

Leadership Styles in Small and Medium Sized Business: Evidence from Macedonian Textile SMEs

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Abstract

Since leaders can have a strong influence on the employees' behavior, various approaches have been designed to determine the most effective style of leadership. As a field of study, the review of past research reveals that investigating leadership styles has been mainly focused on large businesses. Despite the great importance of leadership to SMEs, not many studies attempted to explore the leadership style embraced by SMEs, especially within the Macedonian context. The purpose of this study is to explore the presence of different leadership styles (autocratic, democratic and laissez-faire) in Macedonian SME. Moreover, in view of the main research objective, several demographic variables were examined, such as gender, age and working experience as to their relevance for the dominant leadership style, with a special focus on managers of small and medium sized businesses from the textile industry. Using a Leadership Style Questionnaire, the research measured different leadership

styles in addition to collecting in-depth demographic data on each of the respondents. The research results have indicated that the democratic leadership is the dominant style of Macedonian textile SMEs.

Keywords: Leadership Style, Autocratic, Democratic, Laissez-Faire, SMEs

1. Introduction

“Leadership is about managing change—whether you’re leading a company or leading a country. Things change, and you get creative.” —Lee Iacocca

Leadership is a “mysterious” concept. Like many complex ideas, it is easy to use in everyday conversation. Everyone talks about it, but only few really understand it. Most people want it, few achieve it. What does this fascinating term called ‘leadership’ mean? In the studies on leadership, there are hundreds of definitions offered in the literature, but none of them has been selected as a foundation of this concept (Winston and Petterson, 2006). One can say that there is no consistency on the definition on leadership, due to the researchers’ different perspective and aspects of this phenomenon. Schneider (1987) states that building people in the company is the key element, while building a successful company. Therefore, the greatest power of one leader is the capacity he/she possesses to create future leaders. They have to inspire their followers to achieve not only the common goal of an organization, but also their own, in a modest manner. The very idea of leadership presumes the existence of a follower. The activity of leadership cannot be done without followers who will follow the leader and leader who will influence their behavior, beliefs and feelings of group members in an intended direction (Wright and Taylor, 1994). Parris et al. (2013) considered leadership as a skill used in order to influence the followers in an organization and to work devotedly towards common goals.

According to Adeyemi and Brlarinwa (2013), leadership is *‘the art or process of influencing people so that they will strive willingly towards the achievement of objects’*. According to the findings (Bennis, 2002), leadership is the way in which people deal with difficulties and the capability of the person to find noteworthiness in negative dealings, thus learning even from the most demanding situations. The main responsibility of the leader is to define the vision of the organization and to convert the idea into reality. Moreover, the leadership is considered as a complex phenomenon affected by many organizational, social and personal processes (Bolden, 2004).

Winston and Petterson (2006, p.7) define a leader as *‘one or more people who selects, equips, trains, and influences one or more followers, who have diverse gifts, abilities and skills and focuses the followers to the organizations’ mission and objectives causing the followers to willingly and enthusiastically expend spiritual, emotional and physical energy in a concerted coordinated effort to achieve the organizational mission and objectives’*.

Various authors (Maxwell, 1987; Winston & Petterson. 2006, p.7; Kouzes & Posner, 1987) have stated that leaders grow into great leaders because of their capacity to qualify others, not because of their power. Another interesting view is De Pree’s (2006) in which *‘leadership is a serious meddling in other people’s life’*. Leadership is the result based on the action of a

number of factors such as: leadership qualities and characteristics, organizational culture, motivation systems and others such as hierarchical position, psychological and functional autonomy, information systems and others (Gîrneală & Potcovaru, 2015). Therefore, the leaders should know how to empower their subordinates in creating skilled teams which will result in the increased organizational productivity. Additionally, Miller (2017) perceived leadership as the ‘*only sustainable competitive advantage*’ and ‘*the cornerstone of all great organizations*’. Yet, leadership would not be effective if it is not rooted in the organizational culture. From here, it can be considered that the development of leaders is important for the winning position of the organization.

2. Literature Review

2.1 Behavior Leadership

One of the first studies of leadership behaviour was done by Kurt Lewin and his associates at the University of Iowa. In their studies the researcher explored three types of leader behaviour or styles: autocratic, democratic and laissez-faire.

