

# **LEADERSHIP STYLES AND SME PERFORMANCE: THE MEDIATING EFFECT OF MARKET ORIENTATION**

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## ABSTRACT

The need for effective leadership has increased tremendously as a result of the complexity of businesses and tough competition in today's business environment. Every business requires effective leaders to steer the business through turbulent times and envision a future. As such, one of the driving forces for the future success of small and medium enterprises (SMEs) is the development of good leadership. Furthermore, for businesses to compete and survive in the current highly contested global market place, they have to more aware and alert about the needs of their customers. Being more aware and alert about the customers' needs means businesses have to engage in market orientation. The leadership styles of top managers play vital roles in shaping the organisational culture which leads to the implementation of good market orientation.

The primary objective of this study is to examine the mediating effect of market orientation on the leadership-performance relationship. The empirical study was carried out in the Mangaung Metropolitan Municipality (*Bloemfontein, Botshabelo and Thaba'Nchu*). A total of **354** questionnaires were distributed, **250** questionnaires were received from the respondents, however only **229** were considered in the study because they were fully completed and generated a response rate of **64.7%**.

Key findings of the study showed that:

- SME owners/managers engage in supportive, achievement oriented, transformational and transactional leadership styles.
- SME owners/managers highly engaged in customer orientation, but only moderately engage in competitor orientation and Inter-functional coordination.
- SME owners/managers perform better in terms of non- financial performance, but only have a moderate performance in terms of financial performance.
- With regards to the impact of leadership styles on SME performance (financial and non-financial performance), the results established that supportive, participative, achievement, consultative, democratic, and transformational leadership styles have a positive relationship with non-financial performance, while laissez-fair has a negative relationship with non-financial performance. With respect to financial performance, the results show

that only democratic and transactional leadership styles have a positive relationship with financial performance and this result are significant at the 5% level.

- With regards to the dimensions of market orientation, the result revealed customer orientation and competitive orientation have a significant positive relationship with non-financial performance, while all three construct of MO (customer orientation, competitive orientation, and inter-functional coordination) have a positive relationship with financial performance.
- With regards to the mediating relationship between market orientation and leadership styles, the results established a *partial* and *full mediation*. In terms of the *full mediation*, this study established that competitor orientation fully mediates the relationship between consultative leadership style and non-financial performance; customer orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance; and competitor orientation fully mediates the relationship between democratic leadership style and financial performance. In terms of a *partial mediation*, this study showed that customer orientation partially mediates the relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates the relationship between participative leadership style and non-financial performance; customer orientation partially mediates the relationship between participative leadership style and non-financial performance; customer orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between democratic leadership style and non-financial performance; customer orientation partially mediates the relationship between transformational leadership style and non-financial performance; competitor orientation partially mediates the relationship between transformational leadership style and non-financial performance; and competitor orientation partially mediates the relationship between transactional leadership and financial performance.
- The recommendations are provided more in depth in chapter 7 of the literature chapters.

## **DEDICATION**

This thesis is dedicated to my late mother and grandmother Malefu and Mampopi Miya. Thank you very much for instilling discipline and positive attitude in me. The life lessons and values you taught me have contributed significantly to the person I am today. May your souls rest in peace.

## DECLARATION

I, Nkopane Washington Miya, declare that the thesis titled “*Leadership styles and SME performance: Mediating effect on market orientation*” is my own work. All the sources and quotations I have used in this study were acknowledged by means of complete references.

**Nkopane Washington Miya**

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**Signature**

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**Date**

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## TABLE OF CONTENTS

ABSTRACT .....	i
DEDICATION .....	iii
DECLARATION .....	iv
ACKNOWLEDGEMENTS .....	v
TABLE OF CONTENTS .....	vi
APPENDICES .....	xii
LIST OF ACRONYMS .....	xiii
CHAPTER ONE.....	1
INTRODUCTION AND BACKGROUND TO THE STUDY .....	1
1.1. INTRODUCTION .....	1
1.2. PROBLEM STATEMENT .....	5
1.3. OBJECTIVES OF THE STUDY .....	7
1.4. CONTRIBUTIONS OF THE STUDY .....	8
1.5. SUMMARY OF RESEARCH METHODOLOGY USED FOR THE STUDY.....	8
1.5.1. Research design.....	9
1.5.2. Population and sample .....	9
1.5.3. Sampling design .....	10
1.5.4. Data collection methods.....	10
1.5.5. Data analysis.....	11
1.6. CHAPTER OUTLINE .....	11
1.7. CHAPTER SUMMARY .....	12
CHAPTER TWO .....	13

LEADERSHIP STYLES AND SME PERFORMANCE .....	13
2.1. INTRODUCTION .....	13
2.2. DEFINITIONS OF LEADERSHIP .....	13
2.3. COMPONENTS OF LEADERSHIP .....	14
2.3.1. The leader .....	15
2.3.2. The followers .....	15
2.3.3. The situation .....	15
2.4. THEORIES ON LEADERSHIP .....	15
2.4.1. Trait approach .....	15
2.4.2. Behavioural approach .....	16
2.4.3. Contingency theory .....	17
2.5. LEADERSHIP STYLE .....	21
2.5.1. Directive leadership style .....	21
2.5.2. Supportive leadership style .....	22
2.5.3. Participative leadership style .....	22
2.5.4. Achievement orientated leadership style .....	22
2.5.5. Autocratic leadership style .....	23
2.5.6. Consultative leadership style .....	23
2.5.7. Democratic leadership style .....	24
2.5.8. Laissez-faire leadership style .....	24
2.5.9. Pace setting .....	24
2.5.10. Coaching leadership style .....	25
2.5.11. Visionary leadership style .....	25
2.5.12. Transformational Leadership style .....	26
2.5.13. Transactional Leadership style .....	26
2.6. DEFINITION OF SMEs .....	27
2.6.1. SME Performance .....	28
2.6.2. Measures of SME Performance .....	29
2.7. CHAPTER SUMMARY .....	30
CHAPTER THREE .....	31
MARKET ORIENTATION AND SME PERFORMANCE .....	31



3.1. INTRODUCTION .....	31
3.2. DEFINITIONS OF MARKET ORIENTATION .....	31
3.3. HISTORY OF MARKET ORIENTATION .....	32
3.4. DIMENSIONS OF MARKET ORIENTATION .....	33
3.4.1. Behavioural dimension (Kohli and Jaworski) .....	33
3.4.2. Cultural dimension (Narver and Slater) .....	35
3.5. THE ROLE OF THE EXTERNAL ENVIRONMENT .....	38
3.5.1. Market turbulence.....	39
3.5.2. Competitive intensity.....	39
3.5.3. Technological turbulence.....	40
3.6. MARKET ORIENTATION AND SME PERFORMANCE.....	41
3.7. MEASURING MARKET ORIENTATION .....	42
3.8. CHAPTER SUMMARY .....	42
CHAPTER FOUR.....	44
THE MEDIATING EFFECT OF MARKET ORIENTATION ON THE LEADERSHIP STYLES PERFORMANCE RELATIONSHIP .....	44
4.1. INTRODUCTION .....	44
4.2. MEDIATING EFFECT OF MARKET ORIENTATION ON THE LEADERSHIP STYLES- PERFORMANCE RELATIONSHIP .....	44
4.3. CONCEPTUAL FRAMEWORK LINKING LEADERSHIP STYLES AND MARKET ORIENTATION TO SMES PERFORMANCE .....	46
4.4. RESEARCH HYPOTHESES .....	47
4.5. CHAPTER SUMMARY .....	49
CHAPTER FIVE.....	50
RESEARCH METHODOLOGY .....	50
5.1. INTRODUCTION .....	50
5.2. THE BUSINESS RESEARCH PROCESS.....	50
5.2.1. Problem statement and research objectives .....	52
5.2.2. Stage 2 Research design.....	53
5.2.3. Stage 3 Sample selection .....	58

5.2.4. Stage 4 Data collection .....	61
5.2.5. Measurements techniques .....	65
5.3. LIMITATIONS OF THE STUDY .....	69
5.4. CHAPTER SUMMARY .....	69
CHAPTER SIX .....	71
RESEARCH RESULTS: PPRESENTATION OF EMPIRICAL FINDINGS .....	71
6.1. INTRODUCTION .....	71
6.2. REGIONAL DISTRIBUTION .....	71
6.3. RELIABILITY OF THE CONSTRUCTS.....	73
6.4. FACTOR ANALYSIS .....	75
6.5. SECTION A: EMPIRICAL FINDINGS .....	81
6.5.1. Descriptive/Demographic Information of the Respondents.....	81
6.5.2. Gender of the respondents .....	81
6.5.3. Age distribution of the respondents .....	82
6.5.4. Race distribution of the respondents .....	83
6.5.5. Business age .....	84
6.5.6. The stages of business life cycle .....	85
6.5.7. Educational qualifications of the respondents .....	86
6.5.8. Types of degree program completed.....	87
6.5.9. Different types of business management related course attended in Margaung Metropolitan Municipality, 2017. ....	88
6.5.10. Conclusion on the descriptive/demographic information of the SME owner/manager.....	89
6.6. THE NATURE OF THE BUSINESS .....	89
6.6.1. The industry in which the business operates in the Margaung Metropolitan Municipality, 2017 .....	90
6.6.2. The number of people the business employed .....	91
6.6.3. Start-up capital .....	92
6.6.4. Reasons/motives for starting the business in the Margaung Metropolitan Municipality region, 2017 .....	93
6.6.5. Prior experience in the business sector the business is operating.....	94
6.6.6. Family member owned or operated a business .....	95

6.6.7. Conclusion on nature of the business.....	96
6.7. LEADERSHIP STYLES.....	98
6.7.1. Correlation analysis.....	100
6.8. MARKET ORIENTATION.....	102
6.9. SME PERFORMANCE.....	102
6.10. SECTION B: HYPOTHESES TESTING .....	104
6.10.1. Leadership styles and SME performance .....	104
6.10.2. Market orientation and SME performance .....	107
6.11. THE MEDIATING RELATIONSHIP BETWEEN MARKET ORIENTATION AND LEADERSHIP STYLES.....	109
6.11.1. Mediating effect using Baron and Kenny.....	109
6.11.2. Mediating effect using Sobel's Test and Bootstrapping.....	113
6.12. CHAPTER SUMMARY.....	144
CHAPTER SEVEN.....	147
DISCUSSION, CONCLUSION AND RECOMMENDATIONS.....	147
7.1. INTRODUCTION .....	147
7.2. PART A: CONCLUSION ON THE THEORETICAL CHAPTERS.....	147
7.2.1. Chapter one - Introduction to the study .....	147
7.2.2. Chapter two - Leadership styles and SME performance .....	148
7.2. 3. Chapter three: Market orientation and SME performance .....	148
7.2. 4. Chapter four: Mediating effect of MO on leadership style performance relationship.....	148
7.2. 5. Chapter five: Research Methodology .....	149
7.3. PART B: CONCLUSION ON THE EMPIRICAL FINDINGS .....	149
7.3.1. Descriptive information of the SME owner/manager.....	149
7.3.2. The nature of the business.....	150
7.3.3. Leadership styles.....	151
7.3.4. Market orientation.....	151
7.3.5. SME performance .....	152
7.3.6. Leadership styles and SME performance.....	152
7.3.7 MO and SME performance .....	153

7.3.8 The mediating relationship between market orientation and leadership styles	153
7.4. PART C: ACHIEVEMENT OF THE OBJECTIVE OF THE STUDY .....	154
7.4.1. Primary objective .....	154
7.5. PART D: RECOMMENDATIONS TO THE STUDY .....	156
7.6. PART E: LIMITATIONS TO THE STUDY .....	158
7.7. PART F: FUTURE RESEARCH .....	158
7.8. CHAPTER SUMMARY .....	158
BIBLIOGRAPHY .....	160
Appendix 1: Information letter to the participants in the study .....	184
Appendix 2: Questionnaire.....	185
Appendix 3: Language Editorial Certification Letter .....	195
Appendix 4: Mangaung Metropolitan Municipality Map .....	196

## APPENDICES

<u>Appendix 1: Information letter to the participants in the study</u> .....	184
<u>Appendix 2: Questionnaire</u> .....	185
<u>Appendix 3: Language Editorial Certification Letter</u> .....	195
<u>Appendix 4: Mangaung Metropolitan Municipality Map</u> .....	196

## LIST OF ACRONYMS

SMEs	Small and Medium Enterprises
MO	Market Orientation
GDP	Gross Domestic Product
SEDA	Small Medium Enterprise Development Corporation Agency
FDC	Free State Development Corporation
DTI	Development of Trade and Industry
SPSS	Statistical Package for Social Science
LCP	Least Preferred Co-Worker
NPM	Net Profit Margin
ROE	Return on Equity
ROA	Return on Assets
ROI	Return on Investment
USA	United States of America
NYDA	National Youth Development Agency
EDP	Entrepreneurial Developmental Program
NEPAB	Network of Entrepreneur Practitioners and Academics in Business
ANOVA	Analysis of Variance
KMO	Kaiser Meiyer Olkin

# **CHAPTER ONE**

## **INTRODUCTION AND BACKGROUND TO THE STUDY**

### **1.1. INTRODUCTION**

The need for effective leadership has increased tremendously as a result of the complexity of businesses and tough competition in today's business environment. Every business requires effective leaders to steer the business through turbulent times and envision a future. Studies by (Chandrakumara, De Zoysa and Manawaduge, 2009; Mohd Sam, Tahir and Abu Bakar, 2012) have established that the success or failure of every business depends on the type of leadership employed by business owners or managers. As such, the need for leaders who can make a huge difference in today's turbulent business environment is vital for the success of every business. According to William (2014:293), leadership is defined as "the process of influencing others to achieve group or organizational goals". Chen (2009) views leadership as the process of using various behavioural approaches to help guide organization members towards the achievement of a shared goal. In the field of organisational study, leadership has been identified as one of the important topics, given that it plays a significant role to the business prosperity. Valdiserri and Wilson (2010) established that leadership styles of business owners and managers are vital to the success of every business. Other studies by (Cogliser and Brigham, 2004; Bryant, 2004) found that leadership is very critical to the success of SMEs as business people could not succeed to establish new businesses in the absence of effective leadership behaviour.

Leadership is also vital in shaping the organisational culture that gives the business a unique competitive advantage and implementation of effective marketing strategies that enhance the financial position of the business (Menguc and Auh, 2008). According to Abdul Razak (2010), one of the driving forces for the future success of SMEs is the development of good leadership. Previous studies have shown that good leadership can enhance organisational performance (Ogbanna and Harris, 2000; Tarabishy Solomon, Fernald and Sashkin 2005; Yang, 2008), increase employees' satisfaction, and improve their motivation (Papalexadrakis and Galanaki, 2009). Hernez-broome and Hughes (2004) suggest that in order for SMEs owners and managers to achieve their organisational goals and objectives, they need to develop a better understanding of leadership

behaviours. In this given, the survival, success, and growth of SMEs necessitate that the SME owners and managers develop solid leadership behaviours in order to take their businesses through good and bad times (Arham, Boucher and Muenjohn, 2013).

Besides leadership styles, there are also leadership theories. The theories on leadership distinguish between the trait approach, behavioural approach, the situational approach (Fiedler's contingency approach; path-goal theory and the visionary leadership) and the power-influence approach (Chang, 2012; William, 2014). Amongst the various leadership theories, the path-goal theory has been widely studied (Pervez, 2005; Chang, 2012; William, 2013; Polston-Murdoch, 2013) in management leadership research, with these researchers distinguishing between four leadership styles (directive, supportive, participative, and achievement oriented). These various theories on leadership explain how SME owners and managers can utilize their leadership skills to enhance the performance and success of their businesses. Other studies by (Changanti, Cook and Smeltz, 2002; Kassim and Sulaiman, 2011) pinpoint that the leadership styles of senior executives indicate their propensity in leadership behaviours and actions, and this is considered as a vital element which affects business success.

Furthermore, for businesses to compete and survive in the current highly contested global market place, they have to be more careful about the needs of customer (Darabi, Caruana, and Zegordi, 2007). In this regards, Duada and Akingbande (2010) assert that being more careful about the customers' needs means businesses have to engage in market orientation (i.e. change to adopted market oriented approach as oppose to product oriented approach). Speaking of market orientation (MO), Gudlaugsson and Schalk (2009) view it as a form of organisational culture where employees are dedicated and devoted to constantly create superior customer value, through a set of marketing activities that can improve the performance of a business. According to Jones, Wheelar and Dimitratos (2011), MO is an organisations' culture comprising of the values and beliefs about putting the customer first in their business planning. Likewise, Gudlaugsson and Schalk (2009) view MO as a form of organisational culture where employees in an organisation are committed and dedicated to continuously creating superior customer value through a set of marketing activities that can improve the performance of a business. To Tzokas, Carter and Kyriazopoulos (2001), MO is a vital requirement for market performance and business growth, it leads to a number of positive performance outcomes (Kennedy, Goolsby and Arnould, 2003; Weerawardena



and O'Cass, 2004), and gives small businesses a potential superior competitive advantage over their competitors, as they have a closer proximity to their customers and can respond promptly to their needs (Reijonen, Laukkanen, Komppula and Tuominen, 2012). More so, Grönroos, (2006) and Gudlaugsson and Schalk, (2009) maintain that businesses that are market oriented turn to outperform businesses that are less market oriented.

Other studies by (Dauda and Akingbade, 2010; Grönroos, 2006) characterise market orientation as the key to successful SME performance and growth. Therefore, engaging in MO becomes an imperative for SMEs, considering that it will enhance the performance of their businesses. The theories and concepts on MO originate from the three dimensions that were first introduced by Kohli and Jaworski (1990) and subsequently defined by Narver and Slater (1990). Narver and Slater (1990) view MO as one-dimension construct, which consist of customer orientation, competitor focus and inter-functional coordination, and two decision criteria - profit objective and long term focus. While, Kohli and Jaworski (1990) state that MO comprises of the three elements: namely, generation of market intelligence, dissemination of the intelligence, and organization responsiveness. Based on Narver and Slater (1990) and Kohli and Jaworski (1990) dimensions of MO, Schalk (2008) avers that the consequences of MO can be viewed into terms of SME performance, employee response, and customer's response. Firstly, in terms of SME performance, MO is more likely to lead to increased sales, profits, market share, better margins, and customer demand. Secondly, in terms of employee's response, MO leads to a clear leadership, a better coordination and management of sales activities, cohesive product focus, enables employees to be able to review products and services from a global basis, which in turn translates to better product and service differentiation. Thirdly, MO leads to happy and loyal customers who via word of mouth refer potential customers to the business. In this way, the business reaps results in form of a sustainable competitive advantage, decreased costs and increased profits..

The leadership styles of top managers play vital roles in shaping the organisational culture which leads to the implementation of good MO. According to Narver and Slater, (1990), leadership style is one important factor that shapes the formation of MO. Moreover, Narver, Slater and Tietjie (1998) elucidate that top managers play a critical leadership role in changing the organisational culture and ensuring that business becomes market oriented. Chiou and Chang (2009) point out that leadership is needed to reshape the organisational culture, propose a challenging vision of the

future, and set a performance improvement target. Organisations that have leaders who possess good leadership styles will afford to keep employees to stay focus and motivated during the time of difficulties (Arham, Boucher and Meunjohn, 2013). According to Changanti and Smeltz, (2002), the leadership styles of top managers indicate their behaviour and actions, and is a crucial attributing component which affects business success. Valdisseri and Wilson (2010) point out that leadership style is the vital instrument that leads the business into success. Hernezbroome and Hughes (2004) suggest that leaders of small businesses need to develop a better understanding of leadership behaviour in order to achieve their organisational goals and objectives. Consequently, in order for SMEs to succeed and respond to customers' needs, a good MO has to be formulated. SMEs need good leaders who possess good leadership styles that will inspire their employees to adopt and execute good marketing strategies and marketing practices to give the organisation the distinct competitive advantage in order to improve its performance and generate profit.

In South Africa, SMEs are the cornerstone of the economy, since they play an important role in fostering the creation of employment and economic growth (Olawale and Garwe, 2010). A study by Kongolo (2010) found that SMEs make up about 91% of the formal businesses, contribute about 51% to 57% of GDP and provide almost 60% of employment in South Africa. Another study by World Wide Worx (2012) also found that SMEs in South Africa provide around 7.8 million jobs. However, SMEs in South Africa are still faced with challenges “plagued by high failure rates and poor performance” levels despite their many contributions. Machirori (2012) also points out that SMEs in South Africa suffer from weak performance and a big unsuccessful rate. A study by Neneh and van Zyl (2012) also noted that in South Africa, between 50% and 95% of the SMEs do not survive in their fifth year of establishment, and 75% of new enterprises fail to be successful firms, and this is the highest in the world. Also coupled with the high failure and low survival rate amongst SMEs in South Africa is the greater number of people without jobs, with 27.7 % (Trading economics, 2017). The high failure rate of SMEs in South Africa limits the impact that SMEs have on unemployment, and creates negative perceptions about the viability and feasibility of entrepreneurship as a career option (Herrington and Kew, 2010). As such, it becomes imperative to enhance the creation and nourishing of SMEs given the great role they play in every economy. Also, Olawale and Garwe (2010) contend that without the creation of new businesses, South Africa risks economic stagnation.

All over the world, studies have shown that the success and failure of businesses depend on the leadership style employed by the leader (Nave, 2006). Leadership is a key and vital element to organisational prosperity and performance, precisely in the fierce contested market where SMEs currently compete (Ireland and Hitt, 2005). The ability of SMEs' owners to work towards the attainment of the organisation's objectives depend on effective leadership, which contributes to the organisation's success and performance (Stahl, 2007). Also, in order to ensure that SMEs remain successful and have a distinct competitive advantage that can enable them to perform better than rivals and succeed in the tough business environment, they need to engage in MO. Studies (Romero, 2005; Kassim and Sulaiman, 2011; Deshpande and Farley, 2004) draw attention to the fact that the successful development and implementation of MO depend on the type of leadership style possessed by the business owner. MO enables SME to pay attention to the needs of their customers and respond promptly to their complains and this gives them a competitive advantage over their competitors (Reijonen, Laukkanen, Komppula, and Tuominen, 2012). Also, Stahl (2007) and Ireland and Hitt (2005) established that SMEs owners have different leadership styles that influence the organisation's performance, as well as the creation of an adaptive organisational culture. Therefore, in order for SMEs to succeed and respond to customers' needs, a good MO has to be formulated. One way of guaranteeing that a good MO is formulated is by ensuring that SMEs owners possess good leadership styles (Kassim and Sulaiman, 2011; Changanti, Cook and Smeltz, 2002). Given the great role that SMEs play in the South African economy, it becomes vital to identify and investigate under which type of leadership styles SMEs in South Africa can achieve higher levels of MO and performance. A study of leadership style, MO, and its impact on SME performance will open new arenas to theory building research. In this light, this study focuses on establishing the mediating effect of MO on the leadership-performance relationship.

## **1.2. PROBLEM STATEMENT**

The goal of any business is to survive and sustain its existence by enhancing its performance. However, studies by (Machirori, 2012; Neneh and van Zyl, 2012; Olawale and Garwe 2010; Willemse, 2010; Herrington, and Kew, 2010) have shown that SMEs are still inundated by high failure rates, low entrepreneurial activity, and dismal performance. The high failure rate, low entrepreneurial activity, and dismal performance of these businesses have also contributed immensely to the high unemployment rate. Seleetse (2012) is of the view that SMEs in South

Africa fail within the first year of establishment, and this contributes to the increased unemployment. The consequence of the weak SME performance is that it has limited the impact SMEs have on enhancing job creation in the economy as a whole. This is because these SMEs are not able to enter and stay in highly competitive markets. Due to the failures of the formal and public sector to absorb the growing number of people looking for jobs in South Africa, more attention has been focused on entrepreneurship and its potential in contributing to job creation and improving the economic prosperity of the country. As such, enhancing the performance and success rate of these businesses has become critical to the economic advancement of South Africa. In order to meet the ever changing needs of customers in a highly competitive market. Arslan and Staub (2013) state that businesses must continually increase performance.

Prior literature (Ullah, 2013; Ogbanna and Harris, 2000; Tarabishy Solomon, Fernald and Sashkin 2005; Yang, 2008; Wales Monsen and McKelvie, 2011) on leadership suggests that leadership styles are critically important in enhancing the performance of businesses. However, other studies (Aziz, Mohamood, and Abdullah, 2013; Lawal, Ajonbadi and Otokiti, 2014) failed to find any relationship between particular leadership styles and SMEs' performance. Although the leadership styles of SME owners/managers have a strong impact on business performance, simply adopting a particular type of leadership is insufficient for sustainability and performance of the SMEs in the long run. To ensure the long term performance of SMEs, its owners need to also engage in MO. SMEs' owners are the people responsible for developing an organisational culture that allows for effective MO and the promotion of behaviours that are market oriented (Voola, Casimir, and Haugen, 2003). Studies (Romero, 2005; Kassim and Sulaiman, 2011; Deshpande and Farley, 2004; Voola, Casimir, and Haugen, 2003) have pointed out that successful development and implementation of MO depends on the type of leadership style possessed by the business owner. However, the leadership styles practice by SME owners may either block or encourage the development and implementation of MO (Voola, Casimir, and Haugen, 2003). Also, studies by (Stahl, 2007; Ireland and Hitt, 2005) have established that SME owners have different leadership styles and these different leadership styles influence the organisation's performance.

SMEs are often unable to take advantage of the opportunities available on the market simply because they do not engage in a proper MO and end up employing poor marketing strategies that contributes to the poor performance of the firms. However, businesses that have a conventional

leadership style and an adaptive organisational culture allow for effective MO. Hence, it becomes vital to identify and investigate under which type of leadership styles SMEs in South Africa can achieve higher levels of MO and performance as well as the mediating effect of MO of the leadership-performance relationship. Understanding the mediating effect of MO on the leadership-performance relationship can explicate why there have been mixed results regarding the impact of different leadership styles on firm's performances. Undertaking this examination will provide a framework on how to use different leadership styles to enhance a firm's MO as means of increasing its performance. This will also play a vital role in addressing the dire issue of poor SME performance in South Africa.

### **1.3. OBJECTIVES OF THE STUDY**

#### **Primary objectives**

The primary objective of this study was to examine the mediating effects of MO on the leadership-performance relationship.

#### **Secondary objectives**

- i. To assess theories and concepts on leadership styles
- ii. To review theoretical studies on market orientation
- iii. To find out which types of leadership is practiced by SMEs owners
- iv. To determine whether SMEs owners engage in MO and which type of market orientation they engage in.
- v. To determine which type of leaderships styles are essential to enhance the performance of the SMEs.
- vi. To find out the impact of MO on the performance of SMEs
- vii. To find out the mediating effects of MO on the leadership styles- performance relationship
- viii. To provide possible recommendations on how leaderships styles, market orientation SMEs performance can be enhanced.

#### **1.4. CONTRIBUTIONS OF THE STUDY**

This study contributes to the literature in the following ways;

- Prior studies (Ullah, 2013; Wales, Monsen, and McKelvie, 2011; Aziz, Mohamood, and Abdullah, 2013; Lawal, Ajonbadi and Otokiti, 2014) on the role of leadership styles in enhancing SME performance, and the role of MO in enhancing the SME performance (Kennedy, Goolsby and Arnould, 2003; Weerawardena and O'Cass, 2004; Noble, Sinha and Kumar, 2002; Hassim, Abdul-Talib, Abu Bakar, 2011) have produced mixed results. The existing gap in the literature presents the opportunity for this study to examine how the leadership styles and MO impact the performance of SMEs in South Africa.
- Also, studies by (Voola, Casimir, and Haugen, 2003; Narver and Slater, 1990; Narver, Slater and Tietjie, 1998; Arham et al., 2013) have established that SME owners are the people responsible for developing an organisational culture that allows for effective MO and promoting behaviours that are market oriented. Hence, it becomes vital to identify and investigate under which type of leadership styles SMEs in South Africa can achieve higher levels of MO and performance as well as the mediating effect of MO of the leadership-performance relationship.
- In addition, this study will also contribute to the on-going research on SMEs in South Africa. By examining the relationship between leadership style and SME performance, market orientation and SME performance, and the mediating effect of MO on the leadership-performance relationship, this study will add to the body of knowledge that exists on the topic. This contribution could possibly lead to the development of new concepts and theories.

#### **1.5. SUMMARY OF RESEARCH METHODOLOGY USED FOR THE STUDY**

According to Quinlan (2011:217) the term research methodology means data collection methods or data gathering techniques; data collection methods are the means by which researchers gather the data required for the project. The research methodology follows a research process, which Cooper and Schindler (2003) defines it as a step by step process of obtaining systematic information by making use of acceptable methods of analysis as a basis for drawing conclusions. The business research process also provides a description of how a research is designed, structured and implemented. The various steps in the business research process will be explained below.

This section introduces the research methodology utilised for this study. Accordingly, overall plan of how the study will be carried out will be presented to ensure reliability and validity of the results of the research.

### **1.5.1. Research design**

Burns and Grove (2003:195) define a research design as a plan to carry out research using methods that will ensure validity of the findings. Research design can be defined as the master plan specifying the technique and procedure for gathering and analysing the required data. It is a framework or blueprint that plans the action for the research project (Zikmund, 2003). There are three types of research design, namely: qualitative, quantitative and mixed research design. This study used the quantitative research design. Quantitative research design is used to carry out a research with a large sample size with the aim of measuring the opinions and knowledge of individuals and it gives explanation to questions such as how much, how many and how often (Cooper and Schindler, 2011). Furthermore, descriptive research involves data collection with the aim of establishing a relationship between two or more variables (Cooper and Schindler, 2011). The study also made use of descriptive research using cross-section study. This is considered a suitable method for the study because the study does not attempt to examine trends, and the problem of time constraints.

### **1.5.2. Population and sample**

The population of interest of this study comprised of SMEs operating in the Mangaung Metropolitan Municipality (Bloemfontein, Botshabelo, and Thaba Nchu). According to Centlec there are about 4 400 businesses operating in the Mangaung Metropolitan Municipality. Out of the 4 400 businesses operating in the Manguang Metropolitan Municipality, a sample size of 354 was used for this study based on calculations obtained when using the Raosoft sample size calculator. Owing to the fact that there is no available list of SMEs operating in the Mangaung Metropolitan Municipality, the researcher used the yellow page directory to identify and comply a list of businesses located in the Mangaung Metropolitan Municipality complied. In order to access a large number of SMEs operating in the region, the researcher attended events organised by the Business School, Entrepreneurial Developmental Program (EDP) and Network of Entrepreneurs Practitioners and Academics in Business (NEPAB) hosted at the University of the Free State in

2016. Thus, a total of 354 questionnaires were distributed among SME's owners/managers in the Mangaung Metropolitan Municipality. Out of 354 questionnaires that were issued, 250 were received. From the 250 questionnaires gotten, only 229 were completed successfully by the respondents and generated a response rate of 64.7%.

### **1.5.3. Sampling design**

There are two types of sampling designs - probability and non-probability sampling. This study made use of a combination of probability (stratified sampling) and non-probability sampling (convenience and snowball sampling) design. Owing to the fact that there is no available list of SMEs operating in the Mangaung Metropolitan Municipality, the researcher used the yellow page directory to identify and compile a list of businesses located in the Mangaung Metropolitan Municipality. Stratified sampling ensured that each SME owners/managers within a specific business sector had an equal chance of being selected. Also, the researcher attended events organised by the Business School, Entrepreneurial Developmental Program (EDP) and Network of Entrepreneurs Practitioners and Academics in Business (NEPAB) that was hosted at the University of the Free State in 2016, where the researcher issued questionnaires to all the SMEs owners/managers who attended the program. Convenience sample allowed the researcher to collect data directly from SME owners/managers that attended the EDP and NEPAB program at the University of the Free State. Snowball sampling method was later applied from the referrals obtained from the SMEs owners/managers who attended the Entrepreneurial Developmental Program (EDP) and Network of Entrepreneurs Practitioners and Academics in Business (NEPAB) at the University of the Free State, as they referred the researcher to other SMEs owners/managers operating in the Mangaung Metropolitan Municipality.

### **1.5.4. Data collection methods**

Concerning data collection, this research study also made use of primary and secondary sources. According to Quinlan (2011) primary data refers to the data directly observed or gathered by the researcher engaged in a research project. Primary data is data collected and assembled for a research project at hand (Sekaran and Bougie, 2013). There are three methods for the primary data collection, namely: observation, experiment and survey (Zikmund, 2003). This research used surveys, which involved asking questions to respondents and the responses were then analysed by



the researcher. The benefits of surveys are that they are relatively inexpensive; they are useful in describing the characteristics of a large population; they can be administered from remote locations using email, mail or telephone; very large samples are feasible and therefore make the results statistically significant. There are various methods of conducting survey research (Zikmund, 2003). This research used interviews and questionnaires. Interviews were conducted in an informal setting and was used for individuals who are illiterate and cannot complete the questionnaires by themselves. The questionnaires constituted the main mode of communication, which consisted of a series of open ended and close ended questions or statements that the street vendors were expected to respond to.

#### **1.5.5. Data analysis**

The Statistical Package of Sciences (SPSS) version 22.0.0.0 was used by the researcher to analyse the data collected. The data collected was interpreted using descriptive and inferential statistics. Descriptive statistics tools like percentages, frequency distribution tables, histograms and charts, were also used. Likewise, the researcher made use of inferential statistics, such as cross tabulation, chi-square, t-test and Pearson correlation. Data reliability was tested by the use of Cronbach's Alpha reliability test. SPSS was used in this study because it enables the researcher to analyse information gather from the statistical data accurately using graphs and other visuals.

### **1.6. CHAPTER OUTLINE**

**Chapter One: Introduction and Background to the Study.** This chapter introduced the general background to the study, which comprises of the outline of what the entire research will focus on. Also, in this chapter, the problem statement is identified, the primary and secondary objectives of the study and the contribution/significance to the study was put forth. Moreover, the research methodology elaborating how the research was carried out, the chapter outline and the summary of the entire chapter was presented.

**Chapter Two: Leadership Styles and SME Performance.** This chapter focused on discussing the theories leadership style and discusses cornerstones of leadership. The chapter also examined the various types of leadership styles, alongside defining of key terms like the SME, SME performance, and its measurement.

**Chapter Three: Market Orientation and SME Performance.** This chapter examined Market Orientation concepts and theories, it discusses the rationale behind the historical background of the concept of market orientation and its origin, and the impact of market orientation on the performance of the firms. The chapter also reviewed literature on the market orientation measurements scale.

**Chapter Four: The Mediating Effect of Market Orientation on the Leadership Styles Performance Relationship.** This chapter reviewed the relationship between leadership styles and SME performance; the relationship between MO and SME performance, and establishes an integrated framework linking leadership style and MO to SMEs performance. The chapter also formulated the research hypotheses based on the relationships established.

**Chapter Five: Research Methodology.** This chapter provided a detailed discussion of the research methodology used in this study, and describes the research design, data collection and data analysis.

**Chapter Six: Research Results.** This chapter presented the key information gathered from field interviews and questionnaires, and subsequently interpret the findings.

**Chapter Seven: Discussion, Conclusion and Recommendations.** This chapter provided a conclusion to the study, and thus provided possible recommendations based on the findings obtained from the study.

## **1.7. CHAPTER SUMMARY**

This chapter provided a background to the study and gave the rationale for selecting the study. The concept of leadership styles, leadership theories, different theories of market orientation and their importance in the SMEs in South Africa was also succinctly discussed in this chapter. Likewise, the chapter delineated the research problem, the primary and secondary objectives of the study, as well as contributions it will make to the study. The chapter further presented the research methodology employed for the purpose of the study and the outline chapter of the research chapters. The next chapter discusses leadership theories and leadership styles, and their influence on the performance of the SMEs.

## **CHAPTER TWO**

### **LEADERSHIP STYLES AND SME PERFORMANCE**

#### **2.1. INTRODUCTION**

To explain precisely who a leader is and the qualities him/her possess, this chapter begins with the various definitions of leadership. The chapter distinguishes between a leader and manager and discusses the cornerstones of leadership. Also, the theories on leadership are explained in detail. The various types of leadership styles are discussed, and the definition of SME, SME performance, and its measurement are also put forth. The chapter concludes by summarising the literature reviewed on leadership styles and SME performance.

#### **2.2. DEFINITIONS OF LEADERSHIP**

Businesses all around the world require the presence of a good leader who will play a vital role in leading the organisation when it is confronted by challenges, and ensure that it is well positioned to overcome challenges and compete with rivals. As such, the challenges prevailing within the organisation enables us to distinguish between a leader and manager. According to William (2013:293) the distinction between leaders and managers is that “leaders are concerned with doing the right things, while managers are concern with doing things right. Leaders pay attention on the vision, mission, goals and objectives, whereas managers pay attention on productivity and efficiency (William, 2013). Jones and George (2009:497) explicate that a person who possesses the ability to apply his or her influence over other people and enable them to accomplish group or organisational objectives is described as a leader.

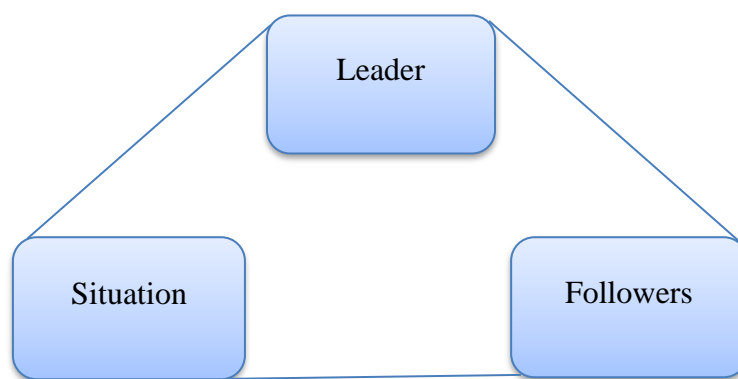
Various definitions have been put forth to define leadership and these definitions vary from one author to another. Daft and Marcic (2013:454) define leadership as an individual’s ability to exert influence on the people to accomplish objectives. Oluwatoyin (2006) describes leadership as “the art of transforming people and the organisation with the aim of improving the performance of the organisation”. To Lawal and Chukwuebuka (2007), leadership refers to a leader’s ability to influence the followers to do things they never thought of doing, never believed are attainable, or things they do not want to do. Cheng (2011) posits that leadership is the process that exists within

the organisations and differ in form and nature to achieve organisational goals. Kassim and Sulaiman (2011) state that leadership is the part of management that involves the supervision and monitoring of others. To Chima (2007), leadership is the top management's ability to direct, guide and motivate the followers towards the achievement of a given set of goals within the organisation. Similarly, Northouse (2007) posits that leadership is the process of influencing people and guiding them towards achieving the goals of the organisation. According to Zumitzavan (2010), "leadership takes place among people, it involves the use of influence, and it is used to attain goals". Drawing from these different definitions of leadership, this study adopts the one proposed by (Ngambi, Cant and Van Heerden, 2010). The authors define leadership as a "process of influencing others commitment towards realising their full potential in achieving a value added, shared vision, with passion and integrity" (Ngambi, Cant and Heerden, 2010).

### 2.3. COMPONENTS OF LEADERSHIP

According to Van Der Walt (2015:205) leadership consists of three different cornerstones of interacting parts in a system of give and take, namely; a leader, follower, and situation. The diagram below illustrates the cornerstones of leadership. These cornerstones will be discussed in details below.

**Figure 2.1: The interactive framework of leadership**



**Source: Van der Walt (2015:205)**

### **2.3.1. The leader**

A leader is viewed as a person who is vibrant in leadership operations, takes action to initiate the operations, and have an impact on the people he or she leads (Van Der Walt, 2015). Leaders are distinctive in their personality, experience, interest, position within the organisation as well as the leadership styles they possess. An individual who lacks the ability to influence another person to follow a particular direction is not be regarded as a leader (Van Der Walt, 2015).

### **2.3.2. The followers**

Followers are people within the business that carry out actions necessary to accomplish the goal and objectives of the business (Van Der Walt, 2015). A leader has an impact on the people he or she leads to attain the objectives of the business and also in ensuring the successful implementation of the action plans. Leadership is not a one-way process, to some degree is the interaction that happens between the leader and followers. A leader cannot be successful in producing desired outcome if subordinates do not want to follow.

### **2.3.3. The situation**

Situation represents the state of affairs in which the leader have to show followers the way. The situation can be affected by both internal and external factors (Van Der Walt, 2015). The leadership style that fits successfully in one situation may not succeed in another situation. Hence, it is crucial for leaders to familiarise themselves with the situation in order to apply the right leadership style required by the situation.

## **2.4. THEORIES ON LEADERSHIP**

Several theories on leadership have been put forth to help leaders and managers understand the concept of leadership. According to William (2014) theories of leadership are classified into three approaches, which are trait approach, behavioural approach, and contingency approach.

### **2.4.1. Trait approach**

Studies by (Mat, 2008; William, 2014; Lawal and Chukwuebuka, 2007; Oluwatoyin, 2006; Jones and George, 2009) suggest that trait theory emanates from the “great man” theory, which posits that leaders are born with unique inborn or innate characteristics that set them apart from non-

leaders. The rationale behind trait approach was to discover what made these leaders great, and choose future leaders who show signs of the same traits or the ones that can be taught (Daft and Marcic, 2013). According to Jones and George (2009), the trait approach is centred on finding the personal traits that are the basis for effective leadership. These researchers believe that effective leaders possess some specific set of personal qualities that distinguish them from non-leaders. William (2013) ascertains that leaders are distinguished from non-leaders because of the following characteristics: drive, the desire to lead, honesty/integrity, self- confidence, emotional stability, cognitive ability, and knowledge of the business. Jones and George (2009) state that leaders who lack all these characteristics are viewed to be unsuccessful. Conversely, other researchers Hellriegel, Jackson, Slocum, Staude, Amos, Kopper, Louw and Oosthuizen (2010) argue that traits alone are not vital to help understand leader effectiveness given that some effective leaders do not have all the characteristics, and those who possess them are not effective in their leadership roles.

