



**TRANSFORMATIONAL LEADERSHIP, INNOVATIVE BEHAVIOR AND  
PERFORMANCE OF SMALL SCALE BUSINESSES IN KAMPALA: A CASE OF  
RESTAURANTS IN NAKAWA DIVISION**

**BY**

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**DECLARATION**

I, **Carol Najjuka**, declare that this is my original work and it has never been submitted anywhere else for any academic purposes.

Signed.....

Date.....

## **APPROVAL**

This dissertation was done under our supervision and is submitted with our approval for examination.

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## **DEDICATION**

This dissertation is dedicated to my dearest mother Ms Margaret Magala, my father Mr. Frak Magala, my daughters Janice Mercy Nanseko and Nakalinzi Manuela and my dear friend Jane Nasereka.

## **ACKNOWLEDGEMENT**

I thank the almighty God who has helped me throughout this course, for His provision and mercy while I was undertaking this programme. I have proved that with God, no mountain is too high.

I especially acknowledge Mrs. Margaret Magala and Mr. Frank Magala for encouraging me to go back to school and not postpone for tomorrow what can be done today, and supporting in every step of my journey and taking care of my daughter while I was busy with school.

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## TABLE OF CONTENTS

DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF ABBREVIATIONS AND ACRONYMS	xi
LIST OF TABLES	xii
LIST OF FIGURES	xiv
ABSTRACT	xv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Introduction	1
1.2 Background to the Study	1
1.2.1 Historical perspective	1
1.2.2 Theoretical Background	2
1.2.3 Conceptual Background	3
1.2.4 Contextual Background	4
1.3 Statement of the Problem	5
1.4 Purpose of the study	5
1.5 Specific Objectives	5

1.6	Research Questions-----	6
1.7	Hypotheses of the Study-----	6
1.8	Conceptual Framework-----	7
1.9	Significance of the Study-----	8
1.10	Justification for the Study-----	8
1.11	Scope of the Study-----	9
1.11.1	Content Scope-----	9
1.11.2	Geographical Scope-----	9
1.11.3	Time Scope-----	9
1.12	Operational Definitions-----	9
	<b>CHAPTER TWO:LITERATURE REVIEW-----</b>	<b>12</b>
2.1	Introduction-----	12
2.2	Theoretical Review-----	12
2.3	Conceptual Review-----	13
2.3.1	Transformational Leadership Style and Performance of Small Businesses-----	13
2.3.2	Transformational Leadership Style and Innovative Behavior of small businesses-----	14
2.3.3	Innovative Behaviour and Small Business Performance-----	15
2.4	Summary of the Literature Review-----	16
	<b>CHAPTER THREE:METHODOLOGY-----</b>	<b>18</b>
3.1	Introduction-----	18
3.2	Research Design-----	18
3.3	Study Population-----	18

3.4	Sample Size	19
3.5	Sampling Techniques and Procedures	19
3.6	Data collection Methods	20
3.6.1	Questionnaire Survey method	20
3.6.2	Interviewing Method	21
3.6.3	Document review method	21
3.7	Data Collection Instruments	21
3.7.1	Interview guide	21
3.7.2	Questionnaire	22
3.7.3	Document review checklist	22
3.8	Reliability and Validity	23
3.8.1	Validity	23
3.8.2	Reliability	23
3.9	Procedure of Data Collection	24
3.10	Data Analysis	25
3.10.1	Quantitative Data Analysis	25
3.10.2	Qualitative Data Analysis	25
3.11	Measurement of Variables	25
3.12	Ethical Consideration	26
	CHAPTER FOUR	27
	PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS	27
4.1	Introduction	27
4.2	Response rate	27



