by manager and the performance of the enterprise, we believed that the questionnaire (the Multi-factor Leadership Questionnaire of Bass and Avolio; 1985) will help us to a precise and authentic evaluation of the concepts (Leadership style and Performance of the enterprise). We then administered our questionnaire on 114 voluntary and available workers and some managers. A questionnaire is an instrument of investigation which, according to Ghilione and Mathalon(1978) is rigorously standardized with its text as well as its order, containing questions posed in the same manner in order to qarantee the compatibility of the responds in the research. In effect on arriving in any enterprise, we presented an authorization of research from the University to the manager, explain the

objectives and the Importance of the research to the manager and proceeded to demand a permission to meet the workers and distribute the questionnaires to them. It is hence an instrument or tool of data collection which has the advantage of touching a large number of persons at the same time.

The questionnaire (MFLQ) used in this research; is constituted of a preamble and 02 parts and 04 sub parts: the preamble had an authorization of research from the university and signed by the supervisor of these dissertation, the preamble equally constituted of some personal information of the respondents such as: Gender, sector of activity of the enterprise and the town in which the enterprise is found. The organization of the questionnaire is given below:

- Part 01 of the Questionnaire: identification of the Leadership style practiced by the manager and we worked with 02 main Leadership styles, they include Transformational and Transactional Leadership styles, due to the fact that they constitute the most recent leadership theories and they englobe almost all the characteristics of the other leadership styles and part 01 of the questionnaire is made up of 02 sections, that is variables for Transformational leadership styles.

- Part 02 of the Questionnaire was based on elements that were evaluating the Performance outcomes of the different leadership styles. It had 02 sections which evaluates the performance outcomes of Transformational and Transactional leadership styles respectively. The questionnaire had 34 items and the choice of the respondent is based on five potential responses from the Likert scale ranging from "not at all" to "all the times" and scale from 0 to 4 i.e.

Not at all  $\Rightarrow 0$ ; Once in a while  $\Rightarrow 1$ ; Sometimes  $\Rightarrow 2$ ; Fairly often  $\Rightarrow 3$ ; All the times  $\Rightarrow 4$ 

Regularly used by anglo- saxon researchers, this instrument has received several validations in the francophone context. According to Bass and Avolio, 1985. The psychometric quality of the measurement scale of the Multi-Factor Leadership Questionnaire in the evaluation of the Impact of Leadership style on the performance has a validity and reliability varying between 74% to 90%

The is made up of closed questions of relatively easy exploration, of which it was demanded from the respondents to respond following the responds that has been provided.

#### **3.1.2.2.** Instruments or technics of data analysis

We used two technics to analyze our data, they include the Pearson correlation coefficient and Principal Component Analysis (PCA) as a statistical technics and the Ordinary Least Square Regression (OLS) as an Econometric model. The data gotten through the questionnaires were reviewed and coded before data entry into SPSS version 20.

#### Section 2. Model specification and extraction of variables

We shall present the variables and the nature of the variables that is the dependent and independent variables. We shall also bring out the specification of the different models that is the statistical and econometric models that shall be used to analyse and bring out the empirical relationship between leadership style and performance

#### 3.2.1. Description of variables

In our study, we made recourse to 02 independent or explained variables and 02 dependent or explicative variables. The independent variables are the transformational and transactional leadership styles, while the dependent variables are the performance outcomes: extra efforts, effectiveness and satisfaction (as performance measures of transformational leadership behavior); productivity and loyalty (as performance measures of transactional leadership behavior) in small and medium enterprises. Therefore questions in the questionnaire are those relating to leadership styles or behaviors and performance as measured by extra effort, effectiveness and satisfaction; effort, productivity and loyalty or commitment. These variables are proposed by BASS (1997). This study operationalizes these variables to evaluate the effect of leadership styles or behavior on performance of SME. In the MFLQ, each independent variable is given equal weighting each research statement has five potential responses from the Likert's scale ranging from "not at all" to "all the times" and scale from 0 to 4 i.e.

Not at all  $\Rightarrow 0$ ; Once in a while  $\Rightarrow 1$ ; Sometime  $\Rightarrow 2$ ; Fairly often  $\Rightarrow 3$ ; All the times  $\Rightarrow 4$ 

Table 7. Operationalization of concepts and variables						
Source	Concepts	Variables	Indicators			
BURNS, BERNARD BASS AND BRUCE AVOLIO (1997)	LEADERSHIP STYLE	TRANSFORMATIONAL LEADERSHIP STYLE TRANSACTIONAL LEADERSHIP STYLE	Charisma(CHM) Inspirational motivation(ISM) Intellectual stimulation(IS) Contingent Reward (CR) Management by exception(MBE)			
BURNS, BERNARD BASS AND BRUCE AVOLIO (1997)	PERFORMANCE	PERFORMANCE OF SME'S WITH TRANSFORMATIONAL LEADERSHIP STYLE (PSME <sub>TFLS</sub> ) PERFORMANCE OF SME's WITH TRANSACTIONAL LEADERSHIP STYLE(PSME <sub>TSLS</sub> )	Extra effort (EE) Effectiveness(EF) Satisfaction(SAT) Productivity ( PROD) Loyalty/Commitment			

Source: authors conception



Figure 8: Presentation of the dependent and independent variables

Source: authors conception

#### 3.2.2. Estimation methodology

Here, we are going to present the procedure of estimation while specifying on the different models to be used to verify our hypothesis and the model specification will include the specification of the Principal Component Analysis model and the Ordinary Least squares model

#### 3.2.2.1. Model specification

#### > Model specification for the Statistical model (Principal Component Analysis)

Principle components analysis (PCA) is a statistical technique applied to a single set of variables to discover which variables in the set form coherent subsets that are independent of one another. Provides a unique solution, so that the original data, the covariance or correlation matrix, can be reconstructed from the results. Looks at the total variance among the variables, so the solution generated will include as many factors/components as there are variables, although it is unlikely that they will all meet the criteria for retention. Variables that are correlated with one another which are also largely independent of other subsets of variables are combined into factors. The Factors are generated which are thought to be representative of the underlying processes that have created the correlations among variables. The underlying notion of PCA is that the observed variables can be transformed into linear combinations of an underlying set of hypothesized or unobserved components (factors)

We shall hence proceed to condense the components of the questionnaire to form principal components from which we will transform the variables into linear combinations to do our regression using the Ordinary Least Square Regression presented below

