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“A study of leadership styles & its impact on sales growth of SMEs in Pune - A Case Study”

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• ABSTRACT

Researcher has already done the study of literature review of leadership styles and Key Performance Indicators of various functions. The aim of this paper is quickly assess, which are the leadership styles are extensively used in SME sector and which of them are giving positive and negative impact on overall sales of the company.

This paper will be the study of three Business cases of SME's to just test the primary level of hypothesis. There are various leadership styles and literature says that there is no specific leadership style which is used in business decision making which is giving positive results in all situations. This paper will try to discover the most prominent positive result giving styles for decision making in SME's.

• KEY WORDS

Leadership Styles, Decision Making, Key Performance Indicators, SME's, Sales growth

• INTRODUCTION & CONCEPT

Leadership & Organization

If we observe systematically in organization then we can see that each organization is composed of three main elements, which must be closely followed & interrelated, these are Objectives, Goals & tasks and objectives of the leadership to be achieved are all of them.

In an organization Leadership is the management function of constantly seeking the best way to influence subordinates, colleagues, vendors to achieve the goals and objectives of the ongoing human coordination Process, Money and Machines equipment.

Leadership & management as the governing body determines the policies, rules and procedures that guide relationships and activities within an organization, which to a certain extent determines the effectiveness of the goals and objectives of the organization in achieving it.

About SMEs

Small and medium-sized enterprises (SMEs, sometimes even small and medium-sized enterprises) or small and medium-sized enterprises (SMEs) are enterprises in which the specific turnover is below certain limits set by the government. This abbreviation for "S.M.E." is used by international organizations such as the World Trade Organization (WTO), the World Bank, the United Nations and many other trade organizations that support trade promotion in their respective countries & all over the world where membership is given. Historically it has been proved that in each country, small businesses are usually more numerous than large companies and employ many more people. This makes it the ideal place to create many jobs in many disciplines. It can even be said that in particular SMEs are more creative & accountable for bringing innovation in many sectors of the economy to a higher level.

In India, the government is very serious about the growth of this sector & giving priority to this sector, GOI has appointed union minister & has a particular priority in lending to business support, innovation, research and development through various routes like DSIR Labs subsidy etc.

According to the Government of India and the Companies Act: The manufacturing sector refers to the manufacture, processing or preservation of goods that can be used or utilized.

According to the first annex of the Industrial (Development and Regulation) Act of 1951 for the list of industries that participate in the manufacturing industry. The Indian Government defines small and medium-sized manufacturing enterprises as follows: i.e. a small enterprise incurs the investment costs related to machinery and equipment excluding land and works of small industries without notification of notification in SO 1722 (F) of 5 of October 2006] is greater than R25 lakh (2.5 million INR), but does not exceed the value of Rs.5 (INR 50 M); and ii. A medium-sized enterprise is a company that incurs investments in production facilities (initial costs excluding land and buildings and costs declared by the Ministry of Small Industries in Communication No. SO 1722 (F) of October 5, 2006). To 5 rupees. Crore (50 M INR), but not exceeding Rs 10 Crore (100 M INR).

Whereas Service sector the service sector refers to companies specializing in the provision or rendering of services. These include small road and sea enterprises (which have a fleet of no more than 10 vehicles), small enterprises (whose original equipment costs do not exceed Rs 20 lakh (INR 2 million)) and professional and professional services. Self-employed persons (whose maximum indebtedness does not exceed 10 Rupees) Lakh (1 MINR), of which a maximum of INR 0.2 (INR 0.2 million) shall be in accordance with the requirements of the Fund unless they are Professionals In semi-urban and rural areas, the debt ceiling should not exceed 15 lakh (1.5 MINR), with a ceiling of 3 lakh (0.3 MINR) on working capital.

According to the Government of India - Ministry of Industry, definition of small and medium enterprises under I: A small business is a company whose investments are higher than those of RS. 10 lakh (1 MINR), but does not exceed Rs 2 Crore (20 MINR); and II - a medium-sized enterprise is a company whose investment in equipment exceeds EUR 2 million (INR 20 million), but does not exceed EUR 5 million (50 MINR).

