Chapter 1

DESIGN OF THE STUDY

1.1 Introduction

Leadership is the process of influencing the behaviour of others to work willingly and enthusiastically for achieving predetermined goals. Leadership is an important factor that adds to the success of any organization. Throughout history, the importance of leadership has been recognized. The difference between success and failure in a war, a political movement, a business or a team game can be attributed largely to leadership. Since the organization is basically a deliberate creation of human beings for certain specified objectives, the activities of its members need to be directed in a certain way. Any deviation from this way can lead to inefficiency in the organization. The leader affects direction of activities in the organization.

Leadership enhances the morale and motivation in any organization, which in turn results in high productivity, sense of direction, clarity in
communication, and organizational stability. However, Messick and Kramer (2004) were of the opinion that the degree to which individuals’ exhibits leadership depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself.

In today’s global economy, the business climate is changing dramatically. Technology has become the driving force behind many of the businesses. New generation of leaders have outshined the previous and brought different concepts and styles to their organizations. Considering this changing scenario, it is suggested the potential importance of new leadership skills and competencies. Great leaders across geographies and industries, such as Jack Welch of GE, or Gestner of IBM, always had a crystal-clear and compelling vision and ability to translate it into action and sustain it. Along with vision, leaders are expected to have emotional intelligence and social skills to facilitate teamwork.

India is a developing country where promotion of small scale industries (SSIs) received considerable attention. Importance of small scale industries for economic growth was properly realized by the Government of free India and effort was made to assign appropriate place to these industries in the development plans of the country. The promotion of SSIs has been regarded as an important element of the development strategy. The performance of SSIs in terms of number, employment, production and export is becoming better due to the priority and importance given to SSIs by the Government. However, there are many discouraging factors which hinder the steady progress of this sector. Inadequate finance, inefficient management, unfavourable external environment and poor leadership styles
are some of them. Among these factors, one of the most important internal factor which is controllable is Leadership.

Every organization needs leaders who have vision, who can build relationships and who can execute decisions in time. To be a successful leader a number of skills are required. Nobody has them all and nobody needs them all. Leadership is personal. It’s the outcome of social, educational, psychological interventions in an individual. There is surely a style of leadership that suits each person’s unique characteristics; other people who work with them have complimentary qualities and strengths. There is no rigid or pre-determined mould for a successful leader. Each one has to discover his natural leadership style and develop it to his fullest potential.

The leadership styles of managers are affected by factors such as decisiveness, planning, relationship building, model of values, dependability, openess to input, emotional control, visionary thinking, inspirational role model, self confidence, taking initiative etc. It is a tough task to lead an industrial unit and to earn the authority. To do it successfully a leader should have a belief in himself, passion for the job and respect for the individuals.

The extent to which all members of an organization use their abilities and influences in the effective utilization of resources depends upon how well the leaders of the organization understand and perform their jobs. Maddock and Fulton (1998) explained that leadership and other processes of the organization must be such that can ensure maximum profitability within all interactions and relationships with the organizations, each member will be in the light of his background, values and expectations,
view the expenses as supportive and one which can build and maintain his sense of personal worth and importance.

Contingency theories have appeared over the past few years largely as a result of recognition of the fact that there is no single leadership style. The contingency model states that the most appropriate leadership style depends on the situation in which the leader belongs. Contingency leadership calls for using management techniques in a selective, situationally appropriate manner, instead of relying on one best way at all times. The contingency approach does two things: (a) it encourages entrepreneurs to view organizational behaviour within a situational context and (b) it encourages leaders to adopt the style that will have the greatest positive effect on performance and achievement of organizational objectives.

It has been noted that the personality traits of entrepreneurs have been proved to have a significant role to play in entrepreneurial success. Since it has also been accepted that entrepreneurship can be taught, the potential and new entrepreneurs need to be trained to adapt their personality to the requirements of managing own business. Leaders should possess some ability to inspire the employees for the good of the entire company. Their styles vary depending on the way they view the goals and their relationship with subordinates. An effective leader will remain poised even at the time of adversity and he gets along with the situation. In today’s competitive environment, the only constant factor is change. The SSI units are in need of effective leadership styles which will not only help in achieving the organisational goals, but also effectively transform the organisation as a unit with more employee satisfaction.
1.2 Statement of the Problem

Small-scale industries (SSIs) are normally perceived in a wider perspective as the engine of growth in both the developed and the developing countries. Despite the extraordinary synchronization of global slump in some periods, SSIs act as prime movers in stepping up the industrial growth, poverty alleviation and economic sustainability to rural and semi urban centers where they are located. Like in many other developing countries, SSIs in India play a very crucial role in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. SSI units accounts for 40% of gross value of output in the manufacturing sector, and provide employment to over 31.25 million people. The production growth rate was 13 per cent in 2007-08. The employment growth rate was 4.6 per cent. The export figure touched € 16.7 billion during 2008-09. In India SSI unit produces more than 750 products of all types. As per the revised estimates for the SSI sector based on Third All India Census, the number of SSI units at the end of 2006-07 in the country was 12.84 million (2.03 million registered and 10.81 million unregistered).