In the autocratic leadership style, the leader brings all the decisions and orders to the subordinates. The ability of employees to develop initiative and creativity is very small or even, it does not exist and their behaviour is controlled through measures such as: punishment, reward and arbitrary rules. This leadership style is used in situations where there is little time for group decision-making or where the leader is the most knowledgeable member within the organization (Khan et al., 2015). The leader, in general, is arrogant, proud and egotistical. Leaders who use this kind of style reward employees for commitment and prefer not to punish them for any mistakes; they rather work on the problems instead. This results in empowered employees to feel more responsible about meeting their goals (Inandi et al., 2016, p. 194). The benefit of autocratic leadership is that it is incredibly efficient (Amanchukwu et al., 2015).

The democratic style focuses on group relationships and the sensibility of people in the organization. This type of leadership style encourages the professional competence. The team members take responsibility for their behaviour. The democratic style prompts quality assuring behaviour as well (Cunningham et al., 2015, p. 34). The subordinates are brave enough to express their feelings, ideas and give suggestions. However, the bargaining decisions are not met in all aspects of the operations within the organization. The leaders propose ideas. They are patient, confident and friendly. They offer guidance to the members within the group, in which they are part of and allow sharing ideas from other members of the group. This kind of leaders encourage the team members to be involved in the decision-making process, although they have the last word, while making the final decision (Khan et al., 2015). This results in increased motivation, creativity and confidence among the employees. Conversely, democratic leadership has a major disadvantage, and that is the extended time required to move forward (Amanchukwu et al., 2015). For this reason, democratic leaders should focus on developing highly-driven but smaller teams (Fiaz et al., 2017, p. 147), which is a good option for small and medium sized companies. This leadership style is particularly recommended for SMEs, in case of innovative organizations or projects

which require cooperation between various units of an organization (Mohiuddin, 2017, p. 26-27).

The laissez-faire leadership style is characterized with a lack of real leadership, where every team member can do what he/she wants. There is a disregard of supervisory duties and lack of guidance given to subordinates, which lately results in low productivity, resistance to change and low quality of work (Badford & Lippitt, 1945; Murnigham & Leung, 1976). The team members are not only involved in the decision-making process, but they are also responsible for making the final decision, although the full responsibility goes to the leader. This kind of leadership is applied in companies where the employees are highly educated and they are confident enough to bring the right decision. They know how to deal with a specific task and how to use the strategies in order to complete the same task (Khan et al., 2015). According to Kurt Lewin, the democratic approach can be the key factor for success of an organization. He believes that the involvement of employees in the decision-making process improves the understanding of the issues that entail by those who must carry out the decisions and collect ideas. This means that in deciding together, the leader can make a better decision than a leader who decides alone. When people make decisions together, the social commitment to one another is greater and that results in increased commitment to the decision.

The variables taken into account by these leadership styles are the way leaders exert authority, the way leaders communicate with employees, the way leaders make decisions and the degree of autonomy and empowerment leaders offer to the subordinates. Because of the leadership importance within the organization, scholars direct their focus on discovering the features and characteristics of successful leaders and try to specify certain characteristics in organizations. Some of the studies show that there are different relationships between leadership styles and the leaders' personal characteristics (Vergas, 2014).

Regarding gender, many studies supported the belief that there are differences in leadership styles between both genders and women are likely to fare better with more ease in authentic leadership styles (Patel, 2013). The leadership style characterized by exerting control, imposing order and achieving rewards is more common among men, while the leadership style which is associated with work values, through which subordinates help others while achieving common goals, is common for women (Alimo-Metcalfe, 2010). The autocratic leadership style characterized as authoritative, strong-minded and goal-oriented is said to be common for men (Sczesny et al., 2004). They are focused on achieving power and money as well as dominating others (Karakitapoglu et al., 2008). On the contrary, according to the study of Kotur & Anbazhagan (2014), female leaders are proven to be more autocratic than male leaders. The explanation for this is found in the Goleman (1995) theory which says that the emotional intelligence has its impact on the leadership style.

Some authors (Eagly et al., 1990) found that women are considered to be less effective when they take on more masculine roles and when it is considered that they "violate" the expected behaviour of their gender by practicing the autocratic leadership style. However, Kaiser and Wallace (2016) argued that in reality, the popular feminist stereotypes should not be

considered, if one wishes to lead successfully. These ascribed stereotypes about women are not realistic and they may hamper the social perceiver from positive evaluation of the woman in leadership in terms of as assertiveness, dominance, ambition, and confidence (Kaiser & Wallace, 2016). In their studies Kaiser and Wallace (2016) found that female managers are less likely to develop strategic and enabling skills, and they unknowingly focus on accomplishing goals and tasks for corporations, rather than visualizing and setting them, which may lead to a woman being perceived as having less potential for promotions. Sheryl Sandberg (2013) put an emphasis on the importance of women seeking mentorship and support from their superiors, in order to gain the knowledge and to develop the skills necessary to be viewed as a potential candidate for promotions.

