

EVALUATING THE APPLICABILITY OF SITUATIONAL LEADERSHIP THEORY IN SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract

The current research examines the applicability of situational leadership theory (SLT) in the context of small and medium-sized enterprise (SME) management, particularly in the road freight sector. The primary goal of this study is to empirically investigate and evaluate the use of various situational leadership styles in the management of SMEs. The current study's sample was drawn from the population of registered road freight companies in Durban, South Africa. A sample was drawn from this population using convenient sampling techniques and methods. The findings of this study demonstrated the positive impact of SLT on SME management. In fact, SME owners and managers will be inspired to comprehend the managerial role of appropriateness behavioural styles in context-specific business situations. The study also recommended that SMEs' owners and leaders improve their leader sovereignty and follower skills, as these frequently interact in predicting poor follower performance and attitudinal responses. Furthermore, the current study has provided SME owners and managers with the tools they need to guide the improvement and effectiveness of personal leadership.

1. PURPOSE

Leadership theoretical paradigms range from early trait theory to behavioural theory and situational approaches. The latter approach was developed in response to the current revival of charismatic leadership and its corollaries, servant leadership, transformational leadership, spiritual leadership, principled leadership, and ethical leadership (Northouse, 2016). Although the literature on situational leadership is growing, the applicability of situational leadership theory (SLT) in small and medium-sized enterprise (SME) management has been largely ignored until recently. However, the realities of business have prompted scholarly investigations into the relationship between employees and SME leaders. This study aims to close this knowledge gap by examining the various leadership styles used by SME leaders in the road freight industry to maintain the success of their enterprises.

This study focuses on the role of SLT in the management of SMEs, specifically among a sample of SME owners and managers in the road freight industry in the Durban region of South Africa's KwaZulu-Natal province. The primary goal of this research study is to investigate and accurately evaluate the use of various situational leadership styles in the management of SMEs. This study aims to examine leader responsibilities as well as the evolution of these leadership styles in SME management. The current study aims to provide answers to the following question:

RQ: How willing are SME owners and managers to compromise or adopt the SLT?

2. BRIEF LITERATURE REVIEW

2.1. Road freight small and medium-sized enterprises

Small and medium-sized enterprises have played and continue to play an important role in the economic growth of the majority of countries around the world (Lekhanya, 2016). In developing countries, SMEs account for 60% of total employment and up to 40% of gross domestic product (GDP) (World Bank, 2023). In South Africa, SMEs account for approximately 34% of GDP, 60% of all jobs, and 91% of all formalised businesses (Fatoki, 2019). South Africa's SME sector is a significant driver of employment in a country with one of the world's highest unemployment rates (Global Entrepreneurship Monitor [GEM], 2020). SME success is positively related to South Africa's long-term economic growth (Van Scheers, 2016). According to Dzwigol (2020), global economies rely on the success of SMEs to create jobs, consume local resources, reduce poverty levels, and contribute positively to national revenues.

According to Merven et al. (2019), the South African road freight industry accounts for 5% of the country's GDP, 2.5% of total employment, and more than 70% of land freight payload. South Africa serves as the continent's regional hub for the road freight and logistics sector due to its developed infrastructure and strategic location within the Southern Africa Development Community (SADC) (Arndt & Roberts, 2018). Numerous issues, such as total cost of ownership, shifting demand to expanding markets, the viability of existing business models, obsolete technology, ineffective management, and leadership strategies, are constantly confronting the world's road freight industry (Zhang et al., 2020).

2.2. South African view of leadership

South African leaders are facing diverse challenges within the organisations; however, the most common challenge is that many South African corporations are over-managed and under-led (Deloitte, 2020). The results of a recent research study (Moletsane et al., 2019) reveal that employee trust in leaders is alarmingly low. Only 7% of workers agree that management makes the right decisions in uncertain times and that senior management's actions are completely consistent with their words. Even though the business environment of today is more competitive, complex, and demanding than it has ever been, many organisational leaders find it difficult to maintain the trust of their subordinates and resort to using antiquated leadership models, which are frequently ineffectual and the root of many organisational issues. The leaders of tomorrow's organisations need to uphold higher standards, exhibit moral qualities, and satisfy the demands of an increasingly complex yet cynical world in order to earn the trust of organisational stakeholders (Moletsane et al., 2019).

According to Adams et al. (2020), leadership in South Africa is deeply rooted in the country's complex history and diverse cultural landscape. The nation's struggle for freedom and the subsequent dismantling of apartheid have significantly shaped the South African view of leadership. In this context, leadership is not merely seen as a position of authority, but as a responsibility to foster unity, equality, and social justice.

Adams et al. (2020) further state that the South African view of leadership also recognizes the importance of empowering marginalized communities. Leaders are expected to address economic disparities, provide equal opportunities, and champion social inclusivity. The emphasis on servant leadership, where leaders serve the needs of the people, aligns with the ideals of a democratic and egalitarian society. Ubuntu, an African philosophy emphasizing interconnectedness and communal well-being, plays a crucial role in shaping the South African view of leadership. Leaders are expected to embody Ubuntu by prioritizing the collective good over individual interests. This philosophy

fosters a sense of shared responsibility and highlights the importance of empathy and compassion in leadership (Asiimwe, 2023).