#### **2.4.2. Behavioural approach**

Hellriegel et al. (2010) elucidate that after finding out that leaders do not have constant set of personal characteristics, researchers and academics shifted their concentration to point out behaviours that are perceived as attributing features of effective leaders and how they contribute to the success or failure of a leader (George and Jones, 2013; Daft and Marcic, 2011). As such, the extensive research pertaining to the behavioural approach was conducted in the 1940s and 1950s at the Ohio State University, where researchers identified two fundamental types of leadership behaviours: consideration and initiating structure. These types of leadership behaviours are predominantly practiced by a majority of the leaders in the United States, Germany, and other countries (Jones and George, 2009).

##### **2.4.2.1. Considerate structure**

William (2013) explicates that considerate structure refers to the degree to which a leader is friendly, approachable, supportive, and expresses concern towards employees. Consideration behaviour can also be defined as the extent to which leaders are concerned about developing a close and interpersonal relationship with their subordinates. Such leaders are approachable and employ a two way communication to demonstrate social and emotional support to their subordinates, while helping them to feel comfortable about themselves, colleagues and their

situation in general (Northouse, 2010). According to Halloway (2012) leaders who engage in considerate leadership behaviour play a critical role towards the growth of the subordinates, ensuring that necessary support, assistance and information is provided to enable subordinates to perform the job to the best of their abilities. They also allow individuals to make decisions in their work, and show appreciation for the work done. Research carried out at the University of Michigan shows that only considerate leaders are linked with effective leadership (William 2013).

#### **2.4.2.2. Initiating structure**

Hellriegel et al. (2010) state that initiating structure points to vigorous planning, organising, controlling, and coordination of employee's tasks. William (2013) points out that a leader who employs initiating structure designs the role of junior employees by putting in place goals, providing direction, setting deadlines, and assigning tasks. Such leaders are reliant on one way communication method as the effective tool they employ to provide explanation on what needs to be done or what is expected to be done by their subordinates. Halloway (2012) explains that in the initiating structure leadership style, the implementation of the plan, coordination, and scheduling of the work related activities, is the responsibility of the task-oriented leaders. Jones and George (2009) found inconclusive results between the considerate and initiating-structure and performance. This is because some of the leaders are believed to be effective when they do not practice both consideration and initiating-structure behaviours, while other leaders are considered to be ineffective when they practice both considerate and initiating-structure behaviours (Jones and George, 2009).

#### **2.4.3. Contingency theory**

According to Hellriegel et al (2010), the contingency model of leadership consists of four models - Fiedler's contingency model; Hersey and Blanchard situational model; the House's Path-goal model and the Leader-participation model.

##### **2.4.3.1. Fiedler's contingency model**

Lorsch (2008) states that the concept of contingency theory of leadership is not new. According to Lorsch (2008) the work began in the 1960s when a number of scholars and academics embarked on the research, which pointed out that effective leadership style relies on the situation. Fiedler

contingency model suggests that in order to maximise work group performance, a particular leadership style would be effective if matched with the right situation (William, 2013). According to McLaurine (2006), Fiedler contingency model of leadership states that leadership style that worked successfully in one situation cannot work successfully in another situation, unless it is matched with the proper situation. Hariri (2011) suggests that Fiedler's contingency theory is an extensively used theory among the contingent theories in the study of organisational culture and leadership. According to William (2014), leadership styles are fixed, meaning that leaders are unable to change their leadership styles. However, they can be effective when their styles are matched with the right situation.

Northouse (2007) explains that Fiedler contingency model of leadership is centred on leadership styles and situations. Leadership styles consist of the two components namely considerate orientated behaviour and structure orientated behaviour. Leaders with considerate orientated behaviour are those who are concerned about maintaining a sound and healthy relationship with their subordinates, while those with structure orientated behaviour are only concerned about achieving goals and getting outcomes. Studies by William, (2014) and Marcic and Daft (2013) relate that Fiedler introduced the scale known as the Least Preferred Co-Worker (LPC) to measure the different leadership behaviour employed by leaders in various situations. George and Jones (2009) noted that LPC proposed by Fiedler determines the leadership style by calling on the leaders to evaluate their colleagues with whom they encountered challenges in working together on various aspects. An example here will include; the colleague is dull or fascinating, gloomy or cheerful, enthusiastic or unenthusiastic, cooperative or uncooperative. Leaders who are considerate oriented explain LPC in more reciprocal terms. Their concern of establishing a healthy relationship enables them to care, respect and think positive about their employees. On the other hand, leaders who are task-oriented often describe LPC in a negative way. Such leaders are concerned about achieving tasks and they have negative thoughts about others, thus making it difficult for the employees to perform their job.

According to Northouse (2007) Fiedler contingency theory has five major strengths and three major weaknesses. These strengths are:

- This approach is backed by numerous studies.
- It has broadened the understanding that situations have an impact on the leaders.



- It is predictive of effective leadership.
- The theory does not require that leaders be effective in all situations.
- It can be used by organisations to provide leadership profile data.

Also, the weaknesses to Fiedler contingency theory are as follows:

- It is unable to explain the reasons why leadership is effective in one situation than the other.
- The theory relied strongly on the LPC scale whose validity was heavily criticised.
- It is unable to explain sufficiently how the outcomes of this theory can be utilised in situational engineering.

#### **2.4.3.2. The situational Model**

The situational model of leadership which was put forth by Hersey and Blanchard is an extension of the behavioural approach (Daft and Marcic, 2013). The situational model focuses on the characteristics of the subordinates in determining the most suitable leadership behaviour. The situational approach is based on the belief that subordinates vary in their level of readiness or maturity which is determined by their degree of willingness and ability when performing a vague task (Hellriegel et al, 2010). In this given, these authors note that leaders need to be flexible to adapt to changing situations. Accordingly, they define willingness as the mixture of confidence, commitment, and motivation, as such a subordinate can be high or low in one of the three variables mentioned (Daft and Marcic, 2013). Van Der Walt (2015) underscores that in order to ensure that subordinates acquire essential skills relevant for optimal performance, leaders need to embrace appropriate leadership style in the early stages. In contrast, Fiedler contingency model argues that a leader cannot adjust his or her leadership style to maximise the group work performance. This is to say, a specific leadership style should be matched with the right situation (Jones and Gerge, 2009).

#### **2.4.3.3. House's Path-goal Model**

The Houses of Path Goal model was put forward by Robert House and is considered as one of the most effective approaches to leadership (Ratyan and Mohd, 2013). Jones and George (2009) state that the Houses of Path-goal model is centred on the idea that effective leaders encourage subordinates to accomplish objectives by recognising the results that employees are attempting to attain from the workplace, issue incentives to employees for exceptional performance and

accomplishment of goals, and clear the path for employees to attain business goals. According to William (2013) the Houses of Path-goal model indicates that effective leaders can enhance subordinate's gratification and performance by explaining and simplifying path to goals, and by rising the number and types of rewards offered to subordinates in order accomplish goals. Van der Walt (2015) elucidates that the decision to help subordinates in their path to accomplish the goals of the business depend on the leaders willingness. Leaders have to explain how the subordinates can attain organisational goals, deal with hitches that are making it difficult for subordinates to achieve stated goals, and then identify diverse rewards that will inspire subordinates to attain goals (William, 2013).

According to (Jones and George, 2009; Daft and Marcic, 2013; Van der Walt, 2015) there are two conditions that must be met by a leader for path clarification, path clearness, rewards towards enhancing motivation, and efforts of the followers (subordinates). Firstly, leader's behaviour is regarded as a cause of future satisfaction to the subordinates. Secondly, leader's behaviour offers instruction, guidance, support and rewards required for the successful performance of the followers. Similar to the other two contingency models that have been proposed, the Path-goal model does not offer the procedure that explains the best way to lead. Instead, Path-goal model emphasises that to be successful, a leader must choose appropriate leadership style that suits a specific situation (Hellriegel et al., 2010). Contrary to Fiedler's contingency model, Path-goal model assumes that leaders have the ability to change or adjust their leadership style to fit a particular situation (William, 2013). Path-goal model identified four leadership styles, namely: directive, supportive, participative and achievement-orientated leadership styles, which are explained in section 2.5 and its subsections of this chapter.

#### **2.4.3.4. Leader-participation model**

Hellriegel et al. (2010) state that leader-participation model is the latest contribution to the contingency models. The leader-participation model was introduced by Victor Vroom and Phillip Yetton. Researchers (Vroom and Yetton, 1973; Jago, 1988) argue that leader-participative model's primary focus is on the decision making process in the organisation. This model enables leaders to determine the level of employee's involvement regarding decision making in the organisation (William, 2013). Hellriegel et al. (2010) state that leader-participation model offers a set of rules needed to decide the level and method of employees participation in the decision

making process in the business, which has to be supported in different situations. Leader-participation model notes that leader's behaviour can be adjusted to be either structured or unstructured in order to fit the task structure (Hellriegel, 2010). The leader-participation model allows employees to make inputs in terms of decision making within the organisation. As a result, employee's participation will enhance manager's leadership skills and approach to decision making in the business.

Following the above literature on leadership theories, it becomes evident why there many theories where leadership qualities are associated with the leader. There is no single theory that can be used to explain the traits and behaviours of leaders. As such it becomes important to understand which type of leadership styles leaders engage in.

## **2.5. LEADERSHIP STYLE**

Ngodo (2008) state that leadership style is the process that allows leaders and subordinates to persuade and motivate each other to achieve business goals. Also, studies by (Marturano and Golsig, 2008; Jeremy, Melinde and Ciller, 2011) posit that leadership style is a structure that consist of different parts such as traits, skills and behaviour employed by the managers when they communicating with their subordinates. Several studies (Ireland and Hitt, 2005; Stahl, 2007; Obiwuru, Okwu, Akpa and Nwankere, 2011) have been conducted to examine different leadership styles practiced by the business owners/managers. This study focuses on directive, supportive, participative, achievement orientated, autocratic, democratic, Laissez fair, pace setting, visionary, transformational, and transactional leadership styles, explicated below

### **2.5.1. Directive leadership style**

According to Muqsood, Bilal, Nazir and Baig (2013) directive leadership style can be defined as the way in which leaders give instructions to their subordinates about what they have to do, how to do it, and when it is expected of them to do it. Negron (2008) avers that directive leadership style can be effective when the business hires new employees who lack work experience and the situation in the business urgently necessitates decision making. Oluwotoyin (2006) points out that directive leadership style is more relevant when a subordinate's morale is low or activities that

need to be carried out are complicated and unclear. Thus, the leader enhances the job satisfaction and motivation of the subordinates by giving more information.

### **2.5.2. Supportive leadership style**

Supportive leadership style requires leaders to be approachable and friendly towards the subordinates. These leaders do not show favouritism, as employees are treated equally and they strive to create friendly and conducive environment in the organisation (William, 2014). Murdoch (2013) explains that supportive leaders learn by observing how people around them respond to their decision making. Negron (2008) expounds that supportive leadership style is appropriate when subordinates do not show the drive to complete tasks assign to them or lack motivation. Pedraja-Rejas, Rodríguez and Rodríguez-Pounce (2006) found out in their study that supportive leadership style has a positive impact on the success of SMEs in Chile.

### **2.5.3. Participative leadership style**

William (2013) states that participative leadership style allows managers to consult subordinates with the intention to listen to their ideas, opinions, and responses before a final decision is made. According to Murdoch (2013), participative leaders believe in sharing their responsibilities with subordinates by making sure that subordinates are not left out in the planning, decision making and execution phase. This leadership style is effective because it gives subordinates the opportunity to make inputs in the planning and implementation phase. Subsequently, it provides them with better understanding of the tasks they have to carry out and clears misunderstanding. In understanding the relationship between participative leadership styles and firm performance, a study by Lawal, Ajonbadi and Otokiti (2014) did not find any significant relationship between participative leadership styles and organisational effectiveness amongst SMEs in Nigeria. Thus, they concluded that leadership style is not a main factor that determines the performance of SMEs in Nigeria.

### **2.5.4. Achievement orientated leadership style**

According to William (2014) in achievement oriented leadership style, leaders set high challenging goals for their subordinates, and in return expect the subordinates to perform the stated goals and

objectives. Achievement oriented leaders believe that subordinates will take responsibility and perform tasks to the best of their ability to ensure the business goals are achieved. Negron (2008) insinuates that achievement orientated leadership is an appropriate leadership style for tasks that are ambiguous and morale boosters for subordinates who may require increased confidence to be able to accomplish tasks assigned to them.

### **2.5.5. Autocratic leadership style**

Jogulu and Woods (2009) explicate that autocratic leaders are very strict, directive and impose tasks and time frame on their subordinates. Their main goal is to ensure that the objectives of the business are met. Also, autocratic leaders take advantage of the power of influence associated with their position to control rewards and persuade their subordinates to comply with the instructions. This type of leaders are known for taking control of all the decision making and actions by instructing and giving orders to the subordinates on what is expected of them and how the job has to to perform.. Additionally, the subordinates are not allowed to generate new ideas or methods of doing their work (Jayasingam and Chen, 2009). Alkahtani, Jarad, Sulumain and Nikbin (2011) point out that the use of autocratic leadership style can be effective in a situation whereby the leader has all that is required to solve the problem, example being when time frame for completing the project is limited or when the employees are all motivated. However, studies by Lawal, Ajonbadi and Otokiti (2014) amongst SMEs in Nigeria did not find any significant relationship between autocratic leadership styles and organisational effectiveness.

### **2.5.6. Consultative leadership style**

Consultative leadership style is viewed as a leadership style in which leaders give subordinates the opportunity to express their views, opinions, and ideas while embarking on the process of initiating goals and task assignments (Jong and Hartog, 2007). According to Oluwatoyin (2006), consultative leaders have a considerable, but not absolute trust and confidence on their subordinates. Even though consultative leaders engage employees in the decision making, the final decision rest on the leader. Furthermore, when subordinates believe there was no sufficient consultation, they can declare their intentions to accept instructions issued by managers. However, subordinates sometimes refuse to take instructions when managers based their decision making on majority rule approach (Oluwatoyin, 2006).

### **2.5.7. Democratic leadership style**

In democratic leadership style, leaders allow employees to participate in the decision making within the organisation (Belias and Koustelious, 2014). This type of leadership style invites members of the organisation to part take in the decision making process, as well as in deciding and thinking about what to do and how to do it better, though the final decision still depends on the leader (Alkahtani et al., 2011). Ojukuku et al., (2012) aver that democratic leadership style can lead to terrible decision making and weak implementation. In addition, the enormous challenge that lies with democratic leadership style is its assumption that everyone involved has an important role to play in the outcome as well as the shared expertise concerning the decision (Ojukuku et al., 2012). A study by Lucy, Ayodele, Babatunde and Timothy (2014) found a significant relationship between democratic leadership style and SME performance. Based on this finding, these researchers proposed that industries have to use democratic leadership style in order to increase profit. Nonetheless, Lucy et al (2014) note that while democratic leadership style is impressive and sounds good in theory, its implementation may be hindered by slow progress and workable outcomes that needs massive effort.

### **2.5.8. Laissez-faire leadership style**

Van Der Walt (2015) points out that in laissez-fair leadership style, leaders have little control over the group of people they lead. Chaudhry and Javed (2012) state that in the laissez-fair leadership style, subordinates are allowed to have the powers to make their own personal decision about their work. Essien, Olesugun and Makaila, (2013) highlight that laissez-fair leadership style can lead to distraction in and of the workplace when the employees need or want constant feedback, or when employees are junior workers and are inexperienced to do the work on their own. Laissez-fair leadership style can positively affect the performance of the business if the team management is self-disciplined, well organised and well informed about their responsibilities. Zumitzavan and Udchachone (2014) in their study found that laissez-fair leadership style has a negative relationship with the performance of the business.

### **2.5.9. Pace setting**

Garstka (2011) states that pace setting leadership style is applicable to the leader who establishes high performance standards and lead by example. As such, a leader is preoccupied about getting

things done better and faster, and expects the same from people around him/her. Pace setting leaders easily identifies poor performing subordinates and demand more effort from them, and replace those who cannot meet the expectations or keep up with the pace set by the leader (Garstka, 2011). According to Constantin and Brancusi (2013), pace setting leadership style can be successful in terms of producing desired outcomes in a short term situation. However, it can also lead to the demotivation of subordinates in the long run. A study by Nsubuga (2008) found that pace setting leadership style has a negative impact on subordinates' level of self-confidence. This is because employees get the impression that they are not trusted by the leader to do the work on their own way. Consequently, flexibility fades away and work becomes too task focused (Nsubuga, 2008).

#### **2.5.10. Coaching leadership style**

According to Spreier, Fontaine and Malloy (2006), coaching leadership style involves the long term participation of the executives to provide support and guidance to help enhance the performance of the subordinates. Denton (2009) proposed that coaching leaders spent more time with their subordinates to make them aware of their strengths and do their utmost best to help them improve on their weaknesses and to become better than they were, in order to be successful in their careers. The disadvantage with coaching leadership style is that some employees may interpret personal growth as a form of control by managers. Hence, this leadership style in some situations hinder the motivation and confidence of employees within business (Essien at al., 2011). Similarly, Nsubuga (2008) state that coaching leadership style cannot be successful when subordinates on the one hand require coaching, while on the other hand desire to increase performance.

#### **2.5.11. Visionary leadership style**

To ensure that the organisation is able to attain its mission and vision, the need for visionary leadership is vital to steer the firm in the right direction to achieve its desired goals and objectives (Mohamad and Chiun Lo, 2012). According to William (2014:308) "Visionary leadership creates a positive image of the future that motivates organisational member and provide direction for future planning and goals getting". Daft and Marcic (2013) state that visionary leaders speak to the heart and soul of members of the organisation and allow employees to become part of

something greater than themselves. In situations where other leaders perceive stumbling blocks or failures, visionary leaders remain positive and see opportunity and hope. Maladzhi (2012) stresses that visionary leadership have a positive impact on the outcome of the subordinates, which in turn increases the level of trust in their leader, high dedication to the leader, higher degree of performance between subordinates, and subsequently the overall performance of the business. As such, it becomes vital for every leader to have the ability to construct a vision for the business and clearly communicate it to all employees in the organisation (Maladzhi, 2012).

#### **2.5.12. Transformational Leadership style**

Van Der Walt (2015:225) postulate that “a transformational leader has the ability to instil trust, admiration, loyalty, and respect among followers and “transform” a situation, because followers are willing to go above and beyond what the leader expects of them to do”. According to Zopiatis and Constatl (2010) transformational leadership is centred on a common vision between the leaders and subordinates in their quest to achieve organisational goals. Garcia-Morales, Jimenez-Barriounuevo and Gutierrez (2011) maintain that transformational leadership improves the level of awareness of the employees in terms of achieving shared goals. A transformational leader is “attentive to the needs and goals of the followers and support them to reach their full potential” (Northouse, 2007). Subordinates develop trust, respect, admiration and sense of loyalty for a transformational leader (Obiwuru et al., 2011). Aziz, Mohamood and Abdullah, (2013) posit that transformational leader motivates, inspire employees, gives them authority over their work, and in return employees feel obliged to be committed, determined, and more dedicated to help the organisation to achieve its goals. Transformational leadership enhances the performance of the organisation through supportive, delegative, collaborative, and participative leadership styles, as well as the relationship amongst subordinates (Aziz, Mohamood and Abdullah, 2013). A study by Arham (2014) found that transformational leadership style has significant relationship with the performance of SMEs in Malaysia.

#### **2.5.13. Transactional Leadership style**

Transactional leadership is based on the exchange between leaders and subordinates for the attainment of specific goals (Arham, Boucher and Muenjohn, 2013). Transactional leadership theory is centred on the transactions based on the contractual agreement between the leaders and



followers, provided that the tasks and assignments are accomplished (Rowold, 2011). Garcia-Morale et al. (2011) accentuate that transactional leadership is centred on promoting the interest of the leaders and subordinates in order to achieve contractual obligations for both parties by establishing objectives and ensuring that the results are controlled and monitored. Arham, Boucher and Muenjohn (2013) state that transactional leaders are described as leaders who spend time guiding, motivating and inspiring their followers to move in the direction of achieving goals by explaining roles and tasks that are needed to be accomplished. Transactional leaders are vital figures that ensure organisational success both at team and individual levels (Guardia, 2007). A study by Saasongu (2015) found that transactional leadership style influences the performance of small scale businesses in Makurdi metropolis as appose to transformational leadership style.

In nutshell, while several studies have indicated that leadership styles enhance the performance of a business (Ojukuku, Odetayo and Sajuyigbe, 2012; Aziz, Mohamood and Abdullah, 2013), others have found an insignificant relationship with performance (Mgeni, 2015; Nsubuga, 2008; Zumitzavan and Udchachone, 2014; Lawal, Ajonbadi and Otokiti, 2014). As a result, it is not clear which leadership styles will have an impact on SME in South Africa. As such, it becomes important to find out which of these leaderships styles are essential to enhance the performance of SMEs.

## **2.6. DEFINITION OF SMEs**

There are many definition of SMEs and they vary across each specific country. In South Africa, the National Small Business Act of South Africa of 1996, as amended in 2003, defines SMEs as “a separate and distinct entity including cooperative enterprises and non-government organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standard and can be classified as SME by satisfying the criteria mentioned of size standards” (Government Gazette of the Republic of South Africa, 2003). Equally, the National Business Act 29 of 2004 defines SMEs in terms of the total full-time equivalent of paid employees, total turnover and total gross asset value (Department of Agriculture, Forestry and Fisheries, 2014). Table 2.1 below shows the definition of the SMEs in South Africa.

**Table 2.1: Definitions of SMEs in South Africa**

<b>Sector or sub sector in accordance with the standard industrial classification</b>	<b>Size of classes</b>	<b>The total full time paid employees</b>	<b>Total turnover</b>	<b>Total gross asset value (with the exception of the property)</b>
Catering, Accommodation and other trades	Medium	50-120	R13m	R3m
	Small	10-50	R6	R1m
	Very small	5-10	R5.10m	R1.9
	Micro	0-5	R0.20m	R0.10m

**Source: The Banking Association South Africa (2016)**

### **2.6.1. SME Performance**

According to Herath and Mahmood (2013) the performance of the SMEs has been viewed as the focal point of many researchers for a long time. It has been regarded as a key component which contributes to the economic success of developed and developing nations because of their numerous contributions with respect to economic growth, employment creation and innovation. Also, SMEs performance is linked to the short, medium and long term achievements of the business. Performance plays a key role within the business as its continuous existence and business undertakings provide essential benefits to managers and practitioners (Okeyo, Gathungu and K'Obonyo, 2014). SME performance can be described as the assessment of the firm in accomplishing its objectives (Anggadwita and Mustafid, 2014). Herath and Mahmood (2013) defines performance as “the comparison of the value created by a firm with the value owners expected to receive from the firm”. Saasongu (2015) elucidates that SME performance is the ability of the business to attain goals such as high profit, quality product, large market share, good financial results and survival. Similarly, Obiwuru, Okwu, Akpa and Nwankwere (2011) assert that organisational performance can be used to assess the progress of the business in relation to profit, market share, and product quality compared to other businesses operating in the same industry. Lastly, SME performance explicates how good the business fulfil the needs of the employees, consumers, and other stakeholders, and its ability to attain intended objectives

(Abouzeedan, 2011). From these definitions of performance, it becomes necessary to focus on the measures of SME performance

### **2.6.2. Measures of SME Performance**

According to Harif, Hoe and Mohamad (2013) literature pinpoints that the quest for SME performance measurement has intensified in the last two decades. Jan Khan, Khaliq and Nor (2014) draw attention to the point that SME performance measures attracted the attention of both academic scholars and practitioners. Ahmad and Zabri (2015) assert that performance measurement refers to a group of metrics employed to evaluate the efficiency and effectiveness of activities in the business. Performance measurement is viewed as a balanced and vibrant system that provide support to the decision making process through collecting, expounding and assessing the data (Langwerden, 2015). Performance measurement is divide into two categories, which are financial and non-financial or objective and subjective measures (Mohamad, et al., 2013). Guijarro, Auken and de-Lema (2012) posit that financial performance measure comprises of financial ratios such as net profit margin, return on equity (ROE) and return on assets (ROA). Chong (2008) adds that a business financial performance can be measured using financial measures such as profits, revenues, return on investment (ROI), and return on sales. Chong (2008) explicates that while financial measures are perceived to be impartial, easy to comprehend and calculate, there still remains a problem with financial measures, in that they are not made available to the public due to confidential information relating to finances. Also, the information gotten from the financial measurement is unreliable and inaccurate. As a result, non-financial performance measure was proposed in order to provide more information that financial performance measure was unable to produce (Ahmad and Zabri, 2015).

According to Zaman, Javaid, Arshad and Bibi (2012) non-financial performance measures include product or service quality, market share, customer loyalty, and customer satisfaction. Similarly, Nagy, Babaita and Ispas (2012) affirm that non-financial performance measures involve customer satisfaction, market share, employee feedback, human resources, and product quality. Maduekwe and Kamala (2016) postulate that non-financial performance measures can be better indicators of the future performance of a business. Furthermore, non-financial performance measures are more progressive as oppose to financial performance measures, seeing as managers depend on them to make sound decisions that will influence the future of the business (Eltinay and Masri, 2014).

Zuriekat, Salameh and Alrawashdeh (2011) encourages the use of both financial and non-financial performance measure as it provides the business owner with balanced opinion regarding the overall state of the business.

## **2.7. CHAPTER SUMMARY**

This chapter put forth and explained the various definitions of leadership. The components of leadership were also discussed to establish the link between the leader, follower and situation (Van De Walt, 2015). The chapter discussed the theoretical background of leadership by looking at several theories of leadership and the different leadership styles identified under each theory practiced by the SME owners/managers. According to William (2014), theories of leadership are divided into three approaches, namely: trait approach, behavioural approach and contingency approach.

Furthermore, the literature review on leadership revealed that the survival or failure of the business is predominantly dependent on the leadership styles such as (*directive leadership style, supportive leadership style, participative leadership style, achievement orientated leadership style, autocratic leadership style, consultative leadership style, democratic leadership style, laissez-faire leadership style, pace setting, coaching leadership style, visionary leadership style, transformational leadership style, transactional leadership style*). This chapter sought to identify which leadership qualities SME owners/managers have that can be developed to enhance their leadership styles in order to grow the business.

Moreover, the definitions of SMEs were explained and it was found in the literature that the definitions vary from country to country due to a lack of universal definition of SME. The chapter put forth the definition of SME in South Africa. SME performance and its measurements were also discussed, where it was revealed that performance can be measured using a combination of both financial and non-financial measures. Financial and non-financial performance were found to be adequate measures of performance and can be used parallel to enhance SME performance (Zuriekat, Salameh and Alrawashdeh, 2011). The next chapter three, focuses on the concepts and theoretical background of market orientation.

## **CHAPTER THREE**

### **MARKET ORIENTATION AND SME PERFORMANCE**

#### **3.1. INTRODUCTION**

The chapter commences by explaining definitions of market orientation (MO) proposed by different authors. Following the definitions of market orientation, the chapter discusses the rationale behind the historical background of the concept of market orientation and its origin. Subsequently, the overview of the dimensions of market orientation, proposed by Kohli and Jaworski; Narver and Slater is presented. The chapter also discusses environmental factors that affects the performance of organisations. The impact of market orientation on the performance of the firm is also discussed in depth. The last part of the chapter reviews literature on market orientation measurements scale. The chapter concludes by summarily recapping the content discussed in the literature presented.

#### **3.2. DEFINITIONS OF MARKET ORIENTATION**

Various definitions of MO have been proposed by different authors. According to Jones, Wheeler and Dimitratos (2011) MO refers to the organisation's-level culture, which comprises of values and beliefs that emphasises on putting customer first in the business planning. Gudlaugsson and Schalk (2009) state that MO is a form of organisational culture in which employees within the firm are committed to the ongoing generation of superior value for customers through the series of marketing campaigns that are meant to improve SME performance. MO can also be described as "the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior performance for the business" (Narver and Slater, 1990:21).

Kohli and Jaworski (1990) defined MO as behaviours and actions within the business. MO can be explained as a form of organisational culture in which workers within the business are systematically and fully devoted to create ongoing superior value for consumers (Narver and Slater, 1990; Desphandé, Farley and Webster, 1993; Day, 1994; Ngasantil, 2001). Researchers like (McClaire, 2010; Barnabas and Mekoth, 2010; Awwad and Agti, 2011) view MO as the "shared values and beliefs that provide individuals with norms for behaviour in the organisation".

According to Bisp (1999) MO can be defined as a sequence of activities used to acquire, examine and gather information which involves present and prospective customers, and rivals in the industry. Based on the above definition of MO, this study adopts two definition of MO as propounded by Narver and Slater (1990) and Kohli and Jaworski (1990).

### **3.3. HISTORY OF MARKET ORIENTATION**

Marketing researchers such as Kohli and Jaworski (1990); Narver and Slater (1990); Ruekert (1992); Gainer and Pandanyi (2005); Carr and Lopez (2007) assert that MO emanates from marketing concept and has a significant effect on the organisation's general strategy. In their studies Narver and Slater (1990; 1994); Kohli and Jaworski (1990); Hunt and Morgan (1995) alluded that the notion of market orientation deals with customer-orientation, innovation and profit as a stimulus for creating happy customers. As noted by Greenley (1995); Han, Kom and Srivastava (1998), theories on MO have been extensively welcomed by academics and scholars globally either as the execution of the market(ing) idea, a form of organisational culture, or the combination of the two. To provide clarity, "market concept" and "marketing concept" are employed almost identically in this study. For each definition, a market is perceived as a physical or non-physical place where goods are made available for sale and marketing the action or method of acquiring and trading in a market by way of commercial activities that involve moving goods from manufacturer to the consumer in the market place. Based on the information above, this study focuses on the concept MO and its influence on the performance of the SMEs.

Kohli and Jaworski (1990); Naver and Slater (1990) published two crucial papers that firmly introduced the concept of MO into the academics of business research. Kholi and Jaworski (1990) were the first to propose antecedents and moderators effects of MO. Subsequently, Naver and Slater put forward the MO framework with three cultural dimensions, namely: customer orientation, competitor orientation and inter-functional coordination. As such, the number of studies carried out on MO centred on three dimension that were described for the first time by Kohli and Jaworski (1990), and thereafter proposed by Narver and Slater (1990).

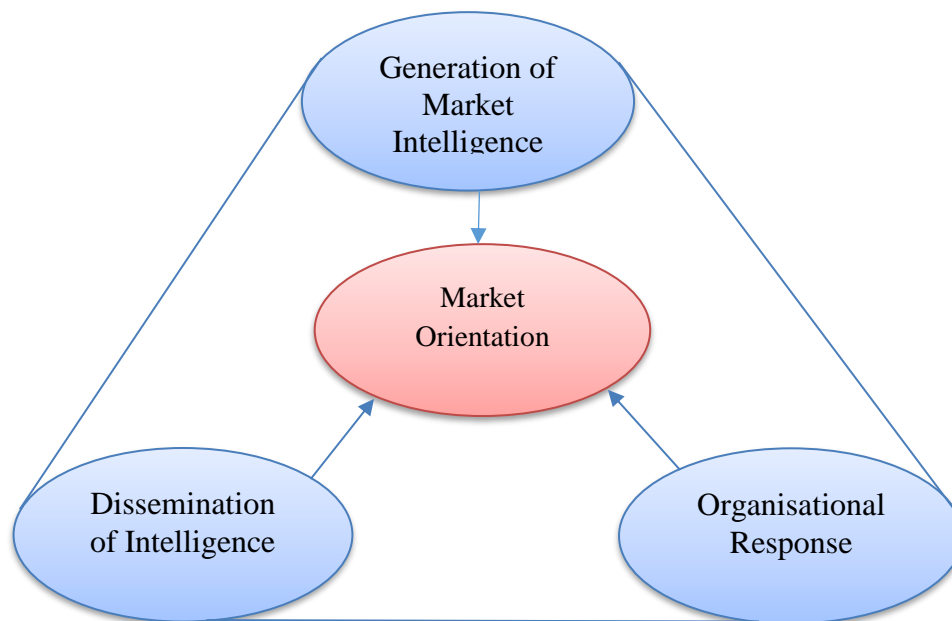
### 3.4. DIMENSIONS OF MARKET ORIENTATION

Several studies by (Narver and Slater, 1990; Kohli and Jaworski, 1990) have categorised MO into the behavioural and cultural dimensions. The behavioural dimension was put forth by Kohli and Jaworski, while the cultural dimension was proposed by Narver and Slater, as explicated below.

#### 3.4.1. Behavioural dimension (Kohli and Jaworski)

According to Kohli and Jaworski (1990), the behavioural dimension of MO is made up of three sets of activities: “*organisation-wide generation of market intelligence, dissemination of the intelligence across departments and organisation-wide responsive to it*”. In early 1990s Kohli and Jaworski (1990) officially defined MO as a set of behaviours and actions within the business, and suggested antecedents and consequences to MO. This study pays attention on the behavioural dimension to MO proposed by both (Kohli and Jaworski, 1990). More details of behavioural dimensions are discussed below.

**Figure: 3.1 Behavioural perspective to market orientation**



**Source: Kohli and Jaworski (1990)**

##### 3.4.1.1. Generation of market intelligence

According to Morgan, Slotegraaf and Vorhies (2009), market intelligence can be described as the gathering and analysis of customers’ present and prospective needs, as well as rival analysis, the

influence of government regulation, competition, technology and other environmental forces. The concept market intelligence entails the analysis of consumers' needs and preferences and the examination of how customers can be affected by environmental components. Kohli, Jaworski and Kumar (1993:53) state that market intelligence has to be communicated and circulated in every part of the organisation either formally or informally.

Worth noting, as postulated by Rodrigues and Pinho (2010), is the fact that market intelligence is not only based on the customer's opinion expressed in words, but also an extensive concept that involves thorough consideration of external market components such as rivals. Likewise, market intelligence takes into account present and prospective needs of customers. According to Grönroos (1991), organisations need to possess a strong information technique, especially those in a relationship-marketing situation. Moreover, studies by Mokhtar, Sanuri and Yussof, Zien, Ahmad and Azinin (2014) found that market intelligence has insignificant influence on the performance of business or how businesses perform.

#### **3.4.1.2. Dissemination of intelligence**

Dissemination of intelligence can be defined as the process or degree of exchanging market information within the organisation (Kohli and Jaworski, 1993). According to Rodrigues and Pinho (2012), intelligence dissemination is concerned with the communication and circulation of information to all departments and individuals in the firm through both formal and informal channels of communication. Effective distribution of MO is regarded as a crucial act which brings forth common basis for combined effort by different departments within the organisation. The market intelligence view specifies behaviours that lead to enhancing organisational performance. Studies by Mokhtar, Sanuri and Yussof, Zien, Ahmad and Azinin (2014) found a significant relationship between dissemination of market intelligence and SMEs performance.

#### **3.4.1.3. Organisational response**

Organisational responsiveness only occurs in the business if the formalised procedure for distributing business intelligence is not too difficult to carry out. In other words, a department, manager or employee is merely eager to distribute information if it alludes and allures no costs (Kohli and Jaworski, 1990). Dursun-Kilic (2006) asserts that responsiveness is a speed of real execution of a strategy or technique used to reply to the intelligence gathered and circulated. The

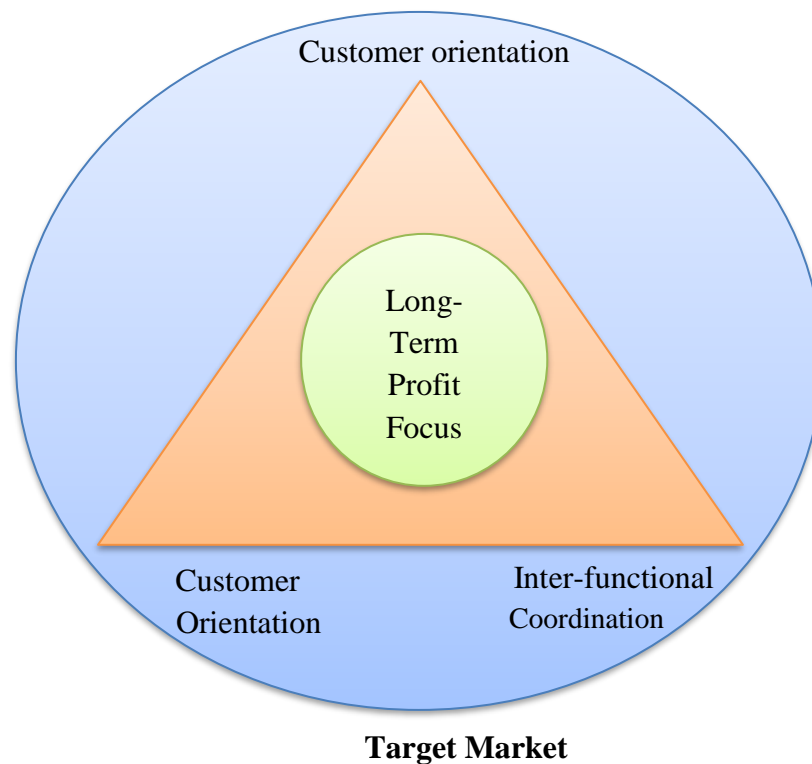


absence of response by the firms to information makes it difficult to make a forward movement to overcome competition. MO is regarded as a vital prerequisite towards the success and profitability of several businesses, and it demonstrates the degree of competitiveness of the business in the market in which it functions (Kohli and Jaworski, 1990). Studies by Mokhtar, Sanuri and Yussof, Zien and Ahmad, Azinin (2014) found an insignificant impact of organisational responsiveness on the performance of the SMEs.

### 3.4.2. Cultural dimension (Narver and Slater)

Based on the cultural dimension of MO, Narver and Slater (1990:21) defined MO as “the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and continuous superior performance for the business”. Following this definition, Narver and Slater (1990), identified three cultural components of MO, namely customer orientation, competitor orientation and inter-functional coordination, all discussed below.

**Figure: 3.2 Cultural perspective to market orientation**



Source: Narver and Slater (1990:23)

#### **3.4.2.1. Customer orientation**

Day (1994) defines customer orientation as “a concept which transforms marketing into a potent competitive weapon, shifting organisational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm”. According to Hashim and Abu Bakar (2011) customer orientation focuses on understanding the needs and wants of consumers in order to produce products or services of a superior value. Rodriguez Ricardo, Berrio and Sandra (2011) state that customer orientation can be viewed as the understanding of present and prospective suppliers and of customer’s value chain, as well as the generation of superior value for both supplier and customer. Customer orientation necessitates a seller to comprehend a customer’s value chain, not merely as it is today but as it will make progress over time subjected to internal and market developments (Day and Wensley, 1998). Nakola, Tarus, Buigut and Kipchirchir (2015) in their study found that customer orientation has a significant and positive influence on the performance of the SMEs.

#### **3.4.2.2. Competitor orientation**

According to Narver and Slater (1990) competitor orientation can be defined as supplier’s comprehension of short-term strengths and weaknesses, long-term competencies and strategies of both present and prospective rivals. Importantly, the evaluation of present and prospective rivals should include the whole set of technologies suitable for meeting present and future desires of the supplier’s target customers (Narver and Slater, 1990). To Levitt (1960), organisations need to do competitors evaluation and also think about possible ways of solving problems that can fulfil present and prospective customer needs and expectations. Mahmoodean, Ashraf and Hassani (2014) maintain that competitor’s orientation is regarded as a key component of MO. Additionally, businesses that are market oriented always search for ways to find their strengths and weaknesses within the business not only by looking at the products or marketing, but by also considering their processes and organisation (Mahmoodean et.al, 2014). Mahmoodean et al. (2014) further assert that maintaining a balance between firm’s attentiveness regarding customers and competitors is important for improving SME performance. Asomaning and Abdulai (2015) established a strong positive and significant association between competitor orientation and market performance in their study on small businesses in Ghana. However, Alizadeh, Alipour and

Hasanzadeh (2013) in their study did not find a significant relationship between competitor orientation and organisational performance.

#### **3.4.2.3. Inter-functional coordination**

According to Narver and Slater (1990) the third element of cultural behaviour is inter-functional coordination. Inter-functional coordination encompasses communication and distribution of information and resources, and integration and cooperation of different department within the organisation with the goal of providing products of superior value to customers, and subsequently outperform competitors (Bengesi and Roux, 2014). Every point in the customer's value chain presents the opportunity for supplier to create superior value for the customer's organisation. As further noted by Narver and Slater (1990), MO and other three behavioural elements are the responsibilities of all the departments and all employees in every level of the organisation. Therefore, there must be a shared effort among employees in the whole organisation in order to succeed in generating the ongoing superior value for customers. The idea of inter-functional coordination put forward by Narver and Slater can be interpreted in the same way with Kohli and Jaworski's two components of MO - intelligence dissemination and responsiveness to market intelligence, which are both concerned with the coordinated use of organisational resources to continue generating superior value for target customers (Loannou, 2008). Studies (Asomaning and Abdulai, 2015; Alizadeh, Alipour and Hasanzadeh, 2013) found a positive and significant relationship between inter-functional coordination and organisational performance.

