

**Organizational Behaviour***Elixir Org. Behaviour* 80 (2015) 31225-31229**Elixir**  
ISSN: 2229-712X**Effect of Leadership Style and Entrepreneurial Managerial Behaviour**

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**ARTICLE INFO****Article history:**

Received: 8 February 2015;

Received in revised form:

28 February 2015;

Accepted: 23 March 2015;

**Keywords**

Transformational leadership,  
Democratic Leadership, Managing  
Vision,  
Managing Culture.

**ABSTRACT**

Entrepreneurs in many small firms could not specialize in one specific functional area but are required to operate across the range of management competencies. Different strategies, techniques, styles of leadership have been evolved to manage people effectively. Leaders of the organization have to understand the logic behind this ideology and accordingly nurture Entrepreneurial Managerial behavior among their employees. This research finds out that there is perfect positive relationship between Transformational leadership and Entrepreneurial Managerial Behavior.

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**Introduction**

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

Entrepreneurs in many small firms could not specialize in one specific functional area but are required to operate across the range of management competencies; the applicability of competence-based MTD [management training and development] to the broader roles of entrepreneurs in small businesses is likely to be greater than to the roles of many entrepreneurs in large organizations. Competence based analyses of managerial work causally related to effective and/or superior job performance. Different strategies, techniques, styles of leadership have been evolved to manage people effectively. However, success can be achieved through the use of particular style. Entrepreneurial Managerial behaviour all categories of employees in an organisation is very much essential in the present day competitive environment. Leaders of the organisation have to understand the logic behind this ideology and accordingly nurture Entrepreneurial Managerial behaviour among their employees.

This study intends to identify the pattern of leading behaviour of MSM Entrepreneurs. Also, to find out whether the leadership styles practised by entrepreneurs and their Entrepreneurial Managerial Behaviour are synergical.

**Review of Literature**

We define leadership as the ability to influence a group toward the achievement of a vision or set of goals. The source of this influence may be formal, such as that provided by the

possession of managerial rank in an organization. Because management positions come with some degree of formally designated authority, individuals may assume a leadership role because of the position held in the organization. However, not all leaders are managers, nor are all managers leaders. However, leaders can emerge from within a group, as well as by formal appointment, to lead a group. (Robbins and Judge, 2008).

The theory essence of path-goal theory is that it is the leader's job to provide followers with the information, support, or other resources necessary for them to achieve their goals. The term path-goal is derived from the belief that effective leaders clarify the path to help their followers get from where they are to the achievement of their work goals and to make the journey along the path easier by reducing roadblocks. Leader Behaviors House identified four leadership behaviors. The directive leader lets followers know what is expected of them, schedules work to be done, and gives specific guidance as to how to accomplish tasks. The supportive leader is friendly and shows concern for the needs of followers. The participative leader consults with followers and uses their suggestions before making a decision. The achievement-oriented leader sets challenging goals and expects followers to perform at their highest level. In contrast to Fiedler, House assumes leaders are flexible and that the same leader can display any or all of these behaviors, depending on the situation. (Robbins and Judge, 2008)

They view leaders as individuals who inspire followers through their words, ideas, and behaviors. These theories are charismatic leadership and transformational leadership. How do charismatic leaders actually influence followers?

It begins by the leader articulating an appealing vision. A vision is a long-term strategy for how to attain a goal or goals. The vision provides a sense of continuity for followers by linking the present with a better future for the organization, and this is what the former CEO of Apple, Steve Jobs, showed. A vision is incomplete unless it has an accompanying vision statement. A vision statement is a formal articulation of an organization's vision or mission. Once a vision and vision statement are established, the leader then communicates high

performance expectations and expresses confidence that followers can attain them. This enhances follower self-esteem and self-confidence. (Barrick and Stewart,1998)

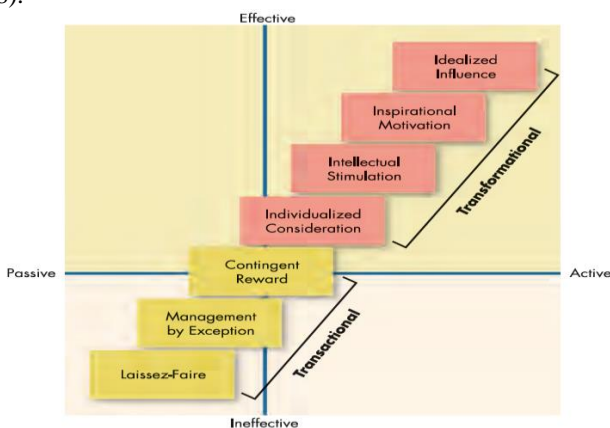
Transformational leaders inspire followers to give up their own self-interests for the good of the organization and are capable of having a significant and extraordinary effect on their followers. Transformational leaders pay attention to the concerns and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in new ways; and they are able to excite and inspire followers to put out extra effort to achieve group goals. (Robbins& Judge, 2008).