#### Table 8: Condensation Leadership components into variables through the PCA

Principal Component	Components					
	X <sub>1</sub> : My manager is always seeking new opportuinities for the organization					
CHARISMA (CHM)	X <sub>2</sub> : My manager paints an interesting picture of the future for us					
	X <sub>3</sub> : My manager has a clear understanding of where we are going					
	X <sub>4</sub> : My manager inspires others with his/her plans for the future					
	$X_5$ : My manager is able to get others committed to his/her dream of the future					
CHM= f( $b_{11}X_1 + b_{12}X_2 + b_{12}X_2$	$_{13}X_3 + b_{14}X_4 + b_{15}X_5)$					
INSPIRATIONAL	X <sub>1</sub> : My manager leads by doing rather than just telling					
MOTIVATION (ISM)	X <sub>2</sub> : My manager provides a good model to follow					
	X <sub>3</sub> : My manager leads by example					
<b>ISM=</b> $f(b_{12}X_1 + b_{22}X_2 + b_{23}X_3 + b_{23}X$	<u></u> 32X3)					
INTELLECTUAL	X <sub>1</sub> : My manager has provided me with new ways of looking at things which used to be a puzzle for me					
STIMULATION (IS)	<b>X<sub>2</sub>:</b> My manager has ideas that have forced me to rethink some of my own ideas I have never questioned before					
	X <sub>3</sub> : My manager has stimulated me to rethink about problems in new ways					
$IS = f(b_{13}X_1 + b_{23}X_2 + b_{33})$	X <sub>3</sub> )					
	X <sub>1</sub> : My manager always gives me positive feedback when I perform well					
CONTINGENT REWARD	X <sub>2</sub> : My manager gives me special recognition when my work is very good					
( <b>CR</b> )	X <sub>3</sub> : My manager commends me when I do a better than average job					
	X <sub>4</sub> : My manager personally compliment me when I do outstanding work					
	X <sub>5</sub> : My manager frequently does not acknowledge my good performance					
$\mathbf{CR} = \mathbf{f}(\mathbf{b}_{14}\mathbf{X}_1 + \mathbf{b}_{24}\mathbf{X}_2 + \mathbf{b}_{33}\mathbf{X}_2)$	$X_3 + b_{44}X_4 + b_{54}X_4$					
	X <sub>1</sub> : My manager keeps track of my mistakes					
MANAGEMENT BY EXCEPTION: ACTIVE	$X_2$ : My manager always gives sanctions when set standards are not respected					
(MBE:A)	X <sub>3</sub> : My manager always concentrate on my mistakes					
()	X <sub>4</sub> : My manager takes quick corrective measures in cases of deviations					
<b>MBE:</b> $A = f(b_{15}X_1 + b_{25}X_2 + b_{15}X_3 + b_{$	$b_{35}X_3 + b_{45}X_5)$					

Source: author's conception

From the condensation of the components into a Principal component or variables, we can now represent the different leadership styles as seing below:

#### Transformational Leadership Style (TFLS) = f( CHM+ISM+IS)

#### Transactional Leadership Style (TSLS) = f( CR+MBE:A)

We shall also condense the components that compose of the performance outcomes of the different leadership styles in order to bring out measurable variables

Principal component	Components
EXTRA EFFORT (EE)	$X_1$ : My manager is able to generate extra effort from the workers(followers)
	$X_2$ : My manager motivates the workers to strive for superior performance by deploying supplementary efforts
	$X_3$ : My manager encourages us to succeed and to overstep objectives and induces positive supplementary behavior
$EE = f(a_{11}X_1 + a_{21}X_2 + a_{31}X_3)$	
	X <sub>1</sub> : My manager is efficient
EFFECTIVENESS (EFF)	$X_2$ : My manager efficiently represents the group in front of higher organizational authority
	$X_3$ : My manager efficiently meets organizational objectives and generally generate a higher efficiency in all the structures he is involved in
$EEF = f(a_{12}X_1 + a_{22}X_2 + a_{32}X_3)$	
SATISFACTION (SAT)	$X_1$ : My manager is able to generate satisfaction from his workers
	X <sub>2</sub> : My manager is a warm, nurturing, authentic, honest person
	$X_3$ : My manager has a good interpersonal and social skills and he is capable of developing feelings of satisfaction from his workers
SAT= $f(a_{13}X_1 + a_{23}X_2 + a_{33}X_3)$	1
	$X_1$ : My manager guides the team and helps the workers to minimize obstacles

 Table 9: Condensation of performance components into variables

PRODUCTIVITY (PROD)	$X_2$ : My manager permits workers to get the best result out of the resources available		
	$X_3$ : My manager ultimately empower workers to succeed which results to much better productivity		
<b>PROD=</b> $f(a_{14}X_1 + a_{24}X_2 + a_{34}X_3)$			
LOYALTY/COMMITMENT	X1: My manager defends my work actions to a superior, even without complete knowledge of the issue in questionX2: My manager would come to my defense if I were attacked by others		
$LOY=f(a_{15}X_1+a_{25}X_2)$			

Source: author's conception

#### > Test of Correlation between variables

Here, we will use amongst others the test of correlation of Spearman (Rho of Spearman), which measures the intensity of the relation between two qualitative variables or a qualitative and quantitative variable. It makes it Possible to study the relation between two variables that is to say the more or less great dependence, but the problem that arises when we wants to draw conclusions from the results of the statistics collected through the instruments used to measure the dependence. In economics the relation between two variables cannot be perfect as in physics or in other fields of knowledge.

Three types of relations can be considered:

The null relation means that there is no influence of one variable on the other

**The total relation** is also called the functional relation: there is functional relation between two variables when the knowledge of leads to that of the other

The Relative relation: the variables are dependent one the other to some extent.

NB: the instrument which measures in practices the more or less the degree of dependence between

two statistical variables is the coefficient of correlation noted Rho. With  $-1 \le Rho \le +1$ 

If  $Rho \prec 0$ , then the two variable studied vary in opposite direction

if Rho > 0, then the two variables studied vary in the same direction

if Rho = 0, the correlation is null.

Rho of Spearman will Be considered to be significant in our study if Sig. (Bilateral) = P-value<0,05.

#### Justification of the test of Correlation between variables

The organisational performance that we manipulate in this research is different from the financial performance which deals for example the accountants and the external auditors because our performance will take into account the satisfaction of the workers, their motivation , the general productivity of the enterprise and the workers in particular, the capacity of the manager to generate extra effort and loyalty from the workers, the effectiveness of the leader... and each sub element of our performance is attached or depends on a variable or group of variables; it is this aspects that has to direct the researcher to use the test of correlation through the Rho de Spearman which will provide significant correlation between the various variable selected through Sig. (Bilateral) = P-value<0,05.

#### > Model specification for the Econometric model (OLS)

From the condensation of the components in the questionnaire done using the PCA, we will proceed to bring out a functional relationship to show the relationship between the different Leadership style and the Performance of SMEs in Cameroon

To study an economic phenomenon, we try to represent it by the behavior of variables, this economic variable can on its own depend on other variables which we use to bring out a Mathematical relation. The study of an economic phenomenon always necessitate the introduction of many explicative variables, an endogenous variables( or the variable to be explained) is explained in function of many exogenous variables( explicative variables). In many cases, the economic phenomenon is characterized by the interdependence of many elements, which will make it susceptible for the explicative variable to exercise an influence on the explained variable.