Additionally, the study of Williams and Tiedens (2016), found mixed results in their literature review. Some findings from their study suggest that the leadership style of women is without doubt more dominant than men and that gender bias was found only against female leaders who displayed explicitly dominant behaviour (e.g., direct demands, assertiveness) in their leadership style. There is a significant amount of literature when considering age as a factor on leadership style. Older people can be better leaders than the younger due to the ability to deal and understand people in a more positive way while accomplishing the given task (Mirani et al., 2003). Older leaders are considered to be more calm, conservative, considerate, cooperative and deferent to authority. Younger leaders tend to be more energetic, exciting and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self- focused (Green et al., 2011).

The paper published by Robert I. Kabacoff from the Management Research Group and Ronald W. Stoffey from Kutztown University named Age Differences in Organizational Leadership, cited in Bojadjev et al. (2016), investigated the relationship between age and organizational leadership behaviour. The study showed that older leaders are more likely to study the problems in order to ensure certainty and to reduce risks, while the younger leaders are more enthusiastic to take risks, although with some reservations. Younger people are more focused on new approaches and they are more comfortable in case of turbulent and changing environments. Energy, intensity, and emotional expression, when operating, are characteristics of young leaders, while older leaders were more likely to maintain a modest interpersonal behaviour and to be less emotionally sensitive (Bojadjev et al., 2016).

Good relation with the employees is one of the key factors for success of the organization. With work experience, a person learns many things that are later reflected in their behaviour. In other words, one knows how to handle during the difficult times and develop relationships through experiences (Kotur & Anbazhagan, 2014). It is believed that if one is more experienced, one is wiser. The study of Kotur and Anbazhagen (2014) states that with increasing work experience, the employees practice different leadership styles. The leaders with less experience exhibit the autocratic style more then move toward the democratic and then they finally move towards the laissez-fair leadership trait.

Scholars are also of the opinion that work experience influences leadership attitudes. Leaders must possess certain knowledge and skills in management and leadership field, if they want

to be successful (Nusbuga, 2009). This confirms the idea that work experience helps the leader practice different leadership styles (Cagle, 1988).

2.2 Leadership in Small and Medium Enterprises (SMEs)

Most of the leadership theories are seen as a general concept of the large companies, while leadership in small and medium enterprises was not a point of interest for the researchers. For the purpose of better understanding and applying leadership in the framework of organizations, the concept of leadership became subject of interest for the academic and business environment (Boykins, 2012; Clarke, 2012). The main idea was to differentiate the way the leadership is perceived and applied in both, SMEs and large companies. The key reason for this difference is the influence of the owner on their employees (Mihai, 2015 ab.). According to some authors (Durham et al., 1997), in a large enterprise, there are several hierarchical levels, thus the behavior of the CEO does not directly affect the employees, while in a SME, the owner has a direct influence on their team members (Durham et al., 1997). This influence can be explained as a result of the leaders' active involvement in daily operations (Durham et al., 1997; Yukl, 1998). Leadership in SMEs is related to the capability of one or several individuals at the top of the organization, which is linked to the historic role of the owner in the organization. Anderson (2009) and few other authors found several organizational factors that can influence leadership in SMEs. He proposes three categories of factors that can influence the work of the leader as a component for stimulating SME growth and performance: the leader's characteristics and features; the leader's aspirations, motivations and intentions; and the leader's behavior or role.

Undoubtedly, a good leadership is required for driving the success of SMEs (Madanchian et al., 2016). The literature (Razak, 2011) in SMEs shows that lack of leadership skills is the main factor that causes failure of SMEs. To avoid failure within the organization and to have good organizational performance, the right leadership behavior is an important element.

In their studies, Pfeffer and Sutton (2000), stress the importance of the leaders' spirit in transforming knowledge and information into action. In other words, they state that the leadership style is a significant factor for maintaining and improving the competitiveness of SMEs. SMEs are exposed to a brutal competition for hunting talented employees not only between same sized-companies, but also between the large ones. The retention of qualified employees significantly depends on the degree of quality of the work life.

Work conditions appreciated by employees, such as autonomy of work on the one hand and good cooperation between people on the other, are influenced by the action of the leaders (Nanjundeswaraswamy & Swamy, 2015).

Leadership in SMEs is associated with the capacity of one or several individuals at the top of the organization. Because of the small structure of the SMEs, the nature of leadership employed by the management defines its performance. Here, leadership plays an essential role for the firm's strategy of maximizing profits and ensuring a smooth flow of operation, although more often than not, the personal goals of a leader affect the strategies out in place at the business (Kelchner, 2016).

