THE SITE OF PURGATORY: MANAGEMENT LEADERSHIP STYLES AND ITS IMPACT ON EMPLOYEE PERFORMANCE AT A FAMILY OWNED BUSINESS

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Abstract

The study evaluates the management leadership styles and its impact on employee performance at a family owned business in Kwan-Zulu Natal, South Africa. The management team of the enterprise consists of four managers who are all family members. The target population selected for this study consisted of the universe (forty-two employees). The quantitative approach with a forced-choice survey questionnaire was used to gather appropriate quantifiable data to answer the research questions. Results of employees' perceptions of management indicate that whilst the managers performed satisfactorily in terms of the financial success of the business, their management and leadership styles were seriously wanting and in this respect, the study recommends that every manager, including the owner of the business should be trained or retrained to deal with the exigencies of a modern family-run business. Failure to do so could seriously threaten the financial viability and overall sustainability of the family enterprise.

Keywords: Management, Leadership, Perceptions, Impact, Financial Viability, Employee Performance

1. Introduction

The study evaluates the management leadership styles and its impact on employee performance at a family owned business in KwaZulu Natal (KZN). Leadership has existed for as long as people have interacted. Today leaders face the challenge of recruiting and retaining competent employees in an organisation. Organisations and managers are increasingly aware that they face a future of rapid and complex change. This wave of future uncertainty, coupled with individual demands for increased participation at all levels of the organisation, have dramatically changed perceptions of leadership, specifically with regard to the respective roles played by the leader and the follower. Almost all leadership theories are based on the relative importance assigned to the leader versus the follower, in the accomplishment of the organisation's mission.

2. Background to the Problem

Bergtheil Imports and Exports is a family owned business based in Springfield Park in Durban, KwaZulu Natal. The company was established in 1992 and registered as a Close Corporation. The company started off by buying and supplying the luggage and clothing industry with zips, both nationally and internationally. Five years later the company purchased machinery from overseas and started manufacturing zips. Bergtheil Imports and Exports also imports zips and fabrics from China. Initially, the company started off with only five employees and currently employs forty-two employees. The management team consists of four managers who are all family members.

In a world that is becoming more complex through accelerated development, with globalisation and the application of information technology; small businesses have had to respond much quicker to challenges. According to Gates (1999:1), it has become necessary for organisations to "operate at the speed of thought" in order to gain a competitive edge on the international stage. Corporate leadership and management problems manifest in organisational practices of small businesses. Management and leadership challenges include, *inter alia*, record keeping, credit management, inventory control, working capital, raw materials planning, over concentration of authority, poor motivation and lack of integrity by leaders. These challenges require a quantum leap change, rather than adaptive change, especially from organisations such as small businesses which operate in a highly dynamic environment.

Leadership is the spirit of any organisation. The relationship between leadership and an organisation is that of a soul and body. The development of small businesses requires effective management practices and different approaches of leading are required to ensure the ongoing survival and future success of the organisation. Given the increasing competitive thrust of the global environment, a small business is likely to face even greater threats for survival. To meet challenges and survive in a new world order, a new breed of leadership is required. The appropriate leadership styles of management will, therefore, give an organisation the edge when operating in a globally diverse environment. It is therefore important for these enterprises to understand how to survive downturns as they “stave off” both internal and external threats.

3. Problem Statement

The owner of Bergtheil Imports and Exports has advised that currently the organisation does not have a human resource policy. Hence all managers are allowed to give instructions to the staff. At times this can be really frustrating for staff as all managers have a different leadership style. The natural qualities of an individual in the environment in which one operates on a daily basis, coupled with other factors does influence one’s leadership style. Leaders are not as such born, but are in fact made. A manager may be a boss but not necessarily a leader, as may be the case in family owned businesses. If organisation leaders are developed, economic growth in emerging countries will be enhanced.

Leadership is one of the most important contributors to overall organisational success. Thus the quality of an organisation's leadership determines the quality of the organisation itself. In order to achieve the objectives of an increased responsibility within the international community, an efficient organisational structure, with motivated staff, guided by resourceful and visionary leaders, is necessary. Therefore, a study of leadership is relevant in increasing the effectiveness of the leaders and the quality of life for those who work within it.

4. Aims and Objectives of the study

The primary aim of the study was to investigate the impact of leadership styles on employee performance at a family owned business in Durban, KZN. The study will also evaluate the importance of effective and efficient leaders who, through their style of leadership, will guide their staff towards excellent service delivery both nationally and internationally.

Within this context, the major objectives were identified as follows:

- to investigate the various leadership styles that exist at Bergtheil Imports and Exports;
- to determine the impact of leadership styles on employee performance; and
- to make recommendations on the appropriate leadership style suitable to Bergtheil Imports and exports.