An entrepreneur works within an environment from which he receives information, and process the same to get a decision. Two entrepreneurs working under the similar conditions within the same societal environment exhibit different decision making abilities which may be because of individual differences. Differences in decision making arise from difference in perception and personality. Whatever may be the decision the psychosocial factors play a very important role in information processing behaviour of the entrepreneur. The decision making ability of the entrepreneurs differentiate the success because the
entrepreneur who can take the right decision at the right moment at the right place become successful. The degree of success or failure of the industrial units depends upon the correct decision making and the implementation of the same.

Analyzing the common problems faced by the SSI units, it is found that the major problems are related to the challenges involved in adopting and adapting to rapid change, and the need for innovation and improvement. To survive the severe competition and to move ahead as a successful organisation the SSI units should be led by effective leaders. Hence the top management should focus on building leaders within organisation. In a unit, all managers have to interact with their subordinates, peers, superiors and outside environment on a daily basis to achieve the goals. To gain their support, he/she should understand the peers, motivate the subordinates and build trust among the superiors. So the potential employees need to be trained to build those leadership qualities that would become the base for an organisation’s survival. In order to develop the leaders, it is essential to analyze the various leadership styles of managers in SSI units of Kerala. So that training can be given to imbibe the necessary set of skills including interpersonal skills, and group dynamics. Every organisation has a number of talented employees. But mostly the Organisations are not utilizing their capabilities and they are not ready to groom the potential leaders within the organisation. Only leaders can withstand the challenges of the environment. Here comes the importance of studying Leadership styles and leadership development programmes.

Effective leadership is not possible without having the right set of behaviour and traits. By giving comparatively more thrust to the
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Every entrepreneur’s strengths and contributions than the procedures and policies followed by SSI unit, the entrepreneur’s leadership traits can be groomed to achieve good results. Such leadership styles induces the entrepreneurs to take more risk, to think more, to stay creative and also to conform to organizational norms which ensures excellence. Then the chances are more that he/she will be more decisive, achieving, influential, determined, motivated and open to new ideas, people and systems and best fit for this changing era. To function in the highly competitive corporate world, it’s essential for SSI units to develop leadership skills in the workforce and mould them into successful leaders.

Behaviour of entrepreneurs in their enterprise is a final product of the person’s interactions with the given situation or environment. One can say that behavior (B) is a function (f) of person (P) in interaction with the given situation or environment (E). The relationship may be symbolically represented as:

\[ B = f(P \times E) \]

Environment includes mainly the economic policies of the Government and the policies of the financial and commercial institutions. Dynamic and innovative entrepreneurs can enhance competitiveness and returns. The establishment of SSI units is best suited to this state in view of the availability of raw materials from agriculture and resource based industries (Mathew Emmanuel 2004).

1.3 Scope and Significance of the Study

In Indian economy, the role of small business is crucial as they contribute significantly to job and wealth creation through export of goods and services. The sector is taken seriously by the academicians, researchers and policy makers as they see it as vehicle of for driving local employment
opportunities, wealth creation and products and services innovation to reach out to every segment of the society. SSI units were particularly suited for better utilization of local resources and for the achievement of local low capital investment. In view of the vital role being played by the small scale sector, in generating employment, developing rural economy, reducing regional imbalances and in earning foreign exchange, these units were selected for the study.

The sector has always been given importance by the elected Governments of India since India’s independence in 1947. Many companies in this sector have grown and shined. Apart from the challenges of creating new products, the current slowdown in the global economy has multiplied its woes with the drying up of markets worldwide. Today in India we have broad consensus among various stakeholders in the economy to pursue policies which takes the nation forward by creating more sustainable growth opportunities across the segments be it manufacturing, services or agriculture. This is required to generate more employment opportunities, distribute economic benefits and create self sufficiency in food and non-food goods and services. To achieve these objectives, the SSIs will have to play a critical role in driving growth within each segment.

