

The Effect of Leadership Style on the Job Satisfaction of Micro and Small Enterprises

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ABSTRACT

The major factors that determine both success and failure of Small Business include substantive and legitimate, learning strategies and leadership behaviors that may be among the principal reasons why some small businesses succeed while others fail to understand the learning strategies, leadership knowledge, and skills used by successful small business leaders (SSBLs). The objective of the study is to reveal out the relationship between leadership style and job satisfaction of MSEs at western oromia, Ethiopia. Stratified random sampling was used to get information from different sizes of the MSEs. selected from Manufacturing, service, agriculture, construction and trade sectors on proportional basis. Accordingly, 334 respondents were selected from the total of 1931 MSEs. Finally, the study revealed out that that there is statistically significant relationship between leadership style and job satisfaction. Also, the more exercising transformational leadership style, there would be more possibility of enhancing level of job satisfaction of MSEs.

SARI PATI

Faktor utama yang menentukan keberhasilan dan kegagalan Usaha Kecil mencakup yang substantif dan legitimatif, strategi pembelajaran dan perilaku kepemimpinan yang mungkin menjadi alasan utama mengapa beberapa usaha kecil berhasil sementara yang lain gagal untuk mengerti strategi pembelajaran, pengetahuan kepemimpinan, dan keterampilan yang digunakan oleh pemimpin bisnis kecil yang sukses. Tujuan penelitian ini adalah untuk mengungkapkan hubungan antara gaya kepemimpinan dan kepuasan pekerjaan UKM di Oromia Barat, Ethiopia. Diurutkan secara acak, sampling digunakan untuk mendapatkan informasi dari berbagai ukuran UKM, yang dipilih dari sektor manufaktur, layanan, pertanian, konstruksi dan sektor perdagangan secara proporsional. Dengan demikian, 334 responden dipilih dari total 1931 UKM. Akhirnya, penelitian mengungkapkan bahwa ada hubungan yang signifikan secara statistik antara gaya kepemimpinan dan kepuasan pekerjaan. Juga, semakin transformasional gaya kepemimpinan, akan ada lebih banyak kemungkinan untuk meningkatkan level kepuasan pekerjaan UKM.

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INTRODUCTION

According to Okumbe (1998), leadership is a process of encouraging and helping others to do something of their own wish, neither because it is required nor because of the fear of consequences of non-compliance. Therefore, it is thus a process of initiating and supporting fellow subordinates to achieve organizational objectives. It is the human factor that make group members highly conjugate together and being inspiring them in order to actualize group's potentials into reality. Successful small business leaders (SSBLs) need a strong leadership style that endows both transactional and transformational knowledge and skills. The objective of the study is to reveal out the relationship between leadership style and job satisfaction of MSEs

According to Ames (1983) and Goltz (2011) the major factors that determine both success and failure of Small Business include substantive and legitimate, learning strategies and leadership behaviors that may be among the principal reasons why some small businesses succeed while others fail to understand the learning strategies, leadership knowledge, and skills used by successful small business leaders (SSBLs)

Statement of the problem

Successful leaders would deal with a shared vision and share it with others, empowering their subordinates in order to give attention on the final results (Covey, 2004; Kouzes & Posner, 2012). In other words, if need arise to achieve goals, leaders should be expected to make the future through setting a vivid vision. Being a leader requires the existence of followers and inspiring those followers to accept the leader's vision as their own. Leaders must not only create a vision but eloquently share the vision with others. "It is argued that, leadership is a dialogue, not a monologue" (Kouzes & Posner, 2012, p. 11). The leader must enlist the support of followers and enable them to become enthusiastic about the vision. Very little is possible without an overwhelming shared vision. Successful leaders

would encourage their followers and foster a strong sense of community. That means, leaders let their employees with a positive sense of direction that enable them achieve what they want to achieve. As per Gwavuya (2011) illustration, poor leadership style causes retarded employee performance, high stress, low job commitment, low job satisfaction and turnover intent. Muindi (2011) also depicted that leadership style, can determine the level of employees' job satisfaction.

Successful small business leaders (SSBLs) need a strong leadership style that endows both transactional and transformational knowledge and skills (Valdiserri & Wilson, 2010). The knowledge of both transactional and transformational leadership would enable a base for successful small business leaders. "Small business leaders establish the working atmosphere of their business through their leadership style (Valdiserri & Wilson, 2010). It is the SSBL's role to influence how employees achieve goals (Peters, 2005). Valdiserri and Wilson (2010) found transformational and transactional leadership styles have a significant impact on small business organizational profitability and success. Hence it is possible to infer that, the leader should take in to due consideration the organization's goal whenever he/she undergoes delegation of tasks in order to enhance the prospect of innovation and growth. Therefore, this study revealed out the relationship between leadership style and job satisfaction of MSEs at western oromia, Ethiopia.

