Impacts of Transformational Leadership on Organisational Performance in Small and Medium-Sized Enterprises in Uganda

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Abstract

Leadership is an important attribute in the management of Small and Medium- Sized Manufacturing Enterprises(SMMEs). Aim: To establish what drives an organization to adopt a leadership style to enhance its performance. And further to investigate the effect of the components of transformational leadership in organizational performance in SMMEs in Uganda. Setting: The research is premised on the SMMEs in the cities and municipalities of Uganda, given that this where the majority of the SMMEs are concentrated. Methods: A desk review research approach and qualitative research design was adopted by the study. Results: Transformational leadership does impacts on organizational performance in SMMEs to an extent, but there is need for its enhancement for more effective performance of the SMMEs. Conclusion: There is need for continuous improvement of the components of transformational leadership so as to fully enhance organizational performance in SMMEs in Uganda.

Key words: Transformational Leadership, Organizational Performance, Small and Medium-Sized Enterprises, Uganda.

1.1 Background

Transformational leadership need not be underscored as an attribute in thesuccess of small and medium-sized enterprises in Uganda due to its importanceas a strategic underpinning. Broadly, leadership has been described differentlyby different scholars; Northouse (2016), for example describes leadership as aninfluential process that assists groups of individuals toward goal attainment and has been a highly sought-after and highly valued commodity for the past 20years. The overwhelming focus on leadership issues from researchers is becauseit is vital for organizational success (Kumar and Kaptan, 2007). And agreeably,without strategic and effective leadership, it is difficult for organizations tosustain profitability, productivity and competitive advantage (Lussier andAchua, 2007). Indeed, many researchers now consider leadership style as animportant variable or predictor of organizational performance (Wu, 2009) and(Bass, Avolio, Jung, & Benson, 2003).

1.2 The leadership Styles

Northouse (2016) describes Assigned Leadership as arising from one'sformal position in an organization. This may be through ownership of anorganization. The Trait leadership view point conceptualizes leadership as aproperty or set of properties possessed in varying degrees by different people(Jago, 1982). This suggests that it resides in select people and restrictsleadership to those who are believed to have special, usually in born talents.

Power and leadership is a component in the overall leadership process and it is premised on the potential to influence. In organizations, there are two kinds ofpower: position power and personal power. Northouse (2016) describes theformer as the power a person derives from a particular office or rank in a formalorganization while the latter is the influence capacity that a leader derives frombeing seen by followers as likable and knowledgeable. On the behavioralleadership, he describes it as focusing on what leaders do rather than who theyare-broadening the scope of leadership analysis to include the behaviors ofleaders rather than only their personal traits or characteristics.

Further, according to Northouse (2016), transformational leadershipemphasizes intrinsic motivation and follower development, which fit the needsof today's work groups, who want to be inspired and empowered to succeed intimes of uncertainty. Transformational leadership may be viewed as similar totransactional leadership, but the latter refers to the exchange of things of value with followers to advance their own and their follower's agendas, while theformer is broader and helps people to thrive in order to face more challenges(Bass & Riggio, 2006). Transformational leadership thus augmentstransactional leadership (Boehnke, Boutis, Distefano & Distefano.

2003).Northouse (2016) further describes situational leadership as focusing onleadership in situations and that different situations demand different kinds ofleadership, adapting to the demands of different situations. By definition

therefore, the leadership style in Small and Medium-Sized ManufacturingEnterprises(SMMEs) reflects the above mentioned leadership styles, but sinceleadership is a process and with the current global competitive environment,SMME's can and require an effective leadership style so as to thrive(Nanjundeswaraswany & Sway, 2014).

1.3 Transformational Leadership

Transformational leadership was first attempted and discussed by (Burns,1978) and later expanded by (Bass, 1995) through his TransformationalLeadership Theory. Under Bass (1995)'s Transformational Theory, emphasiswas on transformational leadership that provides leaders an opportunity totransform or create an impact in their followers. According to Bass, leadersunder transformational leadership aim at winning trust, respect and admirationfrom their followers (Choi, Goh, Adam & Tan, 2016).

Transformational leadership has four major components that include:Intellectual Stimulation, Individualized Consideration, Inspirational Motivationand individualized influence. Intellectual stimulation involves a leader enablingand encouraging the followers to be more creative and establish new ways andmethods of doing work. This is accompanied with finding out new availableopportunities that a follower may tap into. Under intellectual stimulation, aleader creates opportunities for learning and encourages the followers toconsistently learn. Individualized Consideration points at a leader's ability andwill to offer encouragement and support to the followers. This is initiatedthrough creating an open channel for communication between the leader and thefollowers. The leader encourages a dialogue between him/her and the followers.Under open/facilitated communication, the sharing of ideas (two-way approachfrom the leader to followers and from followers and leaders) is catered for.Another advantage that is associated with individualized consideration isrecognition. The provided opportunities for idea sharing prepare followers to bein position of feeling valued by the employers. Under Inspirational Motivation,leaders provide a vision and direction to their followers. The direction that isprovided by the leaders under inspirational motivation enables the followers toachieve the goals and objectives of the organization. The final component ofIndividualized Influence calls for role modelling. Under this component, aleader presents an example that the followers need to copy and emulate. The trust and respect that the leaders are associated with by the followers create abasis for the latter to adopt (Riggio, 2009).

From the components that are identified under transformationalleadership, the followers are inspired to achieve the roles andresponsibilities accorded to them. This is because the transformationalleadership process entirely works to develop leaders that would succeed thepresent leadership. This increases the capacity of employees (in anorganizational setting) and employees grow and develop into leaders throughresponding to their personal needs by empowering themselves and by aligningthe objectives and goals of the individual followers, the leader, the group, andthe larger organization (Riggio, 2009).

Further, from the submissions as presented by both (Bass & Riggio,2006) key points that one can make from the submissions include:transformational leaders believe that their subordinates can perform to their bestand the leading members of the group can feel inspired and empowered. It isimportant to further note that that having a strong, positive vision of the futureplays a critical role. Not only is it important to believe in these submission butalso individuals may be inspired and inspire others to adopt one's vision too.

Managers thus have a task in their leadership to promote and improve theperformance in any organization by applying the provisions of transformationalleadership. This is expected to be done through encouraging and supportingtheir employees in discovering the new ideas that would improve on their work.