Various factors determinate the level of leadership effectiveness in SMEs:

- Skills and experience of those at the head of the organization, as well as the individuals with people management responsibilities within an SME.
- Size of the business and the structures that emerge as the organization develops.
- The external context in terms of the external market (Haron, et al., 2015).

The leader is responsible for relationships with the clients, suppliers and employees and they are also responsible for financial control and accounting systems. For that reason, the leadership style is an essential provider for success.

3. Method and Objectives

This paper aims to explore the leadership styles of leaders (owner-managers) from Macedonian textile SME. The following objectives are raised to address the following goal:

1) Identifying the most common leadership style 2) investigating the relevance of owner-managers demographic characteristics on the distribution leadership style. In order to fulfill these objectives, the research questions posed in this paper were:

Q1: Which leadership style is dominant among owner-managers of small and medium sized businesses?

Q2: How do the variables ‘age’, ‘gender’, ‘work experience’, influence the distribution of leadership styles?

Q3: Does a relationship exist between variables ‘age’, ‘gender’, ‘work experience’ and leadership styles of the Macedonian textile SMEs managers? In order to further examine the relationship between leadership styles and demographic characteristics, we propose the following hypothesis:

H1: There is a statistically significant dependence between the gender of the owner-manager and the leadership style.

H2: There is a statistically significant dependence between the age of the owner-manager and the leadership style.

H3: There is a statistically significant dependence between the work experience of the owner-manager and the leadership style.

3.1 Survey, Sample Data and Collection

In order to collect, the empirical material, an online questionnaire was used as the main survey method, which was applied to a sample of 30 selected businesses and members in the Textile Trade Association-Cluster of Textile (TTA), all of them being registered as small or medium sized companies with 250 or fewer employees operating in the textile industry. The companies were contacted through professional aid of TTA, which represents an interest of many textile businesses in Macedonia. The data was collected over a two-week period of time between 1 and 15 September, 2018. The response rate was 70% (21managers out of 30 have

participated in the survey).

The survey was divided into two sections. The first section of the questionnaire, comprising of several questions, examined the demographic data of the owner-managers, to determine the factors that could affect the individual's leadership styles. The demographic questions were related to personal information, which included categories such as: gender, age and work experience. Following the demographic section of the questionnaire, 30 questions were placed on a Likert scale to measure leadership styles (autocratic, democratic, laissez-faire) of the respondent. These questions relate to many aspects such as decision making, performance standards and supervision, management's responsibility for success or failure, degree of bureaucracy, degree of autonomy, building employee responsibility, management's responsibility for the employees' well-being, and mutually agreed solutions to problems, employees' self-evaluation, degree of employees' responsibility, employees' ability to make their own decisions, and employees' ability to solve problems on their own. According to Clason and Dormody (2000) '*Likert scaling presumes the existence of an underlying (or latent or natural) continuous variable whose value characterizes the respondents' attitudes and opinions*' (p. 31).

The questions were divided in three sets of 10 questions (using a five-point Likert scale ranging from 1. Almost Never to 5. Almost Always), one for each leadership style (the questions no. 1, 4, 7, 10, 13, 16, 19, 22, 25 and 28 were related to the autocratic leadership style, the questions no. 2, 5, 8, 11, 14, 17, 20, 23, 26 and 29 to the democratic, while questions no 3, 6, 9, 12, 15, 18, 21, 24, 27 and 30 referred to the laissez-faire style.) To identify the dominant leadership style of each participant, we have added the score for each set of 10 questions and the leadership style with the highest score was taken as a dominant. However, taking into consideration that one of the possible scenarios could be also a situation in which a respondent would have equal scores for two or three styles, we have set certain evaluation approaches, such as: 1) when the score is equal between autocratic and democratic style, the autocratic was chosen as the dominant one, with an explanation that the respondent's leadership style is in transition; 2) when the score is equal between the democratic and laissez-faire style, we have used the democratic style to be relevant, since the respondent's leadership style is again in a state of transition; 3) when the scores are equal between autocratic and laissez-faire style or the three of them, the result is inconclusive and would not be taken into the analysis. The previous rationale was taken because of the natural transition among these three styles (based on the maturity and experience of both the firm and the owner: autocratic - democratic - laissez-faire) and it was considered that the respondent had applied the autocratic style for a longer time and that it was about to enter their democratic phase.

