

Bridging the Knowledge Gap: Towards Establishing the Impact of Leadership Styles on Libyan Small Medium Enterprise Performance

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Abstract: SMEs throughout the globe are severely impacted by several challenges that impede the performance of entrepreneurs. Thus, the purpose of this paper is to identify the impact of leadership style on Libyans' Small and Medium Enterprises (SMEs) performance. Required data was collected through a random method and a questionnaire administered on 258 managers of Libyan SMEs. This research suggested that Leaders must invest in training and development in order to advance their skills and abilities to carry out transformational and transactional leadership styles in their businesses.

Keywords: Impact elements, Leadership Styles, Small Medium Enterprise, Libyan SMEs Performance

1. Introduction

SMEs are well-known by the public as a supporter of the economy. SMEs subsidize a national country product through manufacturing worthy goods or through services establishment to both customers and/or other initiatives (Abor and Quartey, 2010). Also, SME plays a central role in economic development as its performance has a strong tie with the national economy and job creation. Therefore, a successful SME environment boosts the national economy, creates jobs, and contributes to value added and innovation (OECD, 2017). Particularly, SMEs throughout the globe are severely impacted by several challenges that impede the growth of entrepreneurs. More particularly, it is very important to understand what can result in these SMEs failing or even succeeding. According to the indications emerged from Oricchio et al., (2016) SMEs that are unable to understand the impacting elements that can affect its long-term business viability are the kind of organizations that are likely to face business failure and be forced to close down at a certain point. Similarly, Georgiev&Ohtaki, (2020) also believe that the combination of the right success impacting elements and initiatives taken to ward off failure factors is very important. Equally, Parry., et al (2012) strongly claim that leadership style may play a crucial role in organizational procedures and therefore understanding leadership style is extremely vital, not only for the business itself but also for its environment since any SMEs is implanted in a social, economic and environmental background where its actions will have an influence. Economic decline has highlighted the importance of the survival of these enterprises (Parry et al., 2012).

2. Significance Of The Study

Libya is a country that has undergone political transformation over the past few years. At one time, Libya was a very prosperous nation that was doing very well. However, with the Libyan war of 2011, things changed for the worse. All sectors of the economy were affected badly. In the same vein, being an oil-rich country, many small and medium size organizations within this sector and other sectors were badly affected (Hutahayan, 2019). Having said that, If the SMEs in Libya do not perform very well, then the economy conditions will not improve, and the Libyan economy would regress in progress (Khelil, 2016). A high-performance SME sector will be a very important boost to the Libyan economy and will ensure that the country is able to recover from its past much quicker with greater success levels (Isidro & Sobral, 2015). Similarly, the main problem presented in this paper is that in many Libyan SMEs, there continue to be problems relating to efficiencies of leadership style and management skills. It is a fact that a large number of administrators within these Libyan SMEs are simply unable to address the challenges within the environment of the SMEs, whether it be in the internal or the external environment, and as a result, they allow these factors to overcome these SMEs and this would result in affecting its performance very badly (Isidro & Sorel, 2015). The current paper seeks to assess the impact of leadership styles on SME's performance.

3. Review Of Related Studies: Factors impacting Leadership in SMEs

According to Gaiter (2013), leadership is defined as possession of incomparable principles, communication skills, self-assurance and respect, and successfully practices beliefs and impacts to endorse congruence and co-operation. Leadership is also measured as the greatest imperative feature that influences revolution and the relations amongst leadership and invention has increased attention in the literature (Rosing., et al 2011).

Additionally, **Olawale and Garwe (2010)** defined management competencies as groups of information, abilities, behavior and approaches that add to individual success. Most SMEs are owner-managed; hence, it is imperative for the owner to have an entrepreneurial mind-set (**Neneh& Van Zyl, 2012**). Another factor that affects the capability of SMEs' is the lack of access of possible supporting infrastructure such as buildings, roads and electricity, which are very pertinent in ensuring the possibility of the production process. **Olawale and Garwe (2010)**. Hence, most leaders in SMEs are reluctant to implement cost-efficient systems that are mostly technology based to improve their efficiency and hence bring down costs of production affirms (**Mbatha 2013**). It is of utmost importance that leadership in SMEs upgrades their technology to meet the demands of operating in a technology-obsessed world. furthermore, it has been noted that volatile government procedures coupled with increased unethical actions and high taxation rates pose a great menace, not only to the sustainability of SMEs but also to the capability of the economy at large (**Nyang'ori, 2010**). as an effect, individual knowledge, competences and perspectives of the proprietor director remain a key persuading aspect by means that advertising is alleged and conducted, that might be an optimistic or undesirable impact on commercial presentation.