#### **3.4.2.4. Long-term profit focus**

Narver and Slater (1990) incorporated the fundamentals of market concept in a satisfactory manner by successfully joining all the elements of the marketing concept under MO and indicating the long-term view of profit making. Their study indicated that the sole motive of the business is to generate profit and create economic wealth (Narver and Slater, 1990). Schalk (2008) postulates that it is only through the constant generation of superior value to customers that a firm can generate a long-term profit. While the short term marketing promotions or sales action can enhance sales, the business image and the creation of customers who buy products or service from the business can only develop over time with a good name and "good word of mouth" (Schalk, 2008).

In a nutshell, both the behavioural and cultural dimensions are the critical component of MO. Market orientation is vital for the success of the business in the long term. According, Pinho, Rodrigues and Dibb (2014) the essence of MO is to generate a positive environment that supports the business to meet customer's needs. Literature on this shows that the main objective of market orientation is to generate superior customer's value, which is based on the information acquired from the customers, the analysis of the rivals, and the method in which data is obtained and circulated in every part of the business (Kumar et al., 2011). Jaakkola, Frösén, Santala and Vassinen (2009) explicate that MO involves the improvement of capabilities that help the business to identifying market opportunities and customers' preference.

Businesses that are market orientated can accomplish long-term profit by delivering superior value to the customers through identifying their present and prospective needs, being aware of both the strengths and plans of the rivals, showing coordinated effort, and quick response by introducing new products and services to influence the market environment (Kazemian et al., 2014). In this given, it is important for the SME owners/managers in the Mangaung Metropolitan Municipality to implement MO if the future growth of the business and customers' needs are vital to them.

While many studies have focused on both behavioural and cultural dimension of MO, this study only concentrates on three of the cultural dimension of MO (customer orientation, competitor orientation and inter-functional coordination) to find out the mediating effect of MO on the leadership styles- performance relationship

### **3.5. THE ROLE OF THE EXTERNAL ENVIRONMENT**

Various theoretical literature reveal that the significance of MO for SME performance relies on environmental situation (Scholastica and Maurice, 2013). Nasiripirou, Raeissi and Hosseini-Fahraji (2012) state that external environment can be explained as uncontrollable external elements that have an impact on organisation activities and performance. According to Day and Wensley (1988), examining moderating effect of the business environment on a MO performance relationship is imperative. Marketing theorists have traced the role of external environmental components and established that they can moderate MO's impact on organisations performance (Gatignon and Xuereb, 1997; Greenley, 1995; Grewal and Tansuah, 2001; Han, Kim and Srivastava, 1998, Jaworski and Kohli, 1993, Slater and Narver, 1994; Voss and Voos, 2000).

Jaiyeoba (2013) draws attention to the fact that the external environment in which the firms operate is challenging and constantly experience changes, and a notable feature of external environment is competition. Authors like Narver and Slater (1990); Zuniga-Vincente, de la Fuente, Sabate and Suarez-Gonzalez (2004) contend that competitive environment moderates the relationship between MO and SME performance. Moreover, the external environmental elements such market turbulence, technological turbulence, and competitive intensity moderate the strength of the correlation among MO and firm's performance (Murray, Gao and Kotabe, 2010). More details of these moderators are discussed below.

### **3.5.1. Market turbulence**

According to (Jaworski and Kohli, 1993; Narver and Slater, 1994) market turbulence can be defined as the level of change in the formation of consumers, their desires and preferences. Charles, Joel and Samwel (2012) posit that market turbulence can also refer to the changes in the composition of customer's taste and the steadiness of their preferences. Lam (2007) expounds that businesses that are functioning in a highly turbulence environment are required to modify their products and services in order to meet the ever changing needs and demands of the consumers. Organisations that are capable of predicting and meeting the customers' needs and expectations turn to enjoy better organisation performance (Momrak, 2012). Furthermore, businesses that are highly market-orientated are capable of retaining more customer, and this in turn enhances the performance of their business in the long run, particularly the ones in the highly turbulence marketplace in which customers' needs and expectations change frequently (Kumar, Jones, Venkatesan and Leone, 2011). Kohli and Jaworski (1990) argue that in a stable business environment where customers' needs and expectations are unchanging, very minor alterations to the marketing mix are required. A study conducted by Aziz and Yassin (2010) found that market turbulence did not moderate the correlation between MO and a firms' performance in Malaysian SME Agro-food industry.

### **3.5.2. Competitive intensity**

According to Kohli and Jaworski (1993) competitive intensity can be defined as a degree of competition and resources possessed by the competitors, and the ability of the business to set itself apart from competing businesses. Similarly, Charles et al. (2012) posit that competitive intensity

refers to the nature of competition the business has to deal with. Lam (2007) notes that firms operating in highly competitive environments can be compelled to respond to the fluctuating needs and preferences of the market, and consequently be more market orientated. While, in the high competitive intensity, customers have plenty of choices at their disposal in order to meet their changing needs and preferences (Kumar et al., 2011). As such, firms that are not market orientated may lose customers to the rivals who are market orientated in the market, given that such MO is likely to be a crucial factor to performance in the high competitive intensity industry (Kohli and Jaworski, 1993). Firms that identify the existence and intensity of rivalry search for customer's information, evaluate such information and use it to their benefit. Jaiyeoba (2013) expounds that the degree of competition ascertains which strategic actions and responses the business can implement to respond to the intensity of competition. Aziz and Yassin (2010) found that competitive intensity did not moderate the correlation between MO and a firm's performance in Malaysian SME Agro-food industry.

### **3.5.3. Technological turbulence**

Narver and Slater (1994:51) defined technological turbulence as "the amount and unpredictability of change in production or service technologies". Charles et al. (2012) state that technological turbulence can be explained as the rate of technological alteration. Technological turbulence is the source of transformation in products or service processes. According to Scholastica and Maurice (2013), firms that employ fast changing technology can gain competitive advantage through technological innovation in conjunction with MO. Similarly, firms that make use of the nascent technology which experience prompt change can gain competitive advantage by means of technological innovation, thereby decreasing but not getting rid of MO (Kohli and Jaworski, 1990).

Kumar et al. (2011) established that in the markets experiencing high technological turbulence, the features of the offerings are predominantly determined by innovation both internal and external in the industry. In such situations, learning orientation and information concerning customer's preferences do not contribute to long term performance. Momrak (2012) argue that when technological turbulence is high, organisations which are unable to maintain technological alterations cannot survive, while those operating in the technological turbulence industry will benefit from the superior performance effects by paying attention to the technological improvement. To Kohli and Jaworski (1990), firms which employ steady technologies are not

well positioned to gain competitive advantage through technological innovation and thus depend on MO to a larger degree. Abdallah and Persson (2014) found that technological turbulence have a positive and significant influence on a SMEs novelty.

From the above, a conclusion can be reached that the external environment factors influence the performance of business. As such, it is imperative for businesses to adjust to the changes in their external environment to able to compete.

### **3.6. MARKET ORIENTATION AND SME PERFORMANCE**

The impact of MO on the performance of the SMEs have been investigated extensively for more than a decade following the work presented by Kohli and Jaworski (1990) and Narver and Slater (1990). According to Ellis (2006) the relationship between MO and SME performance is well documented. Suliyanto and Rahab (2012) affirm that several studies have established that MO contributes to superior performance of a business. Thus, researchers (Narver and Slater, 1990; Kohli and Jaworski, 1990; Han, Kim and Srivastava, 1998; Buniê, 2007; Opeda and Jaiyeoba, 2011) state that a higher degree of MO leads to enhanced SME performance. Similarly, other studies (Deshpandé, Farley and Webster, 1993; Jaworski and Kohli, 1993; Slater and Narver, 1994) assert that a higher level of MO in the business leads to a short term increase in the sales and profitability, market share, new products success, customer satisfaction and return on asset. Scholastic and Maurine (2013) state that SME owners/managers who implement MO are very cognisant that marketing is key and it will lead to the success of their business.

Nevertheless, empirical findings on the relationship between MO and SME performance has produced mixed results. For example studies by (Narver and Slater, 2000; Narver and Slater, 1990; Slater and Narver, 1994; Jaworski and Kohli, 1993; Li, Yongbin, Justin and Liu, 2008; Lings and Greenly, 2009; Barnabas and Mekoth, 2010; Kelson, 2012; Jyoti and Sharma, 2012; Alizadeh, Alipour and Hasanzadeh, 2013; Jaiyeoba, 2014; Protcko and Dornberger, 2014; Shehu, 2014) found a positive relationship between MO and SME performance. Contrarily, other studies found a negative relationship between MO and SME performance (Au and Tse, 1995; Demirbag, Lenny Koh, Tatoglu and Zaim, 2006; Li et al., 2008; Ghani and Mahmood, 2011; Rehab, 2012; Otache and Mahmood, 2015). Likewise, some empirical studies reported insignificant relationship

between MO and SME performance (Jimenez-Jimenez, Valle and Hernandez-Espallardo, 2008; Merlo and Auh, 2009; De luca, Verona and Vicara, 201).

### **3.7. MEASURING MARKET ORIENTATION**

MO have been measured using two scales namely: MKTOR and MARKOR. The MKTOR was put forth by Narver and Slater (1990) while, MARKOR was proposed by Kohli et al. (1993).

As underscored by Narver and Slater (1990), MKTOR scale measurement scale composes of 15 items captured on a 7 points Likert scale. The three constructs which it measures are: inter-functional coordination (5 items), customer orientation (6 items) and competitor orientation (4 items). Furthermore, Narver and Slater's (1990) MKTOR scale included other additional 6 items that were used to measure the long term perspective but putting more emphasis on profit. Meanwhile, Kohli, Jaworski and Kumar's (1993) MARKOR scale consists of 32 items, captured on a 5 Likert scale. The three constructs which it measures are: intelligence generation (measured with 10 items), dissemination of intelligence (measured with 8 items) and responsiveness (measured with 14 items).

According to Kassie (2015), while these measurement scales are found to be theoretically valid and consistent, there are nonetheless differences in opinions regarding which of them is a better measure of MO. MARKOR scale accounted for the strong relationship of (r) 0.42 compared to a weak relationship of (r) 0.28 when the scale was used, and the relationship of (r) 0.33 when mixed scale was used (Kassie, 2015). Rojas-Madenz and Rod (2013) stress that while the two measurements are good in terms of capturing the organisation's MO; MKTOR is better than MARKOR when subjective measures of performance are used to measure MO relationship. While MARKOR is linked to the business behaviour, MKTOR is linked to employee's behaviour.

### **3.8. CHAPTER SUMMARY**

This chapter started with the review of the literature by discussing several definitions of MO. It provided the theoretical background about the history of MO. The dimensions of MO from both behavioural and cultural dimension by (Kohli and Jaworski, 1990; Narver and Slater, 1990) were also discussed. The empirical studies conducted revealed that the three dimensions of MO have a positive relationship with SME performance. The impact of MO on the performance of the



organisation was discussed in great details. Nevertheless, empirical findings on the relationship between MO and SME performance has produced mixed results, as noted in the review of the different literature.

Also, the chapter presented the external environmental factors that affect MO, such as market turbulence, technological turbulence and competitive intensity. The literature studies pointed out that these external environmental factors moderate the SME-performance relationship. The chapter further discussed the influence of MO on the performance of the business. The last part of the chapter talked about the measurement scales of MO. There are two dominant measurement scales that are widely used in the literature, MKTOR and MARKOR. The next section that follows, which is chapter four, provides a detailed discussion about the mediating effect of MO on the leadership styles–performance relationship.

## **CHAPTER FOUR**

### **THE MEDIATING EFFECT OF MARKET ORIENTATION ON THE LEADERSHIP STYLES PERFORMANCE RELATIONSHIP**

#### **4.1. INTRODUCTION**

The literature review in chapter two and three presented theoretical background on the study of leadership and MO, which were instrumental in terms of establishing the influence of leadership styles and MO on SME performance. Chapter two and three found that leadership styles and MO enhance the performance of the business. Therefore, this chapter focuses on the mediating effect of MO on the leadership style-performance relationship. This chapter begins with reviewing the relationship between leadership styles and SME performance, as well as the relationship between MO and SME performance. The chapter also establishes an integrated framework linking leadership style and MO to SMEs performance. Additionally, the chapter formulates research hypotheses based on the relationships established, and presents, a summary and conclusion based on the overall chapter discussions.

#### **4.2. MEDIATING EFFECT OF MARKET ORIENTATION ON THE LEADERSHIP STYLES–PERFORMANCE RELATIONSHIP**

Leadership has been identified as a key element in business. This entails that the ability of the top management to plan, organise, control and execute various tasks depend on good leadership. Despite achieving specified mission and objectives, a business owner has the responsibility to live up to the commitments by ensuring that superior performance is achieved. Thus, it is crucial that the business applies appropriate strategies in order to succeed in the attainment of goals, objectives and superior performance to satisfy all the stakeholders. In the process of identifying the right strategies, MO has emerged as one of the most widespread practices that businesses engage in their quest to identify and meet customers need better than competitors. Consequently, effective leaders are needed to help the business to deliver superior performance (Chiun, Mohamad and Ramayah and Chai, 2015).

Lawal et al. (2014) state that leadership is one of the primary factors that enable the business to survive, grow and adjust to environmental challenges. This is to say that the leadership styles of SME owners/managers play an important role to the implementation of MO. Kassim and Suluiman (2011) suggest that the leadership styles of top managers such as board of directors, chief executives and top echelon executives have been identified as a key element for the implementation of MO in businesses. Chiou and Chang (2009) assert that the leadership style of a top management is vital for the establishment of market oriented workforce and the organisational culture as whole. According to Menguc and Auh (2008), factors such as lack of executive experience, management inability, a deficiency of functional integration, and the prevalence of politics and power, hinders the creation of MO in businesses. Moreover, top management is important in a business because they provide a supportive culture that allows MO to flourish. Jaiyeoba (2013) elucidates that managers help to enhance MO by drawing attention to market orientated attitude, behaviours, and reward systems, tolerating acceptable risk, communicating effectively, embracing change, creating opportunities for staff empowerment but circumvent formalisation, centralisation and interdepartmental conflict. Leadership styles of SME owners/managers play a key role in fostering the formation and execution of MO within the business. As such, top management leadership style influences the level of an organisation's MO. The more top management stresses the importance of MO, the risk aversion of managers become less, and subsequently leads to enhanced level of MO.

Narver, Slater and Tietjie (1998) elucidate that top managers play a critical leadership role in changing the organisational culture and also in ensuring that a business becomes market oriented. Chiou and Chang (2009) contend that leadership is needed to reshape the organisational culture, propose a challenging vision of the future, and set a performance improvement target. Consequently, in order for SMEs to succeed and respond to customers' needs, a good MO has to be formulated. SMEs need good leaders who possess good leadership styles that will inspire their employees to adopt and execute good marketing strategies and marketing practices that can give the organisation the distinct competitive advantage in order to improve its performance and generate profit.

### 4.3. CONCEPTUAL FRAMEWORK LINKING LEADERSHIP STYLES AND MARKET ORIENTATION TO SMES PERFORMANCE

Drawing from the literature presented above it is feasible to hypothesize that MO will mediate the leadership styles – performance relationship. Figure 4.1 depicts the relationship between the three constructs, namely leadership style, MO and SMEs performance. These constructs are applied to elucidate the leadership styles – performance relationship; the MO – performance relationship and mediating effect of MO on the leadership styles – performance relationship

**Figure 4.1: Framework – Mediating effect of MO on Leadership – performance relationship**



SME performance will incorporate both financial and non-financial performance variables.

Figure 4.1 shows the conceptual framework linking the key dependent and independent variables for this study. The conceptual framework revolves around finding out how leadership styles influence SME performance (financial and non-financial performance), how MO influence SME performance (financial and non-financial performance), and the mediating effect of MO on the leadership-performance relationship.

- i. The notion that leadership styles and MO enhance performance of the business led to the formulation of the following research questions: What type of leadership styles are practiced by the SME owners/managers?
- ii. Do SME owners/managers implement MO as a strategy to enhance SME performance?
- iii. To what extent does MO mediate the relationship between leadership styles and SME performance?

#### 4.4. RESEARCH HYPOTHESES

Based on the research questions stated above, this study formulated research hypotheses to find out which leadership styles influence SME performance, how MO influence SME performance and the mediating effect of MO on the leadership-performance relationship. These research hypotheses are discussed in the table below.

**Table 4.1: Research hypothesis**

<b>Leadership style and SMEs performance (financial and non-financial performance)</b>	
<b>H1a:</b> There is a negative relationship between directive leadership style and financial performance.	<b>H2a:</b> There is a significant positive relationship between supportive leadership style and financial performance.
<b>H1b:</b> There is a negative relationship between directive leadership style and non-financial performance.	<b>H2b:</b> There is a significant positive relationship between supportive leadership style and non-financial performance.
<b>H3:</b> There is a significant positive relationship between participative leadership style and financial performance.	<b>H4a:</b> There is a significant positive relationship between achievement orientated leadership style and financial performance.
<b>H3b:</b> There is a significant positive relationship between participative leadership style and non-financial performance.	<b>H4b:</b> There is a significant positive relationship between achievement orientated leadership style and non-financial performance.
<b>H5a:</b> There is a negative relationship between autocratic leadership style and financial performance.	<b>H6a:</b> There is a significant positive relationship between consultative leadership style and financial performance.
<b>H5b:</b> There is a negative relationship between autocratic leadership style and non-financial performance.	<b>H6b:</b> There is a significant positive relationship between consultative leadership style and non-financial performance.
<b>H7a:</b> There is a significant positive relationship between democratic leadership style and financial performance.	<b>H8a:</b> There is a significant negative relationship between laissez-fair leadership style and financial performance.

<b>H7b:</b> There is a significant positive relationship between democratic leadership style and non- financial performance.	<b>H8b:</b> There is a significant negative relationship between laissez-fair leadership style and non- financial performance
<b>H9a:</b> There is no significant relationship between pace setting leadership style and financial performance. <b>H9b:</b> There is no significant relationship between pace setting leadership style and non- financial performance.	<b>H10a:</b> There is a significant positive relationship between transformational leadership style and financial performance. <b>H10b:</b> There is a significant positive relationship between transformational leadership style and non-financial performance.
<b>H11a:</b> There is a positive relationship between transactional leadership style and financial performance. <b>H11b:</b> There is a positive relationship between transactional leadership style and non-financial performance.	
<b>MO and SME performance</b>	
<b>H12a:</b> There is a significant and positive relationship between customer orientation and financial performance. <b>H12b:</b> There is a significant and positive relationship between customer orientation and non-financial performance.	<b>H13a:</b> There is a significant positive relationship between competitor orientation and non-financial performance. <b>H13b:</b> There is a significant positive relationship between competitor orientation and non-financial performance.
<b>H14a:</b> There is no significant relationship between inter-functional coordination and financial performance. <b>H14b:</b> There is no significant relationship between inter-functional coordination and non- financial performance.	
<b>Leadership styles, MO and SME performance</b>	
➤ <b>H15:</b> MO mediate the relationship between leadership styles and SME performance (financial and non-financial performance)	

From the above, it can be concluded that the influence of leadership styles and MO is vital for the growth and survival of the SMEs. As such, in the absence of the two constructs the business cannot prosper. Furthermore, the literature review demonstrated that leadership plays an imperative role in directing activities of the business towards implementation of a successful MO. Consequently, MO enhances SME performance in terms of improved sales, market share, profitability and the delivery of products and services that add superior value to customer. Also, MO mediates the relationship between leadership styles and SME performance. Hence, it is crucial for SME owners/managers to understand the importance MO and leadership styles in order to sustain the business, satisfy customers, and stay ahead of competitors in the industry.

#### **4.5. CHAPTER SUMMARY**

This chapter discussed the mediating effect of MO on leadership style-performance relationship. The literature pointed out that leadership styles of SME owners/managers contribute significantly to the construction of MO, while MO leads to improved SME performance. The combination of leadership styles and MO gives the business competitive advantage over rival. However, the relationship between leadership styles and SME performance is mediated by MO as depicted in figure 4.1. The chapter also presented the research hypothesis, where from it concluded about the influence of leadership and MO on the performance of the business. That chapter that follows presents in depth the research methodology used in this study.

## **CHAPTER FIVE**

### **RESEARCH METHODOLOGY**

#### **5.1. INTRODUCTION**

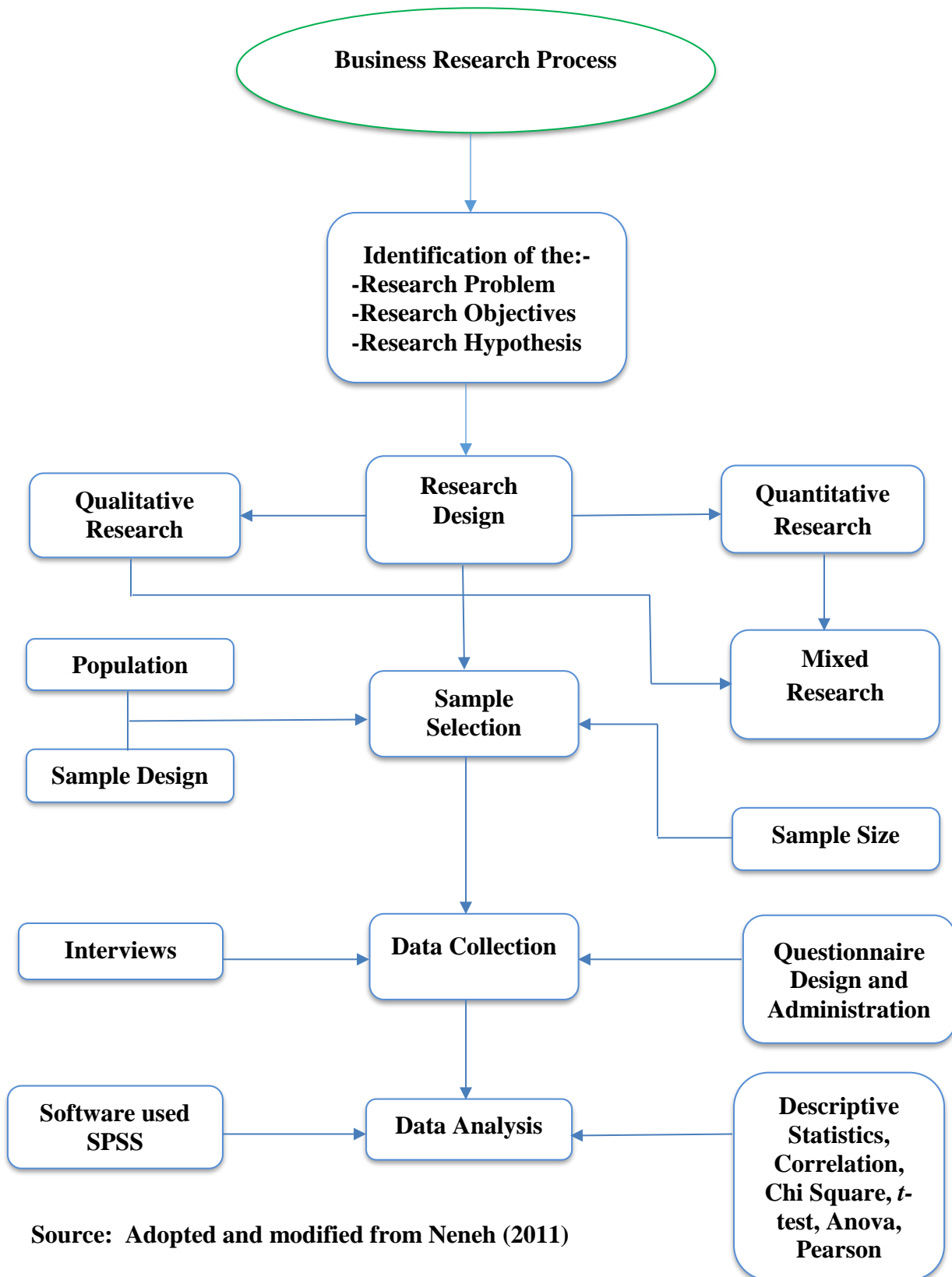
The objective of this chapter is to provide a detailed discussion of the research methodology applied in this study. The research methodology used in this study is adopted from the business research process, and the various perspectives of the research methodology covered in this chapter are divided into five steps. Step one presents the problem statement and objectives of the study. Step two provides a detailed discussion of the different types of research design. Step three will discuss sampling methods used in this research. Step four presents data collection methods used in this study to gather information, and step five discusses the data analysis techniques used in this study.

#### **5.2. THE BUSINESS RESEARCH PROCESS**

Sekaran and Bougie (2013:3) define business research process as an “organised, systematic, data-based, critical, objective, inquiry or investigation into a specific problem, undertaken with the purposed of finding answers or solution to it”. Research process can be explained as a method used by the researchers to conduct a research (Quinlan, 2011:4). Figure 5.1 below presents the various stages in business research process.



**Figure 5.1: Stages in the business research process**



Source: Adopted and modified from Neneh (2011)

### **5.2.1. Problem statement and research objectives**

#### **5.2.1.1. Stage 1 Problem statement**

According to Sekaran and Bougie (2009:45) problem statement identifies key issues such as general objectives and research questions that must be addressed by the study. A problem statement has to be unambiguous, detailed, and concise statement that pinpoints particular issues the researcher desires to probe. Cooper and Schindler (2011:567) purport that problem statement encompasses the need why the research has to be carried out. Also, the problem is characterised by the research question and subsequently the objectives of the study.

The primary motive of carrying out this research arises from the fact that SMEs in the globe and South Africa are failing at a high rate due to poor leadership and lack of understating the importance of MO within the firms by owners/managers. According to Ntsika Enterprise Promotion Agency (2009) South Africa requires enormous growth to be able to create enough employment opportunities for its citizens to bring down unemployment rate and poverty. Dubihlela (2012) is of the opinion that the South African government perceives SMEs as key factors to drive economic development across all sectors and geographic areas in the country.

The problem statement was stated in chapter one of this study (*See section 1.2*)

#### **5.2.1.2. Hypotheses**

According to Cooper and Schindler (2006:43) hypotheses can be defined as a statement made about a perceived occurrence which might be considered to be correct or incorrect. Saunders, Lewis and Thornhill (2012:174) assert that an experiment make use of hypotheses to predict as oppose to research questions. This happens because researchers are already predicting whether there will be a relationship or not amongst two variables observed. As a consequence, two hypotheses known as null hypotheses and alternative hypotheses are used to test the strength of the relationship. This study formulated 15 hypotheses to investigate the relationship between leadership styles and SME performance; MO and SME performance and mediating effect of MO on the leadership styles – performance relationship

### **5.2.1.3. Research objectives**

According to Cooper and Schindler (2011:96) research objectives reveal the purpose of conducting the investigation for research project. Quinlan (2011:140) points out that research objectives refer to a set of steps followed by a researcher to ensure that the objectives of the research are attained. The primary objective of this study was to examine the mediating effects of MO on the leadership-performance relationship.

This objective of was obtained by formulating secondary objectives below.

- i. To assess theories and concepts on leadership styles
- ii. To review theoretical studies on market orientation
- iii. To find out which types of leadership is practiced by SMEs owners
- iv. To determine whether SMEs owners engage in MO and which type of market orientation they engage in.
- v. To determine which type of leaderships styles are essential to enhance the performance of the SMEs.
- vi. To find out the mediating effects of MO on the leadership styles- performance relationship
- vii. To establish a conceptual framework linking key leaderships styles and market orientation that enhance SMEs' performance.

### **5.2.2. Stage 2 Research design**

Dubihlela (2012) explains research design as a process or plan of action used by the researcher to implement the research project. Mitchell and Jolley (2010) state that research design gives a detailed explanation on how the research will be carried out. Also, the option of research design is controlled by the objectives of the research and the research structure. According to Cooper and Schindler (2014:152) research design is the “plan and structure of investigation so conceived as to obtain answers to research question. The plan is the overall scheme and program of the research. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data”. More so, Nsubuga (2008) refers to research design as a process that explains in details how the planned study is going to be executed operationalising variables so that they can be measured, decide on the sample size for the study; gather the

information required for testing hypothesis, and analysis of the results. There are three types of research design, namely qualitative, quantitative, and mixed research.

### ➤ **Qualitative research**

According to Cooper and Schindler (2006:196) qualitative research refers to the “array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world”. Nsubuga (2008) posits that qualitative research can be described as a descriptive data management predominately used to manage the information gathered through the interview and other secondary sources which cannot be gathered using quantitative research. Tango (2012) affirms that qualitative research gathers the information which is difficult to analyse. The information is acquired from individual cases or small samples. Hence, the information acquired is analysed inaccurately and the analytic methods that are used produce interpretive and biased findings.

### ➤ **Quantitative research**

According to Cant (2010:73) quantitative research can be defined as the construction of statistics or significant information from a wide range survey with the objective of projecting the findings to a broader population. Harwell (2011) notes that researchers use quantitative research mainly because it involves the ability of the researcher to be impartial. Furthermore, Harwell (2011) states that the important characteristics of quantitative research encompasses the use of questionnaires for survey in order to gather information, by making use of statistical methods to test hypotheses that are linked to the objectives of the study. Dubihlela (2012) concur that quantitative research includes numbers and use statistical programs to analyse the information gathered, and it is linked with positivist research view. Williams (2007) argues that quantitative research do not rely on the researched phenomenon. Hence, it is the most used research method by researchers in the empirical study. The difference between qualitative and quantitative research is explained in table 5.2 below.

### ➤ Mixed research

According to Bryman, Bell, Hirschsohn, Dos Santos, Du Toid, Masenge, Van Aardt, and Wagner (2014:62) mixed research can be defined as the use of both qualitative and quantitative research methods in one research project. Mixed research do not prefer one research method over the other because the two methods complement each other to achieve the objectives of the study. The benefit of using mixed research method in a study is that it considers the similarities between qualitative and quantitative research methods (Al-Shirawi, 2012). Preoccupied by this facet, researchers such as (Carr, 1994; Johnson and Onwuegbuzie, 2004; Mingers, 2001; Tashakkori and Teddie, 2003) began using mixed research method in their research projects. According to Bryman et al., (2014:62), mixed research method enables the researcher to exploit the strength in the research project, while reducing the weaknesses associated with each methods. In contrast not all the scholars concur that this research method is favoured in the empirical studies.

**Table 5.1: The difference between Qualitative and quantitative research methods**

Factors/ Characteristics	Qualitative methods	Quantitative methods
Research objectives	Discovery and identification of new ideas, thoughts, feelings, preliminary insights on and understanding of ideas and objects.	Validation of facts, estimations, relationships, predictions.
Research types	Normal exploratory design.	Descriptive and casual design.
Research questions	Open-ended, semi-structured, unstructured and deep probing	Mostly structured.
Types of executions	Relatively short time frames	Usually significant longer time frame.
Representativeness	Small samples limited to sample respondents.	Large sample, normally good representation of the target population.

Types of analysis	Debriefing, subjective, content, interpretative, semiotic analysis.	Statistical, descriptive, casual predictions and relationships.
Research skills	Interpersonal communication, observations, and interpretative skills.	Statistical, scientific procedure translation skills; subjective interpretive skills.
Generalisability of results	Very limited only preliminary insights and understanding.	Usually very good, inferences about facts, estimates of relationships.

**Source: Dubihlela (2012:185)**

According to Bryman and Bell (2007:154) quantitative research concerns the gathering of numerical information and indicate existing links between theory and research as inference, and this is a preference appropriate for natural science methods and not bias to the notion of the natural reality. In line with Bryman and Bell (2007), this study adopted quantitative research approach because it was conducted among 299 SMEs in the Mangaung Metropolitan Municipality.

According to Matveev (2002) quantitative research has six strengths and four weaknesses. The strengths are:

- It is specific in terms of stating research problem and set terms.
- Unambiguously and specific in identifying both the independent and dependent variables investigated.
- It follows the original set of objective to make unbiased conclusion, tests hypotheses, decide on the issues of causality.
- Accomplish a high degree of reliability of information collected because of managed observation.
- Exclude or reduce the unbiased of the result.
- Allows a longitudinal measure of the following research topic.

Also, the weaknesses of quantitative research are as follow:

- Inability to give the researcher information on the perspective of the situation where the researched phenomenon took place.

- Unable to manage the environment where the participants are answering questionnaires.
- The results are limited to people defined in research proposal due to the type of questions asked and the structure of the questionnaires.
- It does not promote the ongoing investigation of the research phenomenon.

Basically, quantitative research or qualitative research or both comprise of three types of research, depending on the information required by the research problem. The three types of research are exploratory, descriptive and casual.

- **Exploratory research:** De Vos, Strydom, Fouche, and Delport (2011:95) state that exploratory research can be piloted mainly to get more information about the situation, phenomenon, community or people, or to be familiar with the situation in order to enable the formulation of the problem and hypothesis. Sekaran and Bougie (2009:103) assert that exploratory research can be conducted when little is known about the present situation, or the researcher cannot find the information that was used previously to deal with the identical problem or research issues. Zikmund, Babir, and Griffin (2010:54) state that exploratory research is predominately used to simplify uncertain situations or bring to light business opportunities. This is to say that exploratory research does not give definite evidence from which a plan or action can be carried out. According to Babbie (2014:91) exploratory research is conducted for the following reasons;
  - To fulfil the researcher's interest and wish for better understanding.
  - To investigate the likelihood of undertaking a more extensive study.
  - To develop techniques to be used in the study that will be carried out later.
- **Descriptive research:** According to Sekaran and Bougie (2009:105) descriptive study can be explained as the study conducted to find out and define key components of the variables that are important with a situation. Moreover, Sekeran and Bougie (2013:97) point out that descriptive research is mainly intended to collect the information that enables the researcher to explain the features of people, events, or situation. Essentially, descriptive research can be either qualitative or quantitative. Basically, there are two types of descriptive research, namely cross-sectional and longitudinal. According to Bryman and Bell (2003:48) cross-sectional research design is a "collection of data on more than one

case and at a single point in time in order to collect a body of quantitative or quantifiable data connection with two or more variable, which are then examined to detect patterns of association”. Longitudinal research design is mostly preferred to plan change and to think about methods which can be used to create change within the organisation (Bryman and Bell, 2011:109). According to Cooper and Schindler (2006:141) there are two types of longitudinal studies, namely panel and cohort groups. In **Panel group**, the researcher can study the same group of people using this method. While in **Cohort groups**, the researcher can use a variety of subjects per sequenced measurement. According to Quinlan (2011:399) researchers use descriptive statistics to explain the information collected from the respondents. This study employed cross-sectional method because the researcher collected information from the respondents once, probably for days or weeks, if not months to provide answers to the research questions and objectives (Sekaran and Bougie, 2016:104).

- **Causal research:** Sekaran and Bougie (2009:110) define causal research as a study in which the researcher wishes to explain the root cause of one or other problems. Casual research enables researchers to make causal conclusion while investigating the cause and effect relationship (Zikmund et al., 2010:57). According to Cooper and Schindler (2006:141), causal study seeks to clarify the existing relationship amongst variables. This study used causal research because it sought to ascertain the relationship between leadership styles and SMEs performance and the mediating effect of MO

### 5.2.3. Stage 3 Sample selection

Cooper and Schindler (2014:338) state that the core of sampling is to choose components within the targeted population. According to Salant and Dillman (1994:54), sample selection takes into consideration the following: size of the population, homogeneity, and sample media, which includes the cost of use and degree of accuracy required. People who are part of the survey are randomly chosen because all of them stand the equal chance of being chosen (Salant and Dillman, 1994:13). Sample selection encompasses the population, sample design and sample size, as expounded below.



### **5.2.3.1. Population**

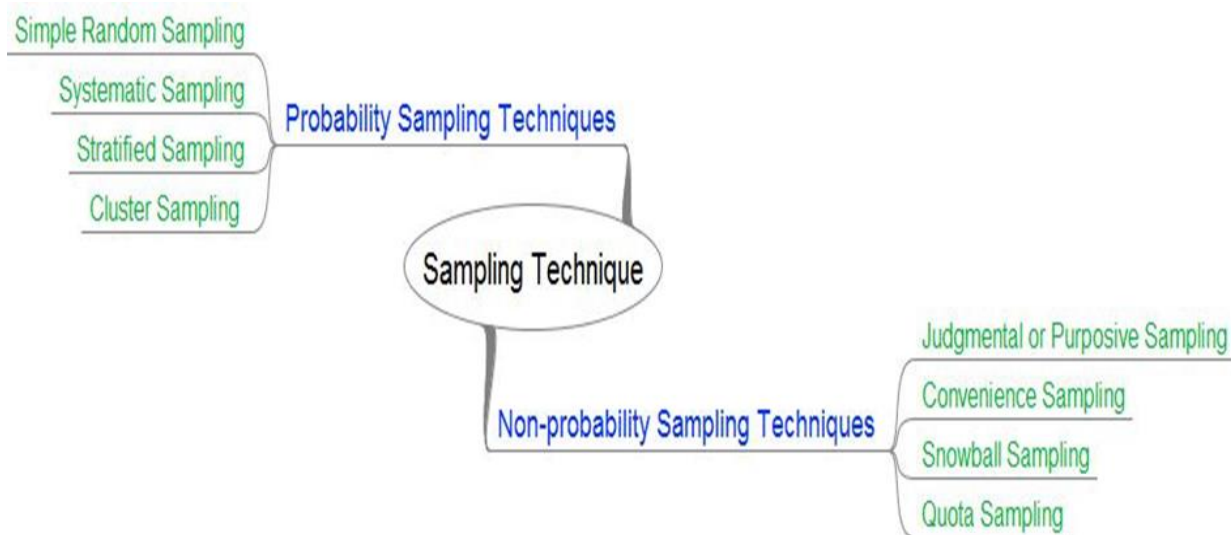
Population refers to the group of people about whom the data for the study is required. Population can be described as a known component of interest to the researcher, and the researcher can make conclusions about the population being investigated (Dubihlela, 2012). According Zindiye (2008) population is defined as the total number of people or institutions which are necessary for obtaining information. For this study the population of interest comprised of SMEs operating in the Mangaung Metropolitan Municipality (Bloemfontein, Botshabelo, and Thaba Nchu). According to Centlec there are about 4 400 businesses operating in the Mangaung Metropolitan Municipality. Out of the 4 400 businesses operating in the Manguang Metropolitan Municipality, a sample size of 354 was used for this study based on calculations obtained when using the Raosoft sample size calculator.

Given that Bloemfontein is the Centre of the economic activities and the capital city of Free State, 190 questionnaires were distributed amongst the SMEs owners/managers operating in the city. The remaining 164 questionnaires were distributed amongst the SMEs owners/managers in Botshabelo and Thaba 'Nchu because of the small number of business activities in these areas. The sample size was selected and limited to these places due to time constraint and limited resources. Nonetheless, the sample size was big enough to enable the researcher to produce accurate results.

### **5.2.3.2. Types of sampling design**

Sekaran and Bougie (2009:267) and Quinlan (2011:209) identify two main categories of sampling design, which are probability and non-probability sampling. According to Cooper and Schindler (2014:343) probability sampling is mainly based on the chance of being selected and it uses controlled processes that give population components the assurance that they stand a non-zero chance of being selected. On the contrary, non-probability sampling is based on the random selection, though the population components do not know if they stand a chance of being selected.

**Figure 5.2: Probability and non-probability sampling design**



This study made use of a combination of probability (stratified sampling) and non probability sampling (convenience and snowball sampling design). According to Quinlan (2011:210) stratified random sampling is the sample chosen by the researcher based on some known elements of the population, and elements that will influence the outcome of the research. Bryman and Bell (2007:188) suggest that stratified random sampling can only be used if the pertinent information about the targeted population is easily reached. In addition, when the information is attainable enables the researcher to identify members of the targeted population using stratified criteria, then stratified sample method can be used (Bryman and Bell, 2007:188). According to Cresswell et al. (2011:177) convenience sampling is used when the population elements are chosen because they are easy and convenience to contact. Zikmund et al. (2010:396) explains that convenience sampling is a sampling procedure used in the research project to acquire people or units that are conveniently available. Convenience sampling procedure is mostly used in the exploratory research when studies that are conducted use probability sample. Zikmund, Babin, Carr and Graffin (2013:395) state that snowball sampling encompasses the use of probability method whereby the first participants are chosen using probability methods and more participants are acquired through the information supplied by the first participants.

Owing to the fact that there is no available list of SMEs operating in the Mangaung Metropolitan Municipality, the researcher used the yellow page directory to identify and comply a list of businesses located in the Mangaung Metropolitan Municipality complied. Stratified sampling

ensured that each SME owners/managers within a specific business sector had an equal chance of being selected. Also, the researcher attended events organised by the Business School, Entrepreneurial Developmental Program (EDP) and Network of Entrepreneurs Practitioners and Academics in Business (NEPAB) that was hosted at the University of the Free State in 2016, where the researcher issued questionnaires to all the SMEs owners/managers who attended the program. Convenience sample allowed the researcher to collect data directly from SME owners/managers that attended the EDP and NEPAB program at the University of the Free State. Snowball sampling method was later applied from the referrals obtained from the SMEs owners/managers who attended the Entrepreneurial Developmental Program (EDP) and Network of Entrepreneurs Practitioners and Academics in Business (NEPAB) at the University of the Free State., as they referred the researcher to others SMEs owners/managers operating in the Mangaung Metropolitan Municipality.

#### **5.2.4. Stage 4 Data collection**

Quinlan (2011:4) states that data collection is the process used to collect information for the study being conducted. Similarly, Cooper and Schindler (2011:432) affirm that data collection methods explain the “specifics of gathering the data”. Basically, there are two types of data collection methods namely: primary and secondary data collection. Primary data involves data gathered and assembled for a research project at hand by the researcher. There are three types of primary data collection methods, namely: observation, experiment, and survey methods.