4.3 Results on the background information of respondents -----	<b>28</b>
4.3.1 Distribution of Respondents by Age Range -----	28
4.4 Empirical results -----	<b>31</b>
4.4.1 Transformational leadership style and performance of small scale business. -----	31
4.4.2 Transformational leadership style and the innovative behavior of small scale business 37	
4.4.3 Innovative behaviour and performance of small scale business-----	42
4.4.4 Findings on business performance -----	48
<b>CHAPTER FIVE:SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS</b>	
-----	<b>50</b>
5.1 Introduction-----	<b>50</b>
5.2 Summary of key study findings-----	<b>50</b>
5.2.1 Transformational leadership style and performance of small scale business. -----	50
5.2.2 Transformational leadership style and the innovative behavior of small scale business 51	
5.2.3 Innovative behaviour and performance of small scale business. -----	51
5.3 Discussion of the study findings-----	<b>51</b>
5.3.1 Transformational leadership style and performance of small scale businesses.-----	52
5.3.2 Transformational leadership style and the innovative behavior of small scale business 53	

5.3.3	Innovative behaviour and performance of small scale business-----	54
5.4	Conclusions of the study-----	<b>55</b>
5.4.1	Transformational leadership style and performance of small scale business. -----	55
5.4.2	Transformational leadership style and Innovative behaviour of small scale business.	56
5.4.3	Innovative behaviour and performance of small scale business-----	56
5.5	Recommendations of the study -----	<b>56</b>
5.5.1	Transformational leadership style and performance of small scale business. -----	56
5.5.2	Transformational leadership style and Innovative behaviours of small scale business.	57
5.5.3	Innovative behaviours and performance of small scale business -----	57
5.6	Contributions of the study -----	<b>58</b>
5.7	Limitations -----	<b>58</b>
5.8	Areas recommended for future research-----	<b>59</b>
	REFERENCES -----	<b>60</b>
	APPENDIX A -----	1
	QUESTIONNAIRE FOR OWNERS AND OPERATORS OF SMALL SCALE BUSINESSES (BARS AND RESTAURANTS)-----	1
	APPENDIX B-----	1
	INTERVIEW GUIDE FOR KEY INFORMANTS -----	1

## **LIST OF ABBREVIATIONS AND ACRONYMS**

GOU:	Government of Uganda
IC:	Individualized Consideration
II:	Individualized Influence
IM:	Inspirational Motivation
IS:	Intellectual Stimulation
KCCA:	Kampala Capital City Authority
SMEs:	Small and Medium scale Enterprises
TL:	Transformational Leadership
UBOS:	Uganda Bureau of Standards
UIA:	Uganda Investment Authority

## LIST OF TABLES

Table 1: Sample frame showing population size, sample size and sampling technique -----	19
Table 2: Results of the Validity of the Study. -----	23
Table 3: Reliability Analysis Results -----	24
Table 4: The response rate -----	27
Table 5: Transformational leadership style and performance of small scale business -----	32
Table 6: Correlation results transformational leadership style and performance of small scale business -----	35
Table 7: Regression model summary for transformational leadership style and performance of SMEs-----	36
Table 8: Analysis of variance for transformational leadership style and business performance	
Table 9: Transformational leadership style and the innovative behavior of small scale business -----	38
Table 10: The relationship between transformational leadership style and the innovative behavior of small scale business	40
Table 11: Regression Model Summary results for transformational leadership and innovative behavior-----	41
Table 12: ANOVA results for transformational leadership style and innovative behavior-----	42
-----	37
Table 13: Innovative behaviour and performance of small scale business-----	43

Table 14: The relationship between Innovative behaviour and performance of small scale business.....	46
Table 15: Regression model summary results for innovative behavior and business performance .....	47
Table 16: ANOVA results for innovative behavior and business performance .....	47
Table 17: Results on business performance .....	48

## LIST OF FIGURES

Figure 1:	Conceptual Framework.....	12
Figure 2:	Age range of the respondents.....	42
Figure 3:	Age range of the respondents.....	43
Figure 4:	The Gender of the Respondents.....	44