4. Objectives Of The Study

- The current paper seeks to assess the impact of leadership styles on SME's performance.

5. Population And Sample

In this study, the data was collected using a survey method. The reason for the selection of this method is due to its ability to obtain data over a wide geographical range with lower costs compared to interview and phone call approaches (**Hochstim and Athanasopoulos, 1970**). In the process of determining the minimum sample size required for the study, a few recommendations from several authors are taken into consideration. **Rouqtrette and Falissard (2011)** stated that 350 samples are representative and meet the sampling criteria that qualify them to be analyzed using relevant statistical tools. In this study, researcher has decided to collect 350 samples, as suggested by **Rouqtrette and Falissard, (2011)**. the drop-and-collect approach has a positive influence on increasing the response rate. The implementation of the drop-and-collect approach was conducted by selecting those SEMs located in the different parts of Libya. In the end, 258 completed questionnaires were returned, yielding a response rate (73.7%). Table (1) shows the questionnaire distribution among those cities.

Table.1. Questionnaires distribution based on cities location

Questionnaire distribution different cities in Libya				
NO	City	Questionnaires Distributed	Questionnaires Collected	Percentage
1	Ajdabiya	45	33	12.8%
2	Tripoli	20	14	5.4%
3	Misrata	20	11	4.3%
4	Benghazi	70	53	20.5%
5	Al-Bayda	55	39	15.1%
6	Tuburak	65	47	18.2%
7	Darnah	30	24	9.3%
8	Zliten	25	21	8.2%
9	Zawiya	20	16	6.2%
Total		350	258 (73.7%)	100 %

6. Background of the Respondents

6.1 Job Position

Managers according to their job titles were classified to nine categories such as Human Resources Manager, Training Manager, Executives, Middle Managers, and Direct Supervisors. Administrative, Development Manager, Marketing Officer and Financial Officer as they have a practical experience in SEMs. The following Table (2) shows the summary for frequency of job title of the respondents for each category.

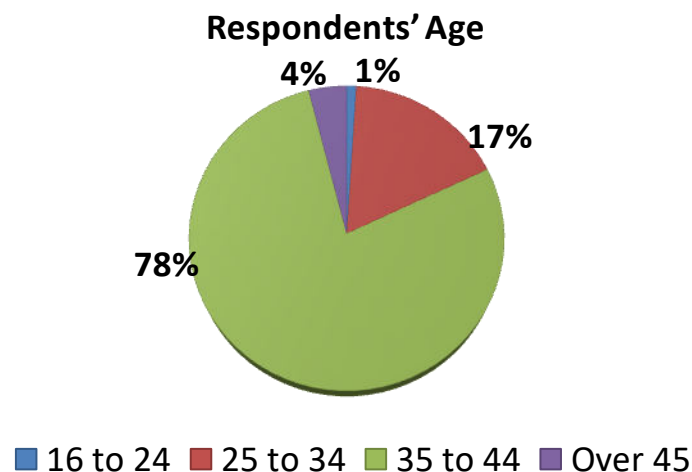
Table.2. Frequency of job title of the respondents

No	Job Title of the Respondent	Frequency	Percentages
1	Human Resources Manager	40	15.50%
2	Training Manager	13	5%
3	Executives	31	9.55%
4	Middle Managers	15	4.35%
5	Direct Supervisors	34	17.10%
6	Administrative	33	12.80%
7	Development Manager	44	17.10%
8	Marketing Officer	37	14.30%
9	Financial Officer	11	4.30%
Total of Respondent		258	100%

6.2 Respondents' Age

Respondents were asked to choose from the most appropriate range that included their current age. The categories options were "21 to 24" years old; "25 to 34" years old and "35 to 44" years old and above "45".