1.4Management of Small and Medium-Sized Manufacturing Enterprises

Manufacturing is extremely important for any Country. Tybout (2000)stresses that the manufacturing sector is well taken care of by policy makersbecause it is the tool for modernization, employs skilled workforce and resultsin various spill overs. And the global manufacturing strategy is now, a series ofadaptive moves instead of a once for –all decision (Rills, Johansen, Waehrens,& Englyst, 2007).

This is exacerbated by the challenges facing industrialenterprises including coping with an increased distribution of activities and therelated need to deal with task interdependencies as well as coping withuncertainty and complexity. According to (Rills et al., 2007), these strategicroles of small and medium-sized manufacturing companies have been groupedinto: the contribution to competitive advantage; the companies position in avalue or supply chain; the mutual interplay between its various functions andthe different roles that a plant can play in a network of manufacturing plants ofa company. This current trend presupposes that the leadership role must takecognizance of this current thinking; practices of SMMEs and its strategic role.

The leader therein must therefore must motivate and develop the people withinthe organization to grow in order to face more challenges.Further, for an organization to face these challenges, it must enter alearning mode: constant improvement; total quality management programmes;employee involvement programmes; benchmarking and learning from change(Gerard, 1993).

The management of small and medium-sized enterprises(SMEs) itselfrevolves around owner-manager and their individual characteristics that arelikely to affect their achievements (Kengne, 2016) and SMMEs in Uganda is noexception. This situation confirms aspects of: assigned; trait, and behavioralleadership as well as leadership and power. Contextually, the transactional,transformational and the situational approach to leadership is also applicable.

1.5 The Uganda Case

Uganda is one of the fastest and rapid growing economies both on theAfrican continent and on the global economy. The growth of the Ugandaneconomy is attributed to the ever increasingly growing SMEs that work as astrong engine for economic growth and development (ADB, 2014; EAC, 2012).According to the Uganda Investment Authority's Small and MediumEnterprises Business Guide, Small Enterprises are those enterprises employingbetween five and 49 people, with total assets of between Uganda Shillings 10million but not exceeding Uganda Shillings 100 million. The MediumEnterprises employs between 50 and 100 people, with total assets of more thanUganda Shillings 100 million but not exceeding Uganda Shillings 360million.

Uganda, like any other developing nation widely encourages the development and establishment of SMEs as strategies for job creation, innovations andmarket expansion through productivity. The SMEs in Uganda are estimated toconstitute about 90% of the private sector (ADB, 2014). The SMEs employover 2.5 million people hence being the largest employer in the Country (ADB,2014). The challenge that the SMEs face in Uganda is largely operating in aninformal setting and at times operating illegally. This has made the productsmanufactured by these SMEs considered as inferior. This greatly affects theperformance of SMEs as the consumption of their products is minimal henceaffecting their profitability (Uganda Investment Authority, 2018).

1.6 Performance of SMEs in Uganda

One of the indicators of SMMEs' performance in Uganda is employment.According to Uganda Investment Authority (2018), 90% of the employedUgandans that are not in farm-related employment are directly employed by theSMEs. The national Gross Domestic Product (GDP) of Uganda from SMEsconstitutes approximately 20%, and furthermore, SMMEs contribute over 20%of incomes of the labour force, and have great potential for reducing povertylevels (Uganda Investment Authority, 2018). Key of the notable SMEs inUganda include among others: restaurants and food processing, retail and wholesale trade, metal fabrication, textile and designs, and furniture making andassembling. It was established that a good number of SMEs do not prepareformal books of accounts, fail to embrace information technology (Kotey, 2005)and are faced with challenges in accessing financing hence affecting their performance.

Another large number of SMEs in Uganda operate in what islocally known as "juakali" which is translated as the use of rudimentary tools tooperate (Uganda Investment Authority, 2018). It is this nature of business of theSMEs that determines the type of clientele and their behaviors while transactingbusinesses. Indeed, clients work with SMEs in a more informal arrangement bynot asking for receipts whenever they purchase goods and similarly thesuppliers do not also ask for invoices, private contracts are rarely documentedand requirements for audited accounts are not enforced thus making it difficultfor SMEs owners to record the initial transactions leading to poor financialmanagement practices. Besides the poor financial and bookkeeping practices,the SMMEs also are fond of employing unqualified persons to run theirbusinesses (Turyahebwa, Sunday & Ssekajugo, 2013).

The performance of SMEs in Uganda is further seen from innovation ofthe products that they manufacture, and the impact of productivity on labour.The product innovation is minimal especially the design, creation of newproducts, improvement on quality. There is no increased engagement inproductivity, the labour itself (workforce) have no skill addition. Anotherindicator of low performance of SMEs in Uganda is manifested through creditutilization. To some SMEs, credit utilization is premised on reliance on personalsavings as opposed to borrowing from the financial Services.

Contextually, with the above challenges of performance in SMEs, it isimperative that the SMEs adopt an effective leadership style as well as exploreits components for effective organizational performance.

1.7 Intended Research Focus.

This research proposal aims to establish what drives the SMME's toadapt a particular leadership style to enhance its performance. Further, theresearch study aims to establish what component of transformational leadership

style, the SMME's should use in order to thrive. The SMMEs under study havea national and regional presence.

1.8 The Problem Question.

SMME's exhibit specific leadership styles that arise from the managerownershipsituation of the organization as well as their individualcharacteristics. This status has made these organizations remain static and yetthey need to grow. The research study aims to determine the impact assessmentof how transformational leadership can enhance the performance of theSMMEs.

1.9 General Objective

The general objective of this study was to investigate the effect oftransformational leadership on organizational performance in SMMEs inUganda.

1.10 Specific Objectives

The study specifically aimed at achieving the following objectives:

I. To find out how intellectual stimulation is related to employeeperformance in SMMEs in Uganda
II.To investigate the applicability of individualized consideration inenhancing employee performance in SMMEs in Uganda.
III.To establish inspirational motivation on employee performance inSMMEs in Uganda.
IV.To examine the relationship between idealized influence and employeeperformance in SMMEs in Uganda.

1.11 Research Questions

The following research questions guided the study:

I. How is intellectual stimulation related to employee performance in theSMMEs in Uganda.
II. How applicable is individualized consideration in enhancing employeeperformance in the SMMEs in Uganda.
III. What is the impact of inspirational motivation on employee performancein SMMEs in Uganda?
IV. What is the relationship between idealized influence and employeeperformance in SMMEs in Uganda?