The SPSS statistical program was used to obtain results in this study. To look at factors in the demographic data and compare them to leadership styles, a Fisher exact test was used. The test was not used to analyze the Likert scale responses; however, it was used to explore whether there is statistically significant dependence between different leadership style and the respondents' given demographic characteristics (gender, age and work experience). We have used Fisher's exact test of interdependence because is more accurate than others when the

total sample size is less than 1000 or when the expected numbers are small.

4. Research Results

Table 1 depicts the profile of respondents. Of all of the respondents, 53 are male, while 47% are female. The majority of them (57%) fall in the age group of 41-60 years of age, thirty-three percent (33%) fall in the age group of 25-40 years of age and only 10% of the respondents belong to the age group of more than 60 years of age. Regarding the work experience, most of them (48%) have been at the current job position between 1-20 years, while the groups of 21-30 and over 31 years of work experience, entail, respectively, 28% and 24% of the respondents.

Table 1. The profile of the respondents

| Variable | Structure | |
|--------------------|-----------|--------|
| Gender | Male | 52.63% |
| | Female | 47.34% |
| Age | 25-40 | 33.33% |
| | 41-60 | 57.14% |
| | 60+ | 9.52% |
| Working experience | 1-20 | 47.62% |
| | 21-30 | 28.57% |
| | 31+ | 23.81% |

In order to test reliability and consistency of the survey's items, we have used the Cronbach's Alpha indicator, which has a value of 0,485 for the items regarding the autocratic style and a value of 0,851 for the items regarding the democratic style. This value for the democratic style confirms high reliability and internal consistency of the items measuring the respondents' attitudes towards the analyses behaviour since the Cronbach's Alpha value is greater than 0, 7. For the autocratic style of leadership, the Cronbach's Alpha value is lower than 0, 7 which indicates that the items for this type of style are not internally reliable. The laissez-faire style was not tested since no single respondent in the survey nurses this type of style.

Figure 1 exhibits the distributions of the leadership styles among Macedonian SMEs, owner-managers. It can be concluded that a dominant leadership style is democratic, as we can see that 67% of the respondents apply a democratic style. This is followed by the autocrat with 33%, while laissez-faire style is found not to be relevant and taken into consideration for further analysis as a consequence of not having a single respondent in the survey that has applied this type of style. We can conclude that Macedonian SMEs owner-managers in textile sector prefer the democratic leadership style. The results are not contradictory with the suggestions offered by the literature which are mostly pointing out that for SMEs, it is important to consider leadership style that will be built on involving their employees in the decision-making processes, giving them a certain degree of autonomy and are aware of their needs and expectations.

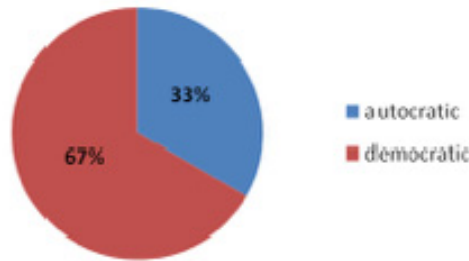


Figure 1. Distribution of leadership styles

Figure 2 shows the ways in which the respondents' leadership styles are associated with their age. From Figure 2 it can be seen that the respondents with a dominant autocratic style are mostly aged between 41-60 (5 respondents), 2 respondents belong to the youngest age group from 25-20, while there are no respondents that practice autocratic style which are older than 62. In the group of respondents with a democratic style, the majority of them are also between 41-60 (7 respondents), 5 respondents belong to the age group of 25-40, followed by 2 respondents which are older than 61.

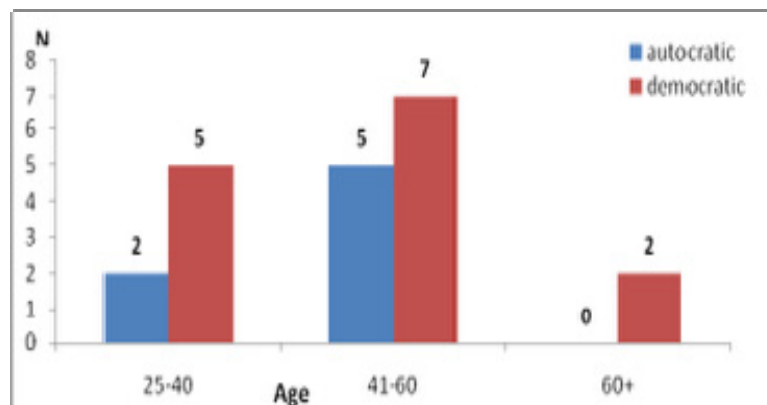


Figure 2. Distribution of the leadership styles depending of the respondents “age”

Furthermore, we have used Fisher's Exact Test (See Table 2.) in order to analyze if there are significant differences between the different age groups, displaying a result of $p=.672$, which is greater than .05, meaning we have to accept the null hypothesis, according to which there are no significant differences between the respondents from the different age groups in relevance to the distribution of their leadership style. Although some of the implications that are mentioned in the literature are that the older the manager is, the more likely it is that the democratic style will be used due to the fact that the older leaders bring more collective decisions than younger ones, herewith, the results do not show some significant differences.