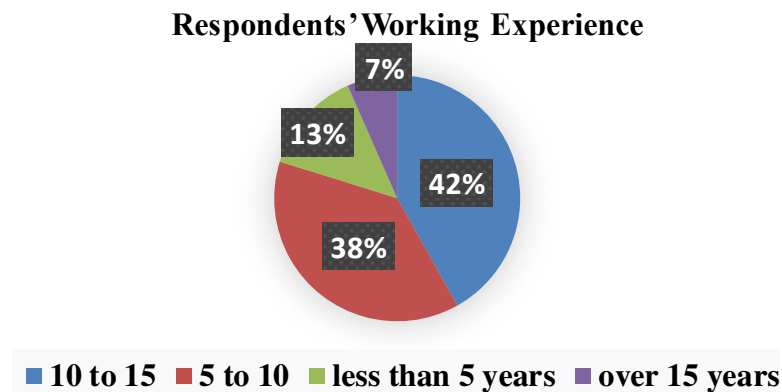
Figure.1. Characteristics of the respondents according to their age



6.3 Working Experience

From the demographic variables it can be seen that many respondents have the length of the services from 10 to 15 year ($n = 108$, 42%). While, ninety-eight of the respondents were classified with 5 to 10 years working experience ($n = 98$, 38%). Another group of respondents described the length of their working experience as less than 5 years ($n = 35$, 13%). The smallest group of respondents regarding working experience were like ($n = 17$, 7%) over 15 years.

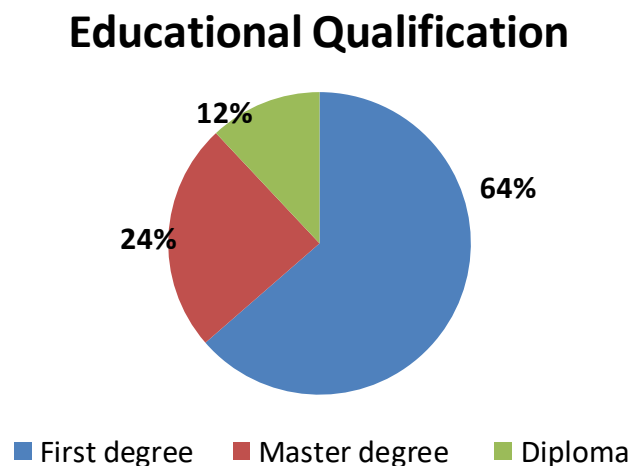
Figure.2. Characteristics of the respondents based on their working experience



6.1 Educational Qualification

The question was posed to find out the educational qualification of the respondents since the level of qualification to a larger extent determines the impact of leadership style on SEMs performance.

Figure.3. Characteristics of the respondents according to their education



7. Statistical Techniques Used in the Present Study

7.1 Descriptive Statistics Test

The study explored the impact of the emerged elements dragged from the literature that tackle leadership styles and how each element impacts SME's performance in Libya based on their level of influence. Using a five-point scale, ranging from 1 (strongly disagree) to 5 (strongly agree), the respondents indicated the influencing degree for each presented element. Accordingly, the most important element was the "delegation of responsibility" (mean= 4.37), then "enforcement scheme" element with (mean = 4.33) was in the second place. Third on the list was the element of "motivation" (mean = 4.28). According to the respondent, the fourth position went to the element of "company's rules" which is achieved (mean = 4.27). Furthermore, it was also obtained that "management support" is in the fifth position with (mean = 4.24). The sixth position were for the "clear and realistic goals" element with (mean = 4.24). "Program evaluation" has been ranked by the respondents in the seventh position with (mean = 4.21). The results from (Table 3) also show that "government rules" has been ranked by the respondents in the eighth position with (mean = 4.21). In this group, "knowledge and skills" was ranked as number nine with (mean = 4.12). "Incentive programs" element was placed in tenth position with (mean = 4.11). Respondents categorised the following elements as being of 'high importance' in term of their impact on SEMs performance, "communication" with mean = 4.09, "perceptions" with mean = 4.08, "attitude" with mean = 4.01. On the other hand, "cost-benefit" with (mean = 3.94) and "resource sufficient" with (mean = 3.94), were the lowest group elements comparing with other elements even though they

still give high impact degree. The suggestion made for these fifteen elements was that all of the elements are in the categories of 'high importance' and 'very high importance'.