Literature Review

2.1 Factors that drive the SMMEs to adapt an effective leadership style toenhance its performance.

2.1.1 Motivational Factors

These relate to the managerial capacity; workforce turnover; leadershipstyle; and strategies and production operations.

2.1.1.1 Management within the Organization

(Bent, Seaman, Ingram, and Forbes, 2000) argues that there is a linkbetween managerial behavior and firm behavior. Hence, managers may beinspired by the link and adjust their behavior in ways that can enable the firm togrow. And Kotter (1990), p.7-8) contends that both management andleadership are essential if an organization is to prosper.

Moreover, upper echelon leaders receive more unfamiliar, outward-orientedand source-diverse information to broaden their attention and scope-obligingthem to engage in transformational leadership behavior which isbeneficial for innovation ambidexterity (Zheng, Liu, & Gong, 2016).

2.1.1.2 Workforce Turnover

Organizational commitment has repeatedly been identified inorganizational literature as an important variable in understanding the workbehavior of employees in organizations namely: the intention to stay;absenteeism; and job satisfaction (Meyer, Stanley, Herscoritch, & Topolnytsky,2002). In addition, committed employees are more likely to have higher work motivation as well as higher job performance (Chen, Silverthorne, & Hung,2006). Moreover, Yahaya and Ebrahim (2016) also confirms thattransformational leadership has an impact on organizational commitment.

2.1.1.3 The Leadership Style

As a process, leadership can be observed in leadershipbehaviors(Jago,1982), and can be learned. A leader can therefore learn toexhibit transformational leadership style as a management style.

2.1.1.3.1 Impact of transformational leadership on organizational learning.According to Imran, IIyas, Aslam, and Ur Rahman, (2016)transformational leadership also has significant positive impact onorganizational learning and knowledge management process capability; andpartially mediates the relationship between transformational leadership andorganizational learning. Additionally, knowledge-intensive culture hasstrengthened the relationship between transformational leadership andknowledge management process capability. And, according to (Liao, Chen, Hu,Chung and Liu, (2017), organizational learning acts as a full mediator betweenleadership and organizational innovation.

2.1.1.4 The Strategies and Production Operations:

2.1.1.4.1 Contribution to competitive Advantage

Birasnav (2014), states that top level leaders exhibit transformationalleadership behaviors while implanting manufacturing strategies in their firms. Inparticular, transformational leaders are capable to transform the production system into flexible systems, and in addition, they develop new productionprocesses for manufacturing both new and old products. Such leaders ensurequality in all levels of production process and support to speed up order deliveryprocess with the help of technology. The leaders also concentrate on reducingcost growth. Birasva (2014) therefore shows that transformational leaders in themanufacturing environment use manufacturing strategy as a tool to improveoperational performance, thus they have the potential to achieve and sustaincompetitive advantage through formulation of manufacturing strategy.Further, Transformational leadership styles are positively associated withdynamic capability that entails sensing, seizing and reconfiguration, directly andindirectly through their effects on the human resource systems (Cabrates, China,& Fernandez, 2017). Thus human resource management can be applied toleverage a firm's competitive advantage, as human resource systems mediatefor obtaining different capabilities.

2.1.1.4.2 The companies position in a value or supply chain.

The mutual interplay between its various functions and the different roles that aplant can play in a network of manufacturing plants of a company.

The supply chain is defined as a system of organizations, people,technology, activities, information, and resources involved in moving a productfrom supplier to customer.Success in the global market place therefore depends on the manager'sability to provide leadership and exceptional success depends on sustainingextraordinary performance (Boehnke, Boutis, Distefano, & Distefano, 2003).

2.1.1.4.3 Regional Strategies/ Policies

According to El-Khasawreh (2012), the national policies may range fromgovernance and regulatory policies, the political and economic climate andnational standards among others. The Regional Policies include multi-lateralagreements, protocols, taking cognizance of human rights, the environment,skilled professional workforce availability, supply chains and lead times (ElKhasawreh, 2012).

Uganda is a Partner State of the East AfricanCommunity(EAC). The Treaty for the Establishment of the East AfricanCommunity,1999, provided for the East African Community Customs Union, toprovide for free movement of goods within the Community. The Customs

Union, as it is referred is operational and provides for among others,standardization, quality assurance and cooperation on removal of technicalbarriers to trade. The Protocol on the Establishment of the East African Community Common Market (Protocol)further ensures the realization ofeconomic growth and development through the attainment of the free movementof goods, persons and workers, services and capital. This ultimately enhancesthe performance of SMMEs.

El Khasawreh (2012) argues agreeably that Regional EconomicCommunities like the EAC widens the market size for the goods and enhances standardization of the manufactured goods among others-empoweringmanufacturing SMEs to thrive through exportation. However, SME's are lesslikely to pursue growth; their level of exports is low and their managementpractices are less formal (Kotey, 2005), but it is inevitable that they adopt aleadership style that can enable the SMEs grow.

2.1.2 People Development Factors

In addition to the need for the SMME to enter a learning mode, it isimperative that they also look at the People Development Factors. Notably, inthe financial year 2016/2017, among others, Government of Uganda, throughthe Uganda Investment Authority(UIA), renewed its efforts to revitalize the roleof SMEs in economic transformation of Uganda. Specifically, the SMEs arenow being encouraged to use cheap financing opportunities that can be accessedunder Private Equity Funding and Venture Capital. And given that ownership ofSMEs impacts on the leadership styles (Kengne, 2016), this new drive willempower leaders in manufacturing SMEs to focus on the growth of theorganization.

Regionally the Treaty for the Establishment of the East AfricanCommunity (the Treaty) also provided for the Protocol. Under the Protocol, theschedule of Commitments on the Progressive Liberalization of Servicesprovides for Research and Development Services as well as business servicesincidental to manufacturing. The Protocol also provides for free movement ofworkers among others within the Community, bringing in skilled professional workers like Directors and Chief Executives among others, within theCommunity for work purposes. Further, under Article 29 of the Protocol,provision is made for the protection of cross border enterprises while Article 11of the Protocol provides for the harmonization and mutual recognition ofacademic and professional qualifications for purposes of ensuring the freemovement of labour within the Community.These provisions thus enhance people development for provision ofeffective leadership styles within the SMMEs.