In a larger sense, a model is a simplified representation of the reality. The construction of a model supposes that we retain (by abstraction) elements of the reality and that we construct a relation basing on the essentials. A model is generally a simplifier which brings out the heuristic<sup>5</sup> significance. A model always reposes on a pre-established theory which permits to give priorities to

<sup>&</sup>lt;sup>5</sup> Heuristic implies the art or technic of doing research or discovery

the real aspects such as the causal relationship. These theories are temporal since it is always susceptible to contradictions after its confrontation with the real model.

In the econometric scope, we can consider that a model consist of a formal representation of a phenomenon in the form of an equation of which the variables are economic aggregates. The objective of a model is to represent the most important traits of a reality which the researcher seeks to illustrate.

From the perceived relationship between leadership style and performance, functional relationships and associated multiple Regression models were specified for transformational and transactional Leadership styles respectively:

```
PSME<sub>TFLS</sub>= f{CHM, ISM, IS}
```

```
PSME_{TSLS} = f\{CR, MBE\}
```

Where:

**PSME<sub>TFLS</sub>** is Performance of small and medium size enterprises with transformational Leadership style;

**PSME<sub>TSLS</sub>** is Performance of small and medium size enterprises with Transactional Leadership style

**CHM =** Charisma;

**ISM=** Inspirational Motivation;

**IS**= Intellectual Stimulation

**CR** = Contingent Reward;

**MBE**= Management by Exception

From here, we can bring out the following models to see the variables that are significant with Performance.

#### $PSME_{TFLS} = a_1CHM + a_2ISM + a_3IS + \mu$

 $PSME_{TSLS} = \beta_1 CR + \beta_2 MBE + \mu$ 

Where  $\alpha_1$ ,  $\alpha_2$ ,  $\alpha_3$ ,  $\beta_1$  and  $\beta_2$  are model coefficients denoting the effects of the respective Leadership behaviors on organizational performance. while  $\mu$  is a random variable introduced to accommodate effects of other factors that affect organisational performance within and outside the leadership

behaviors that are not included in the model such : access to capital, fiscal system, economic policies....

#### **Expectations**

On estimation, each of the model parameters is expected to be positive.

That is :  $\alpha_i > 0$  with (i=0,1,2,3) ;  $\beta_i > 0$  with (i= 0,1,2) implying that the respective leadership behaviors are expected a priori to exert positive effect on performance.

#### 3.2.2.2. Validity and reliability of the estimation

The validity of the study relies on the study reliability and vice-versa. According to Hlongwena (2011), when validity is tested, reliability is also tested.

#### > Reliability

The responses on the study and from the main study questionnaire, the answers were similar. This is supported by Campbell and Vigar-Ellis (2012) state that the reliability of the study can be arrived at by the similarity of responses from the responses in repeated subsequent tests. The reliability is where the findings of a specific question or statement given to respondent and the answer are similar.

#### > Validity

To determine validity, the questionnaire was designed in line with the supporting objectives of the study. It refers to how well the data measure what they are supposed to measure (Denscombe, 2010). Furthermore, Denscombe (2010) mentions that validity is the significance of the data that needs to be accurate enough to meet the research objectives.

# CHAPTER 4 PRESENTATION AND DISCUSSION OF RESULTS

The previous chapter presented the research methodology, the methods used in collecting information and the sources, regarding how the information was obtained from. The objective of this chapter is to empirically analyse the feedback obtained from the questionnaire distributed and present the findings with data analysis. The data was analysed using the Pearson correlation coefficient (r), the Principal Component Analysis (PCA) and the Ordinary Least Square Regression (OLS) to bring out the dependence or the relation between the dependent and the independent variables to provide a more precise analysis of each objective.

In this chapter, we are going to present the results starting with the PCA, which will permit us to condense the components to see which components contribute significantly in the principal component. We shall also use our results to verify our hypothesis and see which Leadership style is positively and significantly related to the Performance of Small and Medium Size enterprises in Cameroon. The chapter will be divided into 02 sections, where the first section will and the second section will...

#### Section 1. Presentation and interpretation of results

We shall present the results originating from descriptive statistics and the OLS regression so as to see the relationship between leadership style and the performance of SMEs.

#### 4.1.1. Presentation and interpretation of results from Descriptive statistics

We shall present the results here gotten from the descriptive statistics through the Principal Component Analysis to show the contribution of each component in the questionnaire to the principal component which are the different variables making up the different leadership styles and performance, we shall also use the Pearson Correlation Coefficient (r) to show the degree of coefficient or the correlation between the different leadership variables and the dependent variables. We shall also present the results obtained from the regression of the dependent and the independent variables

#### 4.1.1.1. Presentation of results from Principal Component Analysis

The results presented under the descriptive statistics will include results from the PCA and the correlation coefficient.

# **4.1.1.1.2.** Demonstrating the contribution of each component to the principal component (PCA)

#### Components of Charisma

Charisma implies articulating a vision and in our questionnaire, it was captured using five (05) components which include: the capacity of the manager to seek new opportunities for the organization, the ability for the manager to paint an interesting picture of the future for the workers, having a clear understanding of where the organization is heading, his capacity to inspire others with his or her plans for the future and his ability to get others committed to his or her dreams for the future. From the results obtained from the Principal Component Analysis, we can see the contribution of each component to the principal component through the percentages of the variance in the total variance in order to see the components that contribute more to the principal component.

Compo	Initial Eige	Initial Eigenvalues			Extraction Sums of Squared Loadings		
nent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	3,335	66,696	66,696	3,335	66,696	66,696	
2	,711	14,210	80,906				
3	,448	8,966	89,872				
4	,306	6,125	95,997				
5	,200	4,003	100,000				

Table 10: Total Variance Explained for the Components of Charima

Source: Extraction from Principal Component Analysis.

Where 1,2,3,4 and 5 represents the five components that were used to capture Charisma as seen in the Questionnaire presented in the Appendix.

From the table above we can see percentage of the variance of the five components making up Charisma, we realize that the first two components contribute 80.906% of the variance of the principal component and the last three component contribute only a minor 19.094%. Hence when a manager seeks new opportunities for the organization, paints an interesting picture of the organization, we can conclude that he is Charismatic

#### > Components of Inspirational Motivation

Inspirational motivation is when a manger leads by doing rather than just telling, when the manager provides a good model to follow and when the manager leads by examples. We shall present the variance of the different component to see the percentages of the variance in order to see the components that contribute more to the principal component.

Compo	Initial Eigenvalues			Extraction S	ums of Squared l	Loadings
nent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,510	83,675	83,675	2,510	83,675	83,675
2	,285	9,508	93,183			
3	,205	6,817	100,000			

**Table 11: Total Variance Explained for Inspirational Motivation** 

Source: Extraction Principal Component Analysis.

Where 1, 2 and 3 represents the components that make up Inspirational Motivation as shown in our Questionnaire

From the percentages of the variance, we realize that the first component which is the ability of the manager to lead by doing rather than just telling others contributes 83.675% of the variance. Hence when a manager fulfills the first component we can conclude that he inspirationally motivates his workers.