##### **5.2.4.1. Primary data**

According to Sekaran and Bougie (2013:113) primary data is the information acquired for the first time by the researcher on the variables of interest in order to achieve a particular goal for the research. Copper and Schindler (2011:499) state that primary data is the “original search where the data being collected are designed specifically to answer the research questions”. Other techniques of collecting primary data comprise of questionnaires, checklists, surveys, interviews, observations, focus groups, case studies and documentation review (Neneh, 2011). This study made use of the primary data collection techniques discussed below.

### ➤ Interviews

According to De Vos et al., (2011:342) interviews are the extensively used method of collecting data in the qualitative research. The researcher acquires information by means of direct engagement with people who have the information required for the research. Since this study centred on leadership styles, MO and SMEs performance, the researcher employed interview techniques to allow respondents to express their personal experiences about leadership styles, MO and SME performance in order to get more information required for the study. According to Shneiderman and Plaisant (2005) conducting an interview has the following advantages for data collection:

- One on one personal communication with the respondents which leads to obtaining specific and constructive information.
- They are very useful in terms of obtaining detailed information required for the research.
- A detailed and more information can be gathered when few respondents are used.

### ➤ Questionnaires

Questionnaires can be defined as an important document that has questions that are presented to the respondents in order to get crucial information for data analysis (Babbie, 2007:246). According to De Vos et al. (2011:188), self-administered questionnaires are described as questionnaires that are given to the participants, and participants are requested to complete them on their own. However, the researcher is present to help if participants encounter the difficulties of understanding the questions. Fundamentally, there are two types of questionnaires, namely structured questions and fixed unstructured questions. Structured questions refer to questions that do not allow respondents to answer limited set of fixed questions. In contrast, unstructured questions are described as question that are posed to the respondents and give them the opportunity to respond whichever way they desire (Bryman et al., 2014:199). This study used structured questions because the respondents had to answer a specific set of questions formulated by researcher.

The researcher delivered questionnaire personally to all the SMEs that were selected for this study and explained to respondents how to answer the questionnaires. Following the delivery of the questionnaire, the researcher asked for the names and contact details of the respondents in order

to call them back, send sms's and WhatsApp texts to remind them to complete questionnaires. Respondents were given the time frame of three weeks to complete the questionnaires. According to Burns and Bush (2006:300) questionnaires enables the researcher to achieve the following:

- It enables the researcher to interpret research goals into specific questions.
- It allowed consistent questions and response categories in order for respondents to answer to the similar stimuli.
- Based on the wording, question flow and appearance, it encourages collaboration and kept participant motivated throughout the course of the interview.
- Questionnaires are used as a permanent record of the research project.
- The questionnaires are important in ensuring data analysis is conducted speedily.
- The questionnaires have information about reliability assessment, which can be used in the follow up validation of respondents' participation in the survey.

For the purpose of this study, both structured questionnaires and interviews were used because the researcher formulated questionnaires and delivered them to the respondents to complete.

#### **5.2.4.2. Secondary data**

According to Quinlan (2011:240) secondary data refers to the information that was already created, which the researcher did not create. Zikmund et al. (2013:160) purport that secondary data is the information which has been gathered beforehand for other intentions than the one at hand. For example, secondary data sources used for this study included textbooks, published articles, dissertations, internet sources, and other relevant secondary data sources related to this study.

##### **5.2.4.2.1. Questionnaire design**

In terms of data collection, this study used valid and reliable structured questionnaires formulated by the researcher. The questionnaires enabled the researcher to gather information required for the study. The questionnaires were structured in such that the respondents were be able to complete them (Quinlan, 2011:336).

#### **5.2.4.2.2. Questionnaires layout**

The questionnaires composed of five section, and the layout is explained below:

**Section A:** The questions in this section are based on the descriptive/demographics details of the SME owners/managers.

**Section B:** The questions in this section talked about the nature of the business operated by the SME owners/managers, the type of industry in which the business competes, the number of people employed per business, start-up capital, and the push and pull factors that encouraged the entrepreneur to start the business. This sections also required the experience of the owner/manager in the sector the business operate and whether participant's family member had ever owned or operated a business.

**Section C:** The questions in this section addressed the different leadership styles practiced by the SME owners/managers and their impact on the performance of the business.

**Section D:** The questions in this section focused on the impact of MO on the performance of the SMEs.

**Section E:** The questions in this section were based on the overall performance of the SMEs.

#### **5.2.4.3.2.3. Pilot study (Pre-testing of the questionnaires)**

According to Maholtra (2010:153) pilot study/pre-test refers to the pre-testing of the questionnaires using a limited sample size of the targeted population in order to identify problems they may encounter about the content and validity of the questionnaires. Quinlan (2011:273) notes that pilot study is the method used by many researchers to enhance the validity of the research project. This study used pre-testing method to address the problems raised by respondents about the content and validity of the questions. Thus, fifteen questionnaire were distributed among SMEs owners/managers in Bloemfontein to complete and express their honest opinion about the content of the questions. Subsequently, the research used the feedback gotten from the respondents to make sure they are unambiguous and easy to answer.

### 5.2.5. Measurements techniques

Various leadership styles, components of MO from behavioural and cultural perspectives, financial and non-financial performance measurements were used to measure business performance. These variables were put in the 1-to-5 Linkert scale questionnaire to measure the extent to which the respondents perceive the influence of leadership styles, MO, financial and non-financial performance measurements on the performance of their businesses.

Measurement	Studies drawn from
Leadership styles	
Directive leadership style	Mugsood et al. (2013)
Supportive leadership style	William (2014)
Participative leadership style	Murdoch (2013)
Achievement oriented leadership style	Negron (2008)
Autocratic leadership style	Jogulu and Woods (2009)
Consultative leadership style	Jong and Hartog (2007)
Democratic leadership style	Belias and Koustelious (2014)
Laissez-faire leadership style	Van Der Walt (2015)
Pace setting leadership style	Constantin and Brancusi (2013)
Coaching leadership style	Spreier, Fontaine and Malloy (2006)
Visionary leadership style	Mohamad and Chiun Lo (2012)
Transformational leadership style	Zopiatis and Constatl (2010)
Transactional leadership style	Arham, Boucher and Muenjohn (2013)
Market Orientation (MO)	
Generation of market intelligence	Kohli and Jaworski (1990)
Dissemination of intelligence	
Organisational response	
Customer orientation	Naver and Slater (1990)
Competitor orientation	
Inter-functional coordination	
SME performance	

<b>Financial performance measurements</b>	
Net profit Return on equity (ROE) Return on assets (ROA) Profit Revenue Return on investment (ROI)	Guijarro, Auken and de-Lema (2012); Chong (2008)
<b>Non-financial performance measurements</b>	
Product or service quality Market share Customer loyalty Customer satisfaction Employee feedback Human resources	Zaman, Javaid, Arshad and Bibi (2012); Nagy, Babaita and Ispas (2012)

#### **5.2.6. Stage 5 Data analysis**

According to Lombard, van der Merwe, Kele and Mouton (2010:6) data analysis refers to the statistical method employed to analyse the data gathered from the respondents. The analysis of data uses instruments such as descriptive statistics to arrange the data and provide the summary of the data. This study used two methods to analyse its data, namely descriptive and inferential statistics. Descriptive statistics use percentages, frequency distribution tables, histograms and charts to analyse the information gathered. While inferential statistics use instruments such as cross tabulation, chi-square, one-way analysis variance (ANOVA), t-test and Pearson correlation coefficient to analyse data collected.

According to Quinlan (2011:352) SPSS can be define as Statistical Package for Social Science. Also, it is a computer programme design to carry out analysis of the information gotten in the qualitative research. Likewise, Sekaran and Bougie (2009:365) state that SPSS is a “data management and analysis program designed to do statistical data analysis, including descriptive statistics such as plots, frequencies and multivariate statistical procedures like analysis of variances



(ANOVA), factor analysis, cluster analysis and categorical data analysis”. This study made use of SPSS to analyse the data gathered from the respondents.

#### **5.2.6.1. Descriptive statistics**

Waller (2008:188) noted that descriptive statistics can be define as a “collection and the analysis of the data set in order to characterise the sampled dataset”. Descriptive statistics plays a key role in supporting the characteristics or appearance of the sample data. Descriptive statistical analysis can alter raw data into a new form of data that can be analysed and interpreted without difficulties (Dubihlela, 2012). According to Creswell et al., (2011:19) descriptive statistics sums up the information in the following ways:

- Through location or centrality (mean, mode and median).
- Through dispersion (the range, the variance, and the standard deviation – the spread of data around the average).
- Through the measures of shape (skewness and kurtosis).

The descriptive statistics techniques employed in this study included frequency distributions, proportions, measures of central tendency, and measures of dispersion.

#### **5.2.6.2. Inferential statistics**

According to Lombard et al., (2010:3) inferential statistics can be defined as the statistical method used to acquire, organise and summarised information. Taylor (2007:6) points out that inferential statistics refers to the data gotten from the sample size of the targeted population, which can be used for analysis in orders to produce a sample statistic from which the values of the parent population can be inferred. This study made use of the inferential statistics techniques such as cross tabulation, Chi square, Analysis of variances (ANOVA), t-test, and Pearson correlation coefficient, as explained below;

- **Cross tabulation :** Creswell et al. (2010:185) state that cross tabulation is useful in terms of grouping participants based on two qualitative variables. According to Zikmund et al. (2013:486) cross tabulation is regarded as a suitable method predominately used for dealing with research questions that concerns the relationship amongst less interval

variables. Also cross tabulation gives researchers the opportunity to scrutinise or make a comparison of differences between two groups based on nominal and ordinal variables.

- **Chi-square** : According to Gravetter and Wallnau (2009:607) the prime objective of the chi-square for goodness of fit is to provide answers to the hypotheses. As such, the chi-square test uses the percentages gotten from the sample in order to test hypotheses with respect to corresponding percentages within the population. Sekaran and Bougie (2016:286) assert that the chi-square test has a relationship with the degree of freedom denoted by (df), which enables the researcher to ascertain whether or not there is a significant correlation amongst the two nominal variables. The chi-square test of significance enables the researcher to determine whether or not the two nominal variable have a relationship.
- **Analysis of variance**: Analysis of variance (ANOVA) can be explained as a statistical method mostly used to make a comparison amongst the means of two or more groups. Also, in the case where there are two means that must be compared, the calculation of ANOVA uses a basic *t* test (Lazar, Feng, and Hochheiser, 2010:78). According to Abedniya and Mahmoudi (2010:143) the analysis of variance can be described as the statistical tool which enables the researcher to test statistical discrepancy between means and measure dissimilarities between means.
- **T-test**: Lazar et al. (2010:76) expound that the *t*-test is the mostly used statistical tool to make comparison between the two means in the test. The different types of *t*-test must be used. However, they have to be in line with the specific design of the study undertaken. The study can use *t*-test to test hypotheses in order to determine that the means of the population in which a sample has been taken is equal to the comparison standard (Sekaran and Bougie, 2016:302).
- **Pearson correlation**: According to Creswell et al., (2007:234) Pearson correlation is vital for evaluating whether there is strong or weak relationship among two quantitative variables. Hence, it is important to first find out whether the relationship is linear, and then conduct a statistically investigation to indicate the direction and strength of the relationship,

and determine whether it is statistically significantly different from zero. Coakes (2005:18) state that the key finding of the correlation is termed correlation coefficient, and it is denoted by the symbol (r). Also, the correlation coefficient values ranges from -1.0 to +1.0, which demonstrates that the two variables are closely related. On the contrary, the closer (r) is to 0, it shows that the two variables are unrelated, which means there is no relationship amongst the variables. The P-values measure the level of significant. In this study, a 5% level of significance was used.

**Mediation effect:** When performing the mediating analysis, Barron and Kenny (1986), the Sobel test and the bootstrapping are the methods used. All these model will be used in establishing the mediating relationship between market orientation and leadership styles. In order to avoid duplication, the explanation on Barron and Kenny (1986), the Sobel test and bootstrapping will be presented in the results section.

### 5.3. LIMITATIONS OF THE STUDY

- The main limitation for this study was the difficulty faced by the researcher to obtain a complete list of all registered SMEs in the Mangaung Metropolitan Municipality. Thus, the researcher had to rely on other SME owners/managers to refer him to other entrepreneurs operating in the area whom they know.
- The other major limitation encountered by the researcher was that some of the SMEs owners/managers are foreign nationals, thus language became a barrier because some could do not speak English. Also, they were not willing to share the business information with the researcher and therefore decided not to participate in the study.
- The researcher was unable to research all the SMEs in the Mangaung Metropolitan Municipality because of the insufficient travelling and accommodation allowance.

### 5.4. CHAPTER SUMMARY

This chapter presented the research methodology adopted for this study. Quantitative research method was used for this study and motivation for using such approach was given. The study also

used a research process which was divided into five stages to explain the motive for selecting some of the research methods used in the study. Moreover, the data collection methods, instruments, population sample, the procedure followed by the researcher, the processes involved in the collection of the data and methods used to analyse the data were explained. The data analysis of this study was conducted using descriptive statistics such as frequency distribution, charts, measures of central tendency (mean). Furthermore, inferential statistics such as Pearson correlation coefficient, factor analysis, regression analysis, chi-square, analysis of variance (ANOVA) were used to analyse the data for this study. Lastly, Barron and Kenny (1986) mediating effect model was used to investigate the effect of MO on the relationship between leadership styles and performance. In conclusion, this chapter discussed the limitations of the study. The next chapter focuses on data analysis and interpretation of the empirical findings.

## CHAPTER SIX

### RESEARCH RESULTS: PPRESENTATION OF EMPIRICAL FINDINGS

#### 6.1. INTRODUCTION

The main objective of this chapter is to present the empirical findings of this study gotten from the questionnaires issued to 229 SME owners/managers in the Mangaung Metropolitan Municipality (*Bloemfontein; Botshabelo and Thaba’Nchu*). The chapter commenced by ascertaining the regional distribution of the response rate for the SME owners/managers in the Mangaung Metropolitan Municipality. Thereafter, the reliability construct on leadership, market orientation and the external environment are measured. Subsequently, factor analysis is used to verify the validity and reliability of the measuring instruments. The chapter will also discuss the empirical findings of the study in two parts of A and part B.

**Section A** comprise of the empirical findings and it is divided into five sub sections. The first sub section focuses on the descriptive/demographic characteristics of the SME owners/managers. The second subsection talks about the nature of the business. The third subsection focuses on the different leadership styles employed by the SME owners/managers. The fourth subsection is centred on market orientation. Lastly, the firth subsection explicates the results regarding the performance of the SMEs.

**Section B** of the empirical finding provides answers to the hypotheses established in chapter four of the literature review, based on the mediating effect of market orientation on the leadership styles-SME performance relationship.

#### 6.2. REGIONAL DISTRIBUTION

The sample size of this research was made up of the SME owners/managers operating in different business sectors around Mangaung Metropolitan Municipality. SME owners/managers were grouped in different categories according to their specified regions, in order to avoid a general representation of one region. SME owners/managers who took part in this research were a

combination of business owners/managers coming from the different sectors of business and towns within Mangaung Metropolitan Municipality (Bloemfontein, Botshabelo and Thaba’Nchu).

**Table 6.1: The sample size; percentage of questionnaires distributed to a sample size of the region and number of questionnaires collected in the Mangaung Metropolitan Municipality, 2017**

	<b>Bloemfontein</b>	<b>Botshabelo</b>	<b>Thaba’Nchu</b>	<b>Total</b>
<b>Sources</b>	( <a href="http://www.business-tech.co.za">www.business-tech.co.za</a> , 2015)	( <a href="http://www.tiptop-globe.co.za">www.tiptop-globe.co.za</a> , 2015)	( <a href="http://www.guandl.co.m">www.guandl.co.m</a> , 2015)	
<b>Population</b>	<b>503 000</b>	<b>309 810</b>	<b>60 696</b>	<b>873 506</b>
<b>Sample size</b>	<b>354</b>			
<b>Number of questionnaires issued</b>	<b>190</b>	<b>120</b>	<b>44</b>	<b>354</b>
<b>Number of questionnaires received</b>	<b>150</b>	<b>60</b>	<b>40</b>	<b>250</b>
<b>Number of received questionnaires not fully completed</b>	<b>11</b>	<b>6</b>	<b>4</b>	<b>21</b>
<b>Number of questionnaires received that were fully completed and valid for the use of this study</b>	<b>139</b>	<b>54</b>	<b>36</b>	<b>229</b>
<b>Valid response rate as percentage of the total questionnaires</b>	<b>73.2%</b>	<b>45.0 %</b>	<b>81.8%</b>	<b><u>64.7%</u></b>

Table 6.1 above shows the regional distribution of SME owners/managers in Mangaung Metropolitan Municipality in terms of the population size, sample size, percentage of questionnaires issued to sample within the region, as well as the number of questionnaires received from the respondents. Bloemfontein, Botshabelo and Thaba’Nchu depict a good regional representation of Mangaung Metropolitan Municipality.

From Table 6.1, it is established that Mangaung Metropolitan Municipality has a total population of 873 506 with 503 000 people living in Bloemfontein; 309 810 located in Botshabelo; and 60 969 peoples in Thaba’Nchu. Roasoft sample size calculator was used to calculate the sample size. Based on the calculations, a sample size of 354 was obtained and used in this study. A total of 354 questionnaires were distributed among SME’s owners/managers in the Mangaung Metropolitan Municipality. Out of the 354 questionnaires that were issued, 250 were received. From the 250 received, only 229 were completed successfully by the respondents and generated a response rate of 64.7%. The researcher made use of the pair wise deletion approach to eliminate the missing values in the data collection and analysis, and continued with all the questionnaires that were successfully completed by the respondents. Bloemfontein is the centre of economic activities and provincial capital of the Free State. The city is also a commercial capital of the Free State province and judicial capital of South Africa. Bloemfontein accounts for approximately 87% of the economic production in Mangaung Metropolitan Municipality, while only 7% and 6% of the economic activities happens in Botshabelo and Thaba’Nchu respectively (South African LED Network, 2011). Given this, a large proportion of the questionnaires were distributed in Bloemfontein than in Botshabelo and Thaba’Nchu, since a lot of economic and commercial activities happens in Bloemfontein, as it is the capital city of the Free State province.

### **6.3. RELIABILITY OF THE CONSTRUCTS**

Reliability is a broadly used concept to determine the internal consistency of the constructs. Internal consistency is concerned with the degree to which each item included in the test measures the same construct (Tavakol and Dennick, 2011). Cronbach’s alpha is used to measure reliability. According to Cooper and Schindler (2014), Cronbach’s alpha can be defined as the average correlation among each item included in the number of items. The values of Cronbach’s alpha ranges between -1 to +1. Thus, the alpha value of 0.7 provides the acceptable degree of internal

consistency. Table 6.2 below depicts the scores and Cronbach's alpha's of leadership styles, market orientation and external environment.

**Table 6.2: Cronbach's alpha test on the reliability of leadership styles, market orientation and external environment**

	N of Items	Alpha	Reliable Items	Reliability
Leadership styles				
Directive	3	0.787	78.70%	high internal consistency
Supportive	5	0.789	78.90%	high internal consistency
Participative	5	0.818	81.80%	high internal consistency
Achievement	4	0.799	79.90%	high internal consistency
Autocratic	5	0.858	85.80%	high internal consistency
Consultative	4	0.796	79.60%	high internal consistency
Democratic	5	0.729	72.90%	high internal consistency
Laissez-fair	5	0.856	85.60%	high internal consistency
Pace Setting	5	0.712	71.20%	high internal consistency
Transformational	4	0.737	73.70%	high internal consistency
Transactional	4	0.714	71.40	high internal consistency
Market orientation				
Customer Orientation	3	0.791	79.10%	high internal consistency
Competitor Orientation	3	0.813	81.30%	high internal consistency
Inter-functional Coordination	3	0.845	84.50%	high internal consistency



The results on Table 6.2 indicates the test results on the reliability of the variables that consist of leadership styles, market orientation, and external environment. Each leadership style, market orientation and external environment constructs were determined using 5 point Likert scale with 3-5 items. From the table above N of Items indicate the number of items used to determine each of the variables. The results on the Cronbach alpha shows that all the leadership styles, market orientation and external environment constructs have a high internal consistency. Thus, all the data are considered reliable with the lowest alpha value being 0.703 and the highest value being 0.856. From the Cronbach's alpha results, it can be concluded that leadership styles and market orientation are considered reliable.

#### **6.4. FACTOR ANALYSIS**

Factor analysis can be defined as a statistical technique used by the researchers to investigate the correlation amongst the group of observed variables, which are measured by means of questions or items (Beavers, Lounsbury, Richards, Huck, Skolits and Esquivel, 2013). Kaiser-Meyer-Olkin (KMO) and the Bartlett's test are measures used to determine whether the principal factor analysis is appropriate (Koloba, 2012). The Kaiser-Meyer-Olkin Measure of sampling is "a measure of the shared variance in the items". The highest values in the KMO ranges between 0.1 and 1.0, which shows that factor analysis is appropriate for the data set. However, the values smaller than 0.1 indicate that factor analysis cannot be used (Beavers et al., 2013). Likewise, Bartlett test of sphericity can be used to test the relationship between variables. Thus, the values smaller than 0.05 significant level, suggests that it is proper to employ factor analysis (Sandada, 2012). According to Hoffmann (2010), varimax rotation can be explained as an orthogonal rotation approach used to acquire minimum relationship amongst several factors and a high variance for every factor. As indicated in Table 6.3 below, factor analysis was used to examine the validity of the three construct, namely leadership styles, market orientation and external environment.

**Table 6.3: Component matrix for the Leadership styles and Market orientation construct**

Leadership styles	Component Loading	Eigen values	% of Variance	KMO	Barlett's Test
Directive leadership					
Give Instructions and subordinates are expected to follow them	0.846	2.110	70.318	0.697	201.54*
Talks more than listening to the views of the subordinates	0.861				
Aggressive, controlling and dictates which activities should be carried out	0.808				
Supportive leadership Style					
Sets up a conducive and friendly atmosphere at work.	0.756	2.726	54.517	0.809	300.79*
Shows concern for the well-being of the subordinates.	0.736				
Acknowledges the achievements of the subordinates and reward them.	0.797				
Give subordinates emotional, informational, and instrumental support to overcome their challenges.	0.709				
Plays the role of a mentor to enhance the performance of the subordinates.	0.689				
Participative leadership style					
Give subordinates space to raise their opinions before making a final decision	0.740	2.912	58.246	0.838	362.16*
Involve subordinates in the planning, and implementation process.	0.802				
Motivates subordinates to brainstorm the idea that will enhance the performance of the organisation.	0.801				
Promotes discussion and motivate collective decision making than instructing subordinates.	0.680				
Shares responsibility with subordinates and encourage teams' effort in accomplishing goals.	.0785				
Achievement orientated leadership style					

Driven by the high desire to achieve the goals of the organisation.	0.725	2.513	62.832	0.763	285.80*
Sets high goals for subordinates and expect them to perform at their best level.	0.815				
Continuously request subordinates to improve performance to achieve organisational goals.	0.834				
Shows conviction that subordinates will accept responsibility to achieve challenging goals.	0.792				
<b>Autocratic leadership style</b>					
Rules in a very stem manner.	0.712	3.200	64.000	0.831	515.16*
Dictates how the work should be done.	0.770				
Make decisions on his/her own and subordinates do not have a say.	0.813				
Compels subordinates to accept his/her ideas.	0.844				
Puts too much emphasis on performance rather than people.	0.852				
<b>Consultative leadership style</b>					
Leader takes into account the views and ideas of the subordinates when setting the goals.	0.799	2.502	62.538	0.777	281.452*
Leader utilise the skills and knowledge of the subordinates but retains a final decision.	0.721				
Involve subordinates in problem solving.	0.863				
Subordinates are encouraged to put forward their idea in the decision making process.	0.773				
<b>Democratic leadership style</b>					
Puts too much emphasis on performance and people.	0.530	2.485	49.691	0.771	239.713*
Allow subordinates to participate in the decision making.	0.758				

Give subordinates the autonomy to think of creative ways of doing the work.	0.775				
Delegates decision making authority to subordinates.	0.703				
Consult subordinates before designing their work program.	0.731				
<b>Laissez-fair leadership style</b>					
Give subordinates decision making powers without getting involve.	0.782	3.181	63.630	0.867	456.720*
Subordinates have the right to decide what they want.	0.789				
Giving responsibility to the subordinates is the way of avoiding confrontation.	0.786				
Pays less attention to conflict situation hoping it will fade away.	0.834				
Does not want to handle problems unless compelled to do so.	0.797				
<b>Pace setting leadership style</b>					
The leader puts in place high performance standard.	0.649	2.342	46.831	0.746	197.511*
Preoccupied about getting things done quickly and expect the same from subordinates.	0.649				
Replaces subordinates who cannot meet the standard.	0.657				
Demand subordinates who are unable to cope with his/her pace to improve performance.	0.751				
Subordinates are expected maintain the pace set by the leader to achieve to achieve desired goals.	0.709				
<b>Transformational leadership style</b>					
Encourage subordinates to put the interest of the organization before their own.	0.697	2.311	57.771	0.739	241.088*
Communicates the goals and the vision of the organization clear.	0.840				

Creates a conducive atmosphere and inspire subordinates to work hard and perform well.	0.817				
Shows confidence and believe that goals will be attained.	0.831				
<b>Transactional leadership style</b>					
Uses reward system to motivate subordinates to achieve goals.	0.606	1.705	42.631	0.626	73.327*
Institutes punishment for failure to achieve goals.	0.690				
Spend time guiding and motivating subordinates to achieve desired goals.	0.689				
Subordinates are rewarded based on contractual agreement for achieving the goals.	0.790				
<b>Market Orientation</b>					
<b>Customer Orientation</b>					
Customer satisfaction is our major objective.	0.873	2.122	70.749	0.683	216.315*
We create products/services that offer value to our customers.	0.865				
We measure customer satisfaction and provide up service.	0.782				
<b>Inter-functional Coordination</b>					
Every department works together to meet customers’ needs.	0.853	2.290	76.335	0.721	286.120*
Business strategies are shared and integrated between different departments.	0.873				
Each department share business information with each other.	0.894				
<b>Competitor Orientation</b>					
We discuss competitors’	0.834	2.189	72.959	0.712	233.878*
We respond rapidly to competitors’ actions	0.872				
We target opportunities for competitive advantage.	0.856				

Table 6.3 depicts the results of the descriptive statistics and rotated factor matrix for leadership styles (directive, supportive, participative, achievement, pace setting, laissez faire, consultative, democratic, transformational, and transactional) and market orientation constructs (customer orientation, competitor orientation, and inter-functional coordination). The factors were loaded into one component each for all the different leadership styles and market orientation constructs. Factor one, which is directive leadership style, loaded in to one factor with an Eigen-value of 2.110 and accounting for a total variance of 70.318. Factor two, which is supportive leadership style loaded with an Eigen-value of 2.726 and accounting for a total variance of 54.517. Factor three which is participative leadership style loaded with an Eigen-value of 2.2.912 and accounting for a total variance of 54.58.246. Factor four, which is achievement leadership style loaded with an Eigen-value of 2.513 and accounting for a total variance of 62.832. Factor five, which is autocratic leadership style loaded with an Eigen-value of 3.200 and accounting for a total variance of 64.000. Factor six, which is consultative leadership style loaded with an Eigen-value of 2.502 and accounting for a total variance of 62.538. Factor seven, which is democratic leadership style loaded with an Eigen-value of 2.485 and accounting for a total variance of 49.691. Factor eight, which is Laissez faire leadership style loaded with an Eigen-value of 3.181 and accounting for a total variance of 63.630. Factor nine, which is pace setting leadership style loaded with an Eigen-value of 2.342 and accounting for a total variance of 46.831. Factor ten, which is transformational leadership style loaded with an Eigen-value of 2.311 and accounting for a total variance of 57.771. Factor eleven, which is transactional leadership style loaded with an Eigen-value of 1.705 and accounting for a total variance of 42.631.

With respect to the construct of market orientation and customer orientation loaded into one factor with an Eigen-value of 2.122 and accounting for a total variance of 70.749. Competitor orientation loaded into one factor with an Eigen-value of 2.189 and accounting for a total variance of 72.959, and inter-functional coordination also loaded into one factor, with an Eigen-value of 2.290 and accounting for a total variance of 76.335.

Furthermore, in determining the appropriateness of factor analysis, Kaiser-Meyer-Olkin (KMO) and the Bartlett's Test of Sphericity are used. Using the Kaiser Meyer Olkin (KMO), high values between 0.5 and 1.0 indicate appropriateness; and for the barlette test, a p-value of less than 0.05 indicates that the factor analysis is considered appropriate. From Table 6.3 the value for KMO is

0.697, 0.809, 0.838, 0.763, 0.831, 0.777, 0.771, 0.867, 0.746, 0.739, 0.626, 0.683, 0.712, 0.721 for directive, supportive, participative, achievement, autocratic, consultative, democratic, laissez faire, pace setting, transformational, transactional, customer orientation, competitor orientation and inter-functional coordination respectively, indicating the appropriateness of the constructs. In addition, Table 6.3 shows that the value for Barlett test of Sphericity is 201.54, 300.79, 362.16, 285.80, 515.16, 281.452, 239.713, 456.720, 197.511, 241.088, 73.327, 216.315, 286.120, 233.878 for directive, supportive, participative, achievement, autocratic, consultative, democratic, laissez faire, pace setting, transformational, transactional, customer orientation, competitor orientation and inter-functional coordination respectively, indicating the appropriateness of the constructs.

## **6.5. SECTION A: EMPIRICAL FINDINGS**

The results of the empirical findings is divided into two section, A and B. Section A is sub-divided into seven subsections. While section B of the empirical study provides answers to the hypothesis stated in chapter four of the literature review, which is based on the mediating effect of market orientation on the leadership styles-SME performance relationship.

### **6.5.1. Descriptive/Demographic Information of the Respondents**

In section A of this presentation, the descriptive variables for which data was gathered composed of gender; age, race; business age; the stages of the business life cycle; educational qualification; types of degree program completed and different kinds of business management related short courses. Descriptive statistics, which consist of frequency distribution table, bar charts and pie charts, were employed to analyse and interpret the data gathered. More details of the descriptive variables are explained below.

### **6.5.2. Gender of the respondents**

A study conducted by Radipere and Dhliwayo (2014) found that there is gender disparity amongst male and female entrepreneurs, as the percentage of men entrepreneurs is more than of female entrepreneurs.

**Figure 6.1: Gender distribution of the respondents (SME owners/managers) in Mangaung Metropolitan Municipality, 2017**

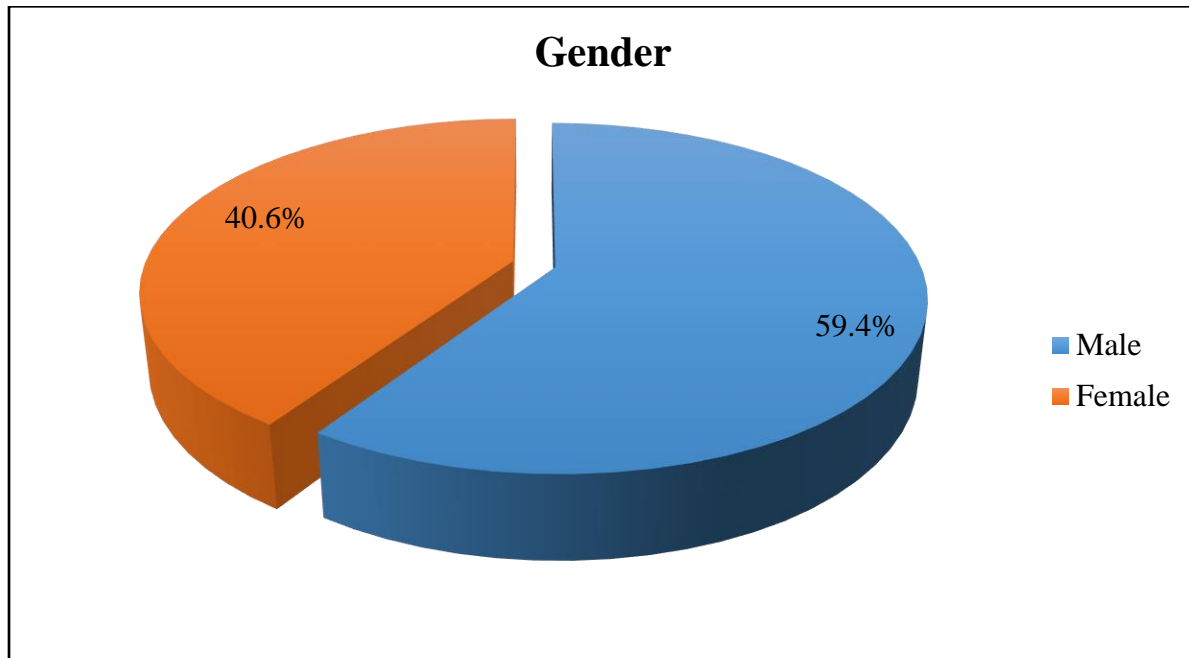


Figure 6.1 presents the gender distribution of the respondents. The results reveal that out of 229 respondents, the majority 136 (59.4%) were males, while 93 (40.6%) were females. These results depict that there are more males involve in entrepreneurial venture than females in the Mangaung Metropolitan Municipality. The results are in line with the study by Neneh (2011), which also established that they were more male SME owners/managers (56.5%) than female SME owners/managers (4.35%) in the Motheo district. Also, studies by Brijlal, Naicker and Peters (2013), found that few females take the initiative to establish their own businesses as appose to males, and those few who take such initiative attain lower growth in their enterprises as oppose to male.

### **6.5.3. Age distribution of the respondents**

Studies conducted by Stangler and Spulber (2013) found that the age of an entrepreneur influences the performance of a business. Figure 6.2 demonstrate the gender distribution of the ages of the entrepreneurs in the Mangaung Metropolitan Municipality.



**Figure 6.2: Age distribution of the respondents**

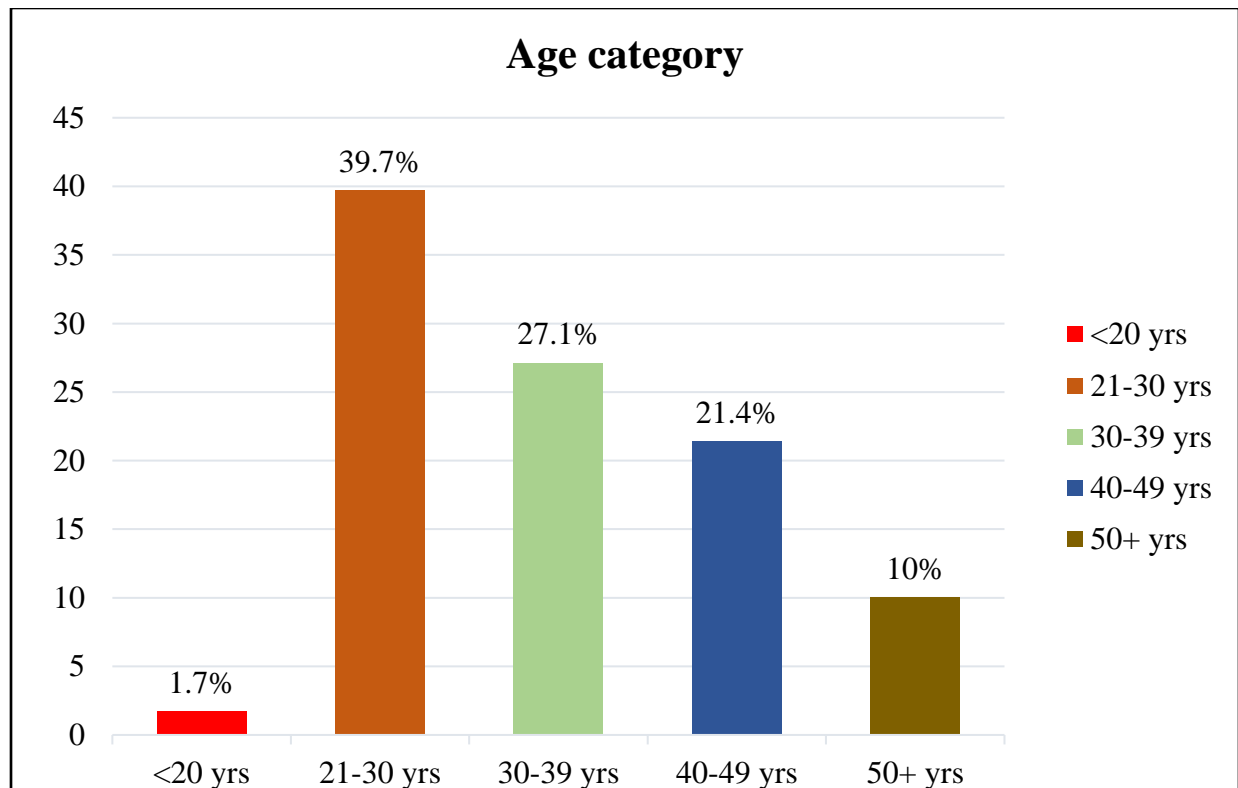


Figure 6.2 presents the age distribution of the respondents grouped into five categories: less than 20 years; 21-30 years; 30-39 years; 40-49 years, and greater than 50 years. From the results, it is observed that out 229 SME owner's/managers, the majority 91 (39.7%) were between the ages of 21-30. This was followed by 62 (27.1%) and 49 (21.4%) who are between the ages of 30-39 and 40-49 respectively. The least is 23 (10%) and 4 (1.7%) respectively. The results are in line with the previous studies by Ganyaupfu (2013), which found that the majority of the successful entrepreneurs were between the ages of 25-40.

#### **6.5.4. Race distribution of the respondents**

South Africa's policy of Black Economic Empowerment is the vital tool of rational growth strategy that has an objective to realise the full economic potential of the country, while bringing the marginalised black majority into the country's economic mainstream (Department of Trade and Industry, 2014). Race has a big influence on the economic activities of South Africa. Initiatives such as Broad Black Economic Act (BEE) of 2003 have been introduced by the government to increase economic ventures among black South Africans.

**Figure 6.3: Race distribution of the respondents**

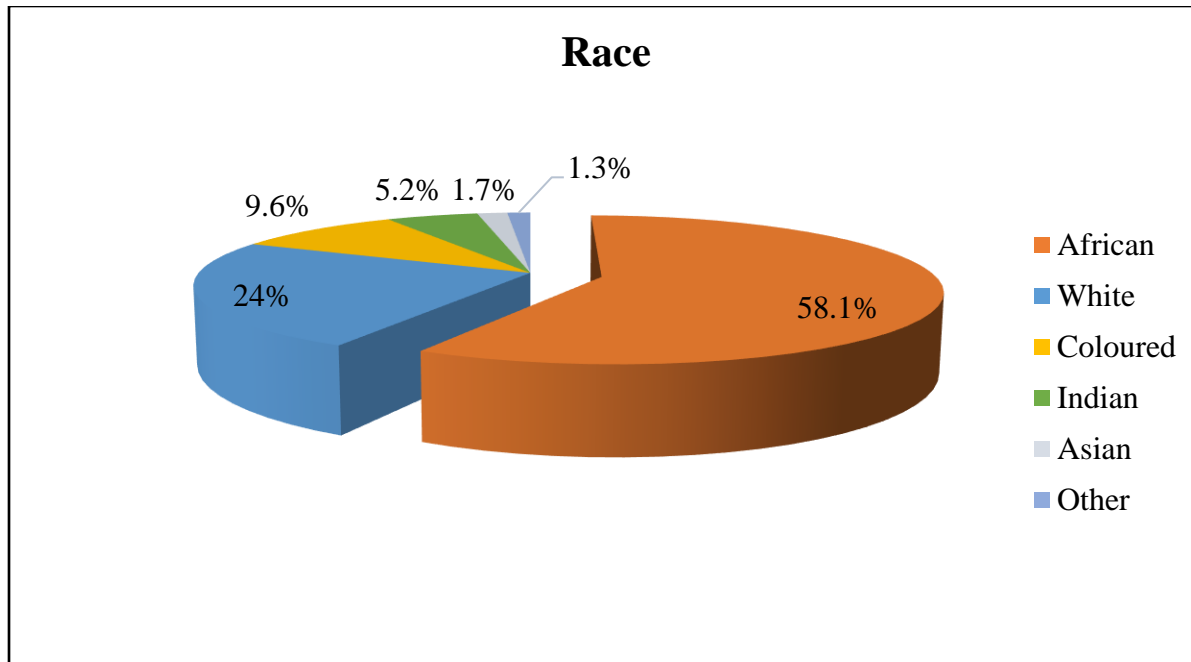


Figure 6.3 indicates the race distribution of the SME owners/managers in the Mangaung Metropolitan Municipality. The results depict that out of the 229 SME owners/managers, Africans were the majority with 133 (58.1%), followed by 55 (24%) whites, and 22 (9.6%) coloured respectively. The least is Indians 12 (5.2%), Asians 4 (1.7%) and Other 3 (1.3%).

#### 6.5.5. Business age

There has been a debate on the relationship between business age and performance (Coad, Segarra and Teruel, 2013). Research carried out by Vijayakumar (2011) found that business age has a positive influence on the profitability of the firm.