2.1.3 The Components of Transformational Leadership Style.

2.1.3.1 Intellectual Stimulation

According to Riggio (2009) Intellectual Stimulation involves a leader'sability to challenge followers to be creative and innovative. A commonmisunderstanding is that transformational leaders are "soft," but the truth is thatthey constantly challenge followers to higher levels of performance.

Studies have indicated that work groups that have been under theleadership of a transformational leader perform highly and the group memberspresent high satisfaction compared to other groups led under other differenttypes of leadership. The result of this is attributed to transformational leaderssince they (transformational leaders) exhibit positive expectations for followers,believing that they can do their best. As a result, they inspire, empower, andstimulate followers to exceed normal levels of performance. More so,transformational leaders focus on and care about followers and their personal needs and development. Transformational leaders require followers to do thingsthat they would not do themselves, they easily inspire others, they are alwaysattentive to their followers needs and concerns and they encourage followers toquestion their most basic way of thinking (Hill & Lineback, 2011).

Nelson Mandela used transformational leadership principles whileworking to abolish apartheid and enforce change in South Africa. In 1995, hevisited Betsie Verwoerd, the widow of the architect of apartheid HendrikVerwoerd, at her home in Orania.

Orania was an Afrikaner homeland and astriking anachronistic symbol of racial separation, and Mandela's recurringemphasis on forgiveness contributed towards healing the prejudices of SouthAfrica and had a vast influence on him as a leader. In 2000, he was quoted assaying, "For all people who have found themselves in the position of being injail and trying to transform society, forgiveness is natural because you have notime to be retaliative" (Paul, 2013).

2.1.3.2 Individualized Consideration

Transformational leaders pay attention to the needs and the potential fordeveloping others. These leaders establish a supportive climate where individualdifferences are respected. Interactions with followers are encouraged and theleaders are aware of individual concerns (Bass, 1998).Zaleznik (1992) and Bass and Avolio (1992, 1998) suggest that managersview goals impersonally, as opposed to leaders who develop goals that reflect a deeper meaning based on beliefs. Leaders relate to people intuitively andemotionally and as a result generate stronger feelings in their followers- bothnegative and positive (Individualized Consideration). Zaleznik(1992) alsoconsiders the sense of self as a defining difference between leaders andmanagers. He states that managers see themselves as conservators andregulators of an existing order of affairs with which they personally identify andfrom which they gain rewards.On the contrary, leaders are separate from their environment and theywork in organizations, but never belong to them. It is suggested that this is whyleaders seek opportunities for change. Although not as clearly aligned as theother three components of transformational leadership, leaders seek toprofoundly alter human, economic, and political relationships.

2.1.3.3 Inspirational Motivation

Transformational leaders behave in ways that motivate others, generateenthusiasm and challenge people. These leaders clearly communicateexpectations and they demonstrate a commitment to goals and a shared vision(Burns, 1978; Bass, 1998).According to Sanchez (2020) true leaders, induce followers to act inaccord with the values and the motivations of both leaders and followers. It is adynamic relationship that, at its best, finds leaders engaged in a process ofraising the consciousness of followers, or, at a minimum, engages both leaders and followers in a common enterprise. Leadership is meaningless, (Burns,1978) says, without its connection to common purposes and collective needs.

2.1.3.4 Idealized Influence

Under Idealized Influence, the leader serves as an ideal role model forfollowers. The leader "walks the talk," and is admired for this (Riggio, 2009).The transformational leader serves as a role model for followers. Becausefollowers trust and respect the leader, they emulate this individual andinternalize his or her ideals. When a leader takes such a step, he/she ends upstimulating and inspiring followers to both achieve extraordinary outcomes and,in the process, develop their own leadership capacity. Transformational leadershelp followers grow and develop into leaders by responding to individualfollowers' needs by empowering them and by aligning the objectives and goalsof the individual followers, the leader, the group, and the larger organization (Riggio, 2009; Sanchez, 2020).For a leader to spend time in leadership activities that inspire motivation,trust, and certainty while dispelling employee fear, negativity, and skepticismleaders should make the time to communicate and build relationships. Whenleaders share the vision, optimism, and purpose driven goals, motivation andcommitment from employees is ensured.

Communication is a powerful tool thatleadership can use to create an environment that brings forth employeemotivation. Communication provides information, makes employees feel important and recognized, and provides the glue that binds a workforce withtheir leadership and their organization (Heathfield, 2014).Gordon (2011) also recommends that to inspire employee motivation,leaders must, "Share the vision". It's not enough to just be optimistic. You mustgive your team and organization something to be optimistic about. Talk aboutwhere you have been, where you are, and where you are going. Share your planfor a brighter and better future, talk about the actions you must take, andconstantly reiterate the reasons why you will be successful. Create a visionstatement that inspires and rallies your team and organization- for relationshipsare the foundation upon which winning teams and organizations are built(Gordon, 2011). Suffice to say, leaders need to be admired by followers, serveas role models to others, and possess a certain amount of personal appeal(charisma) to generate and implement significant change (Bhatti et al, 2012).

Methodology

3.1 Introduction

This chapter presents the methodology that was used to carry out thisresearch. A desk review research approach was used by the researcher and aqualitative research design was adopted by the study (Dudovskiy, 2018). Inorder investigate the effect of transformational leadership on organizationalperformance in SMMEs in Uganda, a documentary review checklist was developed by the researcher and different reports, journals and onlinepublications about transformational leadership in SMMEs were reviewed.

3.2 Study Area

The study specifically limited itself to reports and publications aboutleadership among the SMMEs in Uganda. Majority of the SMMEs in Ugandaare concentrated in the main urban areas that are at a level of a city and amunicipality status. The reports and publications that the study considered weremainly focusing on SMMEs that are basically situated and operating from thecountry's main cities and municipalities. These publications, reports andjournals were mainly published by other researchers, scholars, financialinstitutions and the SMMEs themselves (Fraenkel & Warren, 2002).

3.3 Data sources

3.3.1 Secondary data

Desk review has been conducted to collect data from various secondarysources. This included reports and project documents at each manufacturingsector (more on medium and large level). This is because few publications focusspecifically on performance measurement in SMEs (Garengo et al., 2007). Atthe same time models developed for large enterprises seem not to apply well toSMEs (Cocca and Alberti, 2008, 2010 in press). Secondary data sources havebeen obtained from literatures regarding transformational leadership among SMMEs in Uganda and the remaining data were from the companies' manuals,reports, and some management documents which were included under the deskreview. Reputable journals, books, different articles, periodicals, proceedings,magazines, newsletters, newspapers, websites, and other sources onmanufacturing industrial sectors were also considered. The data obtained fromthe existing working documents, manuals, procedures, reports, statistical data,policies, regulations, and standards were also taken into account for the review(Danniel, 2009).