#### Characteristics of Transactional and Transformational Leaders:

**Transactional Leader:** In field of Contingent Reward they Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments. In Management by Exception (active) they Watches and searches for deviations from rules and standards, takes correct action. In Management by Exception (passive) they Intervenes only if standards are not met. In Laissez-Faire issues they Abdicates responsibilities, avoids making decisions.

**Transformational Leader:** In field of Idealized Influence Provides vision and sense of mission, instills pride, gains respect and trust. And Inspirational Motivation issues they Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways. They believe that Intellectual Stimulation: Promotes intelligence, rationality, and careful problem solving. In Individualized Consideration they Gives personal attention, treats each employee individually, coaches, advises.( Bass,1990)

Figure No.1 shows the full range of leadership model. Laissez-faire is the most passive and therefore the least effective of the leader behaviors. Leaders using this style are rarely viewed as effective. Leaders who practice management by exception leadership tend to be available only when there is a problem, which is often too late. Contingent reward leadership can be an effective style of leadership. However, leaders will not get their employees to go above and beyond the call of duty when practicing this style of leadership. Only with the four remaining leadership styles which are all aspects of transformational leadership are leaders able to motivate followers to perform above expectations and give up their own self-interest for the sake of the organization. (Robbins& Judge, 2008).



**Fig 1. Full Range of Leadership Model**

**Definitions of Entrepreneurship:** is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified

opportunities.(Onuaha,2007). Schumpeter defined entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation.(Schumpeter,1965). entrepreneurship is about taking risk.( Knight and Drucker, 1970). Entrepreneur have defined as a person who habitually creates and innovates to build something of recognized value around perceived opportunities.( Bolton and Thompson,2000). an entrepreneur is characterized as someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure.( Hisrich,1990). Thomas and Mueller argue that the study of entrepreneurship should be expanded to international markets to investigate the conditions and characteristics that encourage entrepreneurial activity in various countries and regions. It is reasonable to expect that entrepreneurs reflect the dominant values of his or her national culture and national culture has definite effect on entrepreneurship (Thomas & Mueller, 2000).

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

Cerni, Curtis, and Colmar conducted two Studies, Study 1, examine the relationship between Information Processing & Transformational Leadership among School leaders, to determine the relationship between information processing system and transformational and transactional leadership Pearson's correlation tool was used. The A research have been showed that there was significant positive correlation between rational system and transformational leadership. Study 2, Examined the constructive nature of thinking in the experiential system and its connection with transformational and transactional leadership Result suggests that improving leader's awareness of their own information – processing and thinking systems might encourage more productive transformational-leadership techniques. (Cerni, Curtis, and Colmar, 2008)

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

#### Body of Research

##### Objectives of the Study

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

##### Methodology

The present study is a micro level study based on survey method from among registered MSME owners of Puducherry. Samples were drawn from the DIC (District Industries Centre) Puducherry.

The study covered various industries located in PIPDIC (Pondicherry Industrial Promotion Development & Investment Corporation) industrial estates viz Thattanchavady, Sedarapet, and Mettupalayam. Apart from the units in industrial estate, study covers Micro, Small & Medium Enterprises in the local areas also. The study relates with leadership behaviours of MSME Entrepreneurs.

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

The Sample of 80 entrepreneurs was selected from the population 6164 entrepreneurs in Puducherry region by adopting convenient-sampling method. The Sample entrepreneurs were selected from the DIC registered units located in three Industrial estates (Mettupalayam, Thattanchavady, Sedarapet) of region.

Specially designed interview schedule was used to elicit opinion from the respondents. Correction & Chi Square was used to test the relationship between Leadership Style with Entrepreneurial Managerial Behavior variables (Managing process, Managing Performance, Stakeholders management, Managing development, Managing Culture, Managing Vision).

#### Hypothesis of the study

The main hypothesis of study:

**Hypothesis1:** There is association between Leadership Styles and Entrepreneurial Managerial behavior Qualities of MSMEs Entrepreneurs in Puducherry.

The secondary hypothesis of study:

**Hypothesis1:** There is correlations between Transformational leadership style and Entrepreneurial Managerial behavior Qualities Of MSMEs Entrepreneurs in Puducherry.

**Hypothesis2:** There is correlations between Democratic leadership style and Entrepreneurial Managerial behavior Qualities Of MSMEs Entrepreneurs in Puducherry.

**Hypothesis3:** There is correlations between Delegative leadership style and Entrepreneurial Managerial behavior Qualities Of MSMEs Entrepreneurs in Puducherry.