**Table 6.4: Business age**

Descriptive Statistics							
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Business age	229	0	44	5.81	5.717	2.438	.161
Valid N (listwise)	229						

As indicated in Table 6.4, the youngest age of the business in the Mangaung Metropolitan Municipality is less than 1 year and the oldest is 44, while the mean/average business age is 5.81 years. Also, the standard deviation for business age points out that most of the businesses were between the ages of 6 months and 12 years. Moreover, the positive coefficient of skewness shows that the bulk of SME owners/managers age was to the left of the mean, thus implying that their business age was younger than 12 years.

### 6.5.6. The stages of business life cycle

A business life cycle plays a vital role in every business because it enables business owners or managers to make informed decisions. Business life cycle is key in terms of enhancing the owner's knowledge and introducing products that will meet the particular needs and expectations of the consumer in the market. The understanding of the business life cycle is crucial because through it SME owners/managers can introduce products that will contribute to higher profits and increase the market share (Ehlers and Lazenby, 2010).

**Figure 6.4: Business life cycle**

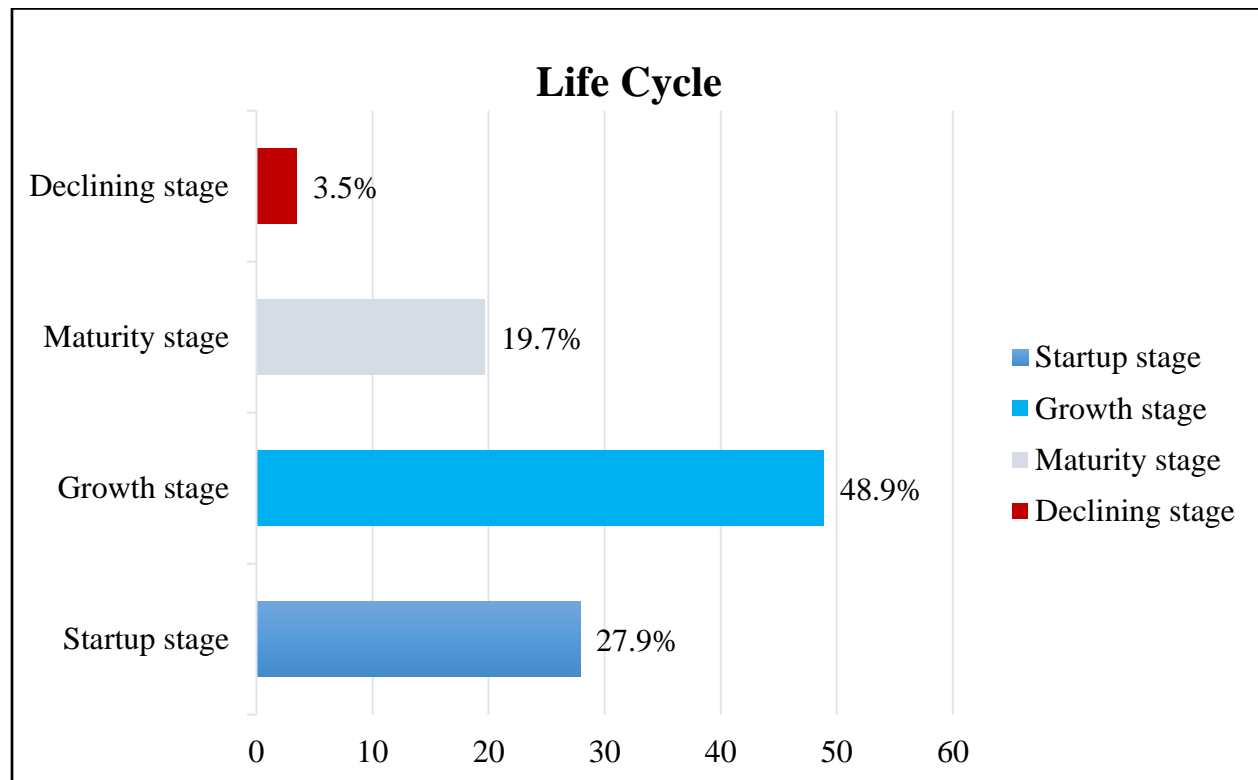


Figure 6.4 depicts the stages of the business life cycle which were grouped into four categories, start-up stage, growth stage, maturity stage and decline stage. The results show that the majority of the SMEs are on the growth stage 112 (48.9%), then followed by start-up stage with 64 (27.9%). The least is maturity stage 45 (19.7%) and decline stage 8 (3.5%) respectively.

#### 6.5.7. Educational qualifications of the respondents

Brijlal, Naicker and Peters (2013) pointed out that educational qualifications of the SME owners/managers play a vital role on the survival and growth of the business.

**Figure 6.5: Formal education**

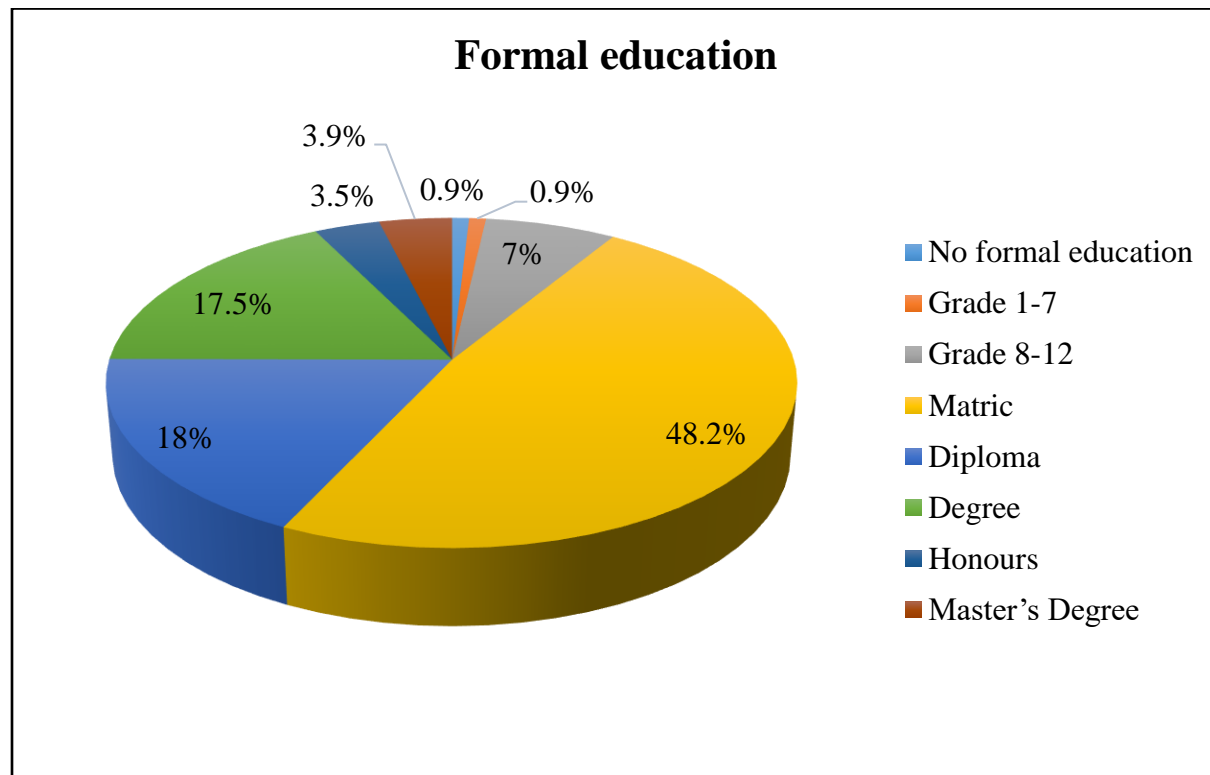
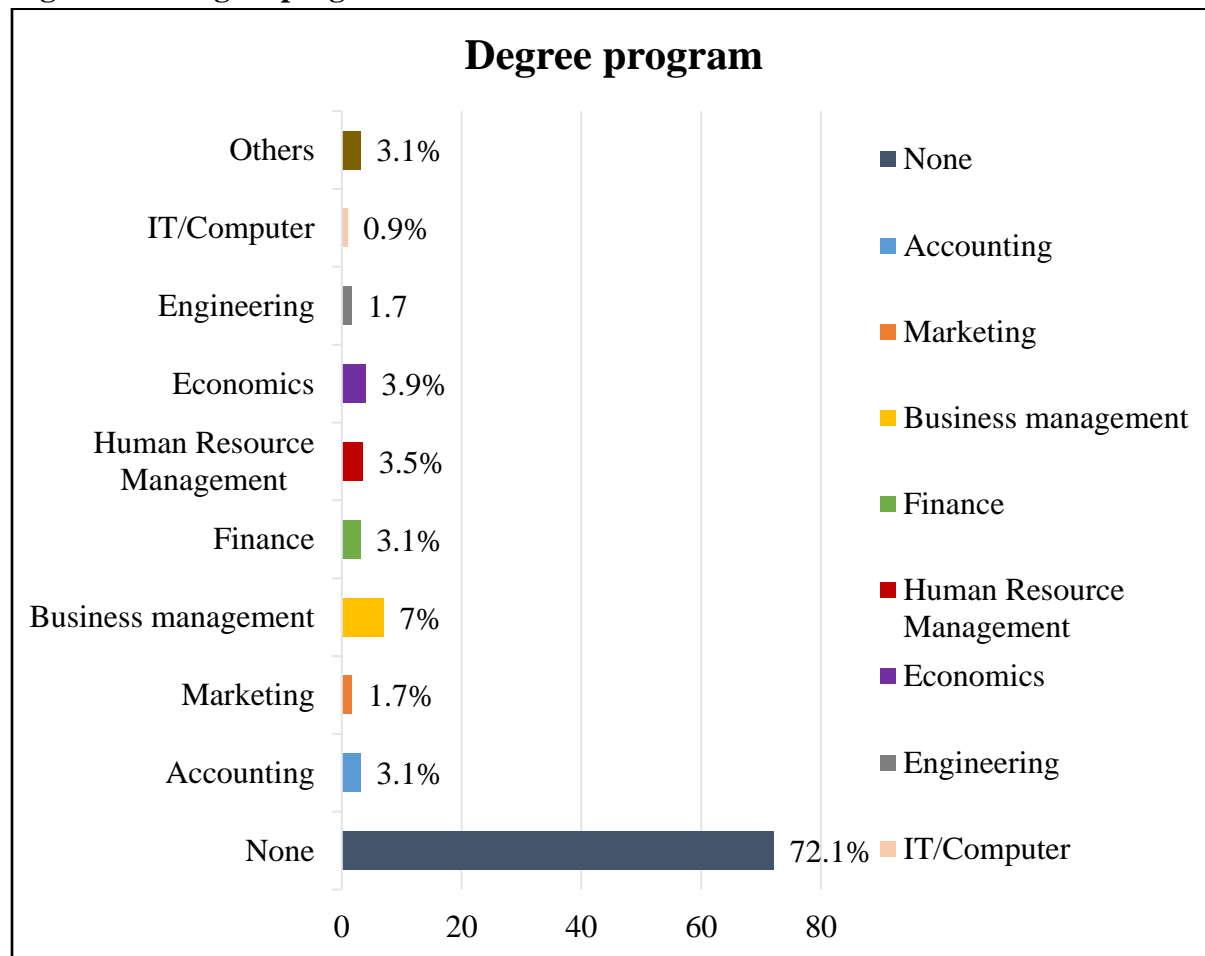


Figure 6.5 presents the educational qualifications of the respondents. The results indicate that the majority of the SME owners/managers have matric as a highest qualification with 110 (48.2%), followed by diploma 41 (18%) and degree 40 (17.5%) respectively. The lowest percentage of educational qualifications possessed by the respondents is grade 8-12 16 (7%), master's 9 (3.9%), honours 8 (3.5%), grade 1-7 and no formal education both with 2 (0.9%) respectively. Given the fact that only 0.9% of the sample had no formal education shows that the respondents were literate and thus were able to give informed answers to the questions. However, the results also depict a

low level of education amongst the SME owners/managers, which raises an urgent need for the level of education to be enhanced. Education plays a key role to the success of the business, and as such, it is imperative for SME owners/managers to improve their educational level.

#### 6.5.8. Types of degree program completed

**Figure 6.6: Degree program**



The results on Figure 6.6 indicate the degree programs completed by the respondents. The results show that out of 229 SME owners/managers, more than half did not complete any degree program, accounting for 165 (72.1%). 16 (7%) completed degrees in business management and 9 (3.9%) in economics respectively, 8 (3.5%) human resources management, accounting, finance and other 7 (3.1%) respectively. The least degree program completed by the respondents is engineering and marketing both with 4 (1.7%), and IT/computer 2 (0.9%). With the overwhelming majority of the respondents who do not have degree, it is vital for government institutions such as Free State Development Corporation (FDC), Small Enterprise Development Agency (SEDA) and National

Youth Development Agency (NYDA) to introduce programs that will promote the importance of education amongst SME owners/managers.

#### 6.5.9. Different types of business management related course attended in Mangaung Metropolitan Municipality, 2017.

Business related courses are very important for the survival and growth of the business. This is because they provide SME owners/managers with proper knowledge and skills, which enhance their business performance. Lack of education and training in financial management, marketing management, and strategic management minimises the likelihood of small businesses growing beyond their first five years of establishment (Njoroge and Gathungu, 2013).

**Figure 6.7: Short courses**

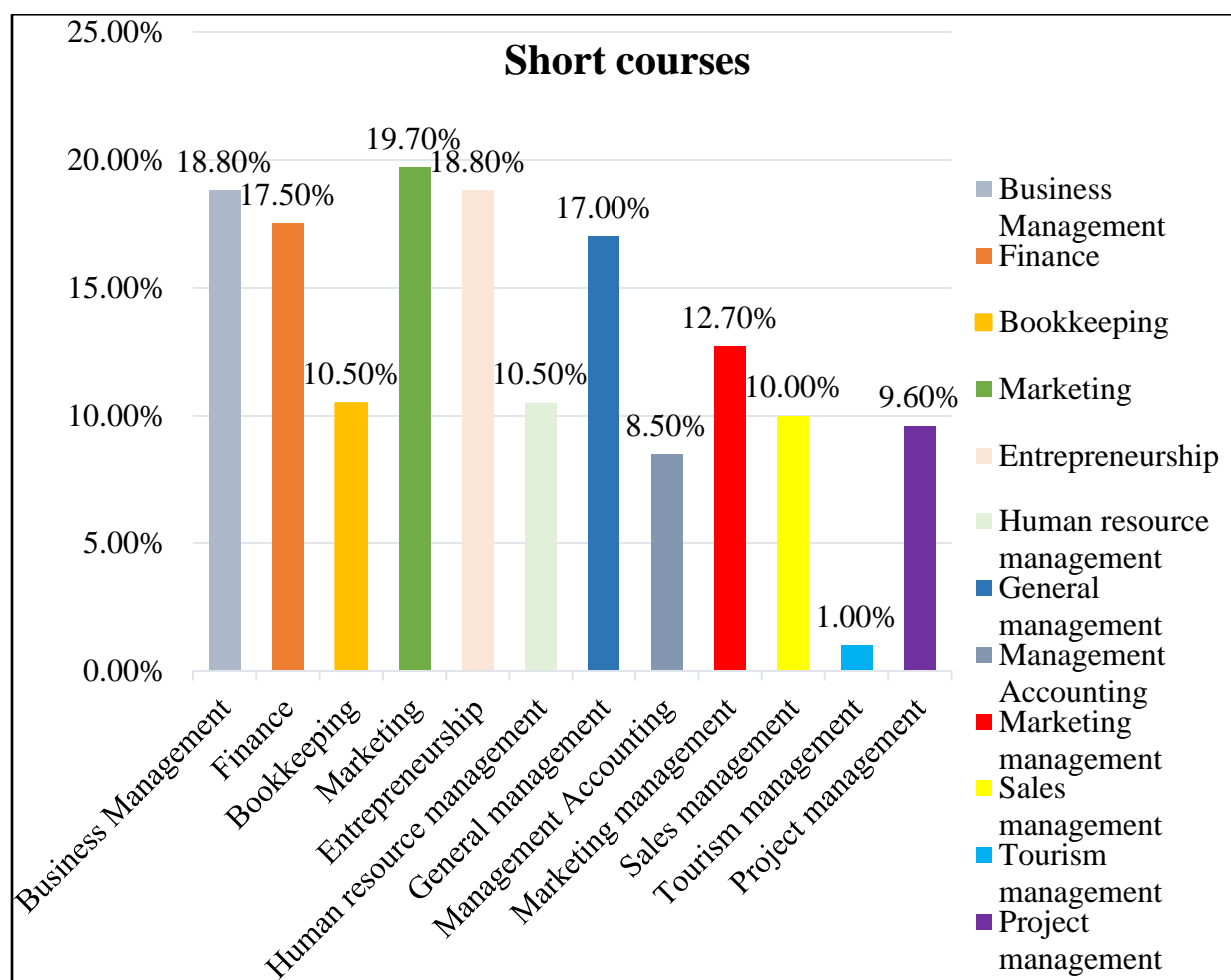


Figure 6.7 presents different types of business management related short courses attended by the SME owner's/managers in the Mangaung Metropolitan Municipality in the Free State. The results indicate that less than 50% of the respondents had undertaken short courses in business management. Taking into consideration that more than 50% of the SME owners/managers neither have degrees nor undertook any business management related courses, raises an urgent need for the level of education and business management related courses to be increased amongst SMEs owners/managers in the Mangaung Metropolitan Municipality.

#### **6.5.10. Conclusion on the descriptive/demographic information of the SME owner/manager**

- The descriptive/demographic variables for which the information about the SME owners/managers in the Mangaung Metropolitan was gathered consist of age, race, business life cycle, educational qualification, degree program completed and different types of business management related short courses. The results revealed that the substantial proportion of the SME owners/managers were males than females, with 136 (59.4%) and 93 (40.6%) respectively. In terms of age, the results indicate that SME owners/managers are between the ages of 21-30, 30-39 and 40-49 respectively.
- In terms of race, it is observed from the results that Africans made up majority of the SME owners/managers, with 133 (58.1%). Then followed by whites, coloured and Indians, with 55 (24%), 22 (9.6%) and 12 (5.2%) respectively. Also, the substantial proportion of the SME owners/managers were in the growth stage of their business life cycle, with 112 (48.9%); start-up stage 64 (27.9%); 45 (19.7%) maturity and 8 (3.5%) respectively. With respect to the educational qualification, the results show that more than 50% of the SME owners/managers had matric as qualification. Consequently, government has to put in place initiatives that will encourage SME owners/managers to enhance their level of education.

### **6.6. THE NATURE OF THE BUSINESS**

The nature of the business comprised of the descriptive variables such as the number of employees hired in the business, sources of start-up capital, reasons that motivated SME owners/managers to start the business, previous experience in the area in which the business operate, and whether either

of respondent's family member had ever owned or managed a business. More details are explained below.

### 6.6.1. The industry in which the business operates in the Mangaung Metropolitan Municipality, 2017

This study focused on the businesses operating in the Mangaung Metropolitan Municipality (*Bloemfontein, Botshabelo and Thaba’Nchu*). These businesses are crucial to the economic prosperity of the region because of the role they play in creating employment, poverty reduction, and improved standard of living amongst the people of Mangaung Metropolitan Municipality.

**Figure 6.8: Industry sector**

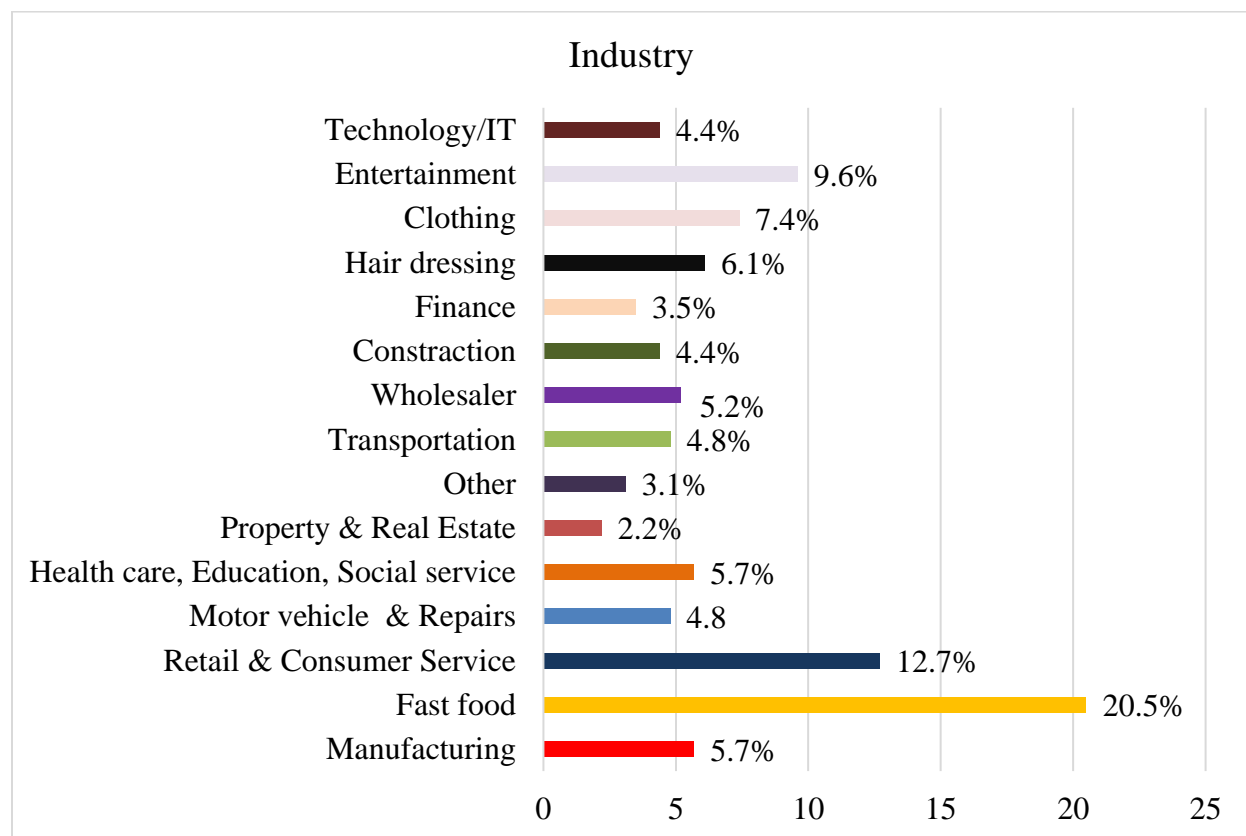


Figure 6.8 presents the industry sector in which the business operates. The results indicate that the majority of the SMEs owners/managers operate in the fast food industry with 47 (20.5%), followed by retail and consumer services, entertainment and clothing industry with 29 (12.7%), 22 (9.6%) and 17 (7.4%) respectively. Moreover, it can be observed that businesses operating in the hair dressing sector accounts for 14 (6.1%); health care, education, social services 13 (5.7%);

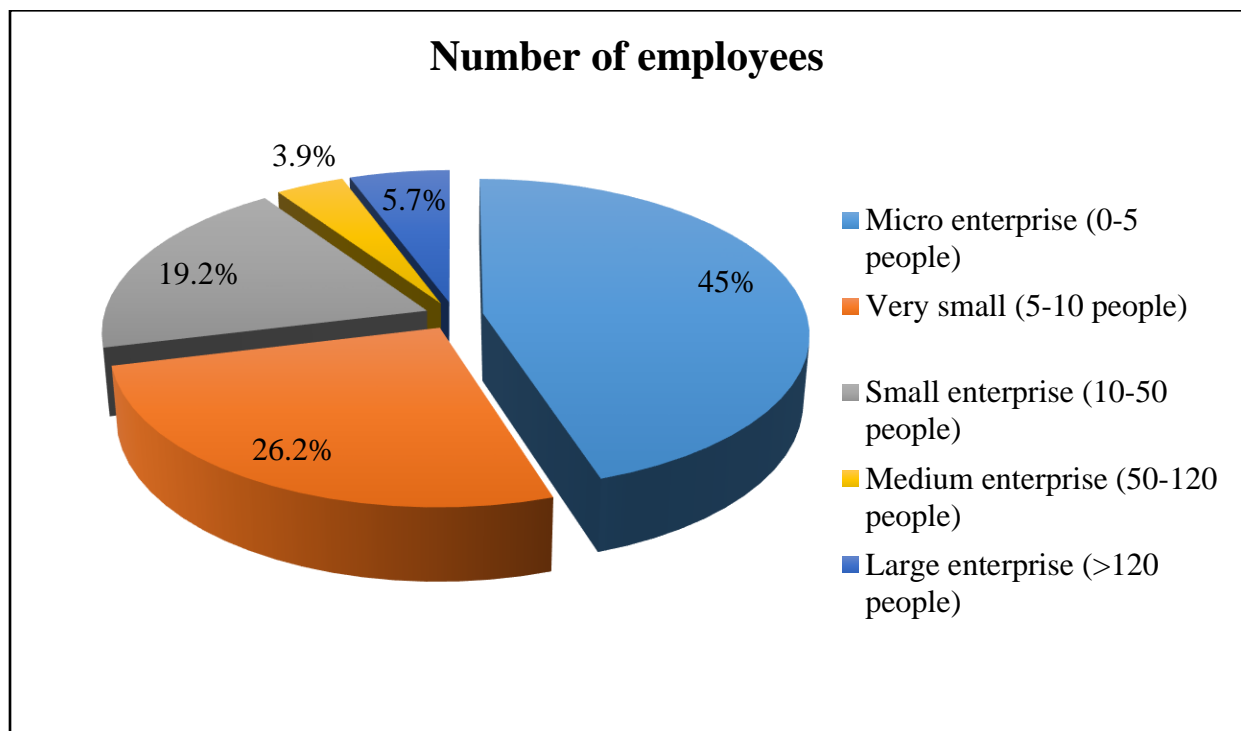


manufacturing 13 (5.7%); and wholesaler 12 (5.2%) respectively. The rest of the results are less than 5%. This is consistent with the study conducted by Mohutsiwa (2012), which established that 23% of the businesses operate in the service sector.

### 6.6.2. The number of people the business employed

One of the predominant ways to classify the SME is to observe the number of people employed per business, gross assets, level of investment, and turnover (Dubihlela, 2012). It is vital to take into consideration the number of people employed by the business in order to determine its size, and the extent of its contribution to a country's employment creation and economic growth.

**Figure 6.9: Business employ**



The results on Figure 6.9 show the number of people employed by the SME sector. The results demonstrate that the majority of the people are employed by micro enterprises with 103 (45%), then followed by very small enterprise and small enterprise, with 60 (26.2%) and 44 (19.2%) respectively. The least is large enterprise and medium enterprise, with 13 (5.7%) and 9 (3.9%) respectively. The results are in line with the study carried out by Mutyeniyoka and Madzivhandila

(2014) which found that Small Micro and Medium Enterprises (SMMEs) account for about 72% of all the jobs and also contribute to 35% of the South Africa's Growth Domestic Product (GDP).

### 6.6.3. Start-up capital

Access to capital is a fundamental factor that can enhance the establishment and sustainability of a business.

**Figure 6.10: Start-up capital**

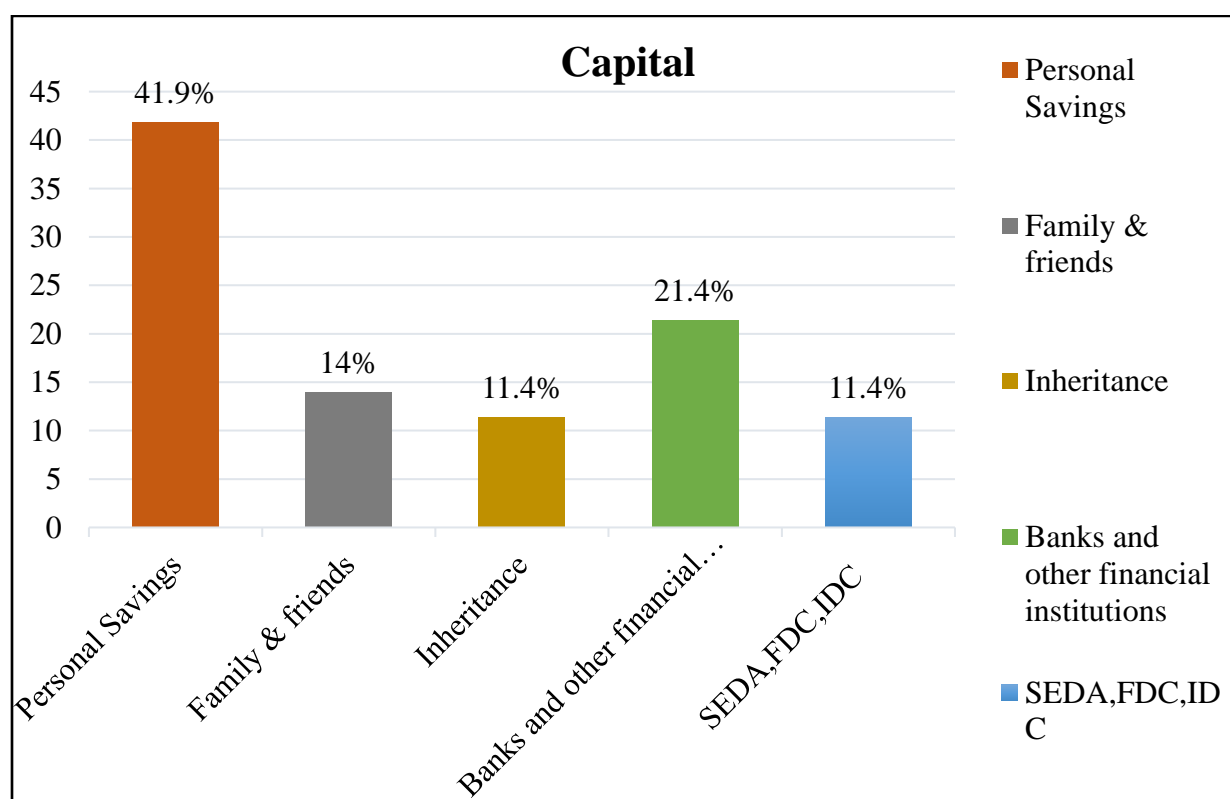


Figure 6.10 shows the different sources of finances that entrepreneurs use to raise capital when starting their businesses. From figure 6.10, it is observed that the majority of the SME owners/managers used their personal savings to start-up their businesses, accounting for 96 (41.9%), then followed by 49 (21.4%) who used banks and other financial institutions to raise start-up capital. The least is family and friends, inheritance and SEDA, FDC, IDC, accounting for 32 (14%) and 26 (11.4%) respectively. The results concur with a study by Gathogo and Ragui (2014), which established that 47.5% of the SME owners/managers used personal savings as a start-up capital,

followed by capital from family and friends and capital from commercial banks, with 46.5% and 15% respectively.

#### 6.6.4. Reasons/motives for starting the business in the Mangaung Metropolitan Municipality region, 2017

There are various reasons that motivate an entrepreneur to start a business. These reasons are grouped into pull and push factors.

**Table 6.5: Pull and push factors**

	Mean	Std. Deviation	Skewness
<b>Pull Factors</b>			
Being my own boss	<b>4.01</b>	1.088	-1.151
Need for autonomy	3.54	1.070	-0.639
A Need For Power	3.02	1.286	-0.128
Independence and flexibility	<b>4.16</b>	0.942	-1.304
Wealth creation	3.86	1.012	-0.715
Opportunities in the market	3.97	0.826	-0.499
To provide job security	4.00	0.937	-0.743
To Realise My Dream	<b>4.22</b>	0.954	-1.437
I enjoy taking risk	3.52	1.191	-0.606
Earn a reasonable living enjoying a quality life	<b>4.11</b>	0.901	-1.061
<b>Overall Pull factors</b>	<b>3.8406</b>	<b>0.51569</b>	<b>-0.649</b>
Unemployment	<b>3.74</b>	1.289	-0.263

Poverty	<b>3.14</b>	1.276	-0.191
Experiencing low pay in current employment	3.01	1.230	-0.103
Not happy with current employment	2.80	1.265	0.095
Niche market	2.99	1.081	-0.135
Interest in a subject	<b>3.01</b>	1.047	-0.695
<b>Overall Push factors</b>	<b>3.13</b>	<b>0.821</b>	<b>-0.421</b>

Table 6.5. depicts the average means and standard deviations for pull and push factors, with (M=3.8406; SD=0.51569) and (M=3.13; SD=0.821) respectively. The results suggest the bulk of SME owners/managers were predominantly encouraged by pull factors to venture into entrepreneurship as oppose to push factors. The results are in line with that of Neneh (2014) who found that pull factors are more important as oppose to push factors with respect to entrepreneurial motivation in a developing country.

The dominant pull factors were to realise my dreams (M=4.22; SD=0.954), independence and flexibility (M=4.16; SD=0.942), earn reasonable living (M=4.11; SD=0.901). In terms of the push factors, the results show that the predominant push factors that forces SME owners/managers into entrepreneurship are unemployment (M=3.74; SD=1.289); poverty (M=3.14; SD=1.276) and the experience of low pay in the current employment (M=3.01; SD=1.230). This finding is not surprising, as South Africa currently has a high unemployment rate of 27.7%, which is the highest since 2003 (Trading Economics, 2017). Also, poverty is on the rise with poverty headcount rising to 55.5% from a series low of 53.2% in 2011 (Stats SA, 2017).

#### **6.6.5. Prior experience in the business sector the business is operating**

According to Fakoti (2014) entrepreneurs who possess prior work experience and knowledge before starting their own businesses, perform better than those who lack previous experience.

**Figure 6.11: prior experience**

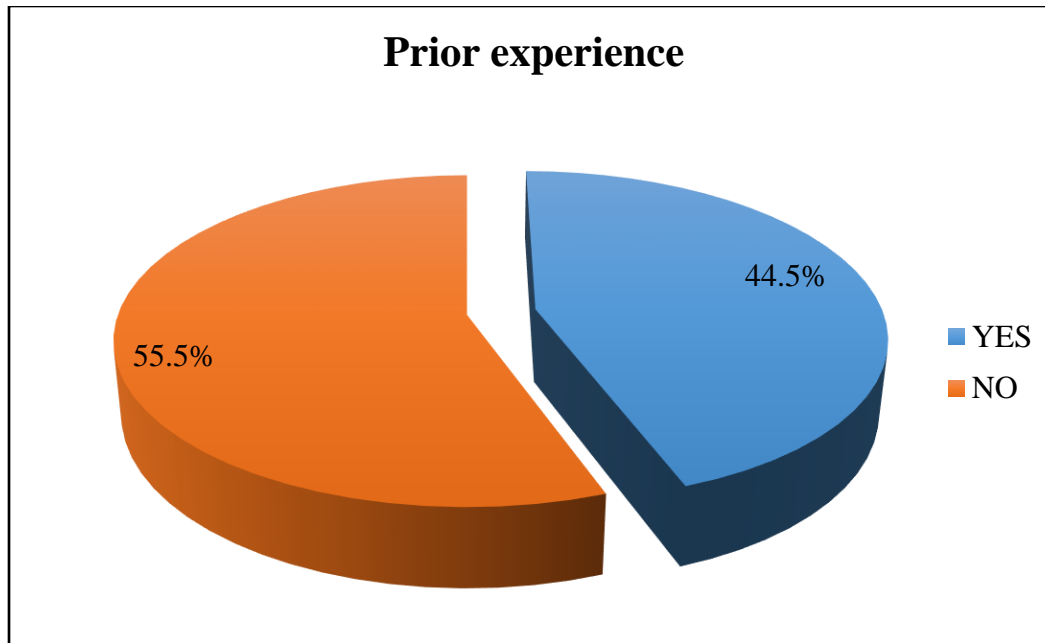
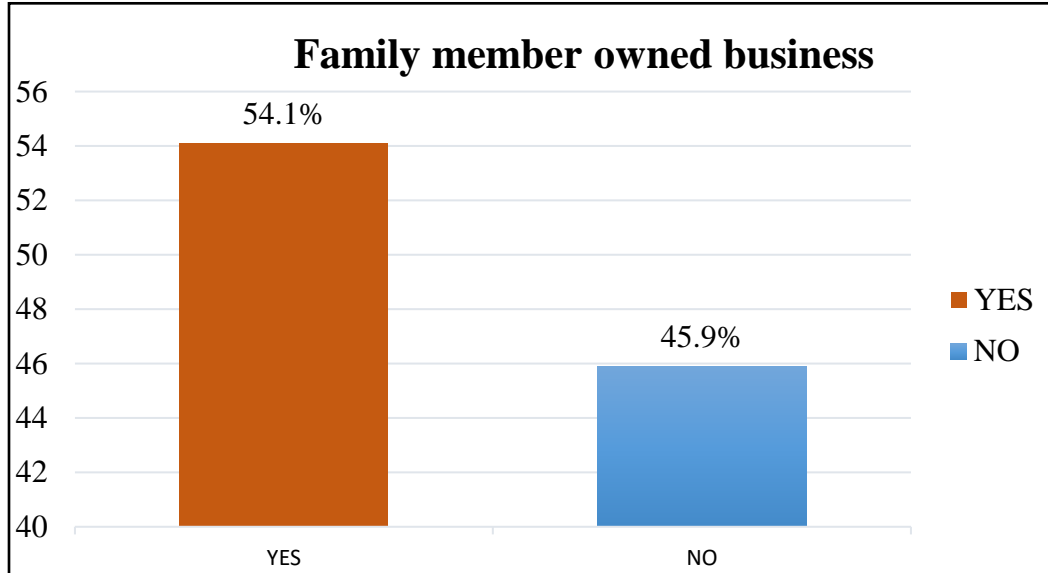


Figure 6.11 reveals that most of the SME owners/managers did not have prior related experience in the sector in which the business operates, accounting for 127 (55.5%), while only 102 (44.5%) had a prior experience. The results are in line with a study carried out by Chiliya and Lombard (2012), which found that the SME owner's previous work experience has a significant influence on the operations and profitability of the business.

#### **6.6.6. Family member owned or operated a business**

According to Gomba (2014), in South Africa SMEs that are owned by family members account for about 50% of the business and employ less than 20 workers per business.

**Figure 6.12: Family members owned or operated a business**



The results in Figure 6.12 indicates that the vast majority of the SME owners/managers had family members who owned or operated a business, according for 124 (54.1%). While 105 (45.9%) of the SME owners/managers revealed that they do not have family members who owned or operated a business.

#### **6.6.7. Conclusion on nature of the business**

**Table 6.6: Conclusion on Nature of the business**

Descriptive variables	Findings of this study	Conclusions and comments
Industry in which the business operates.	<ul style="list-style-type: none"><li>➤ 47 (20.5%) of the SMEs operate in the fast food industry.</li><li>➤ While 29 (12.7%) accounts for retail and consumer services.</li><li>➤ 22 (9.6%) of the SMES operate in the entertainment sector.</li></ul>	<ul style="list-style-type: none"><li>➤ Most of the businesses operating in these sectors employ individuals who are not skilled or semi-skilled.</li></ul>

Number of employees the business employed.	<ul style="list-style-type: none"> <li>➤ The largest employer is micro enterprises with 103 (45%).</li> <li>➤ Followed by very small enterprises with 60 (26.2%) people.</li> <li>➤ Lastly, small enterprises that employs 44 (19.2%) people.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Mutiyenyoka and Madzivhandila (2014) found that Small Micro and Medium Enterprises account for about 72% of all the jobs and contribute to 35% of the South Africa's Growth Domestic Product (GDP).</li> </ul>
Start-up capital	<ul style="list-style-type: none"> <li>➤ 41.9% of the SME owners/managers used personal saving as a start-up capital.</li> <li>➤ 21.4% of the SME owners/managers sourced start-up capital from banks and other financial institutions; and 14% of the SME owners/managers sourced start-up capital from family members and friends. Lastly, 11.4% of the entrepreneurs raised start-up capital from inheritance and SEDA, FDC, IDC.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Studies by Gathogo and Ragui (2014), established that 47.5% of the SME owners/managers used personal savings as a start-up capital, followed by capital from family and friends and capital from commercial banks, with 46.5% and 15% respectively</li> </ul>
Reasons/motives for starting the business	<ul style="list-style-type: none"> <li>➤ SMEs owners are mainly motivated by the pull factor to venture into business with the overall scale mean (M=3.8406)</li> </ul>	<ul style="list-style-type: none"> <li>➤ The results concur with Neneh (2014) who found that pull factors are more important as oppose to push factors with respect to</li> </ul>

	➤ Then followed by the push factors with the mean scale (M=3.13).	entrepreneurial motivation in a developed country.
Previous experience in the sector the business operate	➤ 127 (55.5%) of the respondents indicated that they do not have previous related experience. ➤ Only 102 (44.5%) of the respondents indicated that they had previous experience related experience.	➤ Chiliya and Lombard (2012) found that the owner's previous work experience has a significant influence on the operations and profitability of the business
Family member had ever owned or operated a business	➤ 124 (54.1%) of the respondents indicated that they had family members who owned businesses / participated in the entrepreneurial activities.	
	➤ While 105 (45.9%) of the respondents revealed that their family members had never owned businesses / participated in the entrepreneurial activities.	

## 6.7. LEADERSHIP STYLES

In this section, 54 questions were designed for the SME owners/managers in the Mangaung Metropolitan Municipality in order to find out of the types of leadership styles SMEs owners/managers practice. These leadership styles include (*directive leadership style; supportive leadership style; autocratic leadership style; consultative leadership style; democratic leadership style; laissez-faire leadership styles; pace setting leadership style; transformational leadership*



*style and transactional leadership style*). Also, the leadership styles mentioned above were presented in chapter two of the literature review. The information gathered in chapter two of the literature review was used to formulate appropriate questions about leadership styles. Thus, the researcher employed both exploratory and pre-testing methods to edit the questions so as to ensure they are accurate, unambiguous, and posed in such a way that the respondents will be able to understand. The questions were structured using 5 Likert scale, where 1 denotes = Strongly Agree, 2 = Agree, 3 = Neutral, 4= Disagree, 5 = Strongly Agree. SME owners/managers were asked to indicate the level to which they agree or disagree with the statements presented to them. Table 6.7 below presents the descriptive statistics of leadership styles.

**Table 6.7: Descriptive statistics of Leadership styles**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Directive L	229	1.00	5.00	2.9927	.85493
Supportive L	229	2.00	5.00	4.2507	.57144
Participative L	229	2.00	5.00	4.0306	.63545
Achievement	229	2.00	5.00	4.0535	.66568
Autocratic L	229	1.00	5.00	2.8445	1.05095
Consultative L	229	1.00	5.00	3.9105	.72408
Democratic L	229	1.60	5.00	3.8009	.67160
Laissez – Fair L	229	1.00	5.00	2.6681	.99679
Pace setting L	229	1.00	5.00	3.5572	.72093
Transformation L	229	1.50	5.00	3.9803	.65657
Transactional L	229	1.75	5.00	3.6190	.66001
Valid N (listwise)	229				

Table 6.7 presents the means and standard deviations of the leadership styles. The results in Table 6.7 shows that supportive, achievement oriented and participative leadership styles have the highest means and standard deviations, with (M=4.2507; SD=.57144; M=4.0535; SD=.66568; M=4.0306; SD=.63545) respectively. Then followed by transformational and transactional leadership style, with (M=3.9803; SD=.65657). The least is directive and laissez-fair with the lowest means and standards deviations (M=2.9927; SD=.85493) and (M=2.6681; SD=.99679) respectively. The results are in line with studies by Ojukuku, Odetayo and Sajuyigbe (2012) who found that transformational and transactional leadership styles are the dominant leadership styles

used by SMEs, with (M=4.7667; SD=0.4265) and (M=3.0833; SD=1.0623) respectively. Similarly, McLagan, Bezuidenhout and Botha (2013) found that transformation and transactional leadership styles are the most used leadership styles among SMEs, with (M=2.55; SD=0.89) and (M=2.07; SD=0.91) respectively. The results concur with that of Samad and Abdullah (2012) who found that participative leadership style is the dominant leadership style used by the respondents. Laissez-fair leadership styles being the least used leadership style could be attributed to the fact that laissez-fair leadership style can lead to distraction in and of the workplace when the employees need or want constant feedback, or when employees are junior workers and are inexperienced to do the work on their own (Essien, Olesugun and Makaila, 2013).

### 6.7.1. Correlation analysis

According to Sandada (2012), correlation coefficient examines the relationship amongst variables. Also, it is concerned with the degree to which the changes that occur in one variable effects change in another variable. Table 6.8 below depicts correlation matrix of leadership styles.

**Table 6.8 Correlation matrix of leadership styles**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Directive	1										
(2) Supportive	-0.15*	1									
(3) Participative	-0.13*	0.62**	1								
(4) Achievement	0.06	0.41**	0.51**	1							
(5) Autocratic	0.49**	-0.17*	-0.15*	-0.02	1						
(6) Consultative	-0.01	0.48**	0.50**	0.39**	-0.12	1					
(7) Democratic	0.09	0.35**	0.37**	0.35**	-0.05	0.45**	1				
(8) Laissez-fair	0.38**	-0.19**	-0.23**	-0.13*	0.58**	-0.13	0.06	1			
(9) Pace Setting	0.18**	0.02	0.11	0.24**	0.32**	0.19**	0.22**	0.27**	1		
(10) Transformational	0.04	0.43**	0.46**	0.37**	-0.12	0.47**	0.44**	-0.17**	0.21**	1	
(11) Transactional	0.11	0.26**	0.34**	0.32**	0.06	0.36**	0.38**	0.18**	0.30**	0.39	1

The results in Table 6.8 show the bivariate correlation matrix of the leadership styles. The results indicate that the correlation coefficient values among the different leadership styles are below the threshold of  $\pm 0.70$ . Also, the correlation coefficients amongst the variables were values fairly moderate as the values ranged between 0.04 to 0.51. Also, collinearity statistics was performed to test for the existence of multicollinearity and the maximum VIF score observed was less than 4, which is lower than the threshold of 10, adopted by scholarly research as a rule of thumb (O'Brien, 2007).

The results depict the existence of a significant correlation amongst all the different leadership styles, with directive leadership styles having a significant positive correlation with autocratic, laissez fair, and pace setting leadership styles and a significant negative correlation with supportive and participative leadership styles. Supportive leadership style has a significant positive correlation with participative, achievement, consultative, democratic, transformational and transactional leadership styles; and a negative correlation with autocratic and laissez fair leadership styles. Also, participative leadership style has a significant positive correlation with achievement, consultative, democratic, transformational and transactional leadership styles; and a negative correlation with autocratic and laissez fair leadership styles. Achievement oriented leadership style has a significant positive correlation with consultative, democratic, pace setting, transformational and transactional leadership styles; and a negative correlation with laissez faire leadership style. Furthermore, consultative leadership style has a positive significant correlation with democratic, pace setting, transformational and transactional leadership styles. Democratic leadership style has a significant positive correlation with pace setting, transformational and transactional leadership styles. Laissez fair has a significant positive correlation with pace setting and transactional leadership styles and a negative correlation with transformational leadership style. Lastly, pace setting has a significant positive correlation with transformational and transactional leadership styles. Kassim and Sulaiman (2011) found a positive correlation between achievement leadership style and supportive leadership style.

## 6.8. MARKET ORIENTATION

This section focuses on market orientation, where the descriptive statistics and correlation matrix of the dimensional variable of MO (customer orientation, competitor orientation and inter-functional coordination) is discussed in Table 6.9 below.

**Table 6.9 Descriptive statistics and Correlation Matrix of MO construct**

	Mean	SD	Customer Orientation	Competitor Orientation	Inter-functional Coordination
Customer Orientation	4.33	0.73	1		
Competitor Orientation	3.92	0.81	0.42**	1	
Inter-functional Coordination	3.91	0.82	-0.086	-0.049	1

The results in Table 6.9 show the descriptive statistics and correlation matrix of the MO constructs. The results show that customer orientation has the highest mean, with (M=4.33; SD=0.73), suggesting that SME owners/managers engage highly in customer orientation. Thereafter, they engage moderately followed by competitor orientation and inter-functional coordination, with (M=3.92; SD=0.81) and (M=3.91; SD= 0.82) respectively. The results are consistent with that of Hilman and Kaliappen (2014) who found that majority of the participants in the hotel industry engage in customer orientation and competitor orientation, with (M=4.34; SD=1.12) and (M=4.29; SD=1.03) respectively. Also observed, is the fact that customer orientation has a positive fairly correlation with competitor orientation, which is below the threshold of  $\pm 0.70$ .

## 6.9. SME PERFORMANCE

In this section, the results on the performance of SME is presented. SME performance was measured using a combination of financial and non-financial performance variables. In order to check for construct validity, a factor analysis was used. The results are presented in Table 6.10 below.

**Table 6.10: The descriptive statistics and Factor Analysis for SMEs performance**

Factors	Mean	St. Dev	Factor one	Factor two
Customer Satisfaction	4.19	0.775	0.705	
Attracting new customers	4.14	0.767	0.837	
Retaining old customers	4.20	0.784	0.705	
Product/service quality	4.14	0.754	0.650	
<b><i>Overall Factor one</i></b>	<b>4.167</b>	<b>0.588</b>		
Market Share	3.68	0.882		0.647
Sales Growth	3.99	0.824		0.554
Net Profit	3.76	0.879		0.739
Cost efficiency	3.83	0.922		0.711
Return on Investment	3.76	0.888		0.847
<b><i>Overall Factor two</i></b>	<b>3.804</b>	<b>0.639</b>		
Eigen Value			3.916	1.163
Variance			43.514	12.918
Cumulative variance			43.514	54.432
Cronbach Alpha			0.761	0.777
KMO			0.847	
Bartlett’s test of sphericity (Chi-square)			632.612	
Sig.			0.000***	
N.B. PCA conducted using Varimax rotation				

Table 6.10 depict the results of the descriptive statistics and factor analysis for SMEs performance. The factors were loaded into two components. Factor 1 was classified as non-financial performance, while factor 2 was financial performance. These classifications followed extant studies (Inmyxai and Takahashi, 2010; Neneh and Van Zyl, 2012; Fakoti, 2014; Maduekwe and Kamala, 2016) that have also classified performance using these groupings. Factor one loaded with an Eigen-value of 3.916 and accounting for a total variance of 43.514. Factor two loaded with an Eigen-value of 1.163 and accounting for a total variance of 12.918. Also, the value for KMO is 0.847, which is greater than 0.5 and the value for barlette test is .000, which is less than 0.05, thus

illustrating that the factor analysis is considered suitable. The Cronbach's alpha of 0.761 and 0.777 were obtained for non-financial performance and financial performance respectively, which is greater than the ( $\alpha > 0.7$ ) thus indicating the reliability of the measures, which validates the use of these measure further analysis in section B.

Also, the results showed that non-financial performance ( $M=4.167$ ;  $SD=0.588$ ) had the highest mean than financial performance ( $M=3.804$ ;  $SD=0.639$ ), suggesting that SME owners/managers perform better in terms of non-financial performance measure (customer satisfaction, attracting new customers, retaining old customers and product/service quality) but only have a moderate performance in terms of financial performance measure (market share, sales growth, net profit, cost efficiency, return on investment).

## **6.10. SECTION B: HYPOTHESES TESTING**

In this section B, the empirical finding focuses on providing answers to the 15 hypotheses established in chapter four of the literature review. The findings presented, are based on the impact of leadership styles and SME performance (financial and non-financial performance), the impact of market orientation on SME performance (financial and non-financial performance), and the mediating effect of market orientation on the leadership styles-SME performance (financial and non-financial performance), relationship.

### **6.10.1. Leadership styles and SME performance**

Eleven questions were asked in the hypothesis regarding the impact of leadership styles on SME performance.

**H1a:** There is a negative relationship between directive leadership style and financial performance

**H1b:** There is a negative relationship between directive leadership style and non-financial performance

**H2a:** There is a significant positive relationship between supportive leadership style and financial performance

**H2b:** There is a significant positive relationship between supportive leadership style and non-financial performance

**H3a:** There is a significant positive relationship between participative leadership style and financial performance.

**H3b:** There is a significant positive relationship between participative leadership style and non-financial performance.

**H4a:** There is a significant positive relationship between achievement orientated leadership style and financial performance

**H4b:** There is a significant positive relationship between achievement orientated leadership style and non-financial performance

**H5a:** There is a negative relationship between autocratic leadership style and financial performance

**H5b:** There is a negative relationship between autocratic leadership style and non-financial performance

**H6a:** There is a significant positive relationship between consultative leadership style and financial performance

**H6b:** There is a significant positive relationship between consultative leadership style and non-financial performance

**H7a:** There is a significant positive relationship between democratic leadership style and financial performance.

**H7b:** There is a significant positive relationship between democratic leadership style and non-financial performance.

**H8a:** There is a significant negative relationship between laissez-fair leadership style and financial performance.

**H8b:** There is a significant negative relationship between laissez-fair leadership style and non-financial performance.

**H9a:** There is no significant relationship between pace setting leadership style and financial performance.

**H9b:** There is no significant relationship between pace setting leadership style and non- financial performance.

**H10a:** There is a significant positive relationship between transformational leadership style and financial performance

**H10b:** There is a significant positive relationship between transformational leadership style and non- financial performance

**H11a:** There is a positive relationship between transactional leadership style and financial performance

**H11b:** There is a positive relationship between transactional leadership style and non-financial performance. The results on these relationships are presented in Table 6.11 below;

**Table 6.11: Regression analysis on leadership styles and SME performance (Financial and non-financial performance).**

Leadership Styles	Non-financial performance				Financial performance			
	<i>R</i> <sup>2</sup>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>	<i>R</i> <sup>2</sup>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>
Directive	0.01	-0.04	-0.62	0.53	0.02	0.09	1.49	0.14
Supportive	0.06	0.22	3.34	0.001**	0.03	0.12	1.89	0.08
Participative	0.05	0.21	3.11	0.002**	0.02	0.09	1.40	0.16
Achievement	0.05	0.21	3.16	0.002**	0.02	0.05	0.69	0.49
Autocratic	0.01	-0.05	-0.73	0.47	0.03	0.11	1.61	0.11
Consultative	0.03	0.15	2.23	0.03*	0.02	0.08	1.12	0.27
Democratic	0.06	0.22	3.44	0.001**	0.04	0.16	2.41	0.02*
Laissez-fair	0.04	-0.18	-2.68	0.008**	0.02	0.03	0.35	0.72
Pace Setting	0.01	0.06	0.93	0.35	0.02	0.03	0.41	0.69
Transformational	0.05	0.20	2.99	0.003**	0.02	0.09	1.32	0.19
Transactional	0.02	0.10	1.56	0.12	0.05	0.19	2.86	0.005**
Regression results for the effect of each leadership style on firm performance controlling for the effect of firm size and age.								

\*\* Sig at 1% level; \* Sig at the 5% level



Table 6.11 shows the results of the regression analysis on the leadership styles and SME performance (non-financial performance and financial performance after controlling for the effect of firm size and age). The results show that directive, autocratic, and laissez-fair leadership styles are the three leadership styles that do not have any significant relationship with both non-financial performance and financial performance.

With regards to non-financial performance, the result indicates that supportive, participative, achievement, consultative, democratic, and transformational leadership styles have a positive relationship with non-financial performance, while laissez-fair has a negative relationship with non-financial performance. With respect to financial performance, the results show that only democratic and transactional leadership styles have a positive relationship with financial performance and these results are significant at the 5% level. The results are consistent with studies by Patiar and Mia (2009) who found that there is a positive relationship between transformational leadership and financial performance. The results contradict studies by Zadeh (2016) who found a significant positive relationship between supportive, participative, and transactional leadership styles and financial performance.

#### **6.10.2. Market orientation and SME performance**

Three questions were asked in the hypothesis regarding the impact of market orientation on SME performance.

**H12a:** There is a significant and positive relationship between customer orientation and financial performance

**H12b:** There is a significant and positive relationship between customer orientation and non-financial performance

**H13a:** There is a significant positive relationship between competitor orientation and financial performance

**H13b:** There is a significant positive relationship between competitor orientation and non-financial performance

**H14a:** There is no significant relationship between inter-functional coordination and financial performance

**H14b:** There is no significant relationship between inter-functional coordination and non-financial performance.

The results of these relationships are presented on Table 6.12 below;

**Table 6.12: Regression analysis on MO and SME performance Financial and non-financial performance).**

Customer orientation construct	Non – financial performance				Financial performance			
	<i>R</i> <sup>2</sup>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>	<i>R</i> <sup>2</sup>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>
Customer orientation	0.09	0.29	4.50	0.000**	0.03	0.34	2.00	0.046*
Competitive Orientation	0.07	0.24	3.66	0.000**	0.07	0.23	3.51	0.001**
Inter-functional Coordination	0.02	-0.06	-0.85	0.398	0.02	-0.14	-2.05	0.041*
Regression results for the effect of each MO construct on firm performance controlling for the effect of firm size and age.								

\*\* Sig at 1% level; \* Sig at the 5% level

Table 6.12 shows the results of the regression analysis on the market orientation construct (customer orientation, competitor orientation and inter-functional coordination) and SME performance (non-financial performance and financial performance) after controlling for the effect of firm size and age. With regards to non-financial performance, the result indicates that inter-functional coordination did not have any relationship with non-financial performance, while customer orientation and competitive orientation have a significant positive relationship with non-financial performance and the results are significant at the 5% level. The results are consistent with the findings of Al-mawali, Zainuddin and Ali (2010) that there is a positive association between customer orientation and firm performance.

Furthermore, with respect to financial performance, the result show that all three construct of MO (customer orientation, competitive orientation and inter-functional coordination) have a positive relationship with financial performance and the results are significant at the 1% level for competitive orientation and 5% level for customer orientation and inter-functional coordination

respectively. The results are congruent with prior studies (Asikhia, 2010; Neneh, 2016; Asomaning and Abdulai, 2015) who also established a positive association between customer orientation, competitive orientation and inter-functional coordination and firm performance (growth of market share, return on investment, sales growth, and net profit).

Following the above, hypothesis H12a, H12b, H13a, H13b, and H14b were accepted, while H14a was rejected. Hence, it can be concluded that

- ✓ **H12a:** There is a significant and positive relationship between customer orientation and financial performance
- ✓ **H12b:** There is a significant and positive relationship between customer orientation and non- financial performance
- ✓ **H13a:** There is a significant positive relationship between competitor orientation and financial performance
- ✓ **H13b:** There is a significant positive relationship between competitor orientation and non-financial performance
- ✓ **H14b:** There is no significant relationship between inter-functional coordination and non-financial performance.

## **6.11. THE MEDIATING RELATIONSHIP BETWEEN MARKET ORIENTATION AND LEADERSHIP STYLES**

When performing the mediating analysis, Baron and Kenny (1986), the Sobel test and the bootstrapping are the methods used. All these model will be used in establishing the mediating relationship between market orientation and leadership styles.

### **6.11.1. Mediating effect using Baron and Kenny**

Baron and Kenny (1986) put forward four-step framework that helps to ascertain if the proposed mediation occurs. These four steps are:

Step 1- the significant effect of the independent variable on the dependent variable,

Step 2 - the significant relationship of the independent variable with the mediator,

Step 3-The significant effect of the mediator on the dependent variable, and

Step 4- The significant relationship between the independent and the dependent variable when controlling for the mediating effect.

If all the four steps mentioned above occurred, consequently the data are in line with the hypothesis that suggest variable M completely mediates the relationship between variable X-Y. However, if the first three steps occurred with the exception of step four, the results demonstrate a partial mediation.

**Step 1: focuses on the significant effect of the independent variable (Leadership styles) on the dependent variable (SME performance).** This results were already established in Table 6.12 above, where it was established that directive, autocratic and pace setting leadership styles are the three leadership styles that do not have any significant relationship with non-financial performance and financial performance. These three leadership styles are eliminated from the mediation analysis.

**Step 2: focuses on the significant effect of the independent variable (Leadership styles) on the mediator (Market orientation).**

The results of this relationship is presented in Table 6.13 below.

**Table 6.13: Regression analysis on leadership styles and Market orientation construct**

Leadership Styles	Market Orientation								
	<i>Customer Orientation</i>			<i>Competitor Orientation</i>			<i>Inter-functional Coordination</i>		
	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>	<i>Beta</i>	<i>T-value</i>	<i>P-value</i>
Supportive	0.33	5.33	0.000**	0.19	2.92	0.004**	0.12	1.76	0.80
Participative	0.31	4.86	0.000**	0.25	3.94	0.000**	-0.02	-0.33	0.74
Achievement	0.38	6.22	0.000**	0.31	4.90	0.000**	0.14	2.09	0.04*
Consultative	0.25	3.92	0.000**	0.22	3.38	0.001**	0.02	0.28	0.78
Democratic	0.15	2.35	0.020*	0.30	4.80	0.000**	0.03	0.49	0.62
Laissez-fair	-0.36	-5.76	0.000**	-0.06	-0.92	0.36	0.01	0.14	0.89
Transformational	0.38	6.20	0.000**	0.32	5.02	0.000**	0.04	0.58	0.57
Transactional	0.16	2.43	0.016*	0.25	3.90	0.000**	-0.04	-0.63	0.53
Regression results for the effect of each leadership style on firm performance controlling for the effect of firm size and age.									

The results in Table 6.13 shows the regression analysis on the effect of leadership styles on market orientation construct (customer orientation, competitive orientation, and inter-functional coordination). The result reveals that only achievement leadership style has a significant positive relationship with all the three constructs on market orientation and the results are statistically significant at the 1% level for customer and competitive orientation and 5% level for inter-functional coordination. The results are consistent with that of Kassim and Sulaiman (2011) who established that there is a positive and significant relationship between supportive leadership style and market orientation. Also established, is the fact that supportive, participative, achievement, consultative, democratic, transformational and transactional leadership styles have a significant positive relationship with the customer, and competitive orientation and the results are statistically significant at the 1% level. The results confirm the findings by Widiana (2017) that transformational leadership has a significant influence on market orientation.

**Step 3: focuses on the significant effect of the mediator (Market orientation) on the dependent variable (SME performance)**

This result was already established in Table 6.13 above, where it was established that customer orientation and competitive orientation has a significant positive relationship with non-financial performance, while three construct of MO (customer orientation, competitive orientation and inter-functional coordination) have a positive relationship with financial performance.

**Step 4: The significant relationship between the independent (Leadership styles) and the dependent variable (SME performance) when controlling for the mediating effect (Market orientation)**

The results of this relationship is presented in Table 6.14 below;

**Table 6.14: The significant relationship between the independent and the dependent variable when controlling for the mediating effect**

Leadership Style	Performance Dimension		Mediator factors (MO)		
	Non-financial Performance	Financial performance	Customer orientation	Competitor orientation	Inter-functional Coordination
Supportive	X	-	X	X	-
Participative	X	-	X	X	-
Achievement	X	-	X	X	X
Consultative	X	-	X	X	-
Democratic	X	X	X	X	-
Laissez-fair	X	-	X	-	-
Transformational	X	-	X	X	-
Transactional	-	X	X	X	-

Based on Table 6.14 above, the following relationships is mediated by market orientation

1. Mediating effect of customer orientation on the relationship between supportive leadership style and non-financial performance
2. Mediating effect of competitor orientation on the relationship between supportive leadership style and non-financial performance

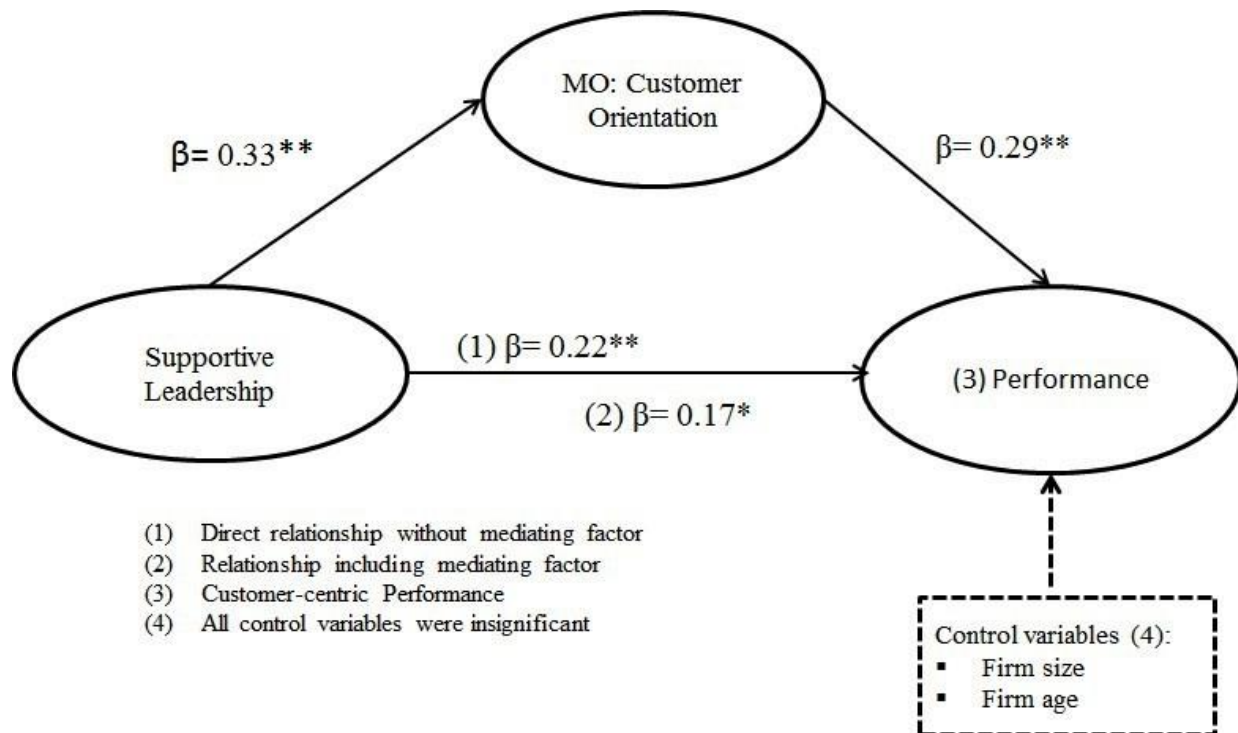
3. Mediating effect of competitor orientation on the relationship between participative leadership style and non-financial performance
4. Mediating effect of customer orientation on the relationship between participative leadership style and non-financial performance
5. Mediating effect of customer orientation on the relationship between achievement leadership style and non-financial performance
6. Mediating effect of competitor orientation on the relationship between achievement leadership style and non-financial performance
7. Mediating effect of competitor orientation on the relationship between consultative leadership style and non-financial performance
8. Mediating effect of competitor orientation on the relationship between democratic leadership style and non-financial performance
9. Mediating effect of customer orientation on the relationship between laissez-fair leadership style and non-financial performance
10. Mediating effect of customer orientation on the relationship between transformational leadership style and non-financial performance
11. Mediating effect of competitor orientation on the relationship between transformational leadership style and non-financial performance
12. Mediating effect of competitor orientation on the relationship between transactional leadership style and financial performance
13. Mediating effect of competitor orientation on the relationship between democratic leadership style and financial performance

#### **6.11.2. Mediating effect using Sobel's Test and Bootstrapping**

The results on the mediating effect using the Sobel's test and Bootstrapping is presented based on the thirteen (13) relationships established in step 4 above (Table 6.14) based on the Baron and Kenny four step.

1. **Mediating effect of customer orientation on the relationship between supportive leadership style and non-financial performance.** The results of this relationship is presented in Figure 6.13 and Table 6.15 below;

**Figure 6.13: Mediating effect of customer orientation on the relationship between supportive leadership and non-financial performance.**



The results in Figure 6.13 demonstrate that supportive leadership style significantly influences both non-financial performance (beta = 0.22) and the customer orientation component of market orientation (beta = 0.33). Equally, it can be seen that the customer orientation component of market orientation significantly influenced non-financial performance (beta = 0.29). In order to test the mediating effect, the Sobel's test and Bootstrapping were used. The results are presented in Table 6.15 below.



**Table 6.15: Mediating effect of customer orientation on the relationship between supportive leadership style and non-financial performance using Sobel's Test and Bootstrapping.**

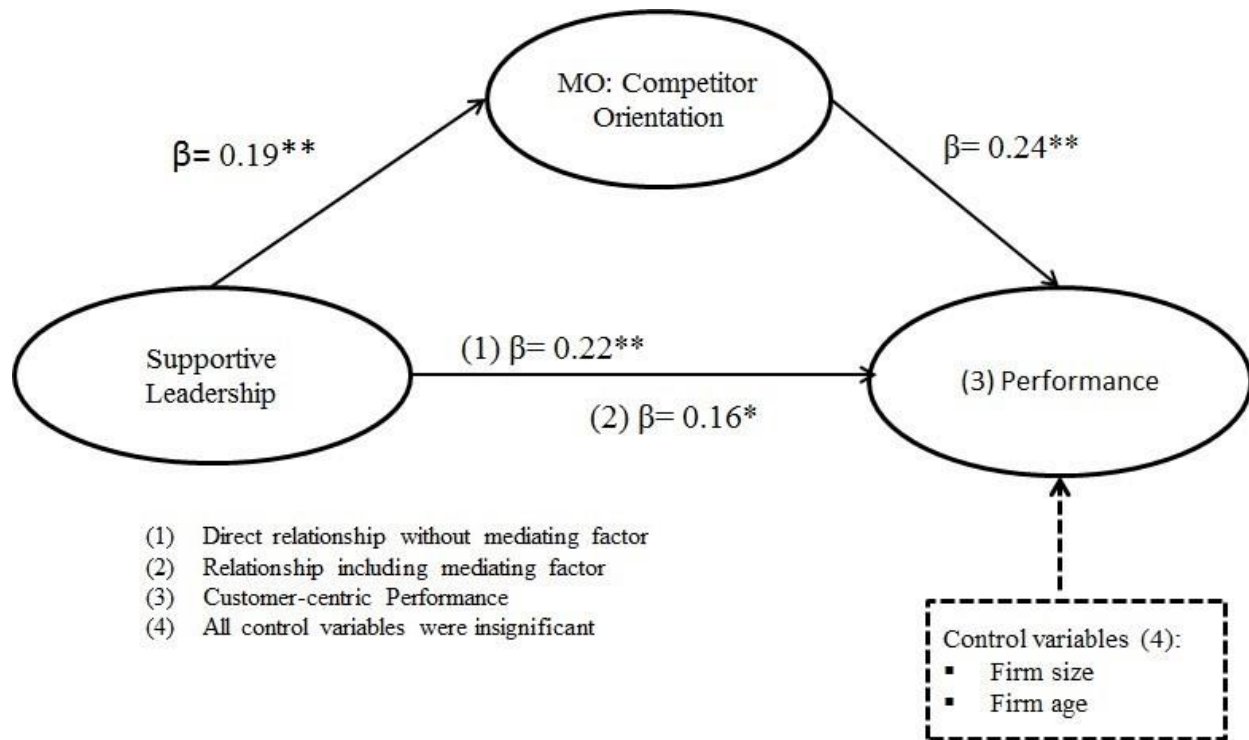
Sobels Test		Bootstrapping	
Indirect Effect	0.051	Indirect Effect	0.051
Sobel's standard error	0.0250	Bootstrapping standard error	0.0253
Z – statistic	2.037	95% LCI	0.0083
P-Value	0.042*	95% UCI	0.1112
Portion of relationship between supportive leadership and non-financial performance mediated by customer orientation	22.7%	Decision	Partial mediation

\*Sig at 5%

From table 6.15, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.037$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0083, UCI = 0.1112). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the customer orientation component of market orientation partially mediates the relationship between supportive leadership style and non-financial performance.

2. **Mediating effect of competitor orientation on the relationship between supportive leadership and non-financial performance.** The results of this relationship is presented in Figure 6.14 and Table 6.16 below

**Figure 6.14: Mediating effect of competitor orientation on the relationship between supportive leadership and non-financial performance.**



The results in Figure 6.14 show that supportive leadership style significantly influences both non-financial performance ( $\beta = 0.22$ ) and the competitor orientation component of market orientation ( $\beta = 0.19$ ). Equally, it can be seen that the competitor orientation component of market orientation significantly influenced non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and Bootstrapping were used. The results are presented in Table 6.16 below.

**Table 6.16: Mediating effect of MO: competitor orientation using on the relationship between supportive leadership and performance using Sobel's Test and Bootstrapping.**

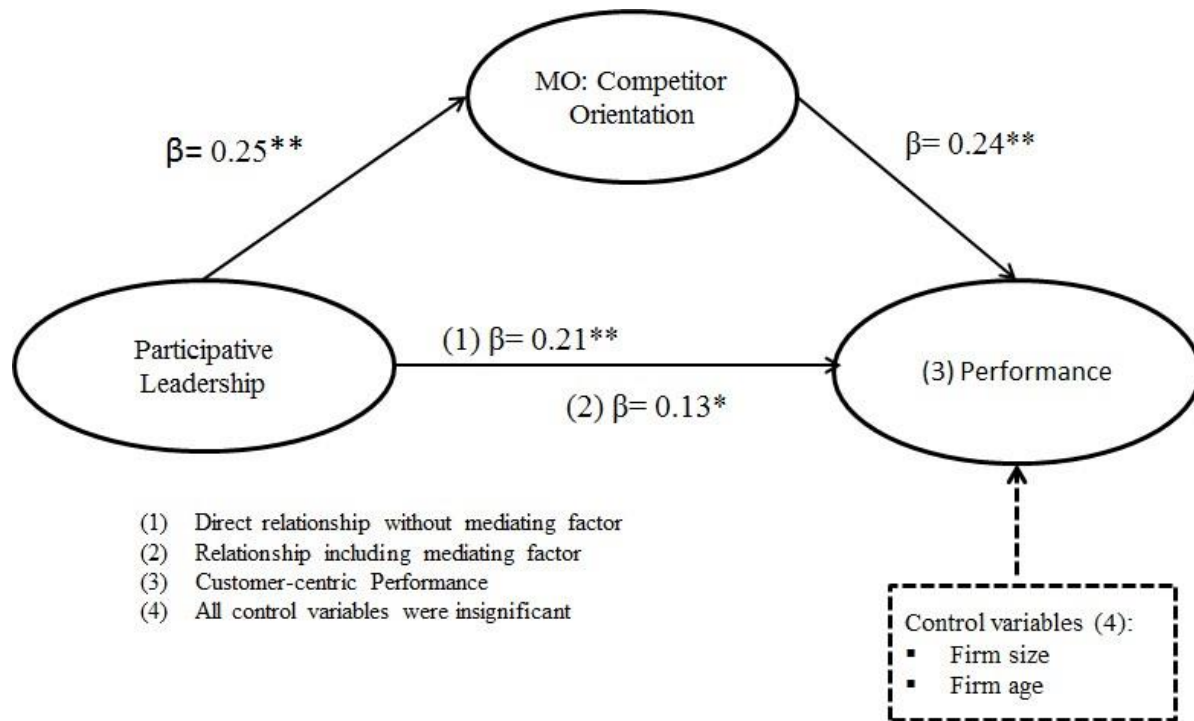
Sobel's Test		Bootstrapping	
Indirect Effect	0.0617	Indirect Effect	0.0617
Sobel's Standard error	0.0190	Bootstrapping standard error	0.0195
Z - statistic	2.192	95% LCI	0.0124
P-Value	0.028*	95% UCI	0.0932
Portion of relationship between supportive leadership and non-financial performance mediated by competitor orientation	27.3%	Decision	Partial mediation

\*Sig at 5%

From Table 6.16, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.192$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0124, UCI = 0.0932). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between supportive leadership style and non-financial performance.

3. **Mediating effect of competitor orientation on the relationship between participative leadership and non-financial performance.** The results of this relationship is presented in Figure 6.15 and Table 6.17 below.

**Figure 6.15: Mediating effect of competitor orientation on the relationship between participative leadership and non-financial performance.**



The results in Figure 6.15 show that participative leadership style significantly influences both non-financial performance ( $\beta = 0.21$ ) and the competitor orientation component of market orientation ( $\beta = 0.25$ ). Equally, it can be seen that the competitor orientation component of market orientation significantly influenced non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. To test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.17 below.

**Table 6.17: Mediating effect of competitor orientation on the relationship between participative leadership and non-financial performance using Sobel's Test and Bootstrapping.**

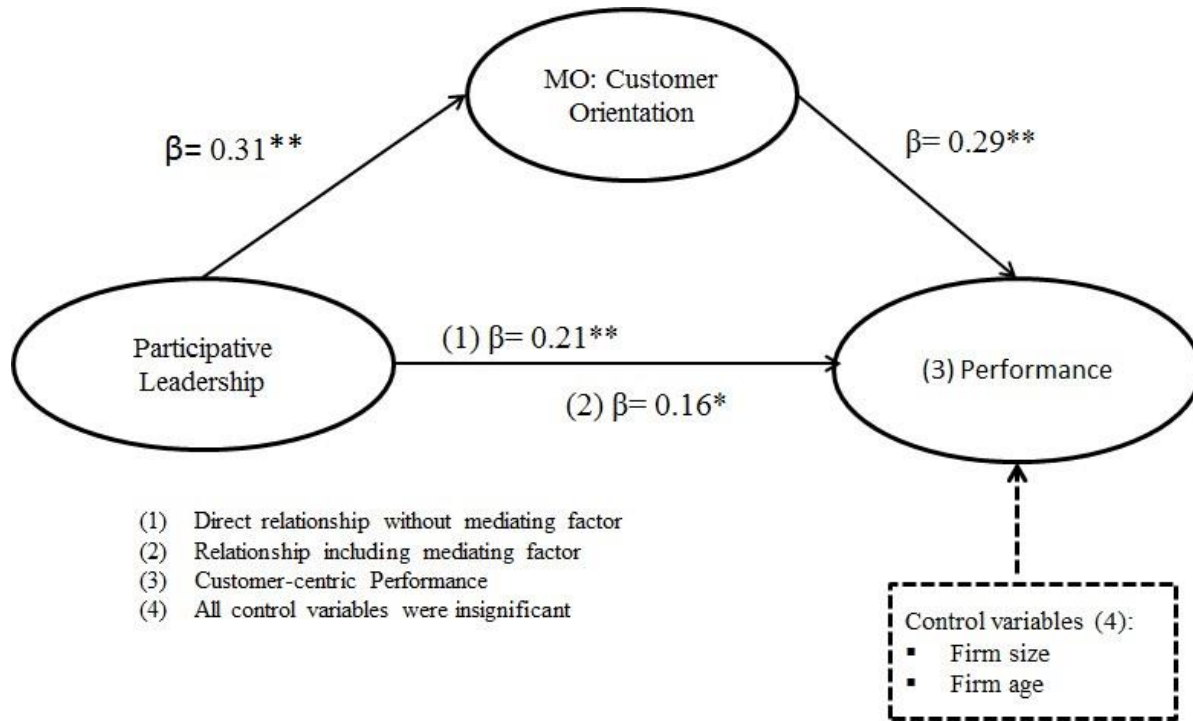
Sobels Test		Bootstrapping	
Indirect Effect	0.0795	Indirect Effect	0.0795
Sobel's Standard error	0.0195	Bootstrapping standard error	0.0198
Z - statistic	2.233	95% LCI	0.0185
P-Value	0.011*	95% UCI	0.1005
Portion of relationship between participative leadership and non-financial performance mediated by competitor orientation	38.1%	Decision	Partial mediation

\*Sig at 5%

From table 6.17, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.233$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0185, UCI = 0.1005). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between participative leadership style and non-financial performance.

4. **Mediating effect of customer orientation on the relationship between participative leadership and non-financial performance.** The results of this relationship is presented in Figure 6.16 and Table 6.18 below;

**Figure 6.16: Mediating effect of customer orientation on the relationship between participative leadership and non-financial performance.**



The results in Figure 6.16 show that participative leadership style significantly influences both non-financial performance (beta = 0.21) and the customer orientation component of market orientation (beta = 0.31). Equally, it can be seen that the customer orientation component of market orientation significantly influenced non-financial performance (beta = 0.29). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.18 below;

**Table 6.18: Mediating effect of MO: customer orientation on the relationship between participative leadership and non-financial performance using Sobel's Test and Bootstrapping.**

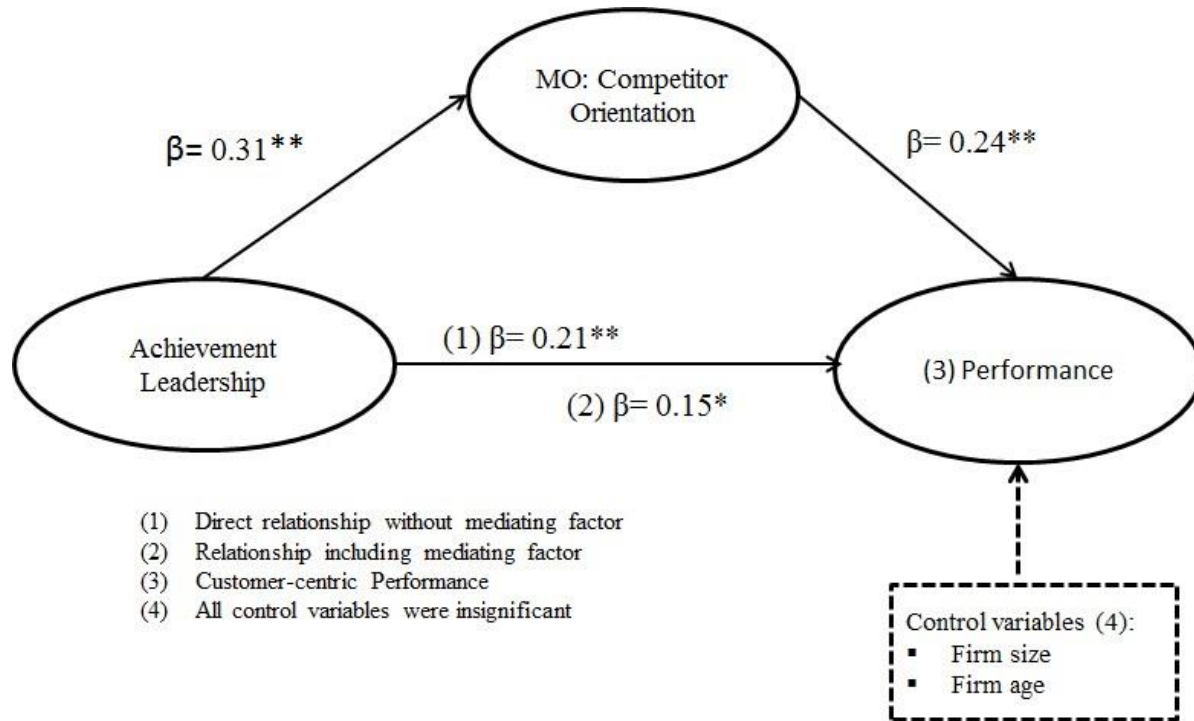
Sobels Test		Bootstrapping	
Indirect Effect	0.0454	Indirect Effect	0.0454
Sobel's Standard error	0.0210	Bootstrapping standard error	0.0209
Z - statistic	2.165	95% LCI	0.0103
P-Value	0.030*	95% UCI	0.0937
Portion of relationship between participative leadership and non-financial mediated by customer orientation	21.6%	Decision	Partial mediation

\*Sig at 5%

From table 6.18, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.165$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0103, UCI = 0.0937). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the customer orientation component of market orientation partially mediates the relationship between participative leadership style and non-financial performance.