3.3.2 Workplace observation for data collection

Observation is an important aspect of science. Observation is highlyconnected to data collection, and there are different sources for this:documentation, archival records, interviews, direct observations, and participantobservations. The researcher employed observational method because of thestrength of the findings as they were considered strong in validity. This enabledthe researcher be in position to collect in depth information about a particularbehaviour especially how employees were interacting with their superiors in thevisited SMMEs. During the observations, the researcher made some notes andfound a deeper understanding of the working environment and the differentsections in the production system and practices (Danniel, 2009).

3.3.3 Data obtained from experts' opinion

The data was also obtained from the expert's opinion related to thecomparison of the knowledge, management, collaboration, and technologyutilization including their sub-factors.

The data obtained in this way was used toinvestigate how components of transformational leadership are directly appliedin SMMEs and also observing how the employees is SMMEs apply anybehaviour that could be linked to transformational leadership (Saaty, 2019).

3.4 Methods of data analysis

3.4.1 Qualitative data analysis

Qualitative data analysis was used in the data analysis. The data that wascollected through observation and report records was analysed to support thefindings. This was done through creation of themes and content analysis(Dudovskiy, 2018; Sileyew, 2019).

Presentation, Analysis and Interpretation of Results

4.1 Introduction

This chapter presents, analyses and interprets the study findings arisingfrom the field information collected from respondents on transformationalleadership and performance in SMMEs in Uganda.

4.2 Data Sources

The researcher used two main methods of getting data that was used forthis study namely; document review and observation methods. The documentreview method enabled the researcher obtain secondary data that otherresearcher and academicians had established in relation to transformationalleadership in SMMEs while observation method was used by the researcher toobtain primary data. The observation method used by the researcher enabled herassess and get more substantiated information that added more explanation tothe secondary data. This primary data backed up what the secondary data hadpreviously reported.

4.3 Empirical findings

The overall purpose of the study was to assess the effect oftransformational leadership on organizational performance in SMMEs inUganda. The findings were obtained from documentary reviews andobservation. They are discussed below: -

4.3.1Objective one: To find out the effects of intellectual stimulation onemployee performance in SMMEs

To find out the effect of intellectual stimulation on employeeperformance in SMMEs, data was gathered and the analysis was made andpresented as follows:

4.3.1.1 Leaders' encouragement to be innovative and creative

One of the key pillars of intellectual stimulation under transformationalleadership is leaders' capability to encourage their followers to be innovativeand creative. According to Sanchez (2016), it was established that the owners ofSMME encourage their employees to be innovative and creative. This is donethrough having regular meetings that are held within the SMMEs in form ofstaff meetings. The leaders always devise means of ensuring that they get thebest out of their employees. They therefore advise them to create new methods of doing their work. Additionally, the leaders always personally encourage theirsubordinates to copy the best practices from their fellow employees to enablethem enhance their performance. Gabriel (2014) further noted that leaders inSMMEs expect the best out of subordinates all the time. In line with the twopronged approach of leadership and realization of tangible results, leaders arealways expectant of their subordinates to achieve their best at all times.In order to harness innovation and creativity, it was established thatleaders provide subordinates with new ways to deal with situations. Further,given that most of the SMMEs have informal settings, they do not have specificoutlined structures and processes on how work should be handled and managed.

The leaders are thus always result orientated. An employee therefore has theopportunities to exploit and utilize all necessary ways to ensure that theyachieve results at the end of a given time period. This implies that leaders inSMMEs in Uganda provide their subordinates with the opportunity to explore new ways and methods of work. In consideration of the fact that SMMEsoperate in a busier environment, complex situations present themselves at allangles that necessitate the intervention of the managers and other experiencedstaff. Managers/leaders are therefore on stand by to ensure that they providedirection or guidance to their subordinates in order to aptly support them tohandle the myriad of complexities that present themselves on a daily basis. It isindeed evident that leaders play a critical role in providing guidance to ensurethe smooth running of activities, by deliberately providing an enablingenvironment where their subordinates can deal with complex situations.

4.3.1.2 Business Sustainability

According to ADB (2014), the Manufacturing Sector in Uganda isdominated by SMEs, which account for over 90 percent of the establishments inthe Country. With diverse opportunities existent in the natural resources inUganda, among others mining, fisheries and tourism, SMMEs stand out as themain employer of the majority of Uganda's workforce (Mayanja et al., 2019).Nevertheless, SMMEs in Uganda hardly celebrate their first birthdays. This isan implication that there is an existing gap in the ecologies of innovation thatpromote opportunity exploitation. Thus, the SMME owner/manager should promoteentrepreneurial opportunity exploitation through entrepreneurial networking andecologies of innovation. This lack of innovation does not enable betterperformance of SMMEs hence their collapse within one year of their establishment.

This lack of innovation indicates that the existingtransformational leadership contributions less towards the performance ofSMMEs in Uganda.

4.3.1.3 Commitment to Work

Mayanja et al. (2019) further established that the employees within theSMMEs do not have the desire to work in their respective workplaces and theyalso lack commitment. From the submissions of Hill and Lineback (2011),employers, under transformational leadership are expected to inspire andmotivate employees in order to achieve results. The findings indicate thatthe lack of motivation and commitment by the employers indicate that theemployees cannot perform well which compromises the survival and growth ofthe SMMEs. In addition, Mayanja et al. 2019 indicate that the operations of theSMMEs are chances based given that at an organizational level, the SMMEsusually lack a vision and this hampers the direction to be taken hence affectingthe performance of the employees.Further, from the observation of lack of trust between the Manager andthe Employee, it is evident there is a lack of confidence by the employees in thework. Indeed, the employees feel that that they are only working for theirmanagers and are not part of the organization. Moreover, in the majority ofSMMEs employees do not have job security as they can be terminated from the job anytime. The employees therefore do not heed the guidance from themanagers.