Table 2. The correlation between age and leadership style

| | | Leadership style | | Total | |
|-------|-------|------------------|------------|-------|------|
| | | Autocratic | Democratic | | |
| Age | 25-40 | Count | 2 | 5 | 7 |
| | | Expected Count | 2,3 | 4,7 | 7,0 |
| | | Residual | -,3) | ,3 | |
| | 41-60 | Count | 5 | 7 | 12 |
| | | Expected Count | 4,0 | 8,0 | 12,0 |
| | | Residual | 1,0 | -1,0) | |
| | >61 | Count | 0 | 2 | 2 |
| | | Expected Count | ,7 | 1,3 | 2,0 |
| | | Residual | -,7) | ,7 | |
| Total | | Count | 7 | 14 | 21 |
| | | Expected Count | 7,0 | 14,0 | 21,0 |

Note. Fisher exact test $p = 0.672$.

Figure 3 displays the distribution of the leadership styles depending on the respondents' gender. The distribution of the leadership styles depending on the respondents' gender is, in effect, the same among male and female respondents. For both the male respondents, the prevalent style is democratic (6 respondents out of 10), followed by the autocratic (4 respondents out of 10).

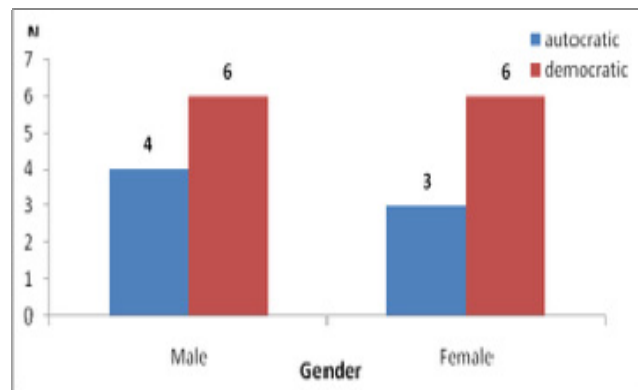


Figure 3. Distribution of the leadership styles depending of the respondents “gender”

The Fisher test (See Table 3.) also shows that there are not significant differences between the gender, which give a result of $p=1.0$, greater than $.05$ meaning that we have to accept the null hypothesis, according to which there are no significant differences in leadership styles between male and female leaders. This result is not contradictory with the results from other empirical studies which have also indicated that most recently; gender has no effect on leadership (Oshahem, 2008, Jonsen, 2010). The main arguments that support these findings is the fact that differences in leadership styles between male and female leaders are vanishing as a result of the change in roles and perception of the self of women in industrialized countries and the increasing trend of women working in male occupations.

Table 3. The correlation between gender and leadership style

| | | Leadership style | | Total |
|--------|----------------|------------------|------------|-------|
| | | Autocratic | Democratic | |
| Male | Count | 4 | 6 | 10 |
| | Expected Count | 3,7 | 6,3 | 10,0 |
| | Residual | ,3 | -,3) | |
| Female | Count | 3 | 6 | 9 |
| | Expected Count | 3,3 | 5,7 | 9,0 |
| | Residual | -,3) | ,3 | |
| Total | Count | 7 | 12 | 19 |
| | Expected Count | 7,0 | 12,0 | 19,0 |

Note. $p = 1.0$.

Figure 4 below regarding the variable work experience states that the leaders with lesser experience exhibit more democratic leadership behaviors than those who are relatively higher experienced and with increasing work experience the employees lessen their autocratic leadership characteristics.