• **RESEARCH OBJECTIVES**

1. Study which are the leadership styles are available in literature review
2. Find out mostly used leadership styles in SME Industry
3. Discover which are the most positive results giving leadership styles out of mostly used one

• **RESEARCH METHODOLOGY**

Random Cluster Sampling method is used for exploratory result. Research Methodology plays vital role in every research. Here, in this paper researcher took randomly selected three samples in Industrial area of Bhosari MIDC, Pune, India.

This research paper is nothing but a pre test before going forward to pilot test.

Hypothesis 1 = There is relationship between leadership styles and overall growth of SME's.

Hypothesis 2 = There are some leadership styles which are giving positive impact on overall performance of SME's

• **REVIEW OF LITERATURE**

LEADERSHIP & ITS STYLES

Leadership is nothing but influencing others to expedite their work and fulfill the commitments on time. There is extensive research is done in leadership theories and various approaches from that various leadership styles are emerged.

In 1968, Tennenbaun et. al., defined leadership as interpersonal influence used in situations and suggested through communication, towards the attainment of specific goals.

In 1975, Ubeku A. A. defined leadership as; Act of motivating or causing people to perform certain task intended to achieve decided purposes or objective.

In 1978, Kootz et. al., said that its art or process of influencing people so that they will strive willingly towards fulfillment of team goals.

In 1992, Bryman divided leadership research in four decades. The main approach was charismatic and transformational leadership then approaches like motivation, behavior, Learning Theory, Trait leadership Theory, Contingency Theory, Situational Theory.

In 2000, Nwachukwu, C, says leadership simply as an act which involves influencing others to act towards the attainment of goal.

There are many leadership styles mentioned in the literature review as follows –

1. Autocratic
2. Democratic
3. Bureaucratic
4. Charismatic
5. Laissez-faire (Delay Type),
6. Paternalistic,
7. Transactional,
8. Transformational,
9. Visionary,
10. Coaching leadership type,
11. Data Driven
12. Impulsive Style
13. Consultative Style

Researcher first met two/three SME business managers for casual discussion and awareness of their knowledge about leadership styles. Researcher came to know that only some of the leadership styles managers are aware and they have selected only those. This is the reason researcher has decided to focus only six styles which are commonly known and understandable to most of the business managers.

Above Mentioned six styles are as follows –

1. Impulsive Style
2. Autocratic Style
3. Democratic Style
4. Consultative Style
5. Data Driven Style
6. Delayed Type Style

Let's see brief about these selected styles

1. Impulsive Style

As per the science of psychology, impulsiveness or impulsivity is the tendency to act on whim which is characterized by little consideration of the consequences or no proper forethought.

Impulsive decisions are risky, inappropriate to the situation which often results into unwanted consequences. In flip side when such actions turns into positive results then they are considered as quickness, boldness, courageousness.

In short one can summarize, it's an act without proper deliberation and looking for shorter gains over longer one. There is not much literature available on impulsive leadership style; however some one feels that, it's a mixture of autocratic & spontaneous one.

2. Autocratic Style –

In autocratic leadership style, leader does not have sufficient faith on the subordinates / followers capability.

According to Adebakin & Gbadamosi (1996), described Autocratic Leader saying that he has little confidence on subordinates and feels that pay (Salary/Wages) is a fair reward for the job and it is only the reward that can motivate the people. The leader gives order and insists that it should be completed as per requirement.

In 1982, Koontz ET AL said that shortcoming of Autocratic leadership style are subordinates will not feel pride about accomplishment, this style will not allow personal development of subordinates and self satisfactions will be denied & job will become monotonous.

3. Democratic Style

In this style leader shares decision making authorities with group members and they democratically decides what would be the appropriate decision. In this style leader decides on who should be participant of the decision making group. Benefits are higher productivity, higher creativity, alternative options can be generated and everybody feels proud for participation & feeling satisfactory as his opinion counts.

Shortcomings are it is highly time consuming and goes into political situations.

4. Consultative Style

In this style leaders trust also show confidence towards the employees and ask them to participate actively and encourage them for proper consultation and wise decisions. Employees feel proud about various options are explored in consultation process, it achieve higher level of motivation and creativity.

Shortcoming is its time consuming.

5. Data Driven Style

This particular style is becoming popular nowadays because of huge data availability. Today in the world of IOT (internet of Things), era of SMAC (Social, Mobile, Analytics & Cloud) drilling down into data and establishing correlation between two variables, interns getting inference for future prediction which helps in better decision making. This is essentially a keeping documentation (data collection) and application of technology for digital business transformation.