4.3.1.4 Entrepreneurship Gap

The study revealed that for one to undertake any venture, one's educationand orientation plays a significant role in shaping one not only to be motivatedbut to have skills and the know how to manage it. The Ugandan businessowners in the SMMEs have attained some level of formal education. Thisformal education has significantly impacted negatively on empowering those inbusiness to manage the intellectual stimulation of their employees, whichnegatively affects the performance of the SMMEs. Nanyondo (2017)established that the majority of the Ugandan graduates are basically trained toundertake office work and are ready to be employed. The education systemimparts little entrepreneurship skills to the students and this therefore negativelyimpacts on transformational leadership in SMMEs. This is because the studentslack the entrepreneurial skills to manage the SMMEs as well as impart therequired knowledge to manage and lead the employees to perform better. Lackof adequate entrepreneurship knowledge therefore affects the businessperformance of SMMEs as it affects the transformational leadership componentof intellectual stimulation.

4.3.1.5 Management Skills

The researcher also established an existing gap in the management skillsof the owners of the SMMEs. From the observations made by the researcher,there is a tendency of the SMME's managers to mistrust their employeesexhibitinga lot of negativity towards them. The employees also fear theirsuperiors. Notably, the owners of the SMMEs employ workers because they donot have an option and as such they fail to recognize these employees'contributions towards the performance of SMMEs (Mwangi, Sejjaaka, Canney,Maina, Kairo, Rotich, Owino, Nsereko & Mindra, 2013).Additionally, under this aspect of management skills, there is also a gap, giventhat the SMMEs' employees do not consider themselves as followers of theirsuperiors. This is premised on the great fear that they have about their bossesblaming them for errors committed in the business. Such a gap affects theperformance of SMMEs since the employees of SMMEs are not committed towork. This kind of situation further indicates that the leaders in the SMMEs arenot in any way encouraging their followers to consistently learn, hencenegatively affecting the performance of SMMEs in Uganda.

4.3.1.6 Coaching and mentoring as part of leadership

From the observation, the researcher established that coaching andmentoring is part of the leadership practice in the SMMEs. As employees jointhe SMMEs, they are oriented in the work of the organization. Further, it was observed that in order to ensure performance, the workers with knowledge gapsin a given field are coached and are informally mentored by theirknowledgeable leaders. The observations also indicated that employees areencouraged to expand their knowledge by their leaders. This implies that thereis an initiative by the leaders to encourage workers to expand on theirknowledge. This is undertaken as a measure to get the best out of the workers.It was also established that the employers were more market driven in abid to remain in business. This can only be achieved through the managersbeing attentive to people's needs and concerns. The implication is that themanagers will ensure that the employees are trained on customer care to caterfor clients' needs.

4.3.1.7 Learning opportunities

The observation further indicated that in the SMMEs in Uganda, theopportunities for learning is limited. The business is simply conducted there andthen. Unlike Government Entities, the employees of the SMMEs are not givenspecialized trainings by their employers in order to improve on their(employees') productivity. The limited opportunities for learning thereforeimpacts on the employees' productivity.

4.3.2 Objective two

To establish the effects of individualized consideration onemployee performance in SMMEs

To establish the effects of individualized consideration on employeeperformance in SMMEs in Uganda, the data collected from reports andobservation was analyzed and presented as follows: -

4.3.2.1 Supportive climate for handling differences in SMMEs

The researcher went ahead to find out whether leaders in SMMEsappreciate the differences between and among the workforce. And further,whether there was an arrangement in place in the SMMEs for managing thedifferences as well as a conducive environment that supports its management.According to Mugoya (2016), it was established that the management ofSMMEs do make provisions to handle these individual differences. Thistherefore enables the existence of a harmonized work environment that isresponsible for improved performance of the SMMEs in Uganda.

4.3.2.2 Awareness of subordinate's concerns

Gabriel (2014) further indicates that SMMEs' managers are open mindedand want to know the concerns of their employees. This is done through anopen channel of discussion and communication between the leadership and theemployees in the SMMEs. It is therefore an implication that employee'sconcerns are known by their leaders/managers. This is so because regular dialogues are available periodically like on a weekly and monthly basis, wherethe leaders and subordinates sit and discuss matters concerning their work.

4.3.2.3 Provision of opportunities for training and development

On whether leaders provide opportunities for training and development, agood number of SMMEs that realize a significant growth indicate that theyprovide training and opportunities for their employees. The SMMEs that havehad their operations and investment expand take an initiative to improve thequality of the existing human resources that they have, so as to address thegrowing demands and development of the SMMEs. It thus implies that theleaders in the SMMEs provide opportunities for training and development fortheir employees to enhance their knowledge and skills in order to deliver ontheir jobs.However, it was established by the study that although the learningopportunities are availed, the employees lack a supportive relationship with theemployer. This is against the backdrop as already argued that the employersundermine the employees and this affects their confidence. This challengeaffects the employee performance and ultimately the performance of theSMMEs.

4.3.2.4 Mechanisms to recognize employee contributions

Albeit the above position, the researcher observed that as the SMMEsexpand, at a departmental level, there is a framework for recognition of staff and this is effected by involving all staff in a voting process to identify theindividual who makes a meaningful contribution to the team. An analysis of thevotes is then handled within a communication framework and structures,ultimately identifying the individual through a just process-creating an avenuefor professionalism and a willingness to help others (Kituyi, 2013). This processin itself inspires the employees as they see that they are being recognized. Itfurther establishes working group units that enhances the performance of theSMMEs.

4.3.2.5 Communication between the Leader and the follower

The SMMEs use both the formal and informal communication modes, butthe latter is normally used after the former fails. The challenge with SMMEs isthat the lack of confidence by the employees makes employees fear tocommunicate to the leaders and this affects service delivery and transparencyultimately affecting the performance of SMMEs in Uganda.

Another challenge affecting the communication channel between theleaders and the followers is the huge amount of power and authority exhibitedby the SMMEs managers (Muhanguzi & Kyobe, 2014). This power andauthority compromises the leadership component of leaders offeringencouragement and support to the followers.

4.3.2.6 Family Relations and Recruitment Processes

According to Muhanguzi and Kyobe (2014), recruitment of qualifiedpersonnel into SMMEs has been greatly compromised by family relations issues. Priority is usually given to family members to run the businesses overnon-family members that have the necessary qualifications.The researcher further established that in SMMEs where the is a mix ofemployees that is those related to the family and those that are not, this scenariomakes the non-family members feel that they are not valued. Moreover,conflicts relating to succession have also been reported in family ownedbusinesses.This aspect affects the pillar of individualized consideration undertransformational leadership, as there is minimal recognition and support offollowers hence affecting the performance of SMMEs in Uganda.