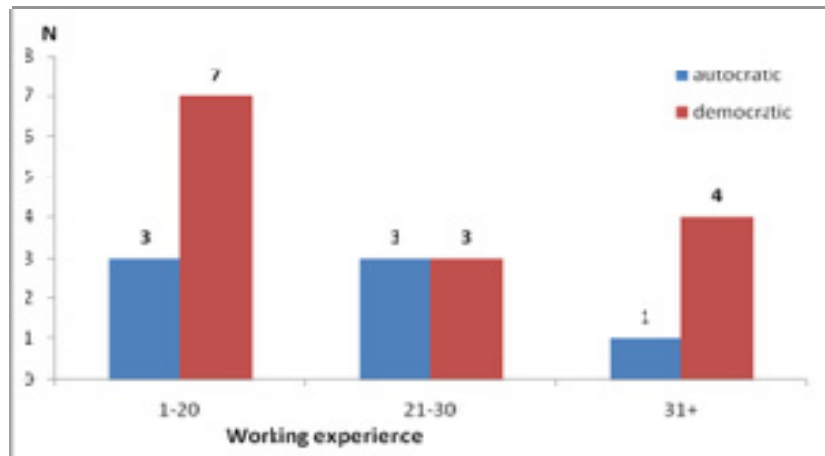


Figure 4. Distribution of the leadership styles depending of the respondents “working experience”

The Fisher exact test analysis (See Table 4.), displaying a $p=0.601$, given in the table 8 above, reveals that work experience is not significant for the distribution of leadership style. Hence, the results prove that the leadership style does not depend on the leaders’ experience levels. Therefore the above tables prove that the statement – ‘*there is a statistically significant dependence between the owner-manager work experience and leadership style*’ is not valid.

Table 4. The correlation between working experience and leadership style

| | | | Leadership style | | Total |
|----------------------------|-------|---------------|------------------|------------|-------|
| | | | Autocratic | Democratic | |
| Working experience (years) | 1-20 | Count | 3 | 7 | 10 |
| | | ExpectedCount | 3,3 | 6,7 | 10,0 |
| | | Residual | -,3) | ,3 | |
| | 21-30 | Count | 3 | 3 | 6 |
| | | ExpectedCount | 2,0 | 4,0 | 6,0 |
| | | Residual | 1,0 | -1,0 | |

| | | | | | |
|-------|------|----------------|------|------|------|
| | > 31 | Count | 1 | 4 | 5 |
| | | Expected Count | 1,7 | 3,3 | 5,0 |
| | | Residual | -,7) | ,7 | |
| Total | | Count | 7 | 14 | 21 |
| | | Expected Count | 7,0 | 14,0 | 21,0 |

Note. $p = 0.601$.

5. Discussion

Although small and medium businesses comprise almost 97% of Macedonian businesses and are being considered as the engine of the country economy, there is a lack of research that is focused on the problem how the leadership style is applied in Macedonian SMEs, so we could not compare our results to other similar studies and propose a more constructive discussion.

However, in one of their studies regarding the leadership styles of all Macedonian companies, Kostovski, Bojadjev and Buldioska (2015) have described the Macedonian leader as an autocrat. They have stated that *'autocratic style of leadership despite being unsuitable for the new industries, new times and new profiles of the workforce, remain to be dominant and the most preferred practice of the Macedonian businesses'*. Our results do not confirm these insights and arguments. Our study shows that the majority of business owners-managers in SMEs prefer a democratic leadership style. This, in practice, means that managers focus more on involving the employees in their decision-making process, thus motivating them to accomplish the given objectives. Also, one of the reasons for this attitude of changing leadership could be related to the fact that the textile industry is one of the most developed sectors and second largest export industry in the country. Moreover, in most of the cases Macedonian textile SMEs and their managers work and communicate with companies from more developed Western countries and thus they try to adapt their behavior to their business partners, whose orientation is more democratic in terms of organizational leadership.

The first noticeable point in the results is that some changes are happening at management level when it comes to practicing a leadership style. New approaches arise in the leadership style of Macedonian SMEs managers. This is going along with the major factors that are mentioned in the literature which are mostly pointing out that SMEs have certain characteristics that make them considerably different compared to large businesses. The results are not contradictory with the approaches offered in the literature, where due to its smaller business volume and also smaller hierarchical level, in SMEs more participatory style of leadership should be nurtured because of the more direct and constant interaction between

the managers and employees. From there, managers of small and medium sized businesses must be focused on employee relations and good customer relations, which means that it is important for the leader to be a person who trusts their associates, accepts their ideas and encourages a reward system and mutual communication. The main assumption is that leaders who use democratic style can handle the challenge of building an appropriate organizational flexibility.

Further, the results based on testing the relevance of demographic variables (gender, age and work experience) on the leadership style indicate that there is no significant correlation between leadership styles and different variables. The Fisher exact test in all cases is greater than .05, which means that we have to accept the null hypotheses.

In other words, the hypotheses H1 (there is a statistically significant dependence between the gender of owner-managers and their leadership style, H2 (there is a statistically significant dependence between the age of the owner-managers and their leadership style) and H3 (there is a statistically significant dependence between the work experience of the owner-managers and their leadership style) are not supported in our research. This suggests that, for the managers in Macedonian SMEs, gender, age and work experience do not represent a significant determinant or predictor for the use of a leadership style.