Objective of the study

The objective of the study is to assess the relationship between leadership style and job satisfaction of MSEs at western oromia, Ethiopia

Literature Review

Small Business Leadership

According to Ames (1983) and Goltz (2011) the major factors that determine both success and failure of Small Business include substantive and legitimate, learning strategies and leadership behaviors that may be among the principal reasons

why some small businesses succeed while others fail to understand the learning strategies, leadership knowledge, and skills used by successful small business leaders (SSBLs). Results from the study could assist in developing other private- and public-sector organizations. The results from the study could also be helpful to communities as small business success directly impacts the growth and development of the community (Berry, 2012; Collin & Allen, 2002).

SSBLs need a strong leadership style that endows both transactional and transformational knowledge and skills (Valdiserri & Wilson, 2010). The knowledge of both transactional and transformational leadership would enable a base for successful small business leaders. "Small business leaders establish the working atmosphere of their business through their leadership style (Valdiserri & Wilson, 2010). It is the SSBL's role to influence how employees achieve goals (Peters, 2005). Valdiserri and Wilson (2010) found transformational and transactional leadership styles have a significant impact on small business organizational profitability and success.

Researchers did not well investigate the relationship between leadership styles and small business leadership. According to some literatures the leadership style is reliant up on the goals and objectives of one's organization. Innovation and growth are determinants for success of small business firms or any entrepreneurial ventures. Bolman and Deal (2008) describe a simple structure for small businesses where leadership is practiced through direct supervision and oversight. On the same manner, due control and close supervision, or autocratic leadership style does not have relationship with innovation and creativity (McGregor, 2006; Mumford, Eubanks, & Murphy, 2007). Hence it is possible to infer that, the leader should take in to due consideration the organization's goal whenever he/she undergoes delegation of tasks in order to enhance the prospect of innovation and growth. That is, Small business leadership demands the robust leadership style

that could able to cope up the dynamicity of the day, balancing transactional and transformational approaches, such as a focus on the daily routine of a business and leading employees to go beyond desired levels of achievement in order to overcome the competition of the day. It is mandatory to Small business leaders to engage themselves on day-to-day strategic and management operations. Transactional leadership focuses solely on the goals of the organization and uses a system of rewards and punishments to attain compliance of followers. A small business leader should exhibit transactional leadership style and also actualizing principles of transformational leadership in order to inspire their fellow subordinates.

Job Satisfaction

The concept of job satisfaction has been defined in various ways by different researchers. Of course, the concept of job satisfaction lacks consensus among researchers. Accordingly, Lawler describes job satisfaction as the difference between all those things a person feels he should receive from his job and all those things he actually does receive (Lawler, 1973). As per Locke job satisfaction defined as an excitement emotional state which is emanated from the appraisal of one's job as achieving or facilitating the achievement of one's job values, (Locke, 1969). Also Spector defined job satisfaction as the degree to which people like (satisfaction) or dislike (dissatisfaction) their jobs (Spector, 1985; Spector, 1997). The lack of consensus which appears in defining the concept may lead to misunderstandings among researchers and researches' participants and may influence the construct validity of its measurement (Evans, 1998).

According to Fajana (2002) job satisfaction of employees can be maintained when organizations adequately catered for the following components. These are: attitude towards work groups, general working conditions, attitude toward the organization, monetary benefits and attitude towards supervision which is said to be intrinsically connected with the individual's state of mind about the work itself

and life in general, pressures, excessive work load, understaffing and uncooperative Heads of Departments/Units.

METHODS

Research Design and Population

The study employed explanatory research design in order to reveal the relationship between variables with an aim of estimating the integrated influence of the factors on job satisfaction. And also had made use of cross-sectional design in the sense that all relevant data had been collected at a single point in time.

The study was conducted at western Oromia, Ethiopia. The rationale behind choosing western Oromia is due to the existence of more number of micro and small enterprises (MSEs) than eastern, southern and central oromia. According to oromia regional state statistical abstract (2014), about 42% of the total micro and small enterprises in the region are found in West Oromia zones. Therefore, cities such as: Metu, Nekemte and Jimma were chosen due to the fact that they contained larger urban population than other western oromia towns.

