CHAPTER VII

RESUME

Industrialisation sine qua non of economic progress. The objectives of industrialisation are high growth rates, employment generation and equitable distribution of income and wealth. The effect of it is to raise the per capita income and standard of living of the people of any country. The third world countries are trying to solve their endemic problems of poverty, inequality and unemployment through systematic process of industrialisation. The development experience of past indicates that industrialisation has played a crucial role in overall economic development of any country. Countries with rapidly growing industrial sectors have been able to manage the development problems particularly employment, poverty and income levels effectively than those countries in which industrialisation lagged behind. Thus there is a world wide acceptance to solve their economic and social problems. India is no exception to this.

Small scale industries play an important role in the developing economies like India. Apart from providing employment they help in reduction of regional disparities
and improvement of living standards of the lower strata of population. Keeping this in view various policies, provisions, procedures, schemes and programmes have been initiated from time to time. But the performance of small scale industry could not be improved. There is growing tendency of small scale industries entering into sickness. The reasons may be numerous. One of the causes for sickness in the small scale industrial sector in India is ineffective management/leadership. Most of the failures can be attributed to that of leadership failures. Bigger industries can afford to hire the services of professionals where as the small industries could not do so because their economies do not permit them to employ professionals who are to be paid huge sums of salaries and therefore, owner-managers must naturally combine in themselves the qualities of a professional manager to run the industries successfully. Those owner-managers who could lead their industries on scientific lines flourish and others are entering into sickness.

Many studies were undertaken on leadership styles adopted in bigger organisations. But relatively only a few attempts have been made to study the leadership styles in small scale industries. A study of this nature is necessary to understand the leadership styles because many of the
small scale industries are being managed by owner-managers. Since there are regional differences in the development of small scale industries in India, more specific studies are needed in these areas. An attempt is made to examine the leadership styles in small scale industries in Tiruchirapalli District, Tamilnadu.

OBJECTIVES

The specific objectives of the study are as follows:

1. To know the present theoretical background of leadership and a review of literature in leadership styles;

2. To know the attitudes of owner-managers of small scale industries in Tiruchirapalli District towards classical and modern leadership approaches;

3. To study various leadership styles in small scale industries among the owner-managers;

4. To assess how far the age, education, experience and family background will influence the leadership styles of owner-managers; and

5. To make suggestions for improving the existing Administration of Small Scale units in Tiruchirapalli District, Tamilnadu.
HYPOTHESIS

The following hypothesis are tested in this study:

1. The attitudes of majority of owner-managers of small scale industries in Tiruchirapalli District are in favour of modern approaches of leadership;

2. In all categories of small scale industries in Tiruchirapalli District the owner-managers are in favour of modern approach to leadership;

3. There is significant relationship between the attitudes of owner-managers and their demographic characteristics;

4. The owner-managers adopt different types of leadership styles depending on situations; and

5. Leadership styles of owner-managers vary with the age, education, experience and family background.

SAMPLE DESIGN

Tiruchirapalli District is purposively selected for this study because of consideration of proximity and familiarity. There were 4920 small scale industrial units in Tiruchirapalli District in 1999-2000 which were registered with District Industries Centre, Tiruchirapalli District. The classification is followed for stratification of small scale units. Accordingly the registered small scale industrial units are classified into 9 categories as shown in the table given below:
NUMBER OF SMALL SCALE UNITS REGISTERED WITH
DISTRICT INDUSTRIES CENTRE

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<table>
<thead>
<tr>
<th>Category</th>
<th>Number of units</th>
<th>Sample units</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agro based</td>
<td>820 (16.67)</td>
<td>160</td>
</tr>
<tr>
<td>Mineral based</td>
<td>100 (2.03)</td>
<td>20</td>
</tr>
<tr>
<td>Engineering based</td>
<td>1430 (29.06)</td>
<td>290</td>
</tr>
<tr>
<td>Forest based</td>
<td>670 (13.62)</td>
<td>130</td>
</tr>
<tr>
<td>Food based</td>
<td>200 (4.06)</td>
<td>40</td>
</tr>
<tr>
<td>Chemical based</td>
<td>390 (7.93)</td>
<td>80</td>
</tr>
<tr>
<td>Leather based</td>
<td>50 (1.02)</td>
<td>10</td>
</tr>
<tr>
<td>Textile based</td>
<td>60 (1.22)</td>
<td>10</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1200 (24.39)</td>
<td>240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4920 (100.00)</strong></td>
<td><strong>980</strong></td>
</tr>
</tbody>
</table>

Source: General Manager, District Industries Centre, Tiruchirapalli District.