5. **Mediating effect of customer orientation on the relationship between achievement leadership and non-financial performance.** The results of this relationship is presented in Figure 6.17 and Table 6.19 below;

**Figure 6.17: Mediating effect of customer orientation on the relationship between achievement leadership and non-financial performance.**



The results in Figure 6.17 show that achievement leadership style significantly influences both non-financial performance (beta = 0.21) and the customer orientation component of market orientation (beta = 0.31). Equally, it can be seen that the customer orientation component of market orientation positively and significantly influenced non-financial performance (beta = 0.24). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.19 below;



**Table 6.19: Mediating effect of MO: customer orientation on the relationship between achievement leadership and non-financial performance using Sobel's Test and Bootstrapping.**

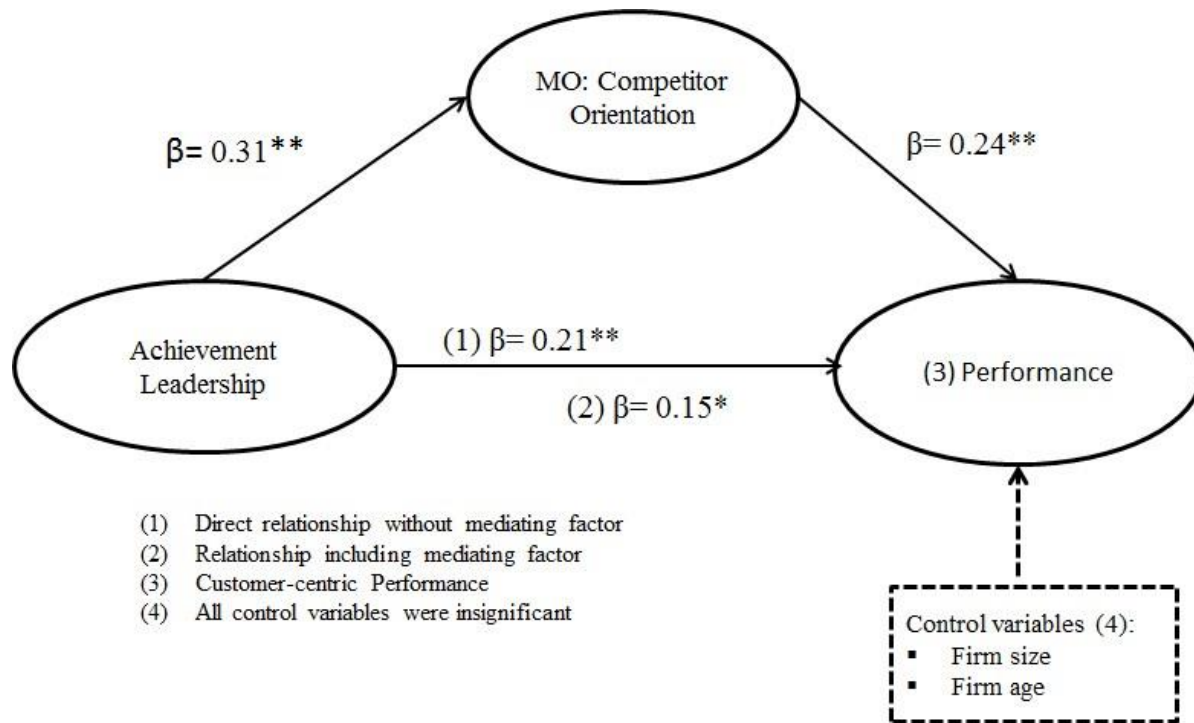
Sobels Test		Bootstrapping	
Indirect Effect	0.0581	Indirect Effect	0.0581
Sobel's Standard error	0.0212	Bootstrapping standard error	0.0206
Z - statistic	2.735	95% LCI	0.0232
P-Value	0.006**	95% UCI	0.1047
Portion of relationship between achievement oriented leadership and non-financial performance Mediated by customer orientation	27.7%	Decision	Partial mediation

\*Sig at 1%

From table 6.19, it is seen that the z-statistics for the Sobel's test is significant at the 1% level ( $Z = 2.735$ ,  $p < 0.01$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0232, UCI = 0.1047). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the customer orientation component of market orientation partially mediates the relationship between achievement oriented leadership style and non-financial performance.

**6. Mediating effect of competitor orientation on the relationship between achievement leadership and non-financial performance.** The results of this relationship is presented in Figure 6.18 and Table 6.20 below;

**Figure 6.18: Mediating effect of competitor orientation on the relationship between achievement leadership and non-financial performance.**



The results in Figure 6.18 show that achievement oriented leadership style significantly influences both non-financial performance ( $\beta = 0.21$ ) and the competitor orientation component of market orientation ( $\beta = 0.31$ ). Equally, it can be seen that the competitor orientation component of market orientation significantly influenced non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.20 below.

**Table 6.20: Mediating effect of competitor orientation on the relationship between achievement leadership and non-financial performance using Sobel's Test and Bootstrapping.**

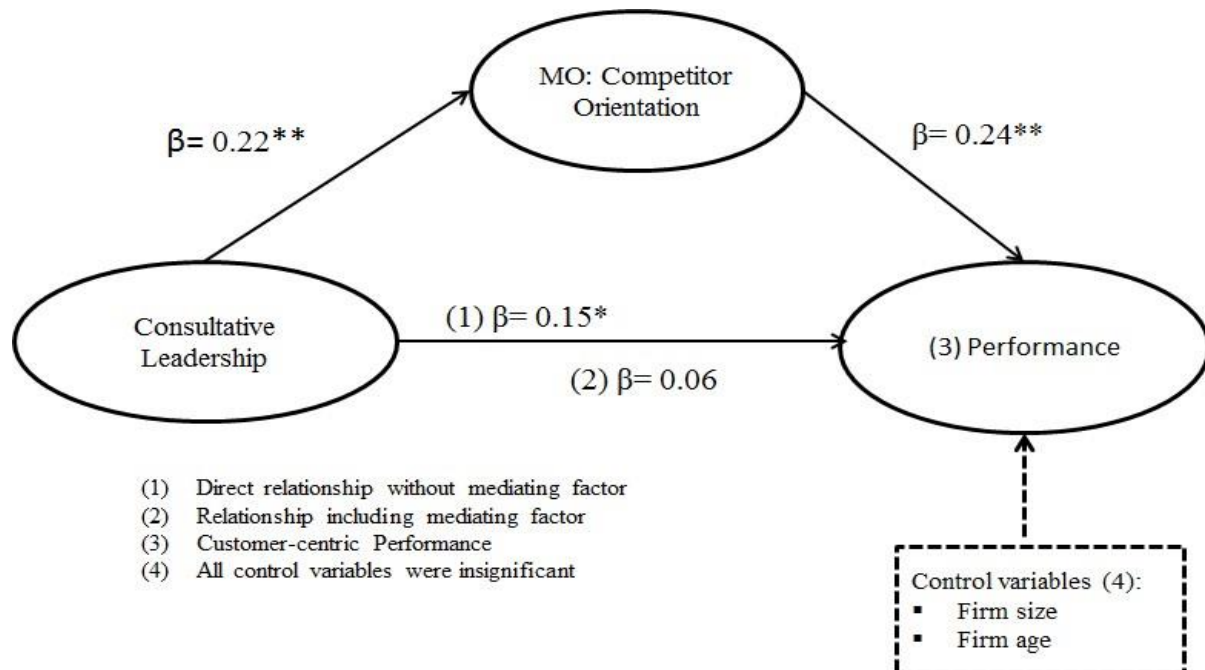
Sobels Test		Bootstrapping	
Indirect Effect	0.0581	Indirect Effect	0.0581
Sobel's Standard error	0.0212	Bootstrapping standard error	0.0206
Z - statistic	2.735	95% LCI	0.0232
P-Value	0.006**	95% UCI	0.1047
Portion of relationship between achievement leadership and non-financial performance Mediated by customer orientation	27.7%	Decision	Partial mediation

\*Sig at 1%

From Table 6.20 it is seen that the z-statistics for the Sobel's test is significant at the 1% level ( $Z = 2.735$ ,  $p < 0.01$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0232, UCI = 0.1047). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between achievement oriented leadership style and non-financial performance.

**7. Mediating effect of competitor orientation on the relationship between consultative leadership and non-financial performance.** The results of this relationship is presented in Figure 6.19 and Table 6.21 below.

**Figure 6.19: Mediating effect of competitor orientation on the relationship between consultative leadership and non-financial performance.**



The results in Figure 6.19 show that consultative leadership style significantly influences both non-financial performance (beta = 0.15) and the competitor orientation component of market orientation (beta = 0.22). Equally, it can be seen that the competitor orientation component of market orientation significantly influences non-financial performance (beta = 0.24). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.21 below;

**Table 6.21: Mediating effect of competitor orientation on the relationship between consultative leadership and non-financial performance using Sobel's Test and Bootstrapping.**

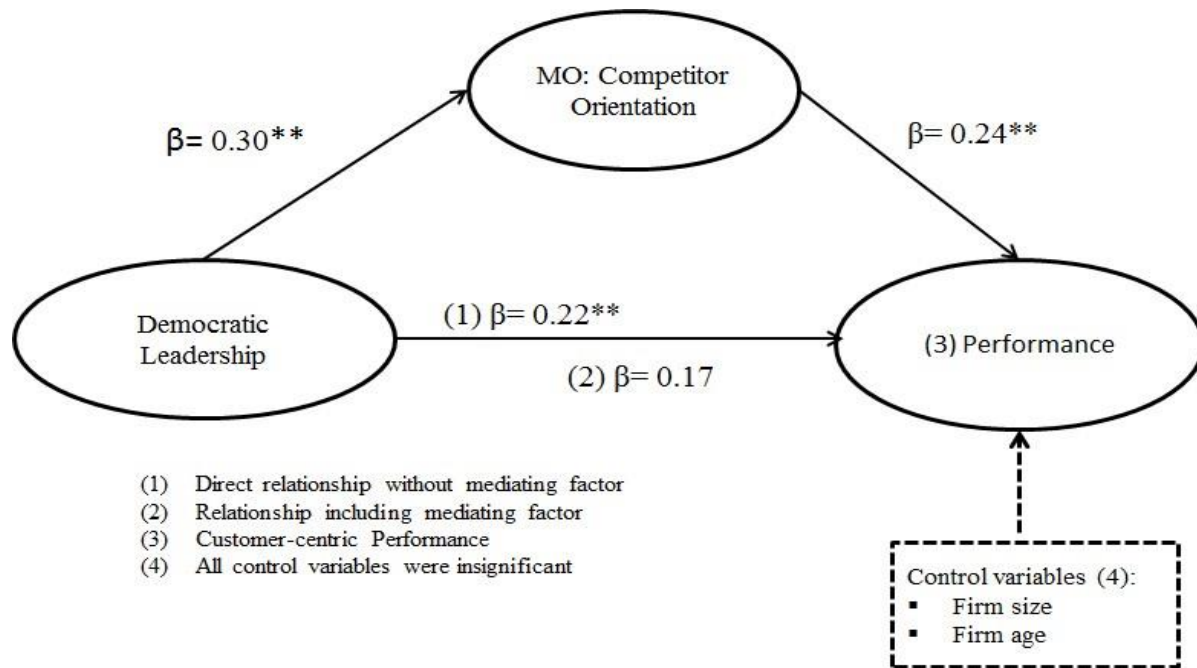
Sobels Test		Bootstrapping	
Indirect Effect	0.0863	Indirect Effect	0.0863
Sobel's Standard error	0.0185	Bootstrapping standard error	0.0191
Z - statistic	2.506	95% LCI	0.0162
P-Value	0.012*	95% UCI	0.0920
Portion of relationship between consultative leadership and non-financial performance Mediated by customer orientation	57.5%	Decision	Full mediation

\*Sig at 5%

From Table 6.21, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.506$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0162, UCI = 0.0920). As such, using both the Sobel's test and Bootstrapping it is confirmed that the competitor orientation component of market orientation fully mediates the relationship between consultative leadership style and non-financial performance.

**8. Mediating effect of competitor orientation on the relationship between democratic leadership and non-financial performance.** The results of this relationship is presented in Figure 6.20 and Table 6.22 below;

**Figure 6.20: Mediating effect of competitor orientation on the relationship between democratic leadership and non-financial performance.**



The results in Figure 6.20 show that democratic leadership style significantly influences both non-financial performance ( $\beta = 0.22$ ) and the competitor orientation component of market orientation ( $\beta = 0.30$ ). Equally, it can be seen that the competitor orientation component of market orientation has a positive influence on non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.22 below;

**Table 6.22: Mediating effect of competitor orientation on the relationship between democratic leadership and non-financial performance using Sobel's Test and Bootstrapping.**

Sobel's Test		Bootstrapping	
Indirect Effect		Indirect Effect	0.0505
Sobel's Standard error		Bootstrapping standard error	0.0211
Z - statistic		95% LCI	0.0162
P-Value		95% UCI	0.1007

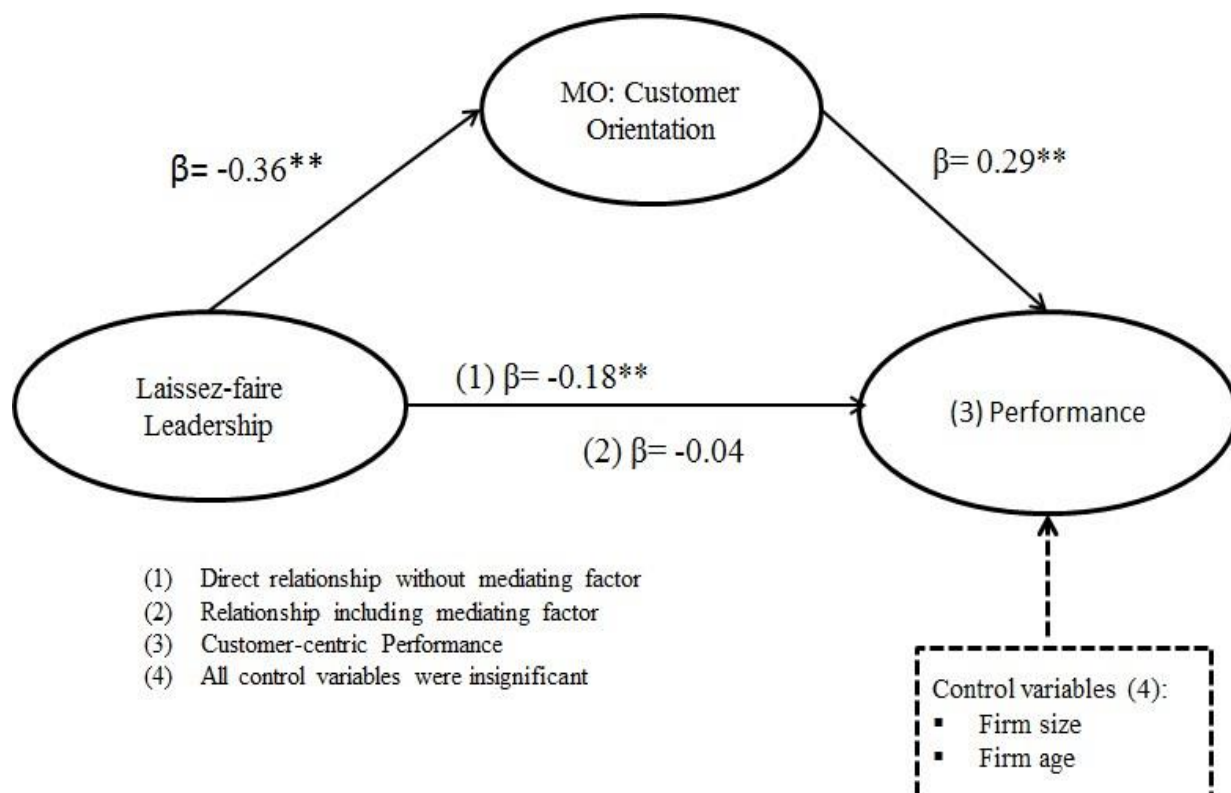
Portion of relationship between democratic leadership non-financial performance Mediated by competitor orientation	22.9 %	Decision	Partial mediation
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\*Sig at 5%

From table 6.22, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.529$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero ( $LCI = 0.0162$ ,  $UCI = 0.1007$ ). As such, using both the Sobel's test and Bootstrapping it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between democratic leadership style and non-financial performance.

**9. Mediating effect of customer orientation on the relationship between laissez-faire leadership and non-financial performance.** The results of this relationship is presented in Figure 6.21 and Table 6.23 below.

**Figure 6.21: Mediating effect of customer orientation on the relationship between laissez-fair leadership and non-financial performance.**



The results in Figure 6.21 show that laissez faire leadership style significantly influences both non-financial performance (beta = -0.18) and the customer orientation component of market orientation (beta = -0.36). Equally, it can be seen that the customer orientation component of market orientation significantly influences non-financial performance (beta = 0.29). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.23 below;

**Table 6.23: Mediating effect of customer orientation on the relationship between laissez-faire leadership and non-financial performance using Sobel's Test and Bootstrapping.**

Sobel's Test		Bootstrapping	
Indirect Effect	-0.1375	Indirect Effect	-0.1375
Sobel's Standard error	0.0155	Bootstrapping standard error	0.0172
Z - statistic	-2.415	95% LCI	-0.0775
P-Value	0.016*	95% UCI	-0.0093
Portion of relationship between laissez-faire leadership and non-financial performance Mediated by customer orientation	76.4%	Decision	Full mediation

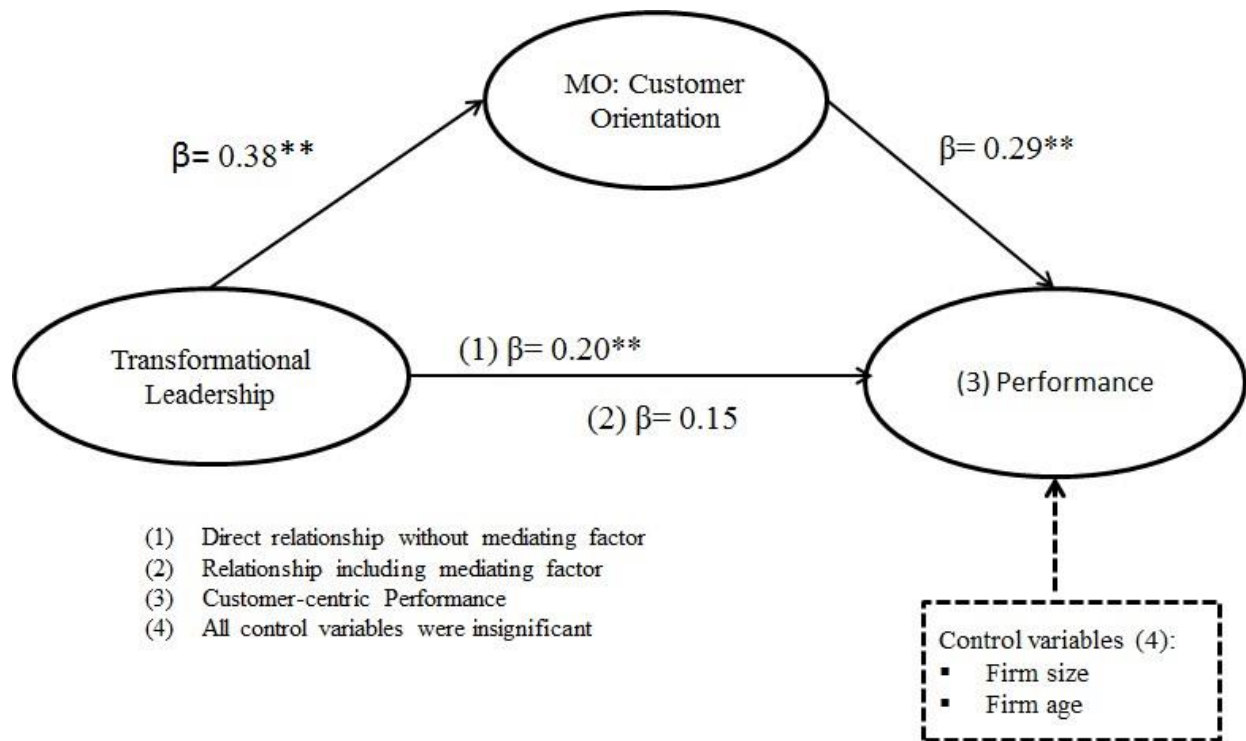
\*Sig at 5%

From table 6.23, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = -2.415$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = -0.0775, UCI = -0.0093). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the customer orientation component of market orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance.



**10. Mediating effect of customer orientation on the relationship between transformational leadership and non-financial performance.** The results of this relationship is presented in Figure 6.22 and Table 6.24 below;

**Figure 6.22: Mediating effect of customer orientation on the relationship between laissez-fair leadership and non-financial performance.**



The results in Figure 6.22 show that democratic leadership style significantly influences both non-financial performance ( $\beta = 0.22$ ) and the competitor orientation component of market orientation ( $\beta = 0.30$ ). Equally, it can be seen that the competitor orientation component of market orientation has a positive influence on non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.24 below;

**Table 6.24: Mediating effect of competitor orientation on the relationship between democratic leadership and non-financial performance using Sobel's Test and Bootstrapping.**

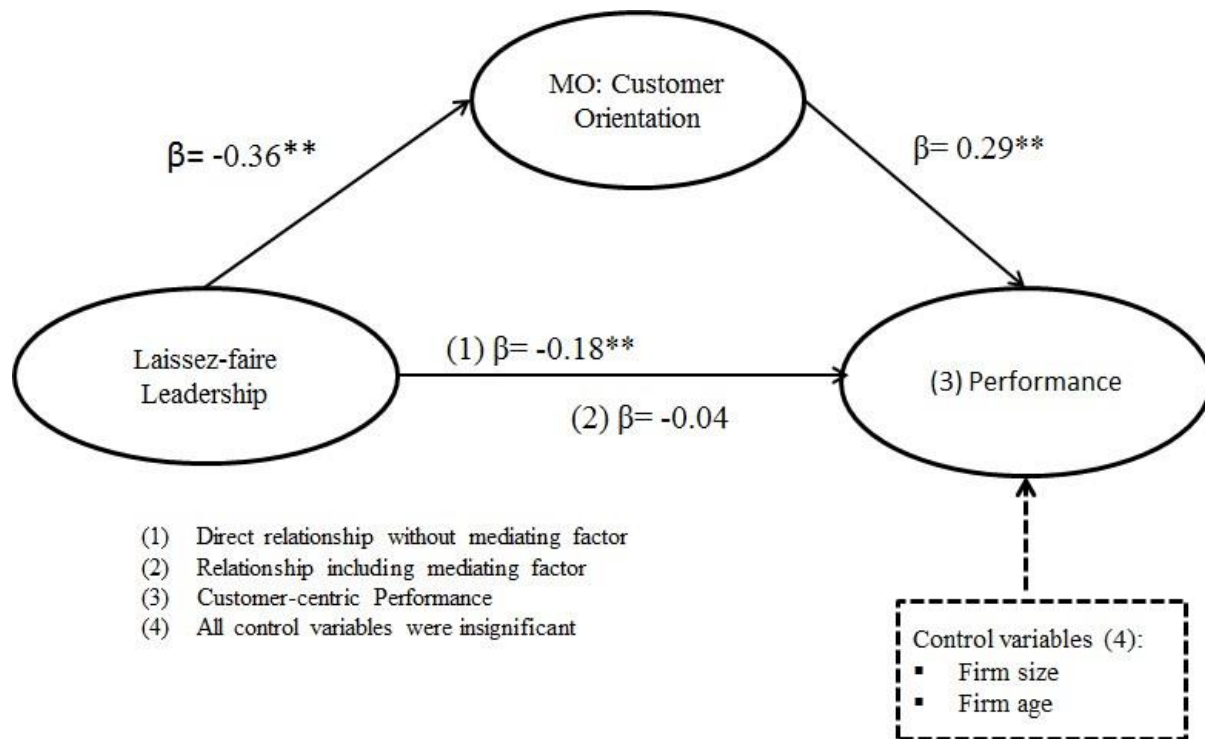
Sobel's Test		Bootstrapping	
Indirect Effect	0.0505	Indirect Effect	0.0505
Sobel's Standard error	0.0200	Bootstrapping standard error	0.0211
Z - statistic	2.529	95% LCI	0.0162
P-Value	0.011*	95% UCI	0.1007
Portion of relationship between democratic leadership non-financial performance Mediated by competitor orientation	22.9 %	Decision	Partial mediation

\*Sig at 5%

From table 6.24, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.529$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0162, UCI = 0.1007). As such, using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between transformational leadership style and non-financial performance.

**11. Mediating effect of customer orientation on the relationship between laissez-faire leadership and non-financial performance.** The results of this relationship is presented in Figure 6.23 and Table 6.25 below.

**Figure 6.23: Mediating effect of customer orientation on the relationship between laissez-fair leadership and non-financial performance.**



The results in Figure 6.23 show that laissez faire leadership style significantly influences both non-financial performance (beta = -0.18) and the customer orientation component of market orientation (beta = -0.36). Equally, it can be seen that the customer orientation component of market orientation positively significantly influenced non-financial performance (beta = 0.29). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.25 below;

**Table 6.25: Mediating effect of customer orientation on the relationship between laissez-faire leadership and non-financial performance using Sobel's Test and Bootstrapping.**

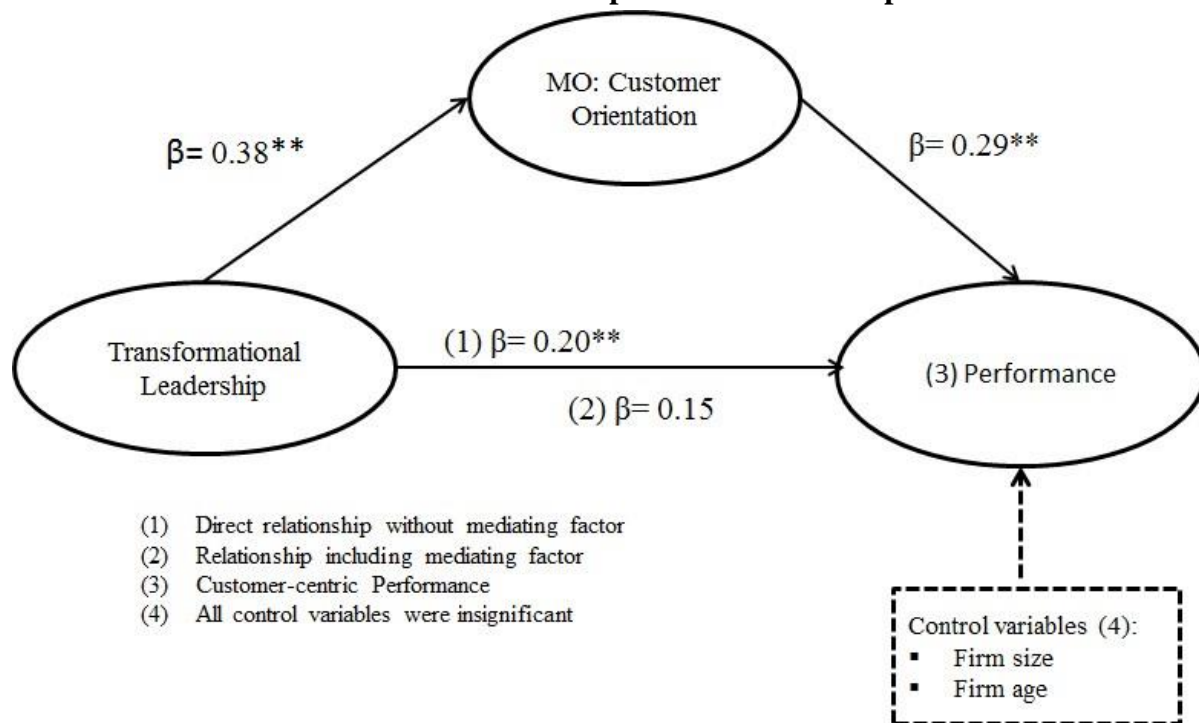
Sobel's Test		Bootstrapping	
Indirect Effect	-0.1375	Indirect Effect	-0.1375
Sobel's Standard error	0.0155	Bootstrapping standard error	0.0172
Z - statistic	-2.415	95% LCI	-0.0775
P-Value	0.016*	95% UCI	-0.0093
Portion of relationship between laissez-faire leadership and non-financial performance Mediated by customer orientation	76.4%	Decision	Full mediation

\*Sig at 5%

From Table 6.25, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = -2.415$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = -0.0775, UCI = -0.0093). As such, in using both the Sobel's test and Bootstrapping, it is confirmed that the customer orientation component of market orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance.

**12. Mediating effect of customer orientation on the relationship between transformational leadership and non-financial performance.** The results of this relationship is presented in Figure 6.24 and Table 6.26 below;

**Figure 6.24: Mediating effect of customer orientation on the relationship between transformational leadership and non-financial performance.**



The results in Figure 6.24 show that transformational leadership style significantly influences both non-financial performance (beta = 0.20) and the competitor orientation component of market orientation (beta = 0.38). Equally, it can be seen that the competitor orientation component of market orientation positively and significantly influenced non-financial performance (beta = 0.29). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.26 below.

**Table 6.26: Mediating effect of MO: customer orientation on the relationship between transformational leadership and non-financial performance using Sobel's Test and Bootstrapping.**

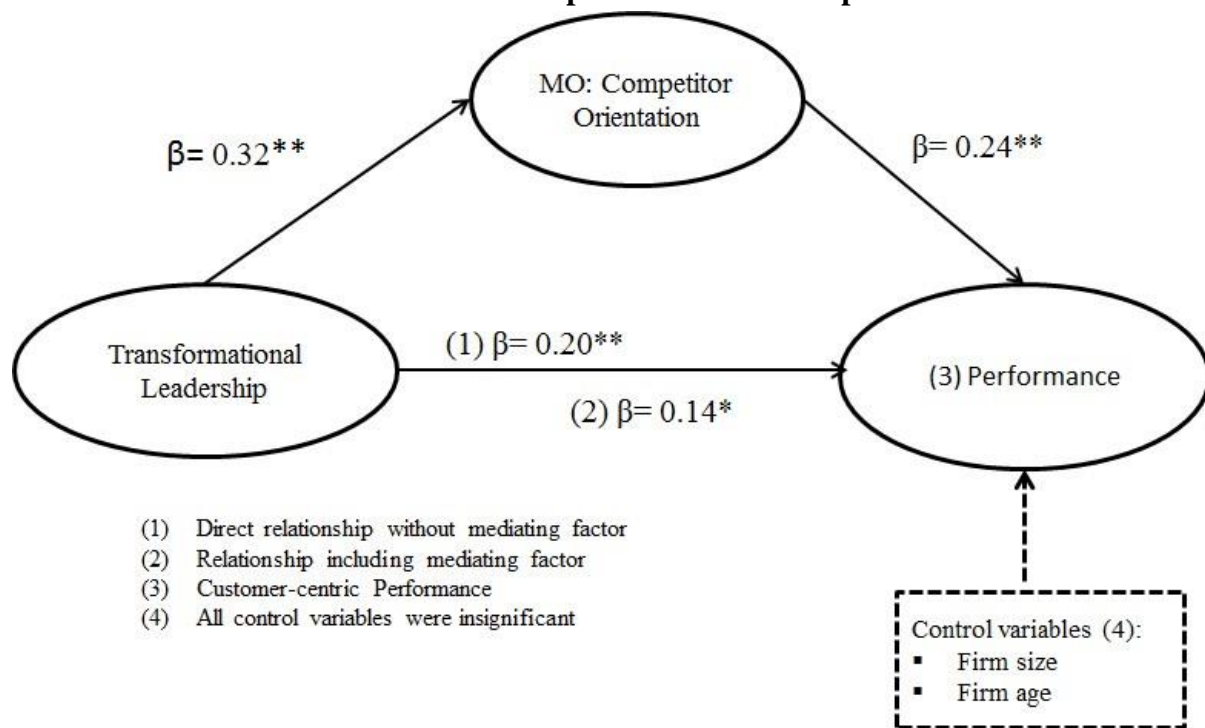
Sobels Test		Bootstrapping	
Indirect Effect	0.0503	Indirect Effect	0.0503
Sobel's Standard error	0.0245	Bootstrapping standard error	0.0253
Z - statistic	2.056	95% LCI	0.0069
P-Value	0.039*	95% UCI	0.1064
Portion of relationship between transformational leadership and non-financial performance Mediated by customer orientation	25.2%	Decision	Partial mediation

\*Sig at 5%

From Table 6.26, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.056$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0069, UCI = -0.1064). Using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between transformational leadership style and non-financial performance.

**13. Mediating effect of competitor orientation on the relationship between transformational leadership and non-financial performance.** The results of this relationship is presented in Figure 6.25 and Table 6.27 below;

**Figure 6.25: Mediating effect of competitor orientation on the relationship between transformational leadership and non-financial performance.**



The results in Figure 6.25 show that transformational leadership style significantly influences both non-financial performance ( $\beta = 0.20$ ) and the competitor orientation component of market orientation ( $\beta = 0.32$ ). Equally, it can be seen that the competitor orientation component of market orientation significantly influenced non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.27 below;

**Table 6.27: Mediating effect of MO: Competitor orientation on the relationship between transformational leadership and non-financial performance using Sobel's Test and Bootstrapping.**

Sobels Test		Bootstrapping	
Indirect Effect	0.0565	Indirect Effect	0.0565
Sobel's Standard error	0.0214	Bootstrapping standard error	0.0211
Z - statistic	2.638	95% LCI	0.0226
P-Value	0.008**	95% UCI	0.1077
Portion of relationship between transformational leadership and customer-centric performance Mediated by customer orientation	25.2%	Decision	Partial mediation

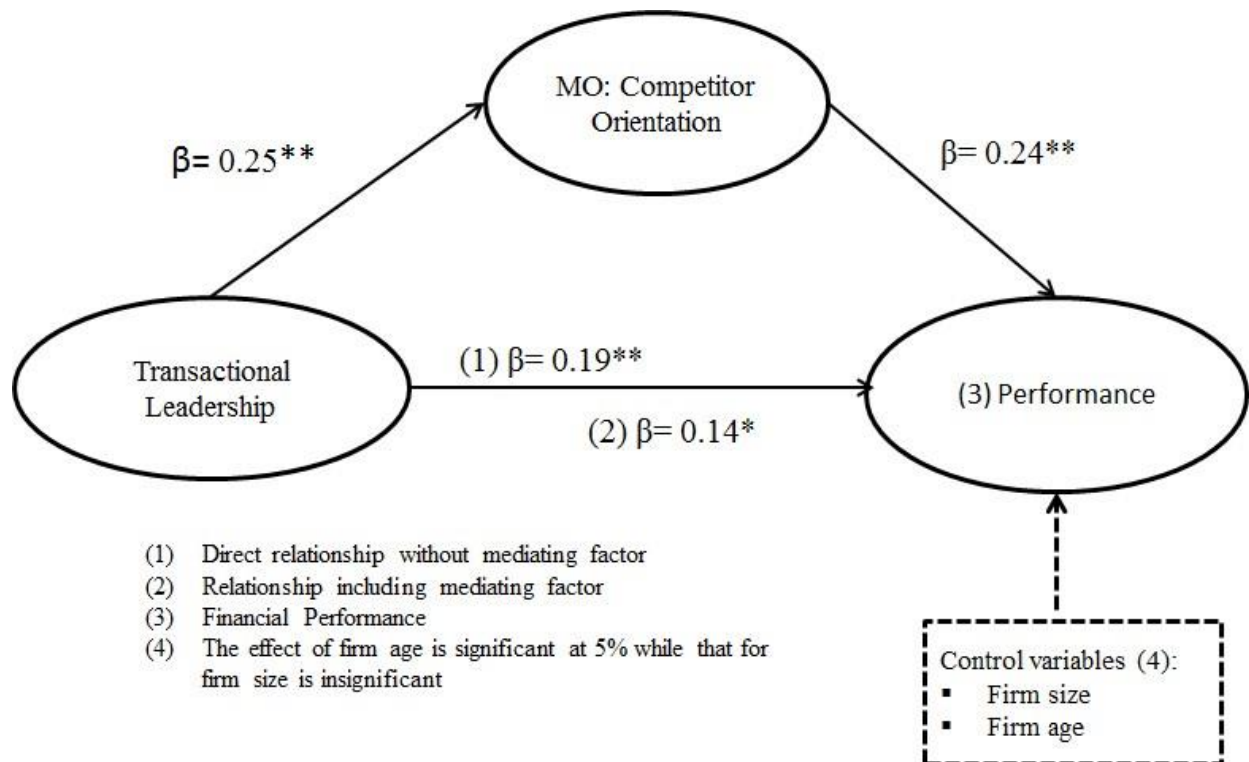
\*\*Sig at 1%

From table 6.27, it is seen that the z-statistics for the Sobel's test is significant at the 1% level ( $Z = 2.638$ ,  $p < 0.01$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0226, UCI = - 0.1077). Using both the Sobel's test and Bootstrapping it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between transformational leadership style and non-financial performance.



**14. Mediating effect of competitor orientation on the relationship between transactional leadership and financial performance.** The results of this relationship is presented in Figure 6.26 and Table 6.28 below;

**Figure 6.26: Mediating effect of competitor orientation on the relationship between transactional leadership and financial performance.**



The results in Figure 6.26 show that transactional leadership style significantly influences both financial performance ( $\beta = 0.19$ ) and the competitor orientation component of market orientation ( $\beta = 0.25$ ). Equally, it can be seen that the competitor orientation component of market orientation significantly influenced financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.28 below;

**Table 6.28: Mediating effect of MO: Competitor orientation on the relationship between transactional leadership and financial performance using Sobel's Test and Bootstrapping.**

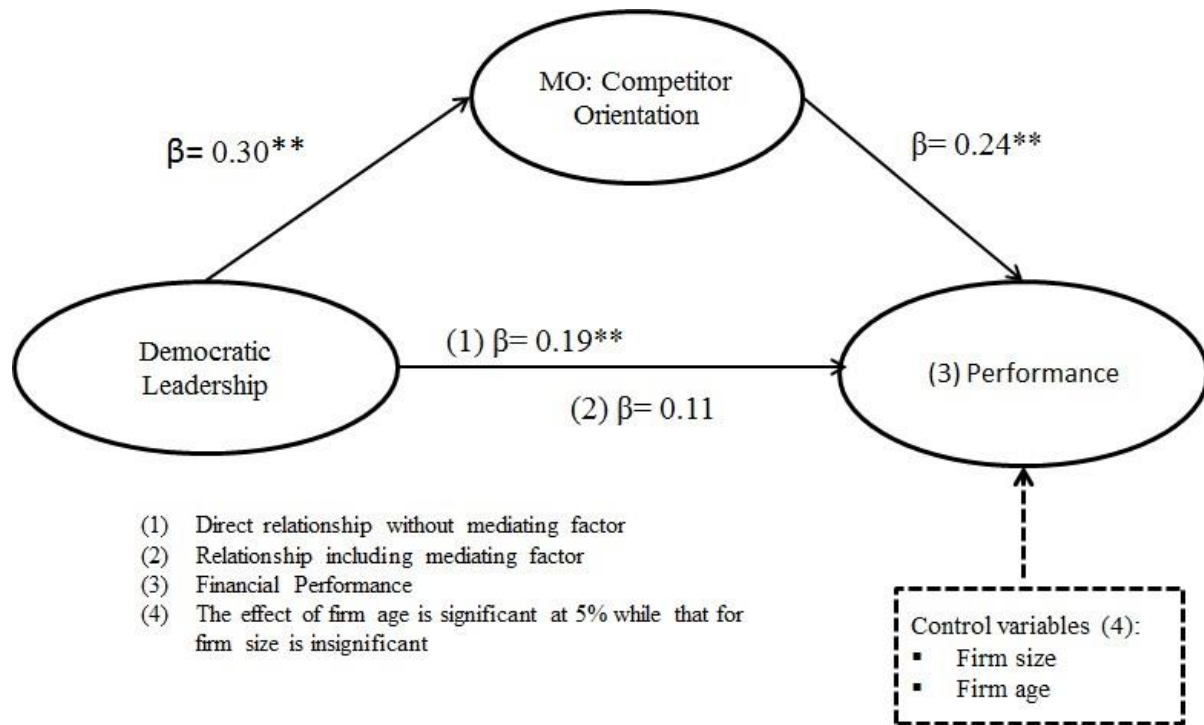
Sobels Test		Bootstrapping	
Indirect Effect	0.0467	Indirect Effect	0.0467
Sobel's Standard error	0.0205	Bootstrapping standard error	0.0209
Z - statistic	1.978	95% LCI	0.0014
P-Value	0.048*	95% UCI	0.0847
Portion of relationship between transactional leadership and customer-centric performance Mediated by customer orientation	24.6%	Decision	Partial mediation

\*Sig at 5%

From table 6.28, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 1.978$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0014, UCI = -0.0847). So, in using both the Sobel's test and Bootstrapping it is confirmed that the competitor orientation component of market orientation partially mediates the relationship between transactional leadership style and financial performance.

