

Leadership skills and effectiveness of Micro, Small and Medium Enterprises (MSMEs) in Rayalaseema Region of Andhra Pradesh: An Empirical Study

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Abstract

The Micro, Small and Medium Enterprise sector has emerged as the most vital and dynamic sector of the Indian economy. It has helped significantly in strengthening the entrepreneurial base of the country giving its economy the diversity and depth. In spite of the fact that the MSME sector has been playing a significant role and to this effect different monetary and non-monetary incentives have been offered, special packages have been announced and implemented, and even today they are not free from problems. In the context of LPG, the MSM enterprises though got global opportunities and equally they are facing threats with global eternal giants. Yet the sickness in this sector is also noticed. In a programme of this magnitude, sickness to some extent is inevitable. The incidence of sickness in the MSMEs has been a subject of great concern and debate. Thus, the sickness is a cause of concern and this in turn affects efficiency, productivity and proves fatal. The reasons for industrial sickness especially in MSM enterprises are many and varied. One of the reasons for industrial sickness may be because of absence of effective management. The management and leadership though conceptually different, functionally all managers at times supposed to act as leaders. Therefore, management failures may be significantly considered as failures of organisation vis-à-vis leadership failure. Failure to recognize this fact would lead to ineffective functioning of business organisation in during MSM enterprises. Hence, the need for and importance of leadership.

Key words: Leadership, skills, MSMEs, styles, and achievement

Introduction

The Micro, Small and Medium Enterprise sector has emerged as the most vital and dynamic sector of the Indian economy. It has helped significantly in strengthening the entrepreneurial base of the country giving its economy the diversity and depth. In spite of the fact that the MSME sector has been playing a significant role and to this effect different monetary and non-monetary incentives have been offered, special packages have been announced and implemented, even today they are not free from problems. In the context of LPG, the MSM enterprises though got global opportunities and equally they are facing threats with global eternal giants. Yet the sickness in this sector is also noticed. In a programme of this magnitude, sickness to some extent is inevitable. The incidence of sickness in the MSMEs has been a subject of great concern and debate. Thus, the sickness is a cause of concern and this in turn affects efficiency, productivity and proves fatal. The reasons for industrial sickness especially in MSM enterprises are many and varied. One of the reasons for industrial sickness may be because of absence of effective management. The management and leadership though conceptually different, functionally all managers at times supposed to act as

leaders. Therefore, management failures may be significantly considered as failures of organisation vis-à-vis leadership failure. More so, the problem of sickness in MSMEs tend to be complicated may be because of certain inherent weaknesses in leadership and lack of entrepreneurial skills which finally render them susceptible to the vicissitudes of trade and economic climate. Scores of evidences are there to quote that the leadership styles and skills of owner-managers of business enterprises that can manage and lead the business enterprises more successful. Failure to recognize this fact would lead to ineffective functioning of business organisation in during MSM enterprises. Hence, the need for and importance of leadership.

Objectives of the Study

The main thrust of the study is to study leadership effectiveness and performance of MSMEs. However, the following are the specific objectives of the study

1. To highlight the need for and importance of the leadership phenomena in MSMEs.
2. To identify and understand the personality characteristics of the selected owner-managers of small business enterprises in the region.
3. To study the association between leadership skills and Styles of owner –managers to that of the level of goal achievement of their business enterprises.

Sampling design

Rayalaseema Region is one of the industrially backward regions of Andhra Pradesh. According to the official records of the District Planning Officers in Four Districts there are 15143 micro, small and medium enterprises belonging to Agro-based, Mineral, Engineering, Chemical and Forest based industries. For a detailed analysis, as many as 400 owner-managers.

Method of Data Collection

Empirical studies of this nature require sound theoretical knowledge and understanding about various aspects of MSMEs and leadership. Therefore, the required data will be collected both from primary and secondary sources. Primary data will be collected by administering a structured Interview-Schedule eliciting responses from the select owner-managers of small business enterprises on the select personal background variables, skills possessed and leadership styles adopted and also leadership effectiveness through the organizational goals and level of achievement of these goals by the leaders and job satisfaction of owner-managers.

Statistical tools to be used

For arriving at the scientific and empirical findings, appropriate the parametric and non-parametric statistical techniques will be used wherever necessary.