6. Conclusion

In this study, our aim was to explore the presence of different leadership styles (autocratic, democratic and laissez-faire) in Macedonian SMEs. Also, the objective was to examine some demographic variables that seem to contribute to and influence the distribution of leadership style. The main concept we used in our research is based on one of the most popular classifications of leadership styles, established in the Iowa studies (which identified the autocratic, democratic and laissez-faire leadership style). In view of the research objectives, several demographic variables were examined in terms of their relevance for the dominant leadership style such as: 1) gender; 2) age; 3) work experience. In order to meet our goal, we have proposed several hypotheses that were tested on a sample of Macedonian owner-managers within the context of the textile industry.

The results of this study show that the democratic leadership is the dominant style for Macedonian SMEs. As such, the results go along with the suggestions derived from literature and other empirical studies in which the most recommended and effective style of leadership for SMEs is the democratic style. Overall, the autocratic style led to revolution, whilst under a laissez-faire style, people did not work together and did not work as hard as they did when being actively led.

In testing the presence of a statistically significant dependence between the observed variables, the leaders' gender, age, work experience and owner-managers' dominant orientation towards autocratic, democratic or laissez-faire styles, the null hypothesis is confirmed. In other words, there is not a statistically significant relation between the leaders' demographic variables and leadership styles (as established by the Iowa studies). More precisely, the assumption that the leaders' demographic characteristics influence the leaders'

dominant tendency towards the adoption of particular leadership styles is not confirmed.

In view of the above research, it can be indicated that in some circumstances, the leadership style is influenced more by organizational and decision-making characteristics, identified as determinants of the leadership style and also from different situational aspects, coming from the internal or external environmental conditions in which the manager works and leads.

This study is the first article in which the focus of analysis is the way in which SMEs owner-managers from Macedonia perceive themselves in terms of their leadership approach. Therefore, the findings of this study could be useful for theory and practice in understanding some influences on one's choice of leadership style. The research is also a way of enhancing existing research in the management literature and also in developing a deeper understanding of management practice and, more specifically, leadership characteristics and determinants of leadership styles in Macedonian SMEs.

Certain limitations of this study should be taken into account, with directions for further research. The survey's major limitation pertains to the size of our sample. This does not accurately represent the whole SME sector in Macedonia and her textile industry. Thus, we confirm the need for a more extended and accurate study focused on the entrepreneurs to provide a more thorough and comprehensive findings. Moreover, the questionnaire should be also further expanded to include more items in relevance to organizational and decision-making characteristics that could be seen as determinants of leadership style. One of the limitations is also the fact that the research is based on the respondent's own perception of their leadership style and may be influenced by subjectivity. It is, therefore, recommendable to conduct a research studying how the employees will perceive their managers' leadership behavior by using the same approach-autocratic, democratic and laissez-faire. This will enable us to compare both sides, and the way in which managers perceive their own leadership style and how it is perceived by their employees.

7. Practical Implications

Following the survey and the analysis of the results, having in mind all limitations of the survey in terms of the small sample and its focus on the specific industry, we can still offer several conclusions regarding the practical implications of the leadership style nurtured by the managers in the textile industry.

The main purpose of this research was to investigate the leadership styles of autocratic, democratic and laissez-faire used by managers at SMEs in textile industry from Macedonia. To the best of our knowledge, this had not been previously achieved in the Macedonian context and would therefore be a new contribution to the understanding of the concepts: leadership style and SMEs. Also, we believe that this research will provide some potential benefits of this knowledge to owner/managers of SMEs. With another words, the most important practical implication is for leadership and management development in SMEs from the way managers perform and the way the company is operated. Having an understanding of how they perceive their style of leadership is the first step in creating more aware managers who are better equipped at leading SMEs and influencing their firms' growth. Previous

literature also postulates that due to its smaller business volume and also smaller hierarchical level, in SMEs more participatory style of leadership should be nurtured because of the more direct and constant interaction between the managers and employees. The employees are also more receptive to democratic leadership in the less complex and more informal setting of SMEs.

However, since the sample is limited to SMEs owned and operated in Macedonia and more specific to textile industry and this limits the possibility to generalize the data further into another industry or within an international context. Furthermore, the primary intention was to conduct a cross-sectional study combining qualitative interviews with a quantitative survey, but due to time restrictions the qualitative method had to be excluded from the research. Accordingly, the empirical data was collected through solely the Leadership style questionnaire, potentially having a negative effect on the generalization and accuracy of the final results.

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