#### > Components of Intellectual Stimulation

Intellectual Stimulation is seen when a manager provides new ways of looking at things which use to puzzle the workers, when the manager has ideas that forced workers to rethink some of their own ideas that they have never questioned before and when the manager stimulates workers to rethink about problems in new ways. From the results obtained from the Principal Component Analysis, we can see the contribution of each component to the principal component as seen on the table below.

We shall also present the variance of the different component to see the percentages of the variance in order to see the components that contribute more to the principal component.

Compo	Initial Eigenvalues			Extraction Sums of Squared Loadings		
nent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,268	75,614	75,614	2,268	75,614	75,614
2	,474	15,815	91,429			
3	,257	8,571	100,000			

**Table 12: Total Variance Explained for Intellectual Motivation** 

Source: Extraction from Principal Component Analysis.

Where 1, 2 and 3 are components that make up Intellectual Stimulation as demonstrated in the Questionnaire presented in the Appendix

From the table above, we see that the first two components contribute 91.429% of the variance. Hence we can conclude that a manager intellectually stimulates workers when he fulfills the first two components.

#### > Components of Contingent Reward

Contingent reward particularly interprets the transactional leadership style and is illustrated when: the manager gives positive feedback when the workers performs well, when he gives special recognition when a very good job is done, when he commends workers they do a better than average job, when the manager personally compliments workers when they do an outstanding job and when the manager frequently does not acknowledge my good performance. From the table below, we shall see the contribution of each component to the principal component.We shall proceed to present the variance of the different component to see the percentages of the variance in order to see the components that contribute more to the principal component.

**Table 13: Total Variance Explained for Components of Contingent Reward** 

Compo	Initial Eigenvalues			Extraction Sums of Squared Loadings		
nent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,498	49,953	49,953	2,498	49,953	49,953
2	,994	19,887	69,840			
3	,659	13,174	83,015			
4	,471	9,426	92,440			
5	,378	7,560	100,000			

Source: Author, Extraction from Principal Component Analysis

We realize that the first three components contribute 83.015% of the variance of the principal component, hence we can conclude that a manager rewards contingently when he is able to satisfy the first three out of the five components.

#### > Components of Management by exception: Active

It is another component of transactional leadership and its articulated when the manager keeps track of mistakes, gives sanctions when the set standards are not respected, always concentrates on mistakes and when the manager takes quick corrective measures in cases of deviations. From the table below, we shall see the contribution of each component to the principal component.

We shall also present the variance of the different component to see the percentages of the variance in order to see the components that contribute more to the principal component

<b>Table 14: Total Variance Explained for</b>	Management By Exception
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Compo	Initial Eigenvalues			Extraction Sums of Squared Loadings			
nent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	1,712	42,805	42,805	1,712	42,805	42,805	
2	1,212	30,300	73,105	1,212	30,300	73,105	
3	,722	18,060	91,165				
4	,353	8,835	100,000				

Souurce: Author, Extraction from Principal Component Analysis.

From the percentages of the variance, we realize that the first three components accounts for 91.165% of the total variance implying that when the first three components are fulfilled can that the manager actively manages by exception.

# **4.1.1.2.** Analysis of the relation between the respective leadership style and the performance outcomes using the Pearson correlation coefficient (r)

From the correlation table, we shall bring out the dependence of the performance outcomes on the different leadership styles which will permit us to see how the different variables of performance are affected by the different leadership behaviors and the impact of the different leadership style on the performance of SMEs.

Correlation between the Transformational leadership style, Extra effort, Effectiveness and Satisfaction

## Table 15: Correlation between Transformational leadership and Performance outcomes

		CHARISMA		INTELLECTUA L STIMULATION (IS)	EXTRA EFFORT (EE)	EFFECTIVEN ESS (EFF)	SATISFACTIO N (SAT)
CHARISMA	Pearson Correlation	1	,720**	,671 <sup>**</sup>	,595	,709**	,434**
	Sig. (2-tailed)		,000	,000	,000	,000	,000
	Ν	114	113	114	114	114	114
INSPIRATIONAL	Pearson Correlation	,720 <sup>**</sup>	1	,354	,464**	,717 <sup>**</sup>	,503**
MOTIVATION	Sig. (2-tailed)	,000,		,000	,000	,000	,000
	Ν	113	113	113	113	113	113
INTELLECTUAL	Pearson Correlation	,671 <sup>**</sup>	,354**	1	,353**	,590**	,376**
STIMULATION (IS)	Sig. (2-tailed)	,000,	,000		,000	,000	,000
	Ν	114	113	114	114	114	114
EXTRA EFFORT (EE)	Pearson Correlation	,595 <sup>**</sup>	,464**	,353**	1	,427**	,517**
	Sig. (2-tailed)	,000	,000	,000		,000	,000
	Ν	114	113	114	114	114	114
EFFECTIVENESS (EFF)	Pearson Correlation	,709 <sup>**</sup>	,717**	,590**	,427**	1	,592**
	Sig. (2-tailed)	,000	,000	,000	,000		,000
	Ν	114	113	114	114	114	114
SATISFACTION (SAT)	Pearson Correlation	,434 <sup>**</sup>	,503**	,376**	,517**	,592**	1
	Sig. (2-tailed)	,000	,000	,000	,000	,000	
	Ν	114	113	114	114	114	114

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

Source: Author, Extraction from Pearson correlation

From the Pearson correlation table, we realize that all the variables of the Transformational Leadership style exert a positive and significant relationship with the performance variables. In details we have a positive and significant relation between Charisma and performance outcomes such as Extra Effort, Effectiveness and satisfaction with a correlation coefficient (r) of 0.595, 0.709 and 0.434 at 0.01 level of significance. This implies that a unit change in Charisma will lead to a positive and significant change of the different performance outcomes with respect to the different coefficients presented above.

Still from thee correlation table, we realize that a unit variation in Inspirational motivation will lead to a positive and significant change in Extra effort, Effectiveness and satisfaction with the correlation coefficients of 0.464, 0.717 and 0.503 respectively at 0.01 level of significance.

Intellectual Stimulation on its part positively and significantly correlates with Extra Effort with r = 0.353, Effectiveness with r = 0.590 and Satisfaction with r = 0.376 at a 0.01 level of significance.

These results shows that all the variables of the Transformational leadership style are positively and significantly related with the performance outcomes. This study is in line with the research carried out by Judge and Piccolo (2004). The result suggests that augmentation effects of transformational leadership tend to provide ultimate satisfaction, foster inspiration and excitement to put extra effort among subordinates.