This study looks at the entrepreneur as a leader. In the present study, the operational definition of entrepreneur is the owner of an industrial unit. The proprietor of a single proprietorship, the managing partner of a partnership, the key promoters of a private limited company are considered entrepreneurs for the purpose of this study. The purpose of this work is to analyse the relationship between leadership styles and effectiveness of SSI units. The study is intended to cover major industries in the small-scale
sector in Trivandrum, Ernakulam and Kozhikode districts to represent Kerala. The research covered 90 SSI units and a sample of 90 entrepreneurs and 270 employees. SSI units in Industrial sector have been considered for the survey. The units taken under industrial sector are from Handloom, Food and IT units. Thirty units are taken from each sector in each district.

The study will help to reveal the relationship between leadership and organizational performance and how leadership style could be applied to small scale industries bearing in mind the environmental influences and differences. The results of the study are expected to facilitate and promote the small scale sector of Kerala state and will help the Government to frame necessary policy changes. It will encourage academicians to carryout in-depth research to make the industrial units adaptable to the changing needs of the business environment.

The study intends to give some insight to the entrepreneurs of small scale sector to identify their leadership styles and how they affect the performance of the organization. Importantly, it is expected that when suggestions of the study are implemented they would encourage cooperation between leaders and workers in the organization, and thereby improve their performance, and interpersonal relationship. Other organizational issues such as stress, aggression, regression fixation and friction among workers and leaders could also be reduced. It will also help the various institutions supporting small scale units to design their training programs to promote leaders in SSI units and to thereby reduce industrial sickness in future.
1.4 **Objectives of the Study**

1) To exhibit the socio-economic profile of the small scale industrial units in Kerala.

2) To assess the extent of leadership attributes among entrepreneurs in small scale industrial units in Kerala and to test whether the perceived leadership attributes are dependent on the profile of entrepreneurs.

3) To determine the pattern of leadership and to analyse the relationship between leadership styles and organizational variables in the small scale industrial units in Kerala.

4) To assess the leadership styles which affect the organisational performance of small scale units in Kerala.

5) To study the role of training programmes of institutions in promoting leadership among entrepreneurs in small scale industrial units in Kerala.

1.5 **Hypotheses**

1) There is no significant association in the leadership attributes of the entrepreneurs between industries, region, entrepreneur's profile and organizational variables.

2) There is no significant association among authoritative, participative and delegative leadership styles of the entrepreneurs in small scale industrial units.

3) There is no requirement of a particular leadership style in small scale industrial units.
4) Entrepreneurs preferred to have no further improvement in the present leadership style in the small scale industrial units.

5) There is no significant association between different leadership styles and performance of the small scale industrial units.

6) Training programs of institutions have no significant impact on the leadership styles of entrepreneurs in the small scale industrial units.

1.6 Research Methodology

1.6.1 Sample Design

Multistage systematic random sampling was applied in this study. In the first stage, three major districts, Trivandrum, Ernakulam and Kozhikode were selected to represent the south, the central and the north zones of Kerala. In the second stage selection of the small scale units was made from industrial sector using systematic random sampling. Finally, the entrepreneurs and three employees each, from the selected units, contacted personally to collect the necessary information. Two sets of structured schedule were administered to collect primary data (given in Annexure I and II).

1.6.2 Data Sources

Primary data were collected by administering a pre-tested structured schedule. Secondary data were collected from books, periodicals, articles, working papers, thesis, project reports and various websites. Also authorities in the area of the study provided valuable materials for this study.

1.6.3 Selection of Sample Industrial Units

For selecting the entrepreneurs, the Kerala state was first divided into three zones – the south, the central and the north. From these zones, one district
each representing the south, the central and the north (Trivandrum, Ernakulam and Calicut) was selected. There were, in all, 195,960 working small scale industrial units registered in Kerala as on 31st March 2008. In the selected districts there were 62,502 registered SSI units (21,786 in Trivandrum, 24,716 in Ernakulam and 16,000 in Calicut) as on 31st March 2008.

Multi stage systematic random sampling method was used in this study, because it is considered as a bias free selection method. Sample size (n) of the finite population is 90 for the three strata. It is determined by using the following formula given by Kothari (2008).

Formula to compute the number of sample (n)

\[ n = \frac{z^2.N.\sigma^2}{2} ÷ (N-1) e^2 + \sigma^2 \]

Computation of the sample size is given in Annexure III

Three industrial sectors were selected from the Small Scale Industrial units, namely Handloom, IT and Food, considering the increasing number of registered units in them.

Among the traditional industries of Kerala, Handloom sector stands second to the coir industry in providing employment. The industry in the state is highly concentrated in Trivandrum and Kannur districts. Calicut, Ernakulam, Kollam, Palakkad, Trissur and Kasargode districts also have some concentration of the industry. Out of the total number of looms, the co-operative sector occupies 94% and the rest by individual entrepreneurs. The sector consists of factory type and cottage type societies. By the end of March 2008, there were 758 PHWCS consisting of 155 factory type societies and 603 cottage type societies. (Economic Review, 2008).
Government has given special thrust to promotion of food processing industry due to the enormous potential of the sector for development. Two food processing parks had already been set up by KINFRA one at Ernakulam and the other at Calicut. A third park at Adoor is under implementation at present. (Economic Review, 2008).

IT sector is creating more employment than any other sector in the state. IT sector is a promising sector and is on a steady growth path. Cities in Kerala especially Trivandrum and Ernakulam have been rated as the next booming metros and challenging IT locations in India. Activities for setting up IT park in Calicut have already commenced. (Economic Review, 2008).

Ten industrial units were chosen using quota sampling from each industrial sector in each district. Thus, thirty industrial units from each district were selected as sample and the total sample size had come to 90 (Table 1.1) and (Fig 1.1).

<table>
<thead>
<tr>
<th>Industrial sector</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handloom</td>
<td>30</td>
<td>33.3</td>
</tr>
<tr>
<td>IT</td>
<td>30</td>
<td>33.3</td>
</tr>
<tr>
<td>Food</td>
<td>30</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey data

1.6.4 Selection of Sample Employees

Three employees were selected systematically at random from the records of the industrial units earmarked for the intensive study. Thus 30 employees each were selected from the three main industrial sectors in
the small scale industries of Kerala, viz. Handloom, IT and Food. In total ninety employees were taken from each industrial sector. Thus total sample size of employees had come to 270 (Fig. 1.1). The employees include both males and females comprising skilled and unskilled workers and officers (Table 1.2)

<table>
<thead>
<tr>
<th>Industrial sectors</th>
<th>Number of industrial units</th>
<th>Number of employees</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handloom</td>
<td>30</td>
<td>90</td>
<td>33.3</td>
</tr>
<tr>
<td>IT</td>
<td>30</td>
<td>90</td>
<td>33.3</td>
</tr>
<tr>
<td>Food</td>
<td>30</td>
<td>90</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>270</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey data

1.7 Data Gathering Instruments

The study is both analytical and descriptive in nature. A structured schedule is used for data collection.

1.8 Tools of Analysis

The collected data were classified and tabulated. This was followed by analysis and interpretation of data. Statistical tools were used for systematic analysis of data. Averages, percentages and ratios were worked out initially to study association between variables. Chi-square test, likelihood ratio etc. were also used. Difference between mean value of responses and hypothesized value was examined with t-test. ANOVA (F-test) and t-test were used to examine the difference in mean values.
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Figure 1.1: Sample Design
1.9 Limitations

1) The study is constrained by certain limitations: The co-operation of respondents is very much required for a survey based research. But co-operation of a few respondents was not up to the expectations.

2) The variables related to leadership attributes, leadership styles and performance of the enterprises selected only with the help of reviews and the experts in the relevant field. But some attributes might have escaped the consideration.

3) Some subjectivity biases of the respondents, might influence the conclusions of the study.

4) The study focused on the trend of small scale entrepreneurs during the interview period.

5) Since the Government machinery does not maintain relevant records of small scale entrepreneurs, the study relied on the data supplied by the respondents.

In spite of these limitations, an earnest effort was made to analyse the data and cross check the results to arrive at findings and also to offer meaningful suggestions.

1.10 Chapter Scheme

1) The thesis is presented in eight chapters. The first chapter provides an introduction to the study. It includes statement of the problem, objectives, hypothesis, methodology, significance, scope and limitations of the study.
2) The second chapter provides the theoretical aspects and a critical review of related literature.

3) Chapter three explains the role, growth and performance of small scale industrial units.

4) The fourth chapter discusses the concept, importance, approaches, theories and types of leadership. It also explains the leadership styles in various contexts.

5) The fifth chapter interprets the attributes of leaders in SSI units in Kerala.

6) The sixth chapter expounds the leadership styles in SSI units in Kerala.

7) The seventh chapter explains leadership styles and performance of SSI units in Kerala.

8) Eighth chapter presents major findings and conclusions of the study.