## ABSTRACT

The study focused on transformational leadership, innovative behavior and performance of small scale businesses in Kampala, with specific focus on restaurants in Nakawa Division. The specific study objectives were to; establish the relationship between transformational leadership styles on the performance of restaurants, examine the relationship between transformational leadership style and the innovative behavior in restaurants and establish the relationship between innovative behaviour and performance of restaurants in Nakawa Division. The study used a cross-sectional survey design and adopted both qualitative and quantitative approaches to collect and analyse data. A sample of 144 respondents was identified for data collection, out of which 125 respondents were able to respond either by way of questionnaires and interviewed. The study findings indicated that there is a positive significant relationship between transformational leadership style and performance of small scale business which was observed at  $r = 0.614^{**}$ . The results also revealed that there was a positive relationship between transformational leadership style and the innovative behavior and performance of small business and this realized at  $r = 0.268^{**}$ . The study findings established significant positive relationship innovative behavior and performance of small business and this was observed at correlation coefficient of  $r=0.421^{**}$ . Basing on the study findings, the researcher concluded that when small scale business treat their staff with respect and provide advice to staff, it helps to improve business performance. It was thus recommended that: managers should strive to become role models to their subordinates; small scale business should focus on the publicity and advocacy of business internal innovation culture and innovation concept and; business managers should pay more attention to emotional information from subordinates and make a corresponding response in the process of innovation.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

Academics and practitioners put forward the argument that leadership is a key variable that broadly defines organizational success or failure (Yukl, 2002; Durbin, 2004). This study examined the relationship between transformational leadership style, innovative behaviour and performance of small scale businesses in Nakawa Division, using a case study of Restaurants.

Chapter one presents the background to the study, the statement of the problem, the general objective, the specific objectives, the research questions, the hypotheses, conceptual frame work, scope of the study, the significance, justification and operational definition of terms and concepts.

#### **1.2 Background to the Study**

This section presents the study background from the four dimensional perspective of; historical, theoretical, conceptual and contextual background, as suggested by Amin (2005).

##### **1.2.1 Historical perspective**

Stone and Patterson (2005) suggest that the concept of leadership dates as far back as at the time of the Egyptian rulers, Greek heroes and biblical patriarchs. The organizational focus of the leader has evolved over this same period. It is worth noting that the constantly changing demands of society and the field of business in general, necessitate leadership and methodological requirements that can meet the demands and expectations of future generations (Hamel, 2009).

In Africa, Small and Medium Enterprises (SMEs) have significantly contributed to



economic development (Halabi et al. 2010) through creating jobs, poverty reduction, and raising household income (Sejjaaka et al, 2015).According to UBOS (2012), SMEs in Uganda provide 50-60% of employment (UBOS, 2012) and contribute nearly 20% of the GDP and over 20% of the labour force income (Ernestand Young, 2011 cited in Sejjaaka et al, 2015).

This study thus explored the relationships between transformational leadership, innovative behavior and performance of small scale enterprises in Kampala with focus on bars and restaurants in Nakawa Division.

### **1.2.2 Theoretical Background**

Transformational Theory (Burns, 1978) formed the theoretical underpinning for this study. The central idea underlying this theory is the notion of change and how leadership is crucial in envisioning and implementing the transformation of organizational performance. The theory is based on the assumption that people tend to be inspired and as well respect the qualities of a leader. At the same time, it is taken for granted that the leader is happy and passionate about his job. In this way, through impressive co-operation between the leader and the followers, tasks can be easily accomplished.

Avolio, Waldman and Yammarino (1991) highlighted idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration as the four main behaviors underlying transformational leadership. In transformational leadership, leaders tend to develop a rather powerful over their subjects (Jung and Avolio, 2000). The proponents of the theory argue that innovation involves building a creativity culture, developing new business models, installing

new technologies, and most importantly, innovative leaders (Davila, Epstein and Shelton, 2013).

An organization that seeks to promote innovation and performance will ensure there are efforts to encourage traits that entail transformational leadership (charisma, inspirational motivation, intellectual stimulation, and the ability to give followers individualized attention) among its leaders. Leaders of innovative SMEs endeavour to create an infrastructure that removes obstacles to innovation. Innovative leaders are creative risk takers who recognize and appreciate the creativity of others. They look ahead to the future and closely observe other organizations, looking for examples of how to further innovate and ensure profitability and business growth. They also keep an eye on socioeconomic trends that support and promote innovation.