Table 1

Owner –managers’ with administrative skills and the level of their goal achievement

Administrative skills	Goal achievement level			Total
	High	Moderate	Low	
High	99 (57.00)	30 (17.00)	43 (26.00)	172 (100)
Moderate	60 (48.00)	40 (32.00)	24 (20.00)	124 (100)
Low	49 (47.00)	30 (29.00)	25 (24.00)	104 (100)
Total	208 (52.00)	100 (25.00)	92 (23.00)	400 (100)

Source: Field Survey,

Chi-square value: 10.03331

Table Value:15.507(@.05 significant level)

Administrative skills as is understood in the study refer to the ability of owner-managers to frame the policies, and strategies for effective management of the business enterprise. In this regard, the selected owner-managers based on the responses given by them are categorized owner-managers with high moderate and low administrative skills. Further, they are asked to mention their level of goal achievement. All such details are furnished in table 1. As per the results, out of 172 owner-managers who are high in their administrative skills, 99 are able to achieve high level goal achievement and those who have moderate administrative skills only 60 have high in their goal achievement. The overall observation of the table brings us to infer that irrespective of the level of administrative skills, the level of goal achievement is high in case of 208 owner-managers out of 400 selected for the study. Besides, it can be also be inferred that 92 out of 400 representing 23 per cent of owner-managers have low administrative skills but high goal achievement. With regard to the administrative skills and the level of goal achievement vis-à-vis the level of leadership effectiveness among the selected owner-managers, the calculated Chi-square value is less than the table value and hence, there is no significant positive association between the owner-managers administrative skills and their level of leadership effectiveness.

Table 2

Owner –managers with interpersonal skills and Level of their goal achievement

Interpersonal Skills	Goal achievement level			Total
	High	Moderate	Low	
High	110 (72.00)	21 (14.00)	21 (14.00)	152 (100)
Moderate	33 (28.00)	45 (39.00)	38 (33.00)	116 (100)
Low	65 (49.00)	34 (26.00)	33 (25.00)	132 (100)
Total	208 (52.00)	100 (25.00)	92 (23.00)	400 (100)

Source: Field Survey

Chi-square value: 51.7639

Table value: 15.507 (@.05 significant level)

Interpersonal skills as found by David Kwok that the managers need to develop their people skills if they are going to be effective and successful in their job. Managers who have profound interpersonal skills can get things done through others, able to communicate; motivate, delegate things and able to achieve organizational goals effectively. The table (2) shows the level of interpersonal skills possessed by the selected owner-managers and the level of their goal achievement. The effectiveness as is measured in other cases, here too, measured in terms of goal achievement in three criteria as high, moderate and low level of goal achievement. It is observed from the results as shown in the table that 152 owner-managers out of 400 have high interpersonal skills and high level of goal achievement. Even among the owner-managers who have low interpersonal skills but have high goal achievement. Those who have low interpersonal skills but more owner-managers (65) have high achievement level out of 132 owner-managers. Therefore, the analysis led us to conclude that owner-managers who have high interpersonal skills could achieve high level of goal-achievement more than other owner-managers. The findings arrived about the owner-managers' interpersonal skills and the level of goal achievement or leadership effectiveness it can be confirmed that there is a close positive association between them as it has been found that the calculated Chi-square value is more than the table value at 0.5 per cent level of significance.

Table 3

Owner-managers with conceptual skills and the level of goal achievement

Conceptual skills	Goal achievement level			Total
	High	Moderate	Low	
High	50 (40.00)	31 (25.00)	43 (35.00)	124 (100)
Moderate	115 (64.00)	39 (21.00)	27 (15.00)	181 (100)
Low	43 (45.00)	30 (31.00)	22 (24.00)	95 (100)
Total	208 (52.00)	100 (25.00)	92 (23.00)	400 (100)

Source: Field Survey

Chi-square value: 23.7251

Table value: 15.507 (@0.5 significant level)

Conceptual skills in the current study refer to the mental ability to analyze and diagnose situations, identify alternatives that can correct them and rationally process and interpret the information for getting things done through others. The details on conceptual skills and level of goal achievement can be understood from table 3. It is learnt from the table that 124 out of 400 owner-managers have high conceptual skills and as many as 181 representing 45 per cent have moderate conceptual skills and 95 or 23 per cent of the owner-managers have low conceptual skills. Among those who have high conceptual skills 50 owner-managers have high goal achievement level and 47 per cent

of the owner-managers have low goal achievement. Owner-managers with moderate conceptual skills have high achievement level and from among 95 owner-managers with low conceptual skills have also high goal achievement level is obviously noticed. In essence, owner-managers with moderate conceptual skills have high goal achievement than the other owner-managers.