**15. Mediating effect of competitor orientation on the relationship between democratic leadership and financial performance.** The results of this relationship is presented in Figure 6.27 and Table 6.29 below.

**Figure 6.27: Mediating effect of competitor orientation on the relationship between democratic leadership and financial performance.**



The results in Figure 6.27 show that democratic leadership style significantly influences both financial performance ( $\beta = 0.19$ ) and the competitor orientation component of market orientation ( $\beta = 0.30$ ). Equally, it can be seen that the competitor orientation component of market orientation positively and significantly influenced non-financial performance ( $\beta = 0.24$ ). This clearly suggests the existence of a mediation effect. In order to test the mediating effect, the Sobel's test and bootstrapping were used. The results are presented in Table 6.29 below;

**Table 6.29: Mediating effect of MO: Competitor orientation on the relationship between democratic leadership and financial performance using Sobel's Test and Bootstrapping.**

Sobel's Test		Bootstrapping	
Indirect Effect	0.0832	Indirect Effect	0.0432
Sobel's Standard error	0.0236	Bootstrapping standard error	0.0244
Z - statistic	2.029	95% LCI	0.0028
P-Value	0.042*	95% UCI	0.1018
Portion of relationship between democratic leadership and customer-centric performance Mediated by customer orientation	43.8%	Decision	Full mediation

\*Sig at 5%

From table 6.29, it is seen that the z-statistics for the Sobel's test is significant at the 5% level ( $Z = 2.029$ ,  $p < 0.05$ ) and the bootstrapping confidence interval does not include zero (LCI = 0.0028, UCI = - 0.1018). In using both the Sobel's test and Bootstrapping, it is confirmed that the competitor orientation component of market orientation fully mediates the relationship between democratic leadership style and financial performance.

**Hence based on** hypothesis H15, it can be concluded that in terms of full and partial mediation

**Table 6.30: Full and partial mediation relationships showing the mediating effects of MO on the leadership styles- performance relationship.**

Full mediation	Partial mediation
Competitor orientation fully mediates the relationship between consultative leadership style and non-financial performance	Customer orientation partially mediates the relationship between supportive leadership style and non-financial performance

Customer orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance	Competitor orientation partially mediates relationship between supportive leadership style and non-financial performance
Competitor orientation fully mediates the relationship between democratic leadership style and financial performance	Competitor orientation partially mediates the relationship between participative leadership style and non-financial performance
	Customer orientation partially mediates the relationship between participative leadership style and non-financial performance
	Customer orientation partially mediates the relationship between achievement leadership style and non-financial performance
	Competitor orientation partially mediates the relationship between achievement leadership style and non-financial performance
	Competitor orientation partially mediates the relationship between democratic leadership style and non-financial performance
	Customer orientation partially mediates the relationship between transformational leadership style and non-financial performance
	Competitor orientation partially mediates the relationship between transformational leadership style and non-financial performance

	Competitor orientation partially mediates the relationship between transactional leadership style and financial performance
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## 6.12. CHAPTER SUMMARY

The objective of this chapter was to discuss the empirical findings of this study. The study was conducted amongst SME owners/managers in the Mangaung Metropolitan Municipality (*Bloemfontein, Botshabelo and Thaba’Nchu*). 354 questionnaires were issued to the respondents. Out of 354 that were distributed, only 229 fully completed questionnaires by the respondents were received. Using regional distribution, it was established that the questionnaires generated a response rate of 64.7% for the study. Furthermore, the study used Alpha reliability analysis to examine the internal consistence and reliability of the construct of leadership styles, MO and external environment. So, the results were accepted and considered to be valid and reliable for analysis. In addition, a factor analysis was performed where it appropriateness was established because all the factor under the investigation met the requirements.

The results on the empirical findings established that more than 50% of the SMEs are owned by male, while 93 (40.6%) are owned by females. With regards to the age of the business the results revealed that the businesses were between the ages 6 months to 12 years. Also, it was found that majority of the businesses were operating in the fast food industry, then followed by retail and consumer service, with 47 (20.5%) and 29 (12.7%) respectively. Furthermore, majority of the people were employed by micro enterprise with 103 (45%), and very small enterprise with 60 (26.2%). Lastly, about 96 (41.9%) of the SME owners/managers used their personal savings to start-up a business, while only 49 (21.4%) acquired funding from banks and other financial institutions. Moreover, the results revealed that most SME owners/managers practice supportive, achievement oriented leadership styles, with ( $M=4.2507$ ;  $SD=.57144$ ) and ( $M=4.0535$ ;  $SD=.66568$ ) respectively. From the correlation matrix on leadership style it was found that there is significant and positive correlation between participative, achievement, consultative, democratic, transformational, and transactional leadership styles.

Regarding the relationship between leadership and SME performance, it was established that supportive, participative, achievement, consultative, democratic and transformational leadership styles have a positive relationship with non-financial performance, while laissez-fair has a negative relationship with non-financial performance, and democratic and transactional leadership styles have a positive relationship with financial performance. With regards to the relationship between market orientation and SME performance, the results showed that customer orientation and competitive orientation has a significant positive relationship with non-financial performance; while customer orientation, competitive orientation, and inter-functional coordination have a positive relationship with financial performance.

With respect to the mediating relationship between Market orientation and leadership styles, this study established a partial and full mediation. In terms of the full mediation, this study established that competitor orientation fully mediates the relationship between consultative leadership style and non-financial performance; customer orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance; and competitor orientation fully mediates the relationship between democratic leadership style and financial performance. In terms of a partial mediation, this study showed that customer orientation partially mediates the relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates the relationship between participative leadership style and non-financial performance; customer orientation partially mediates the relationship between participative leadership style and non-financial performance; customer orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between democratic leadership style and non-financial performance; customer orientation partially mediates the relationship between transformational leadership style and non-financial performance; competitor orientation partially mediates the relationship between transformational leadership style and non-financial performance; and competitor orientation partially mediates the relationship between transactional leadership style and financial performance.

The next chapter is the general conclusion of this study. It recaps the empirical findings and suggest some recommendations moving forward.



## **CHAPTER SEVEN**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **7.1. INTRODUCTION**

This study examined the influence of leadership styles and market orientation on the performance of the SMEs in the Mangaung Metropolitan Municipality (Bloemfontein, Botshabelo and Thaba’Nchu), and the mediating effect of MO on the leadership-performance relationship. The empirical findings of this study were presented in chapter six, where answers to the research questions as well as the research hypothesis were established.

This chapter is an overall summary of the theory and empirical findings presented in the previous chapters. The empirical findings in chapter six provided answers to the primary and secondary objectives of this study, the research questions, and the hypothesis. Concluding on the findings, this chapter also puts forward some recommendations for this study and creates a platform for further discussions. This conclusion chapter is divided into six parts. Part A focuses on discussing the conclusions of the theoretical chapters. Part B makes summary conclusion of the empirical findings established in chapter five. Part C discusses the achievement of the objectives of this study, and Part D provides possible recommendations for the study moving forward. Part E will provide the limitations to the study and Part F, will provide avenues for future research.

#### **7.2. PART A: CONCLUSION ON THE THEORETICAL CHAPTERS**

The literature review of this study comprised of the three chapters, as discussed below.

##### **7.2.1. Chapter one - Introduction to the study**

Chapter one provided a background to the study and the rationale for the study. The concept of leadership styles, leadership theories, different theories of market orientation and their importance in the SMEs in South Africa was also succinctly discussed in this chapter. Likewise, the chapter delineated the research problem, the primary and secondary objectives of the study, as well as contributions it will make to the study. The chapter further presented the research methodology employed for the study and outline of the research chapters.

### **7.2.2. Chapter two - Leadership styles and SME performance**

This chapter discussed the theoretical background of leadership by looking at several theories of leadership, the different leadership styles (*directive, supportive, participative, achievement oriented, autocratic, consultative, democratic, laissez-fair, pace setting and coaching, visionary, transformational and transactional*), and its impact on SME performance. The chapter also highlighted the definition of SME in South Africa. SME performance and its measurements were also discussed, where it was revealed that performance can be measured using a combination of both financial and non-financial measures. Financial and non-financial performance were found to be adequate measures of performance and can be used parallel to enhance SME performance (Zuriekat, Salameh and Alrawashdeh, 2011), and thus both were used as measures of performance in this study.

### **7.2. 3. Chapter three: Market orientation and SME performance**

This chapter started with the review of the literature by discussing several definitions of MO. It provided the theoretical background of the history of MO. The dimensions of MO from both behavioural (*generation of market intelligence, dissemination of intelligence and organisational response*) and cultural perspectives (*customer orientation, competitor orientation and inter-functional coordination*) by (Kohli and Jaworski, 1990; Narver and Slater, 1990) were also discussed. The empirical studies conducted revealed that the three dimensions of MO have a positive relationship with SME performance. This study adopted the cultural dimension.

### **7.2. 4. Chapter four: Mediating effect of MO on leadership style performance relationship**

This chapter focused on the mediating effect of MO on the leadership style-performance relationship. This chapter began with reviewing the relationship between leadership styles and SME performance, the relationship between MO and SME performance, as well as the role of MO as a mediator on the leadership style-performance relationship. The chapter also established an integrated framework linking leadership style and MO to SMEs performance. Additionally, the chapter formulated 15 research hypotheses which was later tested in the empirical findings.

## **7.2. 5. Chapter five: Research Methodology**

Chapter five discussed research methodology employed in collecting and analysing data to provide answers to the research objectives stated in this study. This chapter presented research methodology taken from the research process and it was divided into five steps. Step one focused on the research problem and research objectives; step two focused on the research design; step three focused on the sampling methods; step four focused on the data collection methods; step five focused on the data analysis techniques. This study made use of a quantitative research design. A combination of probability (stratified random sampling) and non-probability (convenience and snowball sampling) to identify the respondents who participated in this research. With regards to data gathering, self-administered questionnaires were used by the researcher to administer questionnaires to the respondents. Furthermore, data was analysed using SPSS and interpretations were done using a combination of descriptive statistics and inferential statistics.

## **7.3. PART B: CONCLUSION ON THE EMPIRICAL FINDINGS**

The empirical findings were presented in chapter six. As such, this section will explain the conclusions of the empirical findings based on the descriptive information of SME owners/managers, nature of the business, leadership styles, market orientation, SMEs performance, leadership styles and SME performance, MO and SME performance and the mediating relationship between Market orientation and leadership styles

### **7.3.1. Descriptive information of the SME owner/manager**

The findings obtained in chapter six pointed out that they were predominantly more males 136 (59.4%), than 93 (40.6%) females SMEs owners/managers. As such, the results revealed that more males than females are involved in entrepreneurial activities in the Mangaung Metropolitan Municipality. Also, in terms of formal education the results depicted that the majority of the SME owners/managers had matric as a highest qualification, thereafter diploma and degree, with 110 (48.2%), 41 (18%) and 40 (17.5%) respectively. This shows that the respondents were literate and thus were able to give informed answers to the questions. However, the results also depicted a low level of education amongst the SME owners/managers. Education plays a crucial role towards building a successful organisation and enabling entrepreneurs to assess risks and benefits, as well

as to identify opportunities to grow the organisation. Concerning other degree programs completed by the SME owners/managers, the results indicated that more 50% did not complete any degree program. Lastly, less than 50% of the SME owners/managers have done short courses in business management. Thus, South African government has to ensure the design of programs that will promote education amongst the entrepreneurs. This will help entrepreneurs to grow and manage the business successfully and subsequently create employment, grow the economy, reduce high levels of poverty and equality, since skills and knowledge are essential to the success of the business. With respect to age, the findings of the research revealed that more entrepreneurs were between the ages of 21-30, 30-39 and 40-49, with 39.7%, 27.1% and 21.4% respectively. The results are consistent with a study carried out by Ganyaupfu (2013) which found that majority of the successful entrepreneurs were between the ages of 25-40. Older people are unlikely to take financial risks as oppose to young people because they have families and other responsibilities, as such financial stability is their first priority.

### **7.3.2. The nature of the business**

Looking at the nature of the business, the results revealed that micro enterprises contribute to 103 (45%) of job creation. This is the indication that SMEs are vital to the economic development of South Africa because they create employment for majority of the people whether in the formal or informal sector. Thus, it is crucial that the government safeguards the SME sector as it contributes to the economic prosperity of South Africa. Moreover, it was observed from the results that majority/most of the SME owners/manager used their own capital to start- up their business, while others used the banks and other financial institutions, with 96 (41.6%) and 49 (21.4%) respectively. This explains why SMEs in South African fail because banks and other financial institutions are reluctant to provide financial support to the owners of small businesses. In the absence of adequate financial support, SMEs are more likely to fail because starting-up a business and operating it successfully requires finances. Also, the study noted that the bulk of entrepreneurs were motivated by pull factors to start the business, with ( $M=3.8406;SD=0.51569$ ). This is consistent with the study by Neneh (2014), which found that pull factors are important than push factors with regards to entrepreneurial motivation in a developing country.

Moreover, it was found that more than 50% of the SME owners/managers had no related prior experience in the sectors in which they operated their businesses. This confirmed the results in table 6.6 that majority of the entrepreneurs were motivated by pull factors such as being my own boss, independence, and flexibility to start-up a business. Lack of adequate experience in the sector in which the businesses operate point to the reasons why so many SMEs fail in South Africa. This SME failure can be traced back to lack of business knowledge and the industry with which the business competes, coupled with the owners/managers inexperience.

### **7.3.3. Leadership styles**

From the results on leadership styles, it was established that supportive, achievement oriented, transformational and transactional leadership styles ( $M=4.2507$ ;  $SD=.57144$ ) and ( $M=4.0535$ ;  $SD=0.66568$ ;  $M=2.9927$ ;  $SD=.85493$ ) and ( $M=2.6681$ ;  $SD=.99679$ ) are the leadership styles SME most practiced by owners/managers. The results are consistent with McLagan, Bezuidenhout and Botha (2013) who found that transformational and transactional leadership styles are the most used leadership styles amongst the SMEs. Laissez-fair leadership style was the least used leadership style amongst SME owners/managers. This could be attributed to the fact that laissez-fair leadership style can lead to distraction in and of the workplace when the employees need or want constant feedback, or when employees are junior workers and are inexperienced to do the work on their own (Essien, Olesugun and Makaila, 2013).

### **7.3.4. Market orientation**

The results on market orientation showed that customer orientation had the highest mean, with ( $M=4.33$ ;  $SD=0.73$ ), strictly followed by competitor orientation and inter-functional coordination ( $M=3.92$ ;  $SD=0.81$ ) and ( $M=3.91$ ;  $SD= 0.82$ ) respectively. The results suggested that SME owners/managers engage highly in customer orientation but only moderately in competitor orientation and inter-functional coordination. Given that competitor orientation helps in the evaluation of present and prospective rivals and include the whole set of technologies suitable for meeting present and future desires of the supplier's target customers. Furthermore, inter-functional coordination encompasses communication and distribution of information and resources, integration and cooperation of different department within the organisation with the goal of providing products of superior value to customers, and subsequently outperform rivals.

As such, it becomes important that SME owners/managers in the Mangaung Metropolitan Municipality enhance these dimensions seeing that they engage in them moderately. The results are consistent with Hilman and Kaliappen (2014) who found that majority of the participants in the hotel industry engage in customer orientation and competitor orientation.

### **7.3.5. SME performance**

SME performance was measured using a combination of financial and non-financial performance variables. After performing a factor analysis, the factors were loaded into two components. Factor 1 was classified as non-financial performance, while factor 2 was financial performance, and this classification was in line with extant studies (Inmyxai and Takahashi, 2010; Neneh and Van Zyl, 2012; Fakoti, 2014; Maduekwe and Kamala, 2016) that have also classified performance using these groupings. Furthermore, the results showed that non-financial performance had the highest mean than financial performance, thus suggesting that SME owners/managers perform better in terms of non- financial performance but only have a moderate performance in terms of financial performance. While non- financial performance measures are also crucial to the success of every business, financial performance is also important because of its ability to enhance the profitability a business, which could in turn enhance the growth of the business. The growth of a business has vital policy implications in terms of wealth creation, economic growth and development, and job creation for addressing the high unemployment rate in South Africa.

### **7.3.6. Leadership styles and SME performance**

In examining leadership styles and SME performance, 11 leadership styles (directive, supportive, participative, achievement oriented, autocratic, consultative, democratic, laissez-fair, pace setting and coaching, visionary, transformational and transactional) were examined to determine their impact on SME performance (financial and non-financial performance). From the results, it was established that supportive, participative, achievement, consultative, democratic and transformational leadership styles have a positive relationship with non- financial performance, while laissez-fair has a negative relationship with non-financial performance. With respect to financial performance, the results showed that only democratic and transactional leadership styles have a positive relationship with financial performance and this result is significant at the 5% level. The study also established that SME owners/managers in the Mangaung Metropolitan

Municipality only engage in supportive, achievement oriented, transformational and transactional leadership styles; but do not engage in participative, consultative, and democratic leadership styles. Seeing that participative, consultative, and democratic leadership styles have a positive relationship with SME performance, it becomes important to enhance these leadership styles amongst SME owners/managers in the Marga Mangrove Metropolitan Municipality.

### **7.3.7 MO and SME performance**

The three dimensions of market orientation (customer orientation, competitor orientation and inter-functional coordination) were examined to determine their impact on SME performance and financial and non-financial performance). The result revealed customer orientation and competitive orientation have a significant positive relationship with non-financial performance, while all three construct of MO (customer orientation, competitive orientation and inter-functional coordination) have a positive relationship with financial performance. Given that SME owners/managers in the Marga Mangrove Metropolitan Municipality engage highly in customer orientation but only moderately in competitor orientation and inter-functional coordination, it becomes important to enhance their level of competitor orientation and inter-functional coordination, if they want to improve the performance of their businesses.

### **7.3.8 The mediating relationship between market orientation and leadership styles**

The last part of the empirical findings focused on the determining the mediating relationship between market orientation and leadership styles. The results established a partial and full mediation. In terms of the full mediation, this study established that competitor orientation fully mediates the relationship between consultative leadership style and non-financial performance; customer orientation fully mediates the relationship between laissez-faire leadership style and non-financial performance; and competitor orientation fully mediates the relationship between democratic leadership style and financial performance. In terms of a partial mediation, this study showed that customer orientation partially mediates the relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates relationship between supportive leadership style and non-financial performance; competitor orientation partially mediates the relationship between participative leadership style and non-financial performance; customer orientation partially mediates the relationship between participative

leadership style and non-financial performance; customer orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between achievement leadership style and non-financial performance; competitor orientation partially mediates the relationship between democratic leadership style and non-financial performance; customer orientation partially mediates the relationship between transformational leadership style and non-financial performance; competitor orientation partially mediates the relationship between transformational leadership style and non-financial performance; and competitor orientation partially mediates the relationship between transactional leadership and financial performance. These results showed the individual dimensions of market orientation partially and fully mediate the leadership style SME performance (financial and non- financial) relationship. Thus in order to provide more insights into the role market orientation plays, researchers should focus on the individual dimensions of market orientation as businesses can have diverse combinations of these three, especially given that MO dimensions vary independently from each other. Also, these results reiterated the need for SME owners/managers to engage in participative, consultative, and democratic leadership styles and customer orientation as they act as mediators in enhancing the performance of a business.

#### **7.4. PART C: ACHIEVEMENT OF THE OBJECTIVE OF THE STUDY**

This section focusses on determining whether the objectives formulated in chapter one (subsection 1.3) were achieved.

##### **7.4.1. Primary objective**

The primary objective of this study is to examine the mediating effects of MO on the leadership-performance relationship. While the secondary objectives of the study were;

- i. To assess theories and concepts on leadership styles
- ii. To review theoretical studies on market orientation
- iii. To find out which types of leadership is practiced by SMEs owners
- iv. To determine whether SMEs owners engage in MO and which type of market orientation they engage in.



- v. To determine which type of leaderships styles are essential to enhance the performance of the SMEs.
- vi. To find out the impact of MO on the performance of SMEs
- vii. To find out the mediating effects of MO on the leadership styles- performance relationship
- viii. To provide possible recommendations on how leaderships styles, market orientation SMEs performance can be enhanced.

The first objective was to assess theories and concepts on leadership styles to establish which of the leadership styles influence the performance of the SMEs. The second objective was to review theoretical studies on MO. This objective was achieved in chapter three of the study.

The third objective was to find out which type of leadership is practiced by SME owners/managers. This objective was achieved in chapter six (**sub-section 6.7- Table 6.7**) of the empirical findings.

The forth objective was to determine whether SMEs owners engage in MO, and which type of market orientation they engage in. This objective was achieved in chapter six (**sub-section 6.8 and Table 6.9**).

The fifth objective was to determine which type of leadership styles are essential to enhance the performance of the SMEs. This objective was accomplished in chapter six (**sub-section 6.10 and table 6.11**) of the empirical findings.

The sixth objective was to find out the impact of MO on the performance of SMEs. This objective was accomplished in chapter six (**sub-section 6.10.2 and table 6.12**) of the empirical findings.

The seventh objective was to find out the mediating effects of MO on the leadership styles-performance relationship. This objective was achieved in chapter four and chapter six (**sub-section 6.11.1. and Table 6.13, Table 6.14**).

The eighth objective was to establish and provide possible recommendations on how leadership styles, market orientation, and SMEs performance can be enhanced. This relationship is achieved in Part D below (recommendations to the study).

Following the realisation of all the secondary objectives, it can be concluded that both the primary and secondary objectives of the study were met.

## **7.5. PART D: RECOMMENDATIONS TO THE STUDY**

Based on the results obtained from chapter six, this section will provide possible recommendations on how the critical issues identified from the findings can be addressed. The proposed recommendations emerged from the theoretical and empirical findings presented in the previous chapters of the study. Thus, specific recommendations are centered on the descriptive information of the SME owners/managers, the nature of the business, leadership styles, MO, SME performance, leadership styles and SME performance, MO and SME performance and the mediating relationship between Market orientation and leadership styles. These recommendations are explained below;

- With respect to gender, the findings revealed that fewer women participate in entrepreneurial activities as oppose to their male counterpart. In the past gender was used to exclude women from participating in the activities that were perceived to be dominated by males. Furthermore, women still find it difficult to make a breakthrough in business, consequently, it is imperative that South African government formulate new policies or enhance existing policies to empower women to become more active in entrepreneurial activities and also create an enabling environment for women to be competitive and succeed in their business venture.
- Also, with regards to the low level of education established amongst the SME owners/manager, it is recommended that organisations such as FDC, SEDA and NYDA to collaborate with Free State Department of Education to provide workshop and training programs aiming at equipping entrepreneurs with necessary knowledge and skills required to run the business effective and efficient. Education is central to the success of the business, as such SME owners/managers must acquire the basic knowledge in financial management, marketing management, general management and sales management to enhance their business knowledge and skill to manage effectively. This will help entrepreneurs to perform basic business functions such as planning, organizing, leading and control to operate the business successfully.

- In order to enhance access to finance amongst SMEs owners/manager, it is imperative that South African government put into effect rules and regulation or policies that will compel banks and other financial institution to get rid of stringent requirements that prevent entrepreneurs from acquiring finance. Also, banks and financial institutions should learn to understand entrepreneurs financing model, invest in training programmes and banking seminars to help entrepreneurs become more financeable and become bankable, increase their loans and lines of credit as this intend will result in numerous new financing opportunities that can increase the banks' loan portfolios.
- SME owners/managers can develop participative leadership style by encouraging career development and also allow their employees to use their own professional development plan and skills to close the performance gaps identified in the business. Democratic leadership styles be developed by communicating important information to employees in a timely manner and also using employee's opinions to arrive at a final decision. By developing these leadership styles, SME owners/manage will facilitate the efficient exchange of information amongst employees and also give them a feeling of empowerment when given the task to perform.
- SME owners/managers can enhance their financial performance must ensure it consistently monitor all the business function within the business to ensure they are operating mutually to produce an output in excess of the input, ensures that product/service meet quality expectations, product/services are delivered in a timely manner and/or within the allocated cost and continuous improvement and research and development so as to boast the revenues and profitability of the business.
- SME owners/managers can enhance their level of competitor orientation by positioning themselves more competitively over their competitors, by ensuring that they provide a value added product/services to their customers which differentiate themselves from their competitor instead of competing head-to-head. Also, SME owners/managers can make use of the SWOT analysis to ensure that they constantly scan and monitor the environment for opportunities which they can use to secure a competitive advantage.

## 7.6. PART E: LIMITATIONS TO THE STUDY

- This study was conducted amongst the SME owners/managers in the Mangaung Metropolitan Municipality (*Bloemfontein, Botshabelo and Thaba’Nchu*). As such the findings cannot be generalise across all SMEs in South Africa.
- The researcher could not reach all the SME owners/managers operating in the Mangaung Metropolitan Municipality because of time and financial constraints.

## 7.7. PART F: FUTURE RESEARCH

- Future studies should be extended to other geographic areas in South African in order to obtain more insight/information on the mediating effects of MO on the leadership styles-performance relationship in other provinces in South Africa.
- Given that this study only focused on the cultural dimension (customer orientation, competitor orientation and inter-functional coordination) of market orientation, future studies can also look at the dimensions of MO from the behavioural (*generation of market intelligence, dissemination of intelligence and organisational response*) perspective to find out which of these behavioural dimensions of MO mediate the leadership styles-performance relationship.
- Future research should focus on factors such as job satisfaction, motivation and commitment to ascertain to what extend the leadership styles of the SME owners/managers affect employee job satisfaction, motivation, and commitment.
- Lastly, the study focused on SME owners/managers only. Future research should focus on the employees because they can provide comprehensive information on the leadership styles of their owners/managers on the performance of the organisation.

## 7.8. CHAPTER SUMMARY

This chapter concluded the entire study and proffered some recommendations. The chapter was divided into six parts. Part A provided a brief discussion on conclusion and theoretical chapters. Part B presented the conclusion on the empirical findings discussed in chapter six. Part C summarised the achieved objectives of the study, Part D discussed specific recommendations

based on the important issues that emerged from the study, and Part E presented the limitations of the study. The last section, Part F elaborated on the areas that are critical for the future research.

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## **APPENDICES**

### **Appendix 1: Information letter to the participants in the study**

#### **LEADERSHIP STYLES AND SME PERFORMANCE: THE MEDIATING EFFECT OF MARKET ORIENTATION QUESTIONNAIRES**

Dear Sir/Madam

I am a Master's student at the Department of Business Management, University of the Free State. I am conducting a research titled "Leadership styles and SMEs performance: the mediating effect of market orientation" and your organisation has been chosen to participate in this research. The information gathered will be used by the researcher for the purpose of the study. It will be treated the strict confidentiality. Please be accurate and honest as possible in answering all the questions. Your cooperation is highly appreciated.

Yours Sincerely

Nkopane W. Miya

**Researcher**

Contact number: 078 5298 732

Dr. Neneh Brownhilder

**Supervisor**

Contact number: 051 401 2156

## Appendix 2: Questionnaire

### SECTION A: DESCRIPTIVE/DEMOGRAPHIC DETAILS OF THE SME OWNER/MANAGER

In this section, the researcher is interested in finding out more information about the SME owner/manager. Please indicate with (X) in the suitable box below.

1. Gender

Male	1		Female	2
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2. Age category

<20 yrs	1	21-30 yrs	2	30-39 yrs	3	40-49 yrs	4	50+ yrs	5
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3. Race

African	1	Coloured	3	Asians	5
White	2	Indian	4	Others	6

4. How old is your business? \_\_\_\_\_ years.

5. In which stage of the business life cycle phase is your business currently in? Please indicate with (X).

Startup stage	1	Growth stage	2	Maturity stage	3	Declining stage	4
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6. Highest formal educational qualification?

No formal education	1	Grade 1-7	2	Grade 8-12	3	Matric	4	Diploma	5
		Degree	6	Honours	7	Master's Degree	8	PHD	9

If others, please specify \_\_\_\_\_

7. What type of degree program did you complete? Please indicate with (X).

Accounting	1	Human Resource Management	5
Marketing	2	Economics	6
Business Management	3	Engineering	7
Finance	4	IT\Computing	8

8. Have ever enrolled for any short course; training programs or diplomas in business management or related discipline. Please indicate with (X).

	YES	NO		YES	NO
Business Management	1	2	General management	1	2
Finance	1	2	Management Accounting	1	2
Bookkeeping	1	2	Marketing management	1	2
Marketing	1	2	Sales management	1	2
Entrepreneurship	1	2	Tourism management	1	2
Human resource management	1	2	Project management	1	2

9. If you have any other degree, diploma or training program not mention in question 7 and 8 above, please specify

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## SECTION B: THE NATURE OF THE BUSINESS

In this section the researcher is more interested in finding out about the type of business you operate and the industry you compete in. Please indicate with (X) on the suitable box below.

1. What is the legal standing of the business you are involve in?

Sole Trader (Owned by one person)	1
Partnership (Owned by 2-20 people)	2
Close cooperation (Owned by 1-10 people)	3
Private company (Pty) Ltd	4

2. In which industry is your business competing in?

Manufacturing	1	Entertainment	8
Transportation	2	Technology/IT	9
Wholesaler	3	Fast food	10



Construction	4	Retail and Consumer Services	11
Finance	5	Motor vehicle and Repairs	12
Hair dressing	6	Health care, Education, Social service	13
Clothing	7	Property and Real Estate	14

If you have any other business not mentioned in question 2 above, please specify

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3. How many people does your business employ?

A micro enterprise (0-5 people)	1
Very small (5-10 people)	2
A small enterprise (10-50)	3
A medium enterprise (50-120 people)	4
Large enterprise (>120 people)	5

4. How did you raise up your startup capital?

Personal Savings	1
Family and friends	2
Inheritance	3
Banks and other financial institution	4
Government support services (SEDA, FDC, IDC)	5

5. What were your reasons/motives for starting the business? Please indicate with (X).

**1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree**

<b>Pull and push factors</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
Being my own boss	1	2	3	4	5
Need for autonomy	1	2	3	4	5
A need for power	1	2	3	4	5
Independence and flexibility	1	2	3	4	5
Wealth creation	1	2	3	4	5
Opportunities in the market	1	2	3	4	5
To provide job security	1	2	3	4	5
To realise my dreams	1	2	3	4	5
I enjoy taking risk	1	2	3	4	5
Earn a reasonable living and enjoy a quality of life	1	2	3	4	5
Unemployment	1	2	3	4	5

Poverty	1	2	3	4	5
Experiencing low pay in current employment	1	2	3	4	5
Not happy with current employment	1	2	3	4	5
Niche market	1	2	3	4	5
Interested in a subject	1	2	3	4	5

6. Did you have a prior experience in the sector your business is operating in?

Yes	1	No	2
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If yes, Please indicate in details

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7. Have any of your family members ever owned or operated a business?

Yes	1	No	2
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### SECTION C: LEADERSHIP STYLES AND SMEs PERFORMANCE

In this section the researcher is interested to find out more about the impact of leadership styles on the performance of the SMEs. Please indicate the extent to which you agree and disagree with the statements below. Mark with (X) on the suitable box.

**1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, 5 = strongly agree**

<b>Statements – Directive leadership style</b>					
Issue directed to the subordinates on what to do, how to do and when to do.	1	2	3	4	5
Give instructions and subordinates are expected to follow them.	1	2	3	4	5
Does not show confidence in the judgement of his/her subordinates.	1	2	3	4	5
Talks more than listening to the views of the subordinates.	1	2	3	4	5
Aggressive, controlling, and dictates which activities should be carried out.	1	2	3	4	5

<b>Statements - Supportive leadership style</b>					
Sets up a conducive and friendly atmosphere at work.	1	2	3	4	5
Shows concern for the well-being of the subordinates.	1	2	3	4	5
Acknowledges the achievements of the subordinates and reward them.	1	2	3	4	5
Give subordinates emotional, informational, and instrumental support to overcome their challenges.	1	2	3	4	5
Plays the role of a mentor to enhance the performance of the subordinates.	1	2	3	4	5

<b>Statements - Participative leadership style</b>					
Give subordinates space to raise their opinions before making a final decision	1	2	3	4	5
Involve subordinates in the planning, and implementation process.	1	2	3	4	5
Motivates subordinates to brainstorm the idea that will enhance the performance of the organisation.	1	2	3	4	5
Promotes discussion and motivate collective decision making than instructing subordinates.	1	2	3	4	5
Shares responsibility with subordinates and encourage teams' effort in accomplishing goals.	1	2	3	4	5

<b>Statements - Achievement orientated leadership style</b>					
Driven by the high desire to achieve the goals of the organisation.	1	2	3	4	5
Sets high goals for subordinates and expect them to perform at their best level.	1	2	3	4	5
Continuously request subordinates to improve performance to achieve organisational goals.	1	2	3	4	5
Shows conviction that subordinates will accept responsibility to achieve challenging goals.	1	2	3	4	5
<b>Statements – Autocratic leadership style</b>					
Rules in a very stem manner.	1	2	3	4	5
Dictates how the work should be done.	1	2	3	4	5
Make decisions on his/her own and subordinates do not have a say.	1	2	3	4	5
Compels subordinates to accept his/her ideas.	1	2	3	4	5
Puts too much emphasis on performance rather than people.	1	2	3	4	5

<b>Statements – Consultative leadership style</b>					
Leader takes into account the views and ideas of the subordinates when setting the goals.	1	2	3	4	5

Leader utilise the skills and knowledge of the subordinates but retains a final decision.	1	2	3	4	5
Involve subordinates in problem solving.	1	2	3	4	5
Leader do not completely trust on his/her subordinates.	1	2	3	4	5
Subordinates are encouraged to put forward their idea in the decision making process.	1	2	3	4	5

<b>Statements - Democratic leadership style</b>					
Puts too much emphasis on performance and people.	1	2	3	4	5
Allow subordinates to participate in the decision making.	1	2	3	4	5
Give subordinates the autonomy to think of creative ways of doing the work.	1	2	3	4	5
Delegates decision making authority to subordinates.	1	2	3	4	5
Consult subordinates before designing their work program.	1	2	3	4	5

<b>Statements - Laissez-fair leadership style</b>					
Give subordinates decision making powers without getting involve.	1	2	3	4	5
Subordinates have the right to decide what they want.	1	2	3	4	5
Giving responsibility to the subordinates is the way of avoiding confrontation.	1	2	3	4	5
Pays less attention to conflict situation hoping it will fade away.	1	2	3	4	5
Does not want to handle problems unless compelled to do so.	1	2	3	4	5

<b>Statements - Pace setting leadership style</b>					
The leader puts in place high performance standard.	1	2	3	4	5
Preoccupied about getting things done quickly and expect the same from subordinates.	1	2	3	4	5
Replaces subordinates who cannot meet the standard.	1	2	3	4	5
Demand subordinates who are unable to cope with his/her pace to improve performance.	1	2	3	4	5
Subordinates are expected maintain the pace set by the leader to achieve to achieve desired goals.	1	2	3	4	5

<b>Statements - Coaching leadership style</b>					
Spent time one on one with the subordinates to develop their knowledge and skills.	1	2	3	4	5
Help subordinates to be aware of their strengths and improve weaknesses.	1	2	3	4	5
Indicate to subordinates how to enhance their performance.	1	2	3	4	5

Support subordinates to be align with the goals of the organisation.	1	2	3	4	5
Empower subordinates to reach their full potential.	1	2	3	4	5

<b>Statements - Transformational leadership style</b>					
Encourage subordinates to put the interest of the organization before their own.	1	2	3	4	5
Communicates the goals and the vision of the organization clear.	1	2	3	4	5
Creates a conducive atmosphere and inspire subordinates to work hard and perform well.	1	2	3	4	5
Shows confidence and believe that goals will be attained.	1	2	3	4	5

<b>Statements - Transactional leadership style</b>					
Uses reward system to motivate subordinates to achieve goals.	1	2	3	4	5
Institutes punishment for failure to achieve goals.	1	2	3	4	5
Spend time guiding and motivating subordinates to achieve desired goals.	1	2	3	4	5
Subordinates are rewarded based on contractual agreement for achieving the goals.	1	2	3	4	5

#### SECTION D: MARKET ORIENTATION (MO) AND SME PERFORMANCE

In this section the researcher is more interested in finding out more about the effect of MO on the performance of the SMEs. Please indicate the extent to which you agree or disagree with each of the following statements by selecting the appropriate level.

**1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, 5 = strongly agree**

<b>Statements - Intelligence Generation</b>					
We meet with customers at least once a year to find out products or services they will need in the future.	1	2	3	4	5
We collect industry information by informal means (e.g., lunch with industry friends, talks with trade partners)	1	2	3	4	5
We are slow to detect changes in our customer' product preference.	1	2	3	4	5
We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors)	1	2	3	4	5
We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.	1	2	3	4	5

<b>Statement – Intelligence Dissemination</b>	
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Our business unit periodically circulates documents (e.g., reports, news-letters) that provide information on our customers'.	1	2	3	4	5
When something important happens to a major customer of market, the whole business unit knows about it within a short period.	1	2	3	4	5
Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.	1	2	3	4	5
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.	1	2	3	4	5
When one department finds out something important about competitors, it is slow to alert other departments.	1	2	3	4	5

<b>Statements - Responsiveness</b>					
It takes us forever to decide how to respond to our competitors' price change.	1	2	3	4	5
We are quick to respond to significant changes in our competitors' pricing structure.	1	2	3	4	5
We periodically review our product development efforts to ensure that they are in line with customers want.	1	2	3	4	5
If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	1	2	3	4	5
Customers' complaints fall on deaf ears in this business unit.	1	2	3	4	5
When we find out that customers are unhappy with the quality of our service, we take corrective immediately.					

<b>Statements – Customer Orientation</b>					
Customer satisfaction is our major objective.	1	2	3	4	5
We create products/services that offer value to our customers.	1	2	3	4	5
We measure customer satisfaction and provide up service.	1	2	3	4	5

<b>Statement - Inter-functional Coordination</b>					
Every department works together to meet customers' needs.	1	2	3	4	5
Business strategies are shared and integrated between different departments.	1	2	3	4	5
Each department share business information with each other.	1	2	3	4	5

<b>Statements - Competitor Orientation</b>					
We discuss competitors'	1	2	3	4	5
We respond rapidly to competitors' actions	1	2	3	4	5
We target opportunities for competitive advantage.	1	2	3	4	5
<b>Statements - Differentiation and low cost strategy</b>					

Introducing new services/procedures	1	2	3	4	5
We differentiate services from competitors.	1	2	3	4	5
We utilize market research to identify new services.	1	2	3	4	5
Achieving lower cost of service than competitors	1	2	3	4	5
Offering broader range of services	1	2	3	4	5

<b>Statements - Market turbulence</b>					
We experience changes in the taste and preference of customers' often.	1	2	3	4	5
Customers are constantly looking for new products and services.	1	2	3	4	5
Our customers' are price conscious.	1	2	3	4	5
We serve more customers' than we did in the past.	1	2	3	4	5
New customers are demanding our products or service than current customers.	1	2	3	4	5

<b>Statements – Competitive intensity</b>					
New companies enter the market to compete with new offerings.	1	2	3	4	5
Our organisation faces the threat of substitute products from competitors.	1	2	3	4	5
We compete with many organisations offering similar products or service in the market.	1	2	3	4	5
We offer products or services that are different from that of our competitors.	1	2	3	4	5
We offer quality products or services at the lower costs than our competitors.	1	2	3	4	5

<b>Statements - Technological turbulence</b>					
Our industry does not experience a high technological change.	1	2	3	4	5
Technology enables us to serve a large target market.	1	2	3	4	5
Technology enables us to respond quickly to the changing needs of our customers'.	1	2	3	4	5
Technology boosts our competitive advantage in the market.	1	2	3	4	5
Technology is the major game changer in our industry.	1	2	3	4	5

## SECTION E: PERFORMANCE OF THE SMEs

In this section the researcher is more interested in finding out about the performance of the business. Please indicate with (X) on the statements below.

For the following indicators, compare the results of your company to other competitors ( <b>1 = much worse than competitors, 5 = much better than competitors</b> )					
Growth in Sales	1	2	3	4	5

Market Share	1	2	3	4	5
Customer's satisfaction	1	2	3	4	5
Attracting new customers	1	2	3	4	5
Retaining old customers	1	2	3	4	5
Growth in sales	1	2	3	4	5
Product/ service quality	1	2	3	4	5
Net Profit	1	2	3	4	5
Technology Superiority	1	2	3	4	5
Labor productivity	1	2	3	4	5
Employee Satisfaction	1	2	3	4	5
Return on Investment	1	2	3	4	5
Research and development Activities	1	2	3	4	5
Cost Efficiency	1	2	3	4	5

**Thank you for completing the Questionnaire!!**



### Appendix 3: Language Editorial Certification Letter

#### **SLS Proofreading & Editorial Services**

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9<sup>th</sup> Day of November 2017

Nkopane Washington Miya  
Student number 2006061887  
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Faculty of Economics and Management Science  
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Bloemfontein, South Africa.

Dear Nkopane,

#### **CERTIFICATION OF ENGLISH LANGUAGE EDITING**

This document certifies that the thesis titled “**Leadership Styles and SME Performance: The Mediating Effect of Market Orientation**” has been thoroughly edited for correct English language usage, syntax, spelling, punctuation, and overall style. Where meaning was not explicit or clear, the sentence or paragraph was marked for the author’s attention. The author’s ideas, research content, and context of the thesis were not altered during the editing process.

SHULIKA Lukong Stella



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## Appendix 4: Mangaung Metropolitan Municipality Map