5. Brief Literature Review

Family owned businesses are the most prevalent and pervasive form of business through all of history (Kenyon-Rouvinez and Ward, 2005: 1). Family owned businesses particularly the small-to-medium sized, are the grassroots of the global economy, and are clearly the majority of all the businesses in the world (Heck and Trent, 1999:209-224). According to Venter and Boshoff (2007: 42), small and medium-sized family businesses are known for creating jobs and economic wealth globally. They are also becoming the dominant form of enterprise in developed and developing countries around the world. Family owned businesses particularly the small-to-medium sized, are the grassroots of the global economy, and are clearly the majority of all the businesses in the world (Heck and Trent, 1999:209-224). Adams et al. (2004) state that a business needs to be managed in a way that will help it to stay alive and the most common way to make sure that a business survives is for it to make money. As a business owner, the most important resource in the business is the people and a different set of skills is often necessary to manage human capital in a family business (Pille, 2009: 1).

In a family owned business, Human Resource (HR) management does not necessarily require an HR department, and even where there is one, the responsibility for identifying and strengthening key personnel does not rest solely with the HR department (Pille, 2009:2). Many owners believe that because they have only a few employees, they do not need to focus on HR issues. However, the reality is that when a person is a business owner, more attention and support should be given to HR issues because, effectively, the employees can make or break a business (Pille, 2009:2). Organisations benefit from good management. On the other hand, good leaders produce important, positive change by providing vision, aligning people's efforts with the organisation's direction, and keeping people focused on the mission and vision by motivating and inspiring them. Good leadership, like good management, helps an organisation to succeed. Most organisational theorists agree that effective leadership is one of the most important contributors to overall organisational success. An organisation that has no good leadership is like a ship on the high sea without a captain (Chima, 2007:2). Robbins (2000:40) defines leadership as the ability of superiors to direct, guide, and motivates people towards the attainment of a given set of goals in an organisation. Leaders are the ones who set the tone of the organisation, define its values and norms, and create and maintain a persona of what the organisation is like (Van Fleet and Griffin, 2006:61). In general, leaders have a powerful source of influence on employees' work behaviors (Yukl, 2002:89). The leader sets the tone for his or her followers through his or her own visible behavior and through informal messages, which communicates assumptions and values to others (Lewine, 1995:49). Venter and Boshoff (2007: 44) believe that organisational culture can determine the type of the style of leadership. Leaders who are willing to learn and adopt various cultures find that resistance from employees becomes minimal. A business can be managed effectively, in organisations where cultures are explicit, and allow values and ideas to be clearly expressed and experienced by its members.

6. Research Methodology

This study used a quantitative research technique to gather appropriate quantifiable data to answer the research questions. A forced-choice survey questionnaire was handed to respondents to complete for this study. The quantitative method allowed the study to ask all participants identical questions which allowed for meaningful comparison of responses from all participants. The rationale behind the use of a survey questionnaire was that it is an inexpensive way to gather data from the respondents of the organisation under study.

7. Research Findings

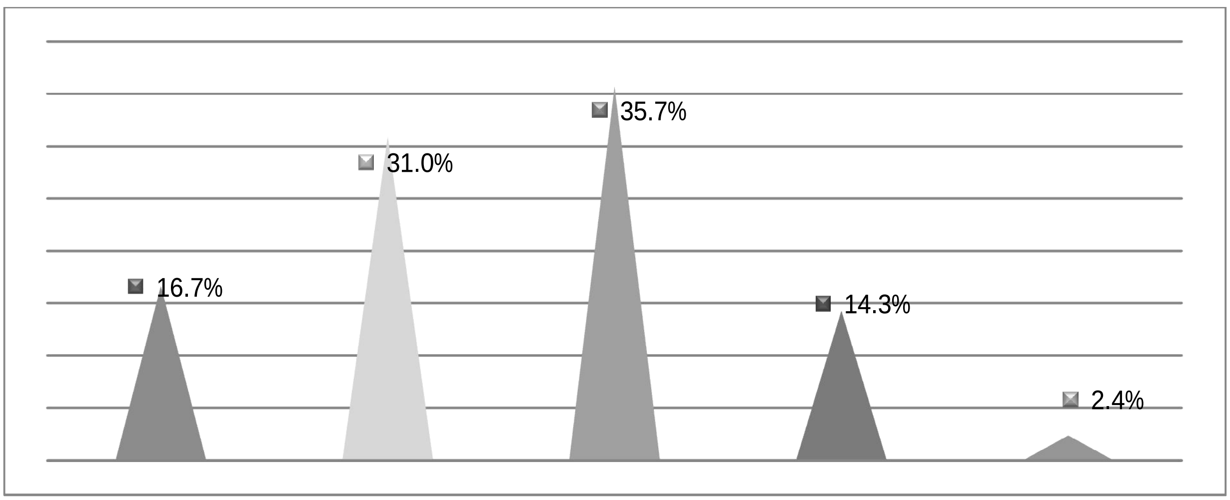
It was found that the majority (41percent) is in age category of 40-49 years, 26 percent who have completed a Diploma and 2 percent their undergraduate degree. The results further revealed that 52 percent are with the organisation for over 6 years, 52 percent agree that their leader communicates a clear vision of the future of the organisation, while 26 percent disagreed.