#### Entrepreneurial managerial behavior

Since the mid-twentieth century neoclassical formulations of entrepreneurial behavior have been embodied in more comprehensive theories of production, of the firm in perfectly competitive market structures, or of firm formation in a competitive equilibrium context. The traditional production function describes an engineering relationship between inputs and outputs rather than a behavioral phenomenon. Entrepreneurship, like other inputs, is a deployable scarce resource. Some writers in the neoclassical tradition refer to specific entrepreneurial inputs as a type of human capital viz. "entrepreneurial ability" or "business acumen".

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

1. Managing performance
2. Managing process

3. Stakeholders and environment
4. Managing vision
5. Managing development
6. Managing culture

**Table 1. Frequency Distribution of Respondent's Personal Data**

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

Source: Primary Data

**Table 2. Descriptive statistics and Reliability Test**

Variables			Reliability Statistics	
	M	SD	Cronbach's alpha	No. of items
Transactional Leadership	3.12	.63	.755	4
Transformational Leadership	3.67	.68	.789	4
Autocratic Leadership	3.27	.56	.821	7
Democratic leadership	3.65	.87	.842	8
Delegative Leadership	3.40	.89	.732	8

The descriptive statistics and reliability estimate are presented in the table2. Mean score (3.12 with SD of 0.63) for the items indicate that the transactional leadership have some role in their business. Mean item score (3.67 with SD 0.68) shows that strong importance transformational leadership in their business, (3.27 with SD0.56) shows that least importance in Autocratic leadership and also moderate importance in Democratic (3.65 with SD.87) and Delegative (3.40 with 0.89) leaderships. Reliability analysis indicate that the measures had acceptable internal consistency, and coefficient alphas for transactional leadership, transformational leadership, autocratic leadership, democratic leadership, Delegative leadership, were .755,.789,.821,.842,.732, respectively.

Transactional leadership Style with Entrepreneurial Managerial Behavior

**Table 3. Correlations results between Transactional leadership styles with Entrepreneurial Managerial Behaviour**

	Transactional leadership	EMB 1	EMB 2	EMB 3	EMB 4	EMB 5	EMB 6
Transactional Leadership	1						
Managing Performance EMB 1	.430**	1					
Managing Process EMB 2	.246*	.567*	1				
Stakeholder management EMB 3	.194	.197	.299*	1			
Managing Vision EMB 4	.189	.282*	.386*	.295*	1		
Managing Development EMB 5	.165	.120	.251*	.315*	.632*	1	
Managing Culture EMB 6	.469**	.565*	.386*	.143	.319*	.306*	1

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

The results of the correlation analysis of the overall scale items are presented in table 3. An assessment of the bivariate correlation showed that the overall items used to measure transactional leadership style was positively related to Managing Performance ( $r=.430, p<.01$ ), Managing Process ( $r=.246, p<.05$ ), Managing Culture ( $r=.469, p<.01$ ).

Transformational Leadership Style with Entrepreneurial Managerial Behavior

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

	Transformational leadership	EMB 1	EMB 2	EMB 3	EMB 4	EMB 5	EMB 6
Transformational Leadership	1						
Managing Performance EMB 1	.419**	1					
Managing Process EMB 2	.331**	.567**	1				
Stakeholder management EMB 3	.371**	.197	.299**	1			
Managing Vision EMB 4	.369**	.282*	.386**	.295**	1		
Managing Development EMB 5	.433**	.120	.251*	.315**	.632**	1	
Managing Culture EMB 6	.464**	.565**	.386**	.143	.319**	.306**	1

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

The result of the table 4 shows that relationship between transformational leadership styles with Entrepreneurial Managerial behavior. There is perfect positive relationship between Transformational leadership with Managing performance ( $r=.419, p<.01$ ), Managing Process ( $r=.331, P<.01$ ), Stakeholders management ( $r=.371, p<.01$ ), Managing Vision

( $r=.369, p<.01$ ), Managing Development ( $r=.433, p<.01$ ) Managing Culture ( $r=.464, p<.01$ ). Transformational Leadership styles of Entrepreneurs are having perfect Entrepreneurial Managerial Behavior.

Autocratic Leadership Style with Entrepreneurial Managerial Behavior

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

	Autocratic leadership	EMB 1	EMB 2	EMB 3	EMB 4	EMB 5	EMB 6
Autocratic Leadership	1						
Managing Performance EMB 1	.129	1					
Managing Process EMB 2	-.049	.567**	1				
Stakeholder management EMB 3	.170	.197	.299**	1			
Managing Vision EMB 4	.047	.282*	.386**	.295**	1		
Managing Development EMB 5	.082	.120	.251*	.315**	.632**	1	
Managing Culture EMB 6	-.049	.565**	.386**	.143	.319**	.306**	1