Sampling Technique

Stratified random sampling was employed to get information from different sizes of the MSEs. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. Stratified random sampling was used to get information from different sizes of the MSEs.

selected from Manufacturing, service, agriculture, construction and trade sectors on proportional basis. Accordingly, 334 respondents were selected from the total of 1931 MSEs from stratified sample respondents being utilizing probability sampling method. That is, an appropriate formula that has been used for the calculation of the sample size since it is relevant to studies where a probability sampling method is used (Watson, 2001).

Data Analysis

The data that has been collected was edited and processed. Also logistic regression had been employed in order to analyze the data. Accordingly, the relationship and the impact between independent and dependent variables were revealed out.

RESULTS AND DISCUSSIONS

Chi-square test for leadership style and job satisfaction

Hypothesis 1 states, there is no any statistically significant relationship between leadership style and job satisfaction.

As it is illustrated on the table 1, there is statistically significant relationship between transactional leadership style and job satisfaction. ($\chi^2 = 5.517$, $df = 1$, $N = 173$, $P < .001$), implying, transactional leadership style could maintain the job satisfaction of MSEs members. Phi, indicates the strength of the association between the two variables, is .179

Table 1. Chi-square test for leadership style and job satisfaction

	Job satisfaction		Total	X ² Value	Phi	P. Value
	Disagree	Agree				
Transactional	Disagree	44	30	74	5.517	<0.001
	Agree	41	58	99		
Charismatic	Disagree	49	32	81	7.866	<0.001
	Agree	36	56	92		
Transformational	Disagree	46	31	77	6.247	<0.001
	Agree	39	57	96		
	Total	85	88	173		

and, thus, the effect size is considered to be small to medium according to Cohen (1988).

Also, there is statistically significant relationship between Charismatic leadership style and job satisfaction. ($\chi^2 = 7.866$, $df = 1$, $N = 173$, $P < .001$), implying, Charismatic leadership style could maintain the job satisfaction of MSEs members. Phi, indicates the strength of the association between the two variables, is .213 and, thus, the effect size is considered to be small to medium according to Cohen (1988).

Furthermore, there is statistically significant relationship between Transformational leadership style and job satisfaction. ($\chi^2 = 7.866$, $df = 1$, $N = 173$, $P < .001$), implying, Transformational leadership style could maintain the job satisfaction of MSEs members. Phi, indicates the strength of the association between the two variables, is .190 and, thus, the effect size is considered to be small to medium according to Cohen (1988). Hence, it is possible to conclude that there is statistically significant relationship between leadership style and job satisfaction. Therefore, the hypothesis is rejected.

A Univariable Regression Analysis

Odds Ratio Analysis of leadership style and job satisfaction

Table 2 illustrates the Odds Ratio Analysis of leadership style and job satisfaction. The table reveals the impact of leadership style on job

satisfaction. Therefore it was analyzed in the following fashion.

Table 2 reveals, the odds in job satisfaction changes by 0.462 times for those who say transactional leadership style affects job satisfaction as compared with those who did not agree on the impact of transactional leadership style. That means, the more exercising transactional leadership style, there would be a possibility of enhancing level of job satisfaction by 51.8 % (95% CI from 11.1% to 73.9%). Furthermore the odds in job satisfaction changes by 0.420 times for those who say charismatic leadership style affects job satisfaction as compared with those who did not agree on the impact of charismatic leadership style. That means, the more exercising charismatic leadership style, there would be a possibility of enhancing level of job satisfaction by 53.9 % (95% CI from 15.1% to 75%). Also the odds in job satisfaction changes by 0.481 times for those who say transformational leadership style affects job satisfaction as compared with those who did not agree on the impact of transformational leadership style. That means, the more exercising transformational leadership style, there would be a possibility of enhancing level of job satisfaction by 58 % (95% CI from 22.6% to 71.9%)

CONCLUSION

It is possible to conclude that understanding the leadership styles would enable a foundation for successful small business leaders. There is a statistically significant relationship in between

Table 2. Odds Ratio Analysis

	Job satisfaction		Total	COR 95%CI	P. Value	
	Disagree	Agree				
Transactional	Disagree	44	30	74	.462 (.261 ,.889)	< .001
	Agree	41	58	99	1	
Charismatic	Disagree	49	32	81	.420 (.281, .774)	< .001
	Agree	36	56	92	1	
Transformational	Disagree	46	31	77	.481 (.250, .849)	. < .001
	Agree	39	57	96	1	
	Total	85	88	173		

leadership styles and job satisfaction of MSEs. All leadership styles, transactional, charismatic and transformational leadership styles affect the level of job satisfactions of MSEs. Hence, it is advisable

to MSEs leaders to exercise more transformational leadership style if need arise to maintain the level of job satisfactions of their members. . ■

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