4.3.3 Objective three: To investigate the effects of inspirational motivation onemployee performance in SMMEs

To investigate the effects of inspirational motivation on employeeperformance in SMME, the data collected from the researcher's observationsand reviewed reports indicated the following:

4.3.3.1Leaders' generate enthusiasm and challenge individuals in order tomotivate them

The researcher's observation indicated that the managers in the SMMEsgenerate enthusiasm and challenge individuals in order to motivate them. Thismotivation improves on the transformational leadership component ofinspirational motivation, improving on their performance.

4.3.3.2 Provision for a shared vision in the work place

The study revealed that SMMEs in Uganda rarely state theirorganization's visions nor are these visions shared between the employers andthe employees. And yet a vision statement is a central part of strategic planningsince it guides all aspects of a company. This makes it hard for the leaders tohave an impact on employees' performance as they are not guided (Gabriel,2014). For a transformational leader to be effective in ensuring SMME'sperformance, he must provide a vision and direction to the followers. Once thevision statement has been created, it should be shared with all the stakeholders(Eisenstein, 2021). It is important for a transformational leader to share theirvision with their partners including customers, suppliers, and employees. TheLeaders need to be clear on what the vision entails.Without a vision, the employees are not motivated since they lackdirection and this affects their productivity and the performance of SMMEs.Further, without this direction, the employees are not able to achieve the goalsand objectives, further affecting the performance of the SMMEs.It is imperative to note however, that the observation of the currentstructures of SMMEs indicated that each department has well defined functionsand each provides a platform to internalize their roles. Specifically, eachdepartment has a role to play with regards to enlightening its staff on corevalues. The observation by the researcher further indicated that motivationmechanisms exist and are adopted and customized in the various departments.With a vision for the SMMEs, management within the organization willtherefore be streamlined, enhancing the performance of the SMME.

4.3.3.3 Inspiration of workers

Although it was observed that the employees are not highly valued in theSMMEs, it was further observed that the employees are highly committed towork. The leaders should therefore strive to inspire the followers by ensuringthat their entitlements like salaries and allowances are paid on time. The leadersshould also ensure that the followers are treated with dignity. This coupled withthe clear vision and goals and objectives will go a long away in enhancing theperformance of the SMME.

4.3.3.4 Sharing information

It was also observed that there is a challenge of information sharingwithin the SMMEs. This should also be addressed by the managers as it has animpact on performance.

4.3.3.5 Training and Mentoring Programs

As already stated the opportunities for learning are available, but there isa lack of support from the leaders to guide and mentor the employeesaccordingly. This negatively affects the performance of SMMEs sinceemployees do not benefit from these opportunities that enhance theirperformance like career guidance and information sharing, hence affecting theirability to effectively perform their duties (Semanda, 2014). Specifically,mentoring in SMMEs is not formalized and prioritized. And subsequently, whenever there is a resource gap, the SMMEs resort to recruiting externally(Semanda, 2014). Indeed, some of the individual managers undertakementorship programs at their own cost to avoid losing their jobs. This studytherefore established that mentoring does have an impact on employeeeperformance and their performance within the SMMEs.

4.3.4 Objective four

To determine the effect of idealized influence onemployee performance in SMMEs in Uganda

To determine the effect of idealized influence on employee performance amongthe SMMEs in Uganda, observations and review of literature was done and thefollowing was established:

4.3.4.1 Respect being exhibited to leaders by all their subordinates

The study considered a positive aspect of respect of the leaders by thesubordinates as a dimension of establishing the relations between the leadersand their employees. This is premised on a leader's ability to show a goodexample to the employees (Riggio, 2009). From the observations made by theresearcher, it was concluded that leaders in SMMEs exhibit respect to theirsubordinates. Leaders lead by examples and they also act as role models forthose that they lead. In order for one to be a role model, one has to exhibitrespect to the followers so that they can also follow suit.The challenge of being a role model however was established to be at thevery top of the management structure. Indeed, the structure and concept of leadership at an organizational level on paper is very impressive but in reality,there are critical gaps and lots of unresolved issues. The leadership styleadopted in most circumstances is not deliberate on seeing things done in thismanner.

4.3.4.2 Staff perception of leaders

Employees, just like other people naturally show trust among oneanother. Some members of staff were however very clear on what was expectedof them and found challenges in relating to the leadership of an unclear supportsystem. Their perception of the leaders is thus treated with cautiousness.Further, it was noted that Leadership was more about problem solving and notjust instilling confidence in people.

4.3.4.3 Emulation of leaders

This is exhibited through what leaders deliver on their promises and whatthey do. Employees in SMMEs usually do their routine work, are committed totheir roles and tend to emulate what their leaders/managers do. Indeed, leadersof the SMMEs often get reports of employees who work against each otherbecause of the commitment they exhibit on their responsibilities.

4.3.4.4 Customer care

The management of SMMEs and its customer care policies enhances theclients' view of the business. This drive supports quality delivery of services.And it is generally accepted that the level of staff performance and engagementis directly linked to quality service delivery and customer satisfaction (Ayee, 2005; Darmall, Sadorsky & Henrique, 2009; Johnson, 1999; Sharma, 2006).The benchmark for customer engagement is therefore derived from the numberof clients they receive. This may be associated with a lot of work, workingovertime but ultimately, performance of the organization is enhanced.

In mostSMMEs, customer care is deduced from the SME's flat organizationalstructure- with its lack of bureaucracy and its susceptibility to change (Garengo,Biazzo and Bititici, 2005) and hence allowing all staff to adhere to the corevalues of the organization, to share the challenges and solutions and theefficient work processes.

4.3.4.5 Mechanisms to get feedback from clients

It was established that this aspect needs to be addressed. Specifically, itwas observed that when clients enter the SMMEs, it is difficult to know whereto start from or where to get help.