The overall observation and understanding of leadership skills and level of goal achievement, owner-managers with high administrative skills are more followed by owner-managers with interpersonal and conceptual skills respectively. About the owner-managers' conceptual skills and the level of leadership effectiveness, the Chi-square value is more than the table value and hence, it can be concluded that there is a close positive relationship between conceptual skills of the owner-managers and the leadership effectiveness as it has been established by the Chi-square value that there is appositive association between conceptual skills and leadership effectiveness.

Thus, the formulated null hypothesis that there is no association between interpersonal and technical skills and leadership effectiveness is rejected while in case of administrative skills in the study is accepted.

Leadership styles and leadership effectiveness

Leadership styles ensure the highest possible involvement of all employees in reaching an organization's objectives. It also enables to the leader's confidence and trust towards subordinates/followers, communication between them and utilization of subordinates' ideas by the leaders. Previous studies have produced findings consistent with the idea that different styles have diverse effects on variables such as flexibility, responsibility, standards, rewards, clarity and commitment and in some cases, an organisation's climate. In an attempt, Park (1996)¹ demonstrated that gender is related with leadership styles, which in turn, influences decision-styles. In one of the studies carried out by Kahai and Sosik (1997)² found that participative leadership is more related to making supportive comments to group members than directional leadership. Evkall and Ryhammar (1997)³ also established that leadership style influence climate, which inturn influences creativity and productivity. They further opined that leadership style has a direct influence on subordinates' productivity of an organization including achievement of organizational goals.

Table 4
Leadership styles adopted by the selected owner-managers and the level of goal achievement

Leadership styles	Goal achievement level			Total
	High	Moderate	Low	
Autocratic	138 (68.00)	40 (20.26)	26 (11.74)	204 (100)
Consultative	29 (32.85)	44 (48.57)	20 (18.58)	93 (100)
Participative	37 (43.94)	14 (16.67)	37 (39.39)	88 (100)
Laissez –faire	4 (27.27)	2 (18.18)	9 (54.55)	15 (100)
Total	208 (53.00)	100 (26.00)	92 (21.00)	400 (100)

Source: Field survey

Chi-square value: 77.7251

Table value : 19.675(@.05 significant level)

In addition, Waldman (2001)⁴ proposed the inclusion of leadership style in the upper Echelons theory, since this variable has direct effects on the decisional process and results of an organizations, Shamir (2001)⁵ opined that leadership style influences subordinates, as the behavior of the leader produces motivation mechanisms which have effects on the conduct of individuals in the organization.

In an attempt Rahman (2001)⁶ concluded that leadership style, processes, services and individuals and their approach to clients have an impact on the goals of an organisation. More recently, Pedraja and Rodriguez (2005)⁷ in their study established that leadership styles influence effectiveness in public organization. Finally, it is appropriate to recognize that whilst different leadership styles exist, it is difficult to establish the supremacy of one specific style over another. With this background, the following table incorporates the details about leadership styles exhibited by the selected owner-managers and their level of goal achievement.

According to the results shown in table 4 it is understood that out of the 400 owner-managers’ in the study as many as 204 representing 51 per cent are adopting autocratic leadership style and among them 138 have high level goal achievement followed by moderate and low level goal achievement. Among the 93 owner –managers who adopting consultative style, 44 have moderate achievement, 29 have high achievement and 20 have still low level of goal achievement. Owner-managers who are using participative leadership style 37 have high level goal achievement followed by low and moderate level of goal achievement. Regarding laissez –faire, only 4 per cent of the owner-managers are using this style and among them only 27 per cent are high in their goal achievement. Thus, it can be summedup that all the selected owner-managers are using all the leadership styles but with varying degrees. On the whole 204 owner-managers are using autocratic style in all situations, followed by consultative and participative style. Very meager percentage of owner-managers are using the laissez –faire leadership style. With regard to level of effectiveness, owner-managers who used autocratic, participative and laissez –faire are found high goal achievement (i.e. high leadership effectiveness) while owner-managers who used consultative leadership style

have moderate goal achievement. In this regard, the calculated Chi-square value is more than the table and hence it can be concluded that there is a close positive association between leadership styles and leadership effectiveness.

Conclusions

The leadership is played a key role in development of MSMEs in every society. The leadership will failure, organization will failure. Hence pre sent study concluded that how the leadership should have been acquiring leadership skills, and how they acted as situation wise, i.e., leadership styles. So, effective leadership will always achieve the organizational and individuals goals.

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