Table 7.1 Length of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 1 Year	7	16.7	16.7	16.7
	1-5 years	13	31.0	31.0	47.6
	6-10 years	15	35.7	35.7	83.3
	11-15 years	6	14.3	14.3	97.6
	Over 16 years	1	2.4	2.4	100.0
	Total	42	100.0	100.0	

Source: Vartikka Indermun MBA Dissertation, Regent Business School 2012

Figure 7.1 Length of Service



Source: Vartikka Indermun, MBA Dissertation, Regent Business School 2012.

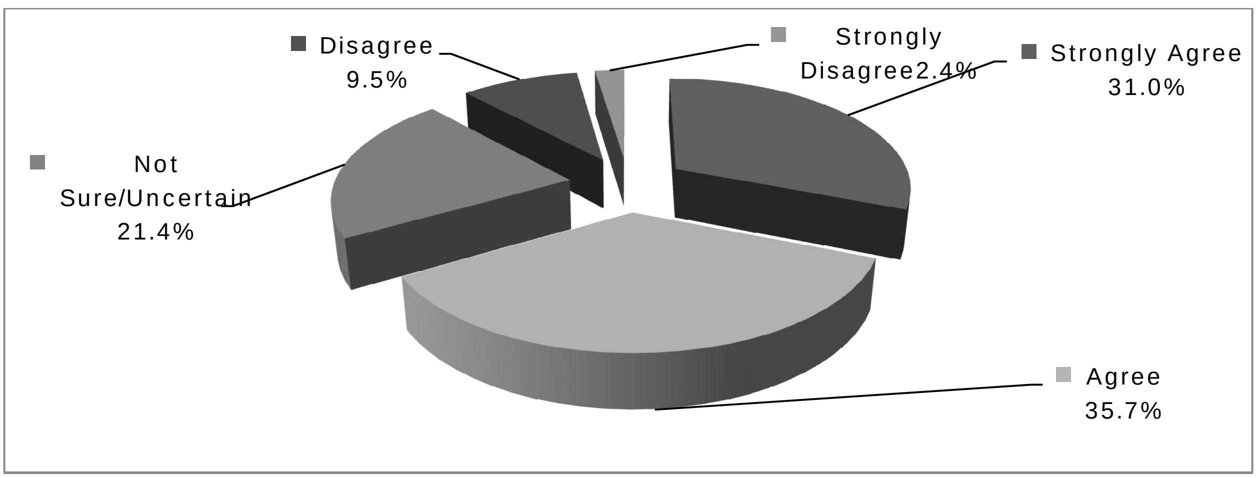
A large percentage (74 percent) agreed that the leader is open to learning from those who are below them in the organisation. An overwhelming 77 percent agreed that their leader is open to communication and information sharing. A further 71 percent indicated that their leader gives the employees the power to make important decisions. Only 67 percent agreed that opportunities are provided for all workers to develop to their full potential.

Table 7.2 Professional development of workers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	13	31.0	31.0	31.0
	Agree	15	35.7	35.7	66.7
	Not sure/Uncertain	9	21.4	21.4	88.1
	Disagree	4	9.5	9.5	97.6
	Strongly Disagree	1	2.4	2.4	100.0
	Total	42	100.0	100.0	

Source: Vartikka Indermun, MBA Dissertation, Regent Business School 2012.

Figure 7.2 Professional developments of workers



Source: Vartikka Indermun, MBA Dissertation, Regent Business School 2012.