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

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

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

	Democratic leadership	EMB 1	EMB 2	EMB 3	EMB 4	EMB 5	EMB 6
Democratic Leadership	1						
Managing Performance EMB 1	-.109	1					
Managing Process EMB 2	.567**	.567**	1				
Stakeholder management EMB 3	.043	.197	.299**	1			
Managing Vision EMB 4	.386**	.282*	.386**	.295**	1		
Managing Development EMB 5	.563**	.120	.251*	.315**	.632**	1	
Managing Culture EMB 6	.585**	.565**	.386**	.143	.319**	.306**	1

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

Table 6 reveals the relationship between Democratic leadership styles with Entrepreneurial Managerial behavior. There is perfect positive relationship between Democratic leadership with Managing Process ( $r=.567, p<.01$ ), Managing

Vision ( $r=.386$ ,  $p<.01$ ), Managing Development ( $r=.563$ ,  $p<.01$ ) Managing Culture ( $r=.585$ ,  $p<.01$ ). Democratic Leadership styles of Entrepreneurs are having perfect Entrepreneurial Managerial Behavior.

Delegative Leadership Style with Entrepreneurial Managerial Behavior

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

	Delegative leadership	EMB 1	EMB 2	EMB 3	EMB 4	EMB 5	EMB 6
Delegative Leadership	1						
Managing Performance EMB 1	.608**	1					
Managing Process EMB 2	.324**	.567**	1				
Stakeholder management EMB 3	.151	.197	.299**	1			
Managing Vision EMB 4	.276*	.282*	.386**	.295**	1		
Managing Development EMB 5	.163	.120	.251*	.315**	.632**	1	
Managing Culture EMB 6	.600**	.565**	.386**	.143	.319**	.306**	1

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

The results of the correlation analysis of the overall scale items are presented in table 7. An assessment of the correlation showed that the overall items used to measure Delegative leadership style was positively related with Managing performance ( $r=.608$ ,  $p<.01$ ), Managing Process ( $r=.324$ ,  $p<.01$ ), Managing Vision ( $r=.276$ ,  $p<.05$ ), Managing Culture ( $r=.600$ ,  $p<.01$ ). A delegative Leadership style of Entrepreneurs has also influencing perfect Entrepreneurial Managerial Behavior.

To determine the association between the Leadership Styles and Entrepreneurial Managerial Behavior Chi –Square tool was adopted.

**Table 8. Results of Chi – Square Test**

Leadership Styles	X 2 Value	Sign
Transactional	8.262	.220
Transformational	42.153*	.000
Autocratic	1.858	.762
Democratic	33.755*	.000
Delegative	31.470*	.000

\* Significant at 1 % level

The table 8 shows the association between the Some different leadership styles and Entrepreneurial Managerial Behavior through Chi – Square test, So, we can not reject the null hypothesis(main hypothesis of No.1). and also Table 8 indicates that there is association between the Entrepreneurial Managerial Behavior with Transformational, Democratic & Delegative leadership styles ( $X^2=42.15$ ,  $33.75$ ,  $31.47$ )  $p>.001$ . Hence, we can not reject the null hypothesis(Secondary hypothesis of No.1 & No.2 & No.3), Whereas, leadership styles like Transactional, Autocratic are not associated with Entrepreneurial Managerial Behavior since ( $X^2 =8.262$ ,  $1.858$ )  $p<.001$ . Which indicates that the null hypothesis may hold good on these three leadership styles.

The tables 9 explain the relationship between the Different Leadership Styles with Entrepreneurial Qualities. It is observed that Managing performances, Managing Culture are correlated with Transactional leadership style; all the Entrepreneurial

Managerial Behaviors are related with Transformational leadership style; whereas Autocratic leadership styles is not correlated with Entrepreneurial Managerial Behavior Qualities in MSMEs. In Democratic leadership styles is correlated with managing vision, and also managing process, managing development, managing culture are highly correlated with this style, similarly managing culture, and managing performance are highly correlated with Delegative style , managing process and managing vision are correlated with this style.

**Table 9. Different Leadership Styles and Entrepreneurial Managerial Behaviour**

	Transac tional leadership	Transfor mational leadership	Autocratic leadership	Democratic leader ship	Delegative leadership
Managing Performance	.430**	.419**	.129	-.109	.608**
Managing Process	.246*	.331**	-.049	.567**	.324**
Stakeholder management	.194	.371**	.170	.043	.151
Managing Vision	.189	.369**	.047	.386**	.276*
Managing Development	.165	.433**	.082	.563**	.163
Managing Culture	.469**	.464**	-.049	.585**	.600**

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

### Conclusion

The general purpose of this study is to examine the relationships among different leadership styles, and Entrepreneurial managerial behavior. Further, this research finds out that there is perfect positive relationship between Transformational leadership and Entrepreneurial Managerial Behavior. Hence, MSME entrepreneurs have to adopt the transformational leadership styles to optimise their effort in enriching Entrepreneurial Managerial Behavior; So that they can achieve their organizational goal in right time.

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