2.3. Situational leadership theory

Hersey et al. (1979) have found their SLT in earlier research studies of leader behaviour. They identified four behavioural leaderships: *directing*, *coaching*, *supporting*, and *delegating*, which are evaluated by the LEAD (leadership, effectiveness, adaptability, description) instrument (Silverthorne & Wang, 2001). The theory envisages that the degree to which these behaviours are effective is obviously depending on the subordinate task maturity and subordinate psychological development. Subordinate task maturity is evaluated by using such factors as ability, education, and experience, while subordinate psychological development is evaluated by using such factors as self-esteem, willingness, and motivation (Thompson, 2003).

Hersey et al. (1979) have determined four major situational leadership styles, which are *directing* (higher task and low relationship), *coaching* (higher task and higher relationship), *supporting* (lower task and higher relationship), and *delegating* (lower task and lower relationship). The conceptual basis of these situations stands on the fact that the more follower's developmental level increases, the more leader's effective behaviour engages less instruction and less supportive relationship (Papworth et al., 2009). Nevertheless, leader effectiveness is optimised by corresponding leader's behaviour with the follower's readiness.

2.4. Situation leadership theory in small and medium-sized enterprise management

For SMEs, especially in the road freight industry of Durban, situational leadership is invaluable. The industry is characterized by rapid changes, unpredictable challenges, and a diverse workforce. Leaders in this sector must be adaptable, switching between leadership styles based on the task at hand and the team they are leading (Robinson et al., 2020). The road freight industry in Durban, like many sectors in South Africa, is shaped by both global business practices and local cultural nuances. Situational leadership, with its emphasis on adaptability and flexibility, is crucial for navigating the unique challenges and opportunities of this sector. By understanding the broader concepts of leadership and integrating the South African perspective, leaders in Durban's road freight SMEs can drive their companies towards sustainable growth and success (Wu & Peng, 2022).

The SLT's role in SME management is paramount. Its emphasis on flexibility, employee development, delegation, motivation, decision-making, and crisis management aligns remarkably glowing with

the multifaceted challenges faced by SME leaders. By embracing this approach, SME managers can navigate the intricate landscape of SMEs with finesse, enabling sustainable growth, employee empowerment, and overall organizational success (Soomro et al., 2021; Naushad, 2021).

3. RESEARCH METHODOLOGY

In situations where the variables are known and reasonable methods of measuring or controlling them can be developed, quantitative research is appropriate. The key leadership styles and their application by SME managers is a quantifiable and controllable phenomenon. As a result, this empirical study has been carried out in such a way that the key leadership styles are described and tested within the context of SLT. The study was conducted in Durban, South Africa's largest city, which had a population of 3,228,003 at the time of the study. The sample was drawn at random from a pool of 712 registered road freight companies in Durban. The sample size of this study, however, was made up of 20 truck company managers who participated in the study. To analyse the coded responses from the structured questionnaires, the researcher used the Statistical Package for the Social Sciences (SPSS) version 24. The researcher used descriptive statistics to describe the primary data features in this study.

4. FINDINGS

The findings showed that the majority of respondents were vastly male and widely recognised as SME managers and owners. The Cronbach Alpha has been used in reliability testing to ensure internal reliability. This shows that consistency was valid, that the instrument can be used in different situations or at different times, and that using a larger sample size would not have resulted in different results. It was recognised that the understanding of situational leadership styles by business owners was better than that of managers; however, the application of situational leadership styles among business managers was very poor. Thus, it was concluded that business owners have a good understanding of situational leadership styles, but they do not apply them in their managerial behavioural strategies.

5. PRACTICAL IMPLICATIONS AND ORIGINALITY

The overall purpose of this study has been to examine and to critically evaluate the use of different situational leadership styles in the management of SMEs. This study sought to review leader obligations and the evolution of these leadership styles in SME management. The study findings of the SLT depicted that the sample population was divided into two, that is, some of the respondents had a perfect

understanding of SLT but do not apply it in their behavioural managerial strategies, and another group of respondents had less understanding of SLT, but they partially apply SLT in their behavioural management strategies. Thus, there was no clear outcome although the total application of situational leadership styles mean was high, indicating a relatively high ability of application of situational leadership styles, when considering the sample as a whole. In the study, it was shown that the majority of the respondents had a good understanding of situational leadership styles as many of them reported that they can strategically behave according to the current situation.

Because of the political stigma from the apartheid regime in South Africa, autocracy is viewed as an ineffective leadership style. Leadership training would be of high importance in the sense that it will help leaders to be attentive to the dominant leadership styles that they apply. As leaders, SME owners and managers will be aware of the impact of the leadership styles they display on their subordinates. Implementing situational leadership techniques is essential for improving SME management. The main agents of change in their organisations are the leaders. They are essential to the interaction with their followers as they work towards achieving their economic objectives.

Consequently, the acquisition of relevant vocational, technical, and business skills is generally regarded as one of the critical factors for success in SMEs. In addition, literacy and entrepreneurial awareness are seen as particularly important in enabling South African SMEs to advance from survivalist activities to larger and better-earning enterprises.

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