Discussion of Findings, Conclusion and Recommendation

5.1 Discussion and Conclusion

5.1.1 Intellectual Stimulation and Employee Performance in SMMEs

The study established both positive and negative concepts oftransformational leadership under intellectual stimulation. The study establishedthat to some extent, SMMEs managers make attempts to encourage theirfollowers to be innovative and creative (Gabriel, 2014). It was established that this was done by the leaders in the SMMEs with an aim of improving theproductivity of employees. This finding is in agreement with (Hill andLineback, 2011) who stated that transformational leaders inspire theirsubordinates in order to get the best out of them.Transformation Leadership thus impacts on organizational commitmentand enhances performance in SMMEs in Uganda.Contrary to this finding, the study established that sustainability of SMMEs inUganda- remaining in business for more than one year was a challenge(Mayanja et al., 2019). The study associated this with the lack of innovation, akey pillar in transformational leadership. Furthermore, the study established thattransformational leadership under intellectual stimulation presents challengesrelating to poor management skills of the owners of the SMMEs (Nanyondo,2017), job insecurity due to absence of appointment letters and inadequateopportunities for employee training and career development, hence affectingtheir performance.

5.1.2 Individualized consideration and employee performance in SMMEs

In ensuring employee performance, transformational leadershipconsiders the differences that employees have. This was established by thestudy, showing that SMMEs' managers appreciate the differences that arepresent in their workforce. This finding is in agreement with (Zaleznik, 1992)and (Bass and Avolio, (1998) in their statements that managers separate theorganizational goals from the views and beliefs of employees and this enables realization of results. Additionally, on a positive note, it was revealed thatSMMEs' managers seek to know the concerns of their employees which is alsogood for enhancing employee performance. This finding concurs with Bhatti etal. (2012) who stated that a flow of communication between the leaders andsubordinates in a work environment enables the latter perform well in theirjobs.The study also established that the SMMEs that entertain training andcareer development of their employees grow faster indicating that individualized consideration as a component of transformational leadershipenhances employee performance in SMMEs in Uganda.However, it was established that the way SMMEs in Uganda use powerand authority negatively affects employee performance. Specifically, the studyestablished that some employers in SMMEs discourage communication and inmost cases, recruitment is characterized by family connections, exhibiting lackof professionalism (Muhanguzi and Kyobe, 2014).The study therefore concludes that under individualized component oftransformational leadership, SMMEs that value their employees and encourageopen communication channels with them realize better employee performance.This performance is manifested in the growth and development of the SMMEs.On the other side, the SMMEs that limit communication as provided underindividualized consideration realize less inputs from their employees.

5.1.3 Inspirational Motivation and Employee Performance in SMMEs

Inspirational motivation was a third concept that the study identifiedunder transformational leadership and studied. The study revealed that themajority of the SMMEs in Uganda lack vision statements and that informationis not shared among all the stakeholders. This creates a non-directionalapproach of doing business in the SMMEs, which affects the performance ofemployees.

This finding is contrary to the submissions by Eisenstein (2021) thata shared vision statement improves organizational performance through creatinga direction that can be undertaken by all the stakeholders in an organization.Furthermore, it was established that without a vision, organizations can not setgoals and objectives and this compromises performance of the SMME. Thisfinding was earlier justified by Sanchez (2020) who had urged leaders todiscover a shared purpose between motives and values in order to realize betterperformance in the SMMEs'.The study therefore concluded that SMMEs lack inspirational motivationin their goal setting mechanisms that would enable them improve on theirperformance as provided by transformational leadership principles.

5.1.4 Individualized Influence and Employee Performance in SMMEs in Uganda

Individualized influence was a fourth concept under transformationalleadership that the study focused on. Under individualized influence, the leadersare largely seen as presenting examples to enable the followers become future leaders, hence improving on the performance of SMMEs. The results indicatedthat the employees exhibit some degree of respect to their employers. However,according to the study, the challenge associated by role modelling is that therewas general imbalance in the entire organizational structures. The SMMEs'leadership was established to be more focused on problem solving and notgiving employees some degree of confidence. It was also further establishedthat employees pay less attention to clients as a result of lack of common sharedvalues in the workplace. This finding is contrary to the submission of (Sanchez,2020) which points out that transformational leaders are in position to helpfollowers grow and develop into leaders through responding to individualfollowers' needs by empowering them and by aligning the objectives and goalsof the individual followers.The study therefore concluded that transformational leadership throughidealized influence is not enabling SMMEs improve on their performance as theleaders are not playing a significant role in acting as role models for theirsubordinates-to prepare them for future handling of responsibility.

5.2 Recommendations

1.To enhance transparency in the systems of SMMEs, open channels ofcommunication should be encouraged so that the fear of victimization isminimized. Further, in order to encourage open channels communication,recognition of those that reveal important information should be done whileensuring their security so that they are not threatened.

2. In order to improve on the SMMEs' workers' output, it is recommended thattraining in management skills be provided to managers of SMME so that theycan add on the already existing business skills that they have. This will enablethem be in position to focus more on results as provided by transformationalleadership.

3. Training in communication skills should also be provided to the owners andmanagers of SMMEs. This should be done with the aim of improvement in theuse of formal channels of communication and not the informal channels thatwere found to be evident in the SMMEs.

4. The management of SMMEs should develop and uphold the vision andmission statements. This will enable the sustainability of goals and values thatare responsible for the realization of the organizational performance.

5. Furthermore, the structure of SMMEs should be strengthened throughprovision of supportive structures like supervisory roles so that they are inposition to enhance the implementation of the core values that are deduced fromthe mission and vision statement.

6. The management of the SMMEs should also have in place initiatives thatencourage workers to exhibit customer care so that the clients get qualityservices.

7. Guidelines for both leaders and subordinates should be provided in theSMMEs so that the concept of role modelling is well understood. This shouldbe done so that leaders can adopt the traits and practices that their followers need to see and emulate in order to improve on the performance of the SMMEs.On the side of the employees, they should also be trained continuously inleadership skills so that they can copy and emulate good skills for management.For, in order for an SMME to thrive, the firm must facilitate the learning process of both the management and the employees of the organization as thekey to continuity of the continuous improvement activities (Altrmp, 2000).

Regardless of the leadership style and characteristics in SMME's it iscritical that both leaders and followers define and understand the variancesbetween failure and success within the organization (Hughbank & Horn, 2013).This will enable the SMMEs know how to tackle its growth. Further, Mesu,Riemdijk, and Sanders (2012) argues appropriately that SMMEs have to bemore flexible than their larger competitors mainly in the sense of respondingmore quickly to customer needs (Koch & Van Straten, 1997).

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