Sample units are selected by using stratified proportionate random sampling technique. 20 per cent of the units in each category are selected for the purpose of the study. The study is confined to 980 units in total.
DATA BASE

Both primary and secondary data are used in the study. Secondary data is collected mainly from the reports published by the Tiruchirapalli district authorities and the Government of Tamilnadu. Some of them are statistical abstracts of Tamilnadu, Tiruchirapalli District Gazette, Handbook of Statistics, Tiruchirapalli District, District Credit Plans prepared by lead bank of Tiruchirapalli district, Tiruchirapalli District Industries Centre, Tiruchirapalli Population census, Tiruchirapalli district and Industrial Profile, Tiruchirapalli District. Primary data collected from the 980 owner-managers of small scale industries in Tiruchirapalli District. A structured schedule of questionnaire is prepared for this purpose. The schedule is divided into four sections. They are identification, characteristics, attitudes and method of making decisions. In the method of making decisions, five leadership styles and 21 situations are incorporated.

STATISTICAL TOOLS

The data collected from primary and secondary sources are subjected to statistical treatment for clear analysis and interpretation. Apart from simple statistical tools like averages, ratios, tables, weighted mean, linear
and Compound growth rates, standard deviation, Correlation and t-test have been extensively used to analyse leadership styles. The process of computation of weighted mean, linear growth rate, compound growth rate, standard deviation, correlation co-efficient and t-value are given.

FINDINGS
IDENTIFICATION AND CHARACTERISTICS

Sole trading form of organisation is popular in small scale industrial units in Tiruchirapalli District. 67 per cent of the units are sole trading concerns. There is no company type of organisation.

Nearly 33 per cent of the industrial units are having owned premises. While the rest are in rented premises.

Young people (i.e. below 40 years) are showing keen interest in the establishment of small scale industrial units in Tiruchirapalli District. They constitute 52 per cent. The entrepreneurs in the age group of 40-50 years constitute 24.5 per cent and the persons in the age group of 50-70 years constitute 23.5 per cent.
Nearly 42 per cent of the entrepreneurs come from the background of business and it is followed agricultural background (24.5 per cent) and professional background (22.5 per cent).

A large number of entrepreneurs about 41 per cent possess secondary level of education. 19.4 per cent of the entrepreneurs are graduates. 5.1 per cent of the entrepreneurs have technical knowledge. Illiterates constitute 5.1 per cent.

Training is given less importance by the entrepreneurs of small scale industrial units in Tiruchirapalli District. 30.6 per cent of the entrepreneurs are running their units without any experience. Only 12.3 per cent of them have formal training. The rest of the entrepreneurs (57.1 per cent) are managing their units with past experience in the same business.

The profitability of the units, experience and knowledge in the field and self-employment are the three important motivating factors for the promotion of industrial units by the sample entrepreneurs. In most cases they go by profitability of the units which should be considered as a key factor in private sector.
About 29 per cent of the sample industrial units in Tiruchirapalli District are utilising equal or less than 50 per cent of their installed capacities. There is an urgent need to increase the capacity utilisation by the industrial units in Tiruchirapalli District. Lack of demand, non availability of adequate raw materials, labour problems, competition, shortage of power are the important causes for the under utilisation of capacity in small scale industrial units in Tiruchirapalli District.

On an average, the capital employed per unit is Rs.905255. But there is wide variation among different categories of industrial units in the case of capital employed per unit. It ranges between Rs.40000 and Rs.2600000.

There are five sources of capital for small scale industrial units in Tiruchirapalli District. They are own funds, commercial banks, development banks, friends and moneylenders. External source is the major source of capital. It accounts for nearly 56 per cent of the total capital employed. The rest is obtained by internal source (own funds). Bank credit accounts for 39 per cent of the total capital employed. The industrial units in Tiruchirapalli District are depending on ownership capital and commercial banks.
On an average employment generated per worker is worked out to 10 persons and capital employed per worker is worked out to Rs.94579. There are wide variation among different categories of industries in the case of capital employed per worker.

Sale by direct contact is the popular method of marketing. Nearly 14 per cent of the units are adopting this method. This is more popular in the case of Engineering based industry. The second popular method is sale by quotation and direct contact. The third popular method is direct contact and through dealers.

The profit per unit is worked out to Rs.94276. The profit per unit is highest in the case of Leather based industry and lowest in the case of Food based industries. There is vast difference among different categories of the units in this regard. The rate of return on capital is at reasonable level. On an average, it works out to 10.41 per cent. All the units are running at reasonably fair return, except in the case of Engineering based units (4.37 per cent).
SUGGESTIONS

To pool the skills and to spread the risk partnership and company type of organisations are more suitable. Therefore, partnership and company type of organisations are to be encouraged in the case of small scale industrial units in Tiruchirapalli District.

Training improves operational skills and managerial ability, District Industries Centre should see that each and every promoter of small scale industries is trained according to his needs.

Industrial units have to increase demand for their product by new promotional methods. It is possible to face the competition by increasing the quality of products and decreasing the cost of production. Labour problems are to be solved by having human relations approach in management. Non-availability of adequate funds is to be tackled by taking necessary steps to mobilise adequate finance both from internal and external sources. Entrepreneurs and the government should prepare in advance a plan for regular supply of raw materials to the industrial units to overcome the problem of non-availability of adequate raw material. Government should also arrange for the regular supply of power and transport infrastructure.
The industrial units in Tiruchirapalli District should plan to borrow more funds from the organised external sector. They can approach commercial banks and development banks to borrow more funds on the strength of the ownership capital to maximise the benefits to the owners. Since all most all the units are earning a fair rate of return, this is not a problem for the units. The benefits for the units can be maximised at the cost of borrowed capital. The units can reach a reasonable debt equity ratio of 2:1. There is ample scope for reaching this ratio.

The rate of return in the case of Engineering units is to be improved by cost reduction methods.

ATTITUDES

In the case of attitudes of owner-managers, it is noticed that though there are variations in the attitudes among owner-managers over the classical and modern approach, still majority of them are in favour of modern approach. It is true in all categories of small scale industries in Tiruchirapalli District.

In all categories of small scale industrial units, most of the owner-managers have expressed classical attitude in respect of statements 1, 2, 5 and 10 i.e. the average
subordinates prefers to be directed, wishes to avoid responsibility and has relatively little ambition; the average leader prefers to be directed, wishes to avoid responsibility and has relatively little ambition; the use of rewards and punishments is not the best way to get the subordinates do their work and a good leader should give detailed and complete instructions to his subordinates rather than give them merely relevant general directions and depend upon their initiative to work out the details.

The correlation between demographic variables and attitudes of owner-managers reveals that demographic factors except age are influencing the attitudes of owner-managers towards leadership approaches significantly.

It is also noticed that there are perceptible differences among owner-managers attitudes towards classical and modern approaches of leadership in different categories of small scale industries in Tiruchirapalli District.

Since some of the owner-managers are in favour of classical approach of leadership, their attitudes are to be changed in favour of modern approach which became essential for sound management of small scale industries. For this purpose steps are to be taken by the State Government or Central Government to educate the owner-managers of small
scale industries to favour modern approach. Refresher courses and Training Programmes are to be conducted to change the attitudes of owner-managers towards modern approach. This can be done through District Industries Centres and National Institute of Small Industry Extension Training.

**LEADERSHIP STYLES**

Style I i.e. Benevolent autocrat (62.2 per cent) is the popular leadership style used by owner-managers of small scale industries in Tiruchirapalli District. It is followed by style IV i.e. Joint decision making (14.38 per cent), style III i.e. Prior consultation (7.58 per cent), style II i.e. Strict autocrat (5.25 per cent) and style V i.e. Delegation (2.43 per cent). It is also noticed that the owner-managers are adopting different styles depending upon the situations.

The category wise analysis of small scale industrial units indicates that the owner-managers are adopting different styles depending upon the situations. It is also noticed that the popular style in all categories of industries is style I (i.e. Benevolent autocrat) with an insignificant difference among all category of industries. The range in this case is 95.24 per cent (Leather based industry) - 52.38 per cent (Textile industry).
It is noticed that in all matters of production, technical, financial, personnel and marketing matters style I i.e. Benevolent autocratic style is important. The next important styles are style IV (i.e. Joint decision making) and style III (i.e. Prior consultation). Most of the owner-managers are not giving much scope to their subordinates to involve in financial and personnel matters. This is true in almost all categories of small scale industrial units in Tiruchirapalli District. It is also found that though the owner-managers are adopting benevolent autocratic style, they are also in favour of modern approach in their decision making.

It is found that the young owner-managers in the age group of 10-30 years are adopting style I i.e. Benevolent autocratic style and style IV i.e. Joint decision-making style for more number of times than the middle aged (i.e. 30-50 years) and old aged (i.e. 50-70 years) owner-managers. The young owner-managers are adopting style II i.e. Strict autocratic style and style III i.e. Prior consultation style lesser number of times compared to middle aged owner-managers and old aged owner-managers.
It is noticed that there is positive relationship between age and leadership styles of owner-managers which indicates that as age increases the adoption of style I, II, III, IV and V also increases. So, the aged owner-managers are adopting these styles for larger number of times. The maximum correlation in personnel and financial matters reveals that there is high association between age and leadership styles of owner-managers. So, age influences the style of owner-managers.

In all categories of industries it is found that there is positive relationship between the age and leadership styles of owner-managers except in Forest based industries and miscellaneous industries. In these industries there is negative association between the age and leadership styles of owner-managers. More fluctuations are found in using the leadership style of owner-managers of small scale industries in Tiruchirapalli District.

It is found that better educated owner-managers are more flexible in adoption of leadership styles than the low educated and illiterate owner-managers. The illiterate owner-managers are using style II i.e. Strict autocratic style for less number of times compared to educated owner-managers. The correlation analysis reveals that there is
significant positive relationship between the educational levels of owner-managers and adoption of their leadership styles except in case of style V i.e. Delegative style.

The category wise analysis of industrial units indicate that the level of education positively influences the leadership styles of owner-managers except in Mineral based industries. In Mineral based industries, there is negative correlation.

It is noticed that less experienced owner-managers are using style I i.e. Benevolent autocratic style and style IV i.e. Joint consultation style for more number of times than the more experienced owner-managers. It is also found that well experienced owner-managers are adopting style II i.e. Strict autocratic style and style III i.e. Prior consultative style more number of times than the less experienced. It is also noticed that there is significant negative correlation between the experience of owner-managers and adoption of their leadership styles which implied that a decrease in experience leads to an increase in the adoption of all the styles. As a whole less experienced are adopting style I, IV and II for more number of times.
In all categories of industrial units, there is negative correlation between the experience of the owner-managers and adoption of their leadership styles. It is noticed that style I i.e. Benevolent autocratic style is used significantly in Engineering, Forest and Miscellaneous industries by the less experienced owner-managers.

With regard to family background of owner-managers and adoption of their styles, it is found that the owner-managers with "Agriculture and business" family background are adopting autocratic style more than others in their decision-making. It is also noticed that the owner-managers whose family background is cooli are adopting democratic approach and taking their subordinates into confidence while taking decisions. The owner-managers whose family background is business and agriculture are flexible in adopting the styles. Style V i.e. Delegation is used, on an average, to a negligible extent by all the owner-managers.

It is also found that education with agriculture family background of owner-managers and their leadership styles show positive relationship which indicates that well educated owner-managers with agricultural family background are adopting leadership styles for more number of times. The maximum correlation in production, technical and marketing
matters show that there is high positive association between the family background of owner-managers and their leadership styles. It is statistically significant in case of style III i.e. prior consultation, Style IV i.e. Joint decision making and style V i.e. Delegation.

In case of well educated owner-managers with business as their family background are adopting strict autocratic style (Style II), Prior Consultative Style (Style III) and Joint Decision making style (Style IV) for more number of times and low educated owner-managers with business family background are adopting Benevolent autocratic style (Style I) and Delegative style (Style V) for more number of times. But taking into account all situations, it is found that there is no significant correlation.

It is also noticed that well educated owner-managers with Professional family background are adopting all the styles significantly except Delegative style (Style V).

It is found that the owner-managers whose family background is "Agriculture and business" and cooli and adoption of their leadership styles show positive correlation in respect of Benevolent autocrat (Style I)
Strict Autocrat (Style II) and Prior consultation (Style III) But these is negative association in case of joint decision making (Style IV). The t-test indicates that the positive or negative association is insignificant.

The category wise analysis of small scale industrial units indicates that except Engineering based industries, Forest based industries and Miscellaneous industries, style I i.e. Benevolent autocratic style is popular. In these three categories of industries style IV i.e. Joint decision making style is popular. In all family backgrounds except cooli, style I i.e. Benevolent autocratic style is popular. In the case of cooli background style IV i.e. Joint decision making style is popular. The correlated analysis shows that family background influences the adoption of leadership styles. This is true of all categories and in all matters.

From the analysis relating to the leadership styles of owner-managers and their demographic characteristics, it is found that the demographic characteristics such as age, education, experience and family background influence the leadership styles of owner-managers of small scale industries in Tiruchirapalli District.
The importance of Benevolent autocratic style is to be replaced to some extent by Prior consultative style and Joint decision making style. This needs education of owner-managers relating to the merits and demerits of all the leadership styles. This is to be undertaken by the State and Central Governments. Government should organise industrial clubs of owner-managers of small scale industries in which the owner-managers exchange their views on different leadership styles and their applicability to different categories of small scale industries. Seminars and conferences may be organised by the Government to pass on to the owner-managers the latest developments relating to different leadership styles. Industrial clubs may be organised at the town level, district level, state level and country level. This will benefit a lot to the owner-managers of small scale industries.