### **1.2.3 Conceptual Background**

According to Bittel and Newstrom (1990), leadership is that special skill that causes other people to follow and act willingly. Transactional leadership refers to a form of leadership that seeks to attain compliance from the followers through rewards, sanctions or punishments (Vella et al, 2012). On the other hand, as Bass and Riggio (2006) argue, transformational leadership seeks to promote influence, intellectual stimulation, inspiration and motivation, among other aspects.

The concept of innovativeness is defined according to the potential that an organisation has, pertaining seeking new and better ways to identify, acquire, and implement ideas and tasks in the organization (Brem and Voigt, 2009). On the other hand, business performance can be viewed as an organisation's ability to profit and grow in both qualitative and quantitative measures (Aragon-Sanchez & Sanchez-Marin 2005).

Business performance is measured in terms of customer satisfaction and business growth. Business growth, as put forward by Macheke and Macheke (2014) is about creativity, direction, coordination, delegation and collaboration. Customer satisfaction on the other hand, is a measure of the extent to which products and services supplied by a company meet or actually surpass the expectations of a customer (Fazzarudin, 2014).

#### **1.2.4 Contextual Background**

Byaruhanga (2014) puts forward the argument that Small and medium-sized enterprises (SMEs) constitute the engine of the private sector and cover nearly 90 percent of the private sector in Uganda, contributing two-thirds of the national income. SMEs are a source of employment opportunities, offer training ground for improving labour skills, contribute to the country's foreign exchange earnings and make linkages with larger organisations in the industry. As such, Byaruhanga (2014) suggests that any efforts to attain sustainable development cannot bear much fruit without the efforts of SMEs. Ocici, (2007) however argues that despite their tremendous contribution, many SMEs have failed to sustain their businesses, yet it is expected that the morale of the owners of these small businesses they have at the beginning is supposed to push them into faster growth and survival.

Nakawa Division is the most industrious of the five Divisions that make up Kampala Capital City Authority, owing to its geographical location along the busy Jinja-Kampala highway. The Division also hosts one of the largest markets in Kampala (KCCA Report, 2014). Besides, the Division has a host of many other SMEs which include among others, General shops (Groceries) and over 5000 restaurants.

### **1.3 Statement of the Problem**

The role of SMEs in the economic development of Uganda cannot be downplayed, through provision of employment to a large population as well as enhancing foreign exchange earnings. As such, any efforts aimed at improving their competitiveness would significantly contribute to social and economic development of the country.

According to Sejjaaka, Mindra and Nsereko (2015), leadership behaviour is essential towards building sustainable businesses and shortfalls in leadership behavior could be attributed to business failure. In Nakawa Division, despite several business trainings by a number of key stakeholders, many SMEs still fail at an alarming rate. This situation if not addressed, may lead to continuous failure of many small businesses in Uganda, more so in Nakawa Division. This study thus examined the relationship between transformational leadership style, innovative behaviour and performance of small scale businesses, using a case study of restaurants in Nakawa Division.

### **1.4 Purpose of the study**

To examine the relationship between transformational leadership style and innovative behaviour on performance of small scale businesses, with focus on restaurants in Nakawa Division

### **1.5 Specific Objectives**

1. To establish the relationship between transformational leadership style on the performance of restaurants in Nakawa Division.
2. To examine the relationship between transformational leadership style and the innovative behavior in restaurants in Nakawa Division.