Table.3. The influencing elements impacting SMEs performance in Libya

<i>The influencing elements impacting SME's performance in Libya</i>		Mean	Std. Deviation
NO.	Elements List		
1	Delegation of responsibility	4.37	0.572
2	Enforcement scheme	4.33	0.614
3	Motivation	4.28	0.565
4	Company's rules	4.27	0.587
5	Management support	4.24	0.584
6	Clear and realistic goals	4.24	0.501
7	Program evaluation	4.21	0.759
8	Government rules	4.21	0.697
9	Knowledge and skills	4.12	0.658
10	Incentive programs	4.11	0.703
11	Communication	4.09	0.818
12	Perceptions	4.08	0.690
13	Attitude	4.01	0.423
14	Cost-benefit	3.94	0.769
15	Resource sufficient	3.94	0.695

7.2 Multiple Regression Analysis

The basic idea of multiple regression analysis was to use data on quantitative independent variables to predict or explain variation in a quantitative dependent variable. The regression equation is as follows:

$$y = \beta_0 + \beta_1 \times \varepsilon_1 \text{ (Bougie and Sekaran, 2010).}$$

The result is shown in table (4) where It was found that all 15elements have an impact on Libyan's SEMs performance and may predict their current, for almost 62.7%, ($F=6.39$), $p = 0.000$.

Table.4. Summaryof elements evaluating

MODEL		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	78.309	10	7.831	6.393	0.000
	Residual	46.549	38	1.225		
	Total	124.858	48			

a. Dependent Variable: Libyan's SEMs performance

b. Predictors: (Constant), Delegation of responsibility, Enforcement scheme, Motivation, Company's rules, Management support, Clear and realistic goals, Program evaluation, Government rules, Knowledge and skills, Incentive programs, Communication, Perceptions, Attitude, Cost-benefit, Resource sufficient

8. Discussion of The Findings

The findings in this research therefore agreed with the findings of **Anton, (1989)** who proved in his work that SEMs cannot be successful if it is implemented by only one individual and it must be effectively delegated to individuals at lower levels of authority. Furthermore, **Rue et al. (1990)** revealed when opined that effective delegation involves granting adequate authority and assigning clear responsibility for performing specific tasks with enough resources to maintain successful working environment. Given the findings of the current study, it becomes crystal clear that delegation of duties plays a vital role in successful SEMs. In this study, enforcement scheme has proven to be impacting the Libyan SEMs programs. That is, by providing an effective enforcement mechanism in Libyan SEMs in which can deal with the required program in particular, employees' compliance toward rules would be reachable goal. Another effort has been undertaken to verify the impact of company's rules on programs implementation. Findings reveal that, the set of rules organized by the managers has a great influence on successful implementation. It was hypothesized that good communication among employees and managers would predict the effectiveness of successful program implementation. Overall, it is clear that the leadership is effective in job related needs; this means that leadership style implemented by the leader deliver control and communicates information to employees to advance them for improved performances and create successful employees for preserving excellence. Correspondingly the leadership is effective in meeting organizational requirements, that is business has plans and requirements that determine how it will progress to the future.

9. Conclusion and Future Work

The findings of the current study have practical contribution for policymakers. On one hand, from the present finding policymakers can know and understand that there are several elements that can play major roles in implementing successful SEMs programs. On the other hand, policymakers' can also know that there are elements which can influence SEMs performance. This knowledge and understanding will assist in the development of different strategies for timely interventions aimed at improving the SEMs. The study has some recommendations, which are detailed below:

- Results revealed that leaders must implement suitable leadership style in line with organizational morals, ethics and objectives that will present business to higher performance standards.
- Leaders must invest in training and development in order to advance their skills and abilities to carry out transformational and transactional leadership styles in their businesses.

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