Correlation between the Transactional leadership style, Productivity and Loyalty/ commitment

## Table 16: Correlation between Transactional leadership style and performance outcomes

		CONTINGENT	MANAGEMENT BY EXCEPTION: ACTIVE	PRODUCTIVITY ( PROD)	LOYALTY/COMMI TMENT
CONTINGENT REWARD	Pearson Correlation	1	-,184 <sup>*</sup>	,400**	,321**
	Sig. (2-tailed)		,049	,000	,001
	Ν	114	114	114	114
MANAGEMENT BY	Pearson Correlation	-,184 <sup>*</sup>	1	-,097	-,170
EXCEPTION: ACTIVE	Sig. (2-tailed)	,049		,302	,071
	Ν	114	114	114	114
PRODUCTIVITY (PROD)	Pearson Correlation	,400**	-,097	1	,605 <sup>**</sup>
	Sig. (2-tailed)	,000	,302		,000
	Ν	114	114	114	114
LOYALTY/COMMITMENT	Pearson Correlation	,321**	-,170	,605**	1
	Sig. (2-tailed)	,001	,071	,000	
	Ν	114	114	114	114

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

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

Source: author, from correlation results

From the Pearson correlation table, we realize that the first variable of the Transactional Leadership style Contingent reward exert a positive and significant effect on Productivity with a correlation coefficient of 0.400, this is because workers will always give their maximum output when they

know the expectant reward that they will receive from the execution of the task, Contingent reward also exert a positive and significant relation on loyalty with an r = 0.321 at a 0.01 level of significance due to the fact that they leader that rewards contingently always acquires the loyalty and or commitment of his subordinates. while Management by Exception: Active exerts a negative and insignificant relation on productivity and commitment/ loyalty with the correlation Coefficients of -0.097 and -0.170 respectively at a 0.01 level of significance this is due to the fact that when the manager always keeps tracks of mistakes, it demoralizes the workers to carry out some out of routine task for the fear of errors .

Hence from the Pearson correlation coefficient, we can see that all the variables of Transformational leadership exert a positive and significant relationship on the Performance outcomes where as it just one of the variables of Transactional leadership that exert a positive relation on the performance outcomes

#### 4.1.2. Presentation of results from Regression

From the Ordinary least square Regression, we shall present the impact of each of the different leadership style s on the performance of Small and Medium Size enterprises

## **4.1.2.1.** Relationship between Transformational leadership style and Performance outcomes.

From the regressions done between the variables of Transformational leadership style (CHM, ISM and IS) and the performance outcomes variables (EE, EFF and SAT). we shall see a causal relationship which brings out the impact of the transformational leadership style on the Performance of SME as presented on the table below. We shall present the regression by first of all showing the individual impact of the variables on the performance outcomes and later the global relationship between the dependent and the independent variables.

## Table 17: Regression summary of the Transformational leadership style variables and performance outcomes.

	Extra Effort	Effectiveness	Satisfaction
Charisma	0.603	0.54	-0.70
Inspirational Motivation	0.112	0.519	0.334
Intellectual stimulation	-0.077	0.464	0.265

Source: author from Regression Results

From the above regression analysis, we realize that Charisma exerts a positive relationship on Extra Effort and Effectiveness and a negative and insignificant effect on Satisfaction. This implies a unit variation in the Charismatic behavior of the leader, will lead to an increase in Extra effort by 0.603, an increase in Effectiveness by 0.54 and a negative but insignificant change in the Satisfaction of the workers by 0.07. A unit variation in Inspirational motivation will exert an increase in Extra Effort by 0.112, an increase in Effectiveness by 0.519 and an increase in the Satisfaction of the workers by 0.334. and finally, a unit variation in Intellectual Stimulation will trigger a fall in Extra Effort by 0.077, an increase in Effectiveness by 0.464 and an increase in the Satisfaction of the workers by a coefficient of 0.265. These results are in corroboration with that of Gasper (1992) who conducted a meta-analysis of prior literature on transformational leadership. Results indicated that transformational leadership was the more preferred style among followers and was associated, as noted with single sample studies, with perceived leadership effectiveness, follower satisfaction, and greater willingness to put forth extra effort.

From here, we can present the global impact of all the Transformational leadership variables and Performance as seen below

## Table 18: Regression results for Performance of Transformational leadership style

Coefficients<sup>a,b</sup>

		Unstandardized Coefficients		Standardized Coefficients		
Model		В	Std. Error	Beta	Т	Sig.
1	CHARISMA	,247	,115	,247	2,136	,035
	INSPIRATIONAL MOTIVATION	,426	,091	,426	4,662	,000
	INTELLECTUAL STIMULATION (IS)	,221	,086	,221	2,576	,011

a. Dependent Variable: PSME transformatonal leadership style

Source: Regression results

The table above can permit us to bring out a functional relationship between the Performance of Small and Medium Size enterprises and the leadership style variables as seen below.

#### PME<sub>TFLS</sub> = 0.247CHM + 0.426ISM + 0.221IS

S E	(0.115)	(0.09	91)	(0.086) <sup>*</sup>
T-STAT	(2.136)	(4.662)	(2	.576)
* SIGNI	<b>R</b> <sup>2</sup> = 0	0.581		

From the functional relation given above, we realise that a unit variation in Charisma will lead to a positive 0.247 change in the PSME, a unit change in the Inspirational motivation of the manager will lead to a positive change of 0.426 in Performance and finally, a unit variation in the intellectual stimulation of the leader will lead to an increase in performance by 0.221.

## **4.1.2.2.** Relationship between Transactional Leadership style and Performance outcomes.

From the regressions done between the variables of Transactional leadership style (CR and MBE:A) and the performance outcomes variables (PROD and SAT). we shall bring out the individual relationship which exist between the transactional leadership style and the Performance of SME which is presented on the table below.

#### Table 19: Regression results of Transformational leadership variables and performance outcomes

	Productivity	Loyalty/ commitment
Contingent Reward	0.395	0.300
Management By Exception: Active	-0.25	-0.114

Source: author from Regression results.

From the table above, we realize that Contingent Reward exerts positive effects on the individual performance outcomes. While Management by Exception exerts negative effects of the individual performance outcomes, we shall hence verify the effect of the transactional leadership style variables on the global performance of the enterprise.

Table 20: regression Coefficients<sup>a,b</sup> for Transactional leadership style

-		Unstandardized Coefficients		Standardized Coefficients		
Model		B Std. Error		Beta	t	Sig.
1	CONTINGENT REWARD	,388	,088	,388	4,421	,000
	MANAGEMENT BY	-,078	,088	-,078	-,885	,378
	EXCEPTION: ACTIVE					

a. Dependent Variable: PSME transactional leadership style

b. Linear Regression through the Origin

Source: author, from Regression results

The table above can permit us to bring out a functional relationship between the Performance of Small and Medium Size enterprises and the leadership style variables as seen below.

*		**
0.388CR	- 0.078MBE:A	
	0.388CR*	0.388CR <sup>*</sup> - 0.078MBE:A

SE (0.088) (-0.088)

T- STAT (4.421) (-0.0885)

#### \*SIGNIFICANT AT 5% \*\* SIGNIFICANT AT 10% $R^2 = 0.153$

From the functional relationship, we see that only the first variable of transactional leadership style exerts a positive influence on performance which is manifested as a unit change in Contingent reward will lead to 0.388 increase in performance and a unit change in Management by Exception will lead to a negative and significant change in performance by 0.078.