3. To establish the relationship between innovative behaviour and performance of restaurants in Nakawa Division.

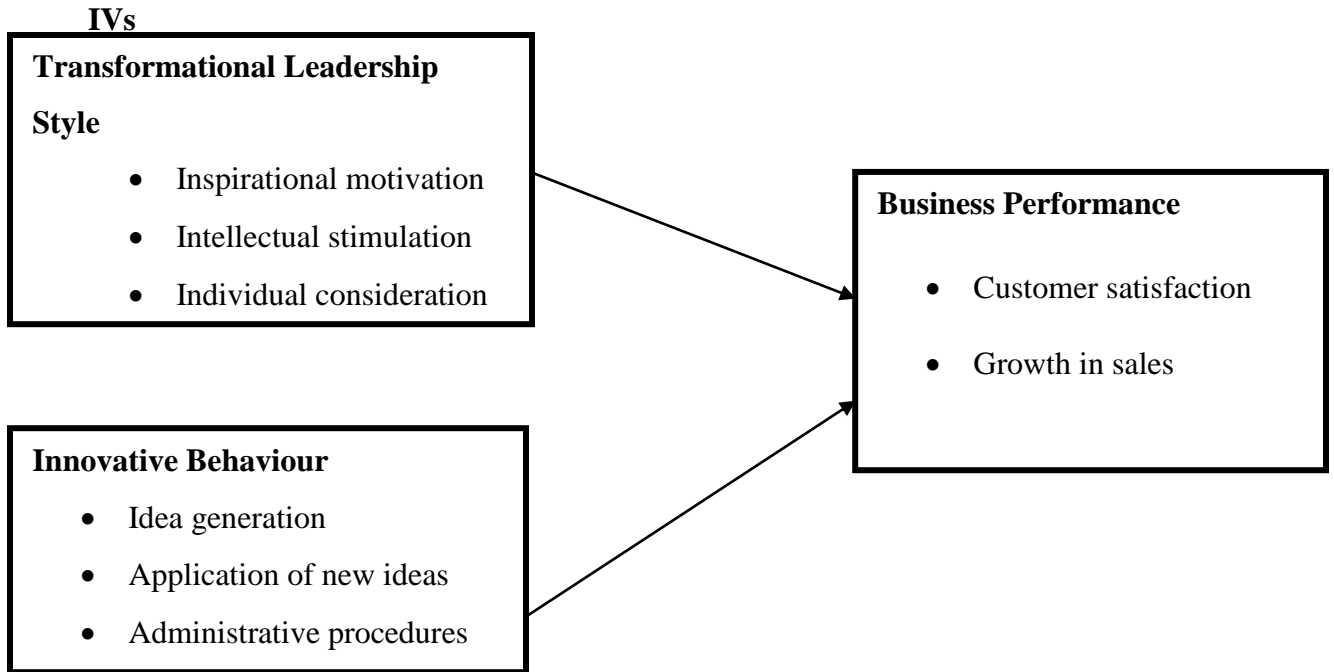
## **1.6 Research Questions**

1. What is the relationship between transformational leadership style and performance of restaurants in Nakawa Division?
2. What is the relationship between transformational leadership style and the innovative behavior of restaurants in Nakawa Division?
3. What is the relationship between innovative behavior and performance of restaurants in Nakawa Division?

## **1.7 Hypotheses of the Study**

1. There is a significant positive relationship between transformational leadership style and performance of small business enterprises.
2. There is a significant positive relationship between transformational leadership style and innovative behavior in small business enterprises.
3. There is a significant positive relationship between innovative behavior and performance of small business enterprises.

## 1.8 Conceptual Framework



**Figure 1:** Conceptual framework showing the relationship between transformational leadership style, innovative behaviour and performance of restaurants in Nakawa Division

Source: Adapted from literature by the researcher

The conceptual framework in figure 1 shows the relationship between transformational leadership style, innovative behavior and performance of restaurants in Nakawa Division. From the conceptual framework, Transformational leadership style and innovative behaviour are the independent variables, while performance of small scale businesses is the dependent variable. Transformational leadership style was measured in form of: inspirational motivation, intellectual stimulation and individual consideration, whereas innovative behaviour was measured in form of: idea generation, application of new ideas and changes in the administrative procedures. On the other hand, performance of restaurants in Nakawa Division was measured in form of: customer satisfaction, and growth in sales, profitability and improved customer service. The framework

demonstrates that the traits of a leader can influence employees to be innovative, in an effort to improve business.

### **1.9 Significance of the Study**

The likely contributions of this study may cover the scope of academics, policy, management and business practice. In the field of academia, scholars and researchers may find guidance on studies related to leadership and SME performance. This study may guide Government Policy makers to come up with a framework that will help support and create a conducive environment for small businesses to thrive. They may be able to support and encourage development of leadership training and innovative behaviour. This initiative may support performance and competitiveness of small businesses that contribute to economic performance of Uganda.