In 2016 book called data driven leaders always win by Jai Zaidi which is a good read.

Shortcomings are investment on technology is essential, sufficient data is required to conclude. In this process one should not forget common sense.

6. Delayed Style (Laissez-faire)

In this, leader is always delaying the decision making, is very slow and having tendency of buck passing. Shortcomings in 1982 Flippo ET AL, Akpala in 1990 says because of this style tasks are not completed and condition will be chaotic.

SALES FUNCTION

A sale is the essence of every business in fact every business is nothing but a sales first & then everything else.

In 1989, Diamond & Campbell said sales promotion can be defined as characterizing short term stimulation of purchase or sales of a product or service.

In 2000, Yoo et. al., said that sales promotion tool of price promotion are unnecessarily decreasing the value & equity of brand which may give short term sales to producer.

In 2002, Lowengart said that comprehensive definition is number of tactical but may not be strategic one tool developed as a marketing strategy framework with purpose of addition of value to the products or services to attain decided marketing objectives, sales promotion is the most effective marketing tool.

In 2003, Philip Kotler said that Advertising is used as a long term technique for increasing brand value, while sales promotion are applied to create short term demand.

In 2009, Anderson notes that the best tool of sales promotion when one want to introduce new product or services then initial discount giving tactic works.

• FINDINGS

A short questionnaire is prepared to get the feel of awareness of leadership styles used in SME Industries of Pune and find out the co-relation if any between the leadership styles and negative or positive sales growth.

For this only three randomly picked up samples are taken from an auto ancillary sector.

Due to constraints of space in the paper researcher has decided to focus on mainly two questions and those are related to leadership styles used and its impact on sales growth.

Table - 1

GENERAL	SERIAL	1	2	3
	COMPANY NAME	A	B	C
Top Line Growth	2010-11	0	0% to 10%	10% to 20%
	2011-12	0% to 10%	0% to 10%	0% to 10%
	2012-13	10% to 20%	0% to 10%	10% to 20%

	2013-14	10% to 20%	10% to 20%	20% to 30%
	2014-15	20% to 30%	0% to 10%	>30%
	Overall Growth	20% to 30%	0% to 10%	20% to 30%
Decision Making Styles	Delay	Never	Sometime	Rarely
	Data Driven	Always	Never	Often
	Consultative	Often	Sometime	Always
	Democratic	Rarely	sometime	Never
	Autocratic	Rarely	Always	Rarely
	Impulsively	Rarely	Often	sometime
Impact measurement on Sales	Revenue per sale	Agree	Agree	Strongly Agree
	Value & Volume	Strongly Agree	Neutral	Agree
	SALES sustainability	Agree	Strongly Disagree	Strongly Agree
	Key A/C increased	Agree	Agree	Strongly Agree
	Mkt Share increased	Strongly Agree	Neutral	Agree
	Customer Satisfaction	Agree	Agree	Agree
	Cross Selling	Agree	Disagree	Strongly Agree

Out of three samples two (Company A & C) are proving positive relationship between leadership styles and sales growth. From Table No 1, one sample (B Company) shows negative impact on sales growth because of application of mostly used impulsive and autocratic styles.

• LIMITATIONS

Researcher is able to pick up only three samples for the case study due to time & constraints. With this limitation of three samples taken this cannot be considered as trend or firm co-relationship. Further concrete research is required where higher no of representative sampling should be done so that hypothesis acceptance and rejection can be reliably validated

• CONCLUSION

- Hypothesis 1 = There is relationship between leadership styles and sales growth of SME's.

Conclusion: Hypothesis accepted because there is variation observed between leadership styles and impact on sales growth.

- Hypothesis 2 = There are some leadership styles which are giving positive impact on sales performance of SME's

Conclusion: Hypothesis accepted. After observation of Table 1, we can see direct co-relation between two leadership styles namely data driven and consultative and incremental sales growth observed in 5 years from 2010 to 2015.

Whereas one sample (Company B) shows that de-growth in sales trend is observed because of autocratic and impulsive leadership style. However three samples are not sufficient so further research is necessary.

- **FURTHER RESEARCH NEEDED**

This can be consider as a pre test before pilot test and further detailed investigation is needed to validate this hypothesis on larger sampling base.

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