 $PSME_{TFLS} = 0.247CHM + 0.426ISM + 0.221IS$ 

**PSME<sub>TSLS</sub>= 0.388CR - 0.078MBE:A** 

## Figure 9: GRAPHICAL REPRESENTATION OF THE RESULTS OF THE LEADERSHIP VARIABLES


Source: Author, from Regression results

# **4.1.2.3.** Relationship between the 02 independent variables (Transformational and Transactional Leadership style) and the dependent variable (Performance of SMEs)

From the regressions done between the variables of leadership style (Transformational and Transactional) and the performance of SMEs. we shall bring out the global relationship which exist between the two leadership styles and the Performance of SME which is presented on the table below.

# Table 21: Regression results for Transformational and TransactionalLeadership style and Performance

	Coefficients						
		Unstandardize	ed Coefficients	Standardized Coefficients			
Mode	1	В	Std. Error	Beta	t	Sig.	
1	Transformational Leadership style	,700	,065	,700	10,789	,000	
	Transactional Leadership style	,150	,065	,150	2,314	,022	

. . . . a.b

a. Dependent Variable: Performance of SME

b. Linear Regression through the Origin

Source: author from Regression results

From the above table, we realize that Transformational Leadership style has more tendency to induce performance due to the fact that it has a higher coefficient in details, we see that a unit variation of Transformational Leadership style will lead to 0.700 variation in the performance of the enterprise hence this results shows us that Transformational leadership has a positive and significant relationship with the performance of SMEs. The results also permits us to see that Transactional leadership exerts a positive effect on the performance of SMEs due to the fact that it has a coefficient of 0.15 implying that a unit variation in Transactional leadership style will lead to a 0.15 variation in the performance of SME

We realize that even though both Transformational and Transactional leadership styles have a positive impact on the performance of SMEs, the Transformational leadership style has a higher impact on performance. This implies that the two leadership styles should be used as complements and not as substitutes in order to attain higher performance outcomes. This results are in corroboration with the Augmentation model of Transformational and Transactional Leadership (Bass and Avolio, 1997) which stated that a combination of the two leadership styles will lead to the attainment of Performance eyond Expectations. The results will be presented graphically as seen below.

# Figure 10: GRAPHICAL REPRESENTATION OF THE RESULTS OF THE LEADERSHIP STYLE AND PERFORMANCE



**Performance of SMEs** 

Source: author, from regression results

## Section 2. Discussion of results and verification of hypothesis

From the results obtained above, we shall proceed to the discussion of the results to see its implication and to verify if the preliminary or anticipated responses (Hypothesis) posed to respond to our research questions will be confirmed or rejected and also to give the implication of the acceptance or rejection of each hypothesis.

From the results obtained above, we see that all the variables of the Transformational Leadership style exert a positive influence on the Dependent variable (performance) hence we can conclude that the Transformational Leadership style is Positively related to the Performance of SMEs in the South West Region of Cameroon. We also realized from our Regression and the Pearson Correlation that out of the two Variables of the Transactional Leadership style, one of them (Contingent Reward) has a positive and significant relationship performance, while the second variable of Transactional Leadership style (Management by Exception: Active) has a negative but insignificant relationship with Performance. The reason for these is due to the fact that when workers are aware of what they stand to gain or loss before engaging in an act which is manifested by Contingent Reward, it always make them to strife for its achievement. On the other hand, MBE:A has a negative influence on Performance because when workers feel that their mistakes are always recall or counted or that the manager always keeps record and concentrates on their mistakes and that the workers will be sanctioned when expected goals are not achieved, it prevents the workers from undertaking certain quick, innovative or creative actions which might be very necessary for the sustainability of the organization due to fear of committing errors that will be used against him by the manager. From the discussion of the results, we can proceed to verify our Hypothesis.

## **4.2.1.** Verification of hypothesis (H<sub>1</sub> and H<sub>2</sub>)

The results obtained from the OLS regression and the Pearson Correlation demonstrates that all the two Leadership styles (Transformational and Transactional) Primarily exert a positive influence on the Performance of Small and Medium Size Enterprises. Reasons been that all the three Transformational Leadership variables (CHM, ISM and IS), have a positive relation on the dependent Variable (Performance). And out of the two Transactional Leadership style variables, Contingent Reward has a positive relationship on the dependent variable, while the second

Transactional Leadership style Variable Management by Exception exert a negative but insignificant effect on the dependent Variable. Hence we can conclude that the two Leadership styles exerts a positive relationship on the Performance of SMEs in Cameroon in general and in the South West region in particular which goes to **confirm or to accept** our first hypothesis ( $H_1$ ) which states that, Transformational and Leadership style have a positive effect on the performance of SME's in Cameroon.

The second hypothesis  $(H_2)$  which states which states that Transactional Leadership style has a negative impact on the performance of SMEs, was a preliminary response to our specific research question which implies that Transactional Leadership style will have a negative impact on Performance of SMEs in Cameroon or that the Transactional Leadership have an inverse relationship with Performance which is the dependent variable. From our results obtained in the Pearson Correlation and the OLS regression, we realize that this Hypothesis cannot be confirmed because one of its variables has a negative relationship with Performance. For this hypothesis to be verified or confirmed, it implies that all its variables were supposed to be negatively and significantly correlated to the dependent variable which is not the case as seen in the results, hence the second hypothesis ( $H_2$ ) is rejected. The table below will present the operationalization of our hypothesis.

Hypothesis	Variable	Coefficient	Impact on on Performance	Significance	Decision
Hypothesis 1	Transformational	0.700	positive	Significant	Accepted
	Leadership style				
Hypothesis 2	Transactional Leadership style	0.150	Positive	Significant	Rejected

Source: author's conception

The rejection of the second hypothesis means that the Transactional leadership style does not exert a negative impact on the performance of SMEs, even though the two leadership styles have a positive relation with Performance (which confirms the first hypothesis), the Transformational Leadership is more significantly related and will induce more performance from the workers and hence strengthens

organizational Performance. Overall prior research indicated the superiority of transformational leadership to transactional leadership (Avolio & Bass, 2004: Kathrins, 2007: Smartt, 2010). In this study the data indicated there was no significant relationship between transactional leadership and leadership effectiveness, followers' satisfaction, and followers' extra effort. Form an overview of previous research carried out in different fields of Leadership having different cultures, different socio economic and political realities, we realize that the different results obtained demonstrates that the Transformational leadership style has always exerted a positive influence on the outcomes of performance such as extra effort, satisfaction, motivation, employee empowerment, accomplishment, innovation, creativity...this has pushed us to ask a question to know if the Transformational Leadership style is a Universal Leadership style and what can make a Transformational leader to be more performant. We will hence proceed to see the Universality of the Transformational leadership style and the conditions or situations that can cause this leadership style to exert more performance.

## 4.2.2. Universality of the Transformational leadership style

According to Bass (1997), transformational leadership is effective in any situation or culture. The effectiveness of transformational leadership has been shown for different levels of authority, in different types of organizations and in several different countries. No conditions are specified in which transformational leadership is ineffective. "However, universal relevance does not mean that transformational leadership is equally effective in all situations or equally likely to occur. A number of situational variables may increase the likelihood of transformational leadership or enhance its effect on followers" (Yukl, 2002, p. 255). Examples include the external environment – an unstable environment being beneficial for transformational leadership.

**Illustration** if the technology, workforce and environment are stable..., then things are likely to move along quite well with managers who simply promise and deliver rewards to employees for carrying out assignments .... But when a firm is faced with a turbulent marketplace...and when its current technology can become obsolete before it is fully depreciated; then transformational leadership needs to be fostered at all levels in the firm. (Bass, 1990a, p. 30)

Further examples are:

 $\blacktriangleright$  The type of organization – an organic structure is rather beneficial than a mechanistic bureaucracy (Bass, 1998), this means that the Transformational leadership style will heal more benefit in an enterprise having an organic structure because in this kind of structure the leader can easily stimulate the workers to make extra effort and even be creative and innovative since they have the opportunity to share the vision of the leader hence they will have that sense of belonging which always make them to believe that the development of the organization automatically leads to their individual development. But in the case of a mechanistic bureaucracy, rules are already fixed and standardized and they are to be followed strictly by the workers. It discourages extra effort, creativity or innovation.

➤ The hierarchical level – transformational leadership is more likely to occur in higher hierarchical levels (Bass & Avolio, 1993a), or an entrepreneurial culture (Yukl, 2002).



The goal of this second part was to present the methodology used in this research as well as the results obtained. The third chapter enlightened the methodology put in place in our research (justification of our method as well as the methodological approach) and also the presentation of our sample and the variables retained in our research. The forth chapter on its part was based on the results that is the link or relationship between Leadership style and Performance.



The question of Leadership and leadership style is an important aspect in the life of an enterprise which is recently receiving attention from managers and business owners in Cameroon. And small and medium size enterprise particularly pay more attention to this phenomenon due to the fact their survival depends to it , hence the problematic of leadership is an actuality in this sector due to the fact that most Small and medium size enterprises in Cameroon and in most under developed countries suffer from limited finance due to inaccessibility of running capital, unadapted economic policies, fighting against international competition from sophisticated countries, complex fiscal system .... It then becomes imperative for enterprise to count or depend on its personnel or workers (human resources) in order create value and competitive advantage so as to ensure its parity or survival. This research was intended to show how Leadership can be used to ameliorate the performance of small and medium size enterprises in Cameroon, that is to know which leadership style is appropriate to induce higher performance outcomes in this sector.

To realize the above objective, we made resort to descriptive and explicative analysis, data was collected through Questionnaires addressed to workers and managers from 38 small and medium size enterprises in the South West region of Cameroon which was the population of our study. The data collected was analysed using statistical and econometrics models which includes the Principal Component Analysis, the Pearson Correlation coefficient and the Ordinary Least Square Regression so as to bring out the relationship between the independent variable (Leadership style) and the dependent variable (Performance of small and medium size enterprises)

The results obtained showed that there exist a positive relationship between leadership style and performance since all the two Leadership styles considered in this research were all positively related to performance outcomes. We also realized that the Transformational Leadership style variables which includes Charisma, Inspirational Motivation and Intellectual Stimulation are all having a positive impact on performance outcomes implying that the Transformational leadership style should be used by Small and medium size enterprises in Cameroon and particularly in the

South west region. This is due to the fact that this sector (SME) is faced with serious challenges in the Cameroon context and it is only when the workers share and participate in the visions and dreams of the leader or business owner that they can give in their best. This is because the Transformational leadership style was the more preferred style amongst followers and was associated with perceived leadership effectiveness, follower satisfaction and greater willingness to put forth extra effort. We also realized that one of the Transactional leadership variables (Contingent Reward) had a positive and significant relationship with performance, implying even a transformational leader can sometimes Contingently reward his workers in order to acquire a greater productivity and the loyalty from the workers.

From our results, we can generally conclude that Transformational and Transactional leadership style should be implemented complementarily to be able to achieve higher organizational objectives. This theory can be related to the X and Y theory of Mc Gregor, 1960 who explained that two category of workers exist in an organization hence the manager should use the "Direction par Objective" for the "L'homme" X and the "Direction Participative par Objective" for the "L'homme Y''.

It should be noted that it is not only leadership that influences the performance of small and medium size enterprises in Cameroon, there are other factors that are endogenous or external to leadership and they can include: the fiscal system, access to capital, procedure for enterprise creation, economic policies, commercial policies (that is import and export policies)...This can permit us to bring out a functional as follows:

# Performance of SMEs = f(access to capital + fiscal system + Leadership + economic policies....)

The above function highlights some of the factors that can affect the performance of SMEs in Cameroon but given the fact that our domain of study is Human Resource management, it permitted us to address only the Leadership factor which is the factor that targets the human resource in an organization. And it should be noted that the Human resource is the most important resource in the enterprise because it is the resource that transforms all the other resources (such as material and financial resources). In this point of view, we shall try to bring out some policy implication or

recommendations on how we can use leadership style to ameliorate the performance of Cameroonian SMEs basing on our results.

#### **Policy implications and recommendations**

The following points are recommended to improve on the performance of small and medium size enterprises based on Leadership style.

★ To start, since we realize that the Transformational leadership style will exert a greater influence on performance, we suggest that it should be applied to Cameroonian Small and Medium size enterprises. Also, due to the fact that one of the variables of the Transactional leadership style (that is Contingent reward) exerts a positive impact on performance outcomes such as productivity and loyalty, it should also be applied by the Transformational leader in order to have achieve Performance beyond Expectations. This is because transactions are at the base of transformations, due to the fact that when a leader honor his transactions with people, over time they come to trust the leader and it is higher levels of trust versus compliance that transformational leadership uses as its base for achieving exemplary performance (Avolio, 1999). This implies that the two Leadership styles (Transformational and Transactional) should be used as Complements and not as Substitutes in order to achieve performance beyond Expectation.

✤ We cannot end this thesis without proposing some keys to successful leadership, the following elements will heal leaders to improve on their efficiency in any domain that may interest even if it is not in a profit maximization organization like the case of an enterprise:

- Model the way
- Inspire a shared vision
- Challenge the process
- Enable others to act
- Encourage the heart

#### Way forward for future research

• Most research in the field of Leadership has focused on the relationship between leadership and productivity, innovation, satisfaction, organizational performance and many other dependent variables, but little has been done to see how qualitative aspects such as gender and culture do affect the leadership behavior of the leaders. Hence as a suggestion for future research, it will be relevant to see the impact of gender and culture on the leadership style to be adopted

• From a review of literature, we realized that most studies in the domain of leadership always tries to compare Transformational leadership and Transactional leadership styles to see the one that will have a higher influence on performance and little has been done to show the impact to be obtained if the two leadership styles are used as complements and not substitutes. Hence we will suggest that more research should be carried out to show the combined effects of the two leadership styles.

#### Limits of the research

This study comprises, as any research task limits which it is advisable to raise for better determination of the range of its results.

The first limit relates to the sample size and also to the specificity of our study. In effect, the study is carried out on the employees of Small and medium size enterprises in the SW region of Cameroon with the principal objective being to evaluate the impact of Leadership style on the performance and in this context the sample is regarded as being small (114). As such the results of this research can have difficulties to be generalized for all SMEs in Cameroon. This is so because it is still necessary to take into account other criteria or other elements that affect the performance out of leadership.

The second limit is at the methodological level and refers to the use of the method of investigation with questionnaire for data-collection. This method has two disadvantages. On one hand, the measuring instrument does not seems to cover the whole of theoretical dimensions of the concepts because the use of the closed and semi open questions. In addition, the instrument, being based was based on the declaratory trials to measure the perceptions of the respondents, which implies that there is strong subjectivity in the responds.

All these limitations will to some extent constrain generalizations of findings. Notwithstanding, it is hoped that the study would find application in the Cameroonian small and medium enterprises, and provide the building blocks for more detailed and elaborate research.

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#### **Research questionnaire**

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#### Dear sir/ Madam

We have recently given our authorization to **Mr Fokam Jeff Astein Mbah** for the realization of a research project targeting the obtention of a memoire in the scope of his **Masters Degree in Human Resource management** 

Our collaboration in this project is in the form of technical support and on the accessibility to information permitting to bring out his memoire on the topic: LEADERSHIP STYLE AND PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN CAMEROON.

We are only interested in the global result issued from this research. Nevertheless, we will have no access to individual results obtained from this analysis.

Thanks for your collaboration

Supervisor

### **OBJECT: QUESTIONNAIRE**

Personal Information : use ( $\checkmark$ ) to respond to the following

- 1. Sex of respondent: Male(.....), female (.....)
- 2. Sector of activity: Primary(....), Manufacturing (....), Service (....)
- 3. Town: Limbe (.....), Buea (.....), Kumba (.....), Tiko (.....), Mutengene (.....)

#### Read the following instructions in order to permit you fill the questionnaire properly.

**NB:** The purpose of this research is purely academic and scientifical and there will be an anonymity in the coverage of the information and no prejudice will be given to any respondents based on his responds, please a rapid respond and delivery of this document will really go a long way to facilitate the process.

# Use the following figures : 0;1;2;3;4; to respond to the different questions from the questionnaire as explained below.

# SAMPLE OF THE MULTI-FACTOR LEADERSHIP QUESTIONNAIRE OF BASS AND AVOLIO

Key:0 = Not1 = Once in2 = Sometimes3 = Fairly4 = Frequently,at alla whileoftenif not always

### PART 1: LEADERSHIP STYLE

### I. TRANSFORMATIONAL LEADERSHIP STYLE

### 1.1. CHARISMA (ARTICULATING A VISION) (CHM)

- 1.1.1. My manager is always seeking new opportuinities for the organization [0 1 2 3 4]
- 1.1.2. My manager paints an interesting picture of the future for us [0 1 2 3 4]
- 1.1.3. My manager has a clear understanding of where we are going [0 1 2 3 4]
- 1.1.4. My manager inspires others with his/her plans for the future [0 1 2 3 4]
- 1.1.5. My manager is able to get others committed to his/her dream of the future [0 1 2 3 4]

### **1.2.** INSPIRATIONAL MOTIVATION (ISM)

1.2.1. My manager leads by doing rather than just telling [0 1 2 3 4]

1.2.2.	My manager provides a good model to follow	[0 1 2 3 4]
1.2.3.	My manager leads by example	[0 1 2 3 4]

### **1.3.** INTELLECTUAL STIMULATION (IS)

- 1.3.1. My manager has provided me with new ways of looking at things which used to be a puzzle for me [0 1 2 3 4]
- 1.3.2. My manager has ideas that have forced me to rethink some of my own ideas I have never questioned before [0 1 2 3 4]
- 1.3.3. My manager has stimulated me to rethink about problems in new ways [0 1 2 3 4]

### II. TRANSACTIONAL LEADERSHIP STYLE

### 2.1. CONTINGENT REWARD (CR)

- 2.1.1. My manager always gives me positive feedback when I perform well [0 1 2 3 4]
- 2.1.2. My manager gives me special recognition when my work is very good [0 1 2 3 4]
- 2.1.3. My manager commends me when I do a better than average job [0 1 2 3 4]
- 2.1.4. My manager personally compliment me when I do outstanding work [0 1 2 3 4]
- 2.1.5. My manager frequently does not acknowledge my good performance [0 1 2 3 4]

### 2.2. MANAGEMENT BY EXCEPTION: ACTIVE (MBE: A)

2.2.1.	My manager keeps track of my mistakes	[0 1 2 3 4]
2.2.2.	My manager always gives sanctions when set standards are not respected	[0 1 2 3 4]
2.2.3.	My manager always concentrate on my mistakes	[0 1 2 3 4]
2.2.4.	My manager takes quick corrective measures in cases of deviations	[0 1 2 3 4]

# PART II PERFORMANCE OUTCOMES OF THE DIFFERENT LEADERSHIP STYLE

# I. PERFORMANCE OUTCOMES OF TRANSFORMATIONAL LEADERSHIP STYLE

### **1.1. EXTRA EFFORT (EE)**

- 1.1.1. My manager is able to generate extra effort from the workers(followers) [0 1 2 3 4]
- 1.1.2. My manager motivates the workers to strive for superior performance by deploying<br/>supplementary efforts[0 1 2 3 4]
- 1.1.3. My manager encourages us to succeed and to overstep objectives and induces positive supplementary behavior [0 1 2 3 4]

## **1.2.** EFFECTIVENESS (EFF)

	My manager is efficient	[0 1 2 3 4]
1.2.2.	My manager efficiently represents the group in front of higher organiza authority	tional [0 1 2 3 4]
1.2.3.	My manager efficiently meets organizational objectives and generally ge efficiency in all the structures he is involved in	enerate a higher [0 1 2 3 4]
1.3.	SATISFACTION (SAT)	
1.3.1.	My manager is able to generate satisfaction from his workers	[0 1 2 3 4]
1.3.2.	My manager is a warm, nurturing, authentic, honest person	[0 1 2 3 4]

1.3.3. My manager has a good interpersonal and social skills and he is capable of developing feelings of satisfaction from his workers [0 1 2 3 4]

### II. PERFORMANCE OUTCOMES OF TRANSACTIONAL LEADERSHIP STYLE

### 2.1. PRODUCTIVITY

- 2.1.1. My manager guides the team and helps the workers to minimize obstacles [0 1 2 3 4]
- 2.1.2. My manager permits workers to get the best result out of the resources available [0 1 2 3 4]
- 2.1.3. My manager ultimately empower workers to succeed which results to much better productivity [0 1 2 3 4 ]

### 2.2. LOYALTY/COMMITMENT

- 2.2.1. My manager defends my work actions to a superior, even without complete knowledge of the issue in question [0 1 2 3 4]
- 2.2.2. My manager would come to my defense if I were attacked by others [0 1 2 3 4]



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