Entrepreneurs of restaurants and other small businesses who will have access to the findings from this study on the leadership factors influencing performance of small and medium enterprises might benefit from understanding the leadership factors to embrace for the performance of their small businesses.

Lastly, future researchers may use the findings obtained from this study to disseminate information to small businesses and the general public, while scholars, researchers and academicians might use the findings of this study for further studies based on recommendations and also as reference for their work. The study also builds to the existing literature in the field of entrepreneurship and performance of small businesses.

### **1.10 Justification for the Study**

This study is justified on the basis that there are limited number of studies on the link between the transformation leadership (specifically), innovative behaviors and business performance, more so in the Ugandan context in an integrated and comprehensive manner and offer a collection of hypothesized links.

## **1.11 Scope of the Study**

### **1.11.1 Content Scope**

This study focused on transformational leadership style, innovative behaviour and business performance. The study specifically sought to determine the relationship between Transformational leadership style and innovative behaviour on the performance of small businesses.

### **1.11.2 Geographical Scope**

The study was conducted on restaurants in Nakawa Division located in Kampala Capital City Authority. According to UBOS reports on business in Kampala, it was indicated that Nakawa had registered 300% business growth in the country. This motivated the researcher to conduct the study in this area.

### **1.11.3 Time Scope**

The study was carried out from July 2015 to May 2016. This was because most business owners and operators had fresh memory about the events regarding their business performance.

## **1.12 Operational Definitions**

**Small Business:** One which employs between 5-50 staff, the capital employed is between US\$5000 and US\$50,000 and has a sales turnover of US\$20,000 (Balunywa, 2006). In this



research, small businesses were those that had at least 3 employees, a monthly sales turnover of about US\$900 and a daily turnover of US\$30.

**Transformational leadership** is a process where leaders broaden and raise the interest of their employees to perform above and beyond expectations (Bass & Avolio, 2004). Burns (1978) defines it as an ongoing process by which leaders and followers raise one another to higher levels of morality and motivation.

**Innovative Behavior:** This is pertains to the process through which a new problem is brought and how ideas are solved into use, thereby enhancing a product, service or process (Carmeli et al., 2006).

**Intellectual Stimulation:** It refers to a situation where the leader broadens and elevates the interests of his or her subordinates and stimulates followers to think about old problems in new ways

**Inspirational Motivation** is when leaders aim at getting followers to attain higher goals and expectations.

**Individualized consideration** is the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower, and listens to the follower's concerns (Boundless 2015).

**Business Performance:** It refers to the ability of an organisation to gain profit and obtain growth in a manner that is both qualitative and quantitative (Mahemba and De Bruijn 2003; Aragon-Sanchez and Sanchez-Marin 2005).

**Growth** is the owner's or top manager's perception of how well their company is doing in regard to market shares and overall company performance relative to their competitors (developed by the researcher).



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the literature reviewed on transformational leadership style, innovative behavior and performance of small businesses. The literature is organized according to the study objectives and the study variables. The sources of the literature that were reviewed are but not limited to: textbooks, theses, reports and Journal articles, among others.

#### **2.2 Theoretical Review**

The study was underpinned by the Theory of Transformational Leadership, introduced by Burns (1978). Burns (*ibid*) opines that transformational leaders boost the morale, motivation and focus of followers' high-level needs. Arham (2014) also argues that the focus of a transformational leader is what they can do for the organization or business. Transformational leadership theory further reveals that most effective leaders are those that can from time to time adjust their leadership behaviour in a manner that can be suitable in the light of prevailing situations, adjusting between transformational and transactional (Hannah et al., 2008).

However, the theory has been criticized on account of its limitations and weaknesses, with the argument that transformational leadership considers leadership to be more of an inborn trait, rather than a skill or behavior that can be acquired, which could lead to abuse of power by a leader. Other critics argue that the theory highlights a stereotype of leaders as some kind of heroic personalities, yet effective leadership is that which is capable of varying according to the nature of the organisation and the situational challenges a leader might encounter (Odumeru and Ifeanyi 2013).