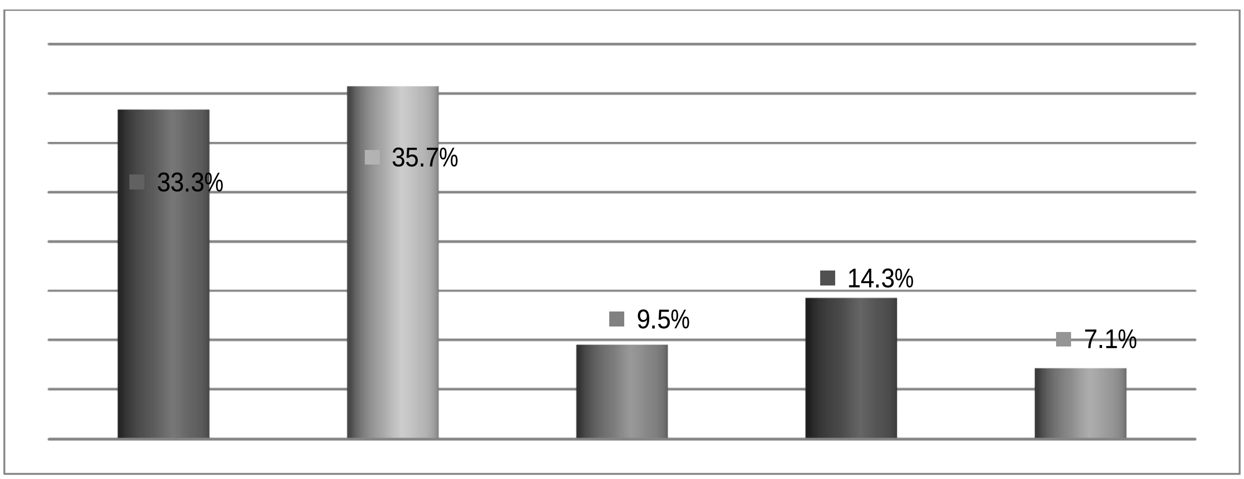
Sixty two percent of the respondents agreed that the leader admits to their personal limitations and mistakes, while 69% agreed that their leader leads by example.

Table 7.3 Manager's concern with productivity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	14	33.3	33.3	33.3
	Agree	15	35.7	35.7	69.0
	Not sure/Uncertain	4	9.5	9.5	78.6
	Disagree	6	14.3	14.3	92.9
	Strongly Disagree	3	7.1	7.1	100.0
	Total	42	100.0	100.0	

Source: Vartikka Indermun, MBA Dissertation, Regent Business School 2012.

Figure 7.3 Manager's concern with productivity



Source: Vartikka Indermun, MBA Dissertation, Regent Business School 2012.

Sixty nine percent of the respondents indicated that the leader is only concerned with productivity. A collective 52% agreed, while 12% remained neutral that threats are used to improve productivity.

Sixty seven percent agreed that punishment is occasionally used to discourage individuals from certain behaviours. A collective 76% agreed that when there are problems in the group, the leader works with the team members to arrive at a reasonable resolution while 74% indicated that their leader often delegates tasks to various employees. Only 59% agreed that the leader allows staff to make decisions to solve problems. However, a large percentage (33%) remained neutral to this statement. An overwhelming majority (84%) agreed that the leader carefully watches employees to ensure that they are performing their tasks.

8. Recommendations

The primary findings, though qualified, indicate that the organisation has relatively good leaders and much improvement is required in management and leadership. Consequently, it is recommended that in order for the business to be sustainable, the leaders must ensure that goals and objectives are developed for the organisation. Monthly meetings should be held to determine if these goals and objectives are being met. The organisation does not have a HR department therefore the onus is on the owner to ensure that the meetings are set to discuss the goals and objectives of the organisation.

Furthermore, every leader, including the owner of the business should be trained or retrained in current leadership. Training and development empowers the individual to become a better leader. Training should be planned immediately and should be compulsory for leaders to attend. Leaders should also be trained in the current motivation theories which will enable them to assist staff and motivate staff to become successful individuals.

9. Conclusion

Literature has revealed that a business owner should take cognisance that the most important resource in the business is the people and that different set of skills is often necessary to manage human capital in a family business. A team spirit environment should be created for people to work more effectively. When people work in teams they feel like part of a family and therefore they don’t want to let others down.

Leadership is one of the most important contributors to overall organisational success. Thus the quality of an organisation’s leadership determines the quality of the organisation itself. Good leaders produce important, positive change by providing vision, aligning people's efforts with the organisation's direction, and keeping people focused on the mission and vision by motivating and inspiring them. Good leadership, like good management, helps an organisation to succeed. In general, leaders have a powerful source of influence on employees’ work behaviours therefore the leader should set the tone for his or her followers through his or her own visible behaviour.

The primary findings revealed that the democratic and laissez faire leadership styles seem to be prevalent at the organisation under study. More transformational leaders are needed to inspire and motivate followers through personal vision and energy. In addition transformational leaders are leaders who engage with followers, focus on higher order intrinsic needs, and raise consciousness about the significance of specific outcomes and new ways in which those outcomes might be achieved.

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