Despite the criticism against the theory, it was considered relevant for this study as it helped to

highlight whether transformational leadership style could explain the performance of small businesses (restaurants) in Nakawa Division.

## **2.3 Conceptual Review**

### **2.3.1 Transformational Leadership Style and Performance of Small Businesses**

Yukl (2002) asserted that specific leadership behaviours may influence innovative behaviour through compliance as part of the organizational culture. An effective leader influences followers in a desired manner to achieve desired goals (Grant, 2010). The transformational leader therefore, is one that encourages others own up the transformation process, through inspiration and vision (Geib and Swenson, 2013).

Furthermore, Bass et al (2003) confirmed that transformational leadership is closely associated with better organisational performance. In the same breath, Scott (2009) urges that leading others requires a leader to be aware of the entire process and how they can make an impact on the whole process.

Matzler et al. (2008) maintained that there is a relationship between transformational leadership and SME entrepreneurship. Their argument was premised on the fact that since SMEs are usually small, the entrepreneur is mandated with the duty to give guidance and direction. Besides, given the dynamic environment I which SMEs operate, transformational leadership would be most suitable.

Lastly, Visser et al. (2005), in their study on transformational leadership in SMEs in South Africa found out that there was a positive correlation between transformational leadership and

entrepreneurship behavior. Their study revealed that owners and managers of SMEs in South Africa demonstrated entrepreneurship and transformational leadership characteristics.

The above cited studies give testimony that transformational leadership aspects can be applicable in the context of SMEs. Thus the researcher sought to establish the effect of transformational leadership style, and innovative behaviour on small business performance, using a case study of restaurants in Nakawa Division and findings in chapter four of this report confirmed that indeed, transformational leadership style was positively correlated with small business performance.

### **2.3.2 Transformational Leadership Style and Innovative Behavior of small businesses**

Research by Gumusluoglu and Ilsev, (2009); Jung, Wu and Chow, (2008) found a positive relationship between transformational leadership and organizational innovative behaviour. Other studies also show that transformational leadership behavior an influence innovativeness among SMEs (Gumusluoglu and Ilsev, 2009; Shin and Zhou, 2007).

Organisations that have different management strategic directions vary in their implementation of innovative behaviours (Blumentritt and Danis, 2006). An organisation, as a set of interconnected and integrated systems that operate in a dynamic interaction with the firm's environment, needs to align its competitive strategy with its environmental requirement to outcompete other firms that may fail to do so (Allocca and Kessler 2006).

Other studies show that for innovation to be considered successful there is need for strong managerial support and a resource commitment (Cromer et al, 2011). For this reason, managers of high-performing companies have output- oriented backgrounds that direct their resources

on growth opportunity through ensuring effective monitoring and adjusting products and services to be in line with external competitive forces and the needs of customers (Christensen, 2003).

### **2.3.3 Innovative Behaviour and Small Business Performance**

Dickens (2003) affirms that competitors in perfect markets hastily get exposed to rival activities, which necessitate continuous innovative behaviour to create competitive advantage, differentiate and create value addition for a firm to survive and grow. In support of this statement, Pena (2002) argued that firms belonging to entrepreneurs who consider innovative behaviour as an important strategic activity to remain in business, experience stability and growth. And also Turner (2005) confirmed that business sustainability was a function of innovative behaviour and entrepreneurs, who use their innovative skills, turned problems into opportunities and would be able to perform better and survive in business.

In agreement with the above statement, Kemp et al (2003) indicated that innovative behaviour should ultimately result in an improved level of business performance for those firms that practiced it as compared to those that did not innovate. Unfortunately, Global Entrepreneurship Research, GEM, (2011) indicated that entrepreneurs in Uganda have a reputation for being unimaginative and selling similar products and services, which lead to cut throat competition. Substantial minorities of entrepreneurs indicated that their products were new and unfamiliar to all or some of their potential customers (GEM, 2011). With this evidence, the researcher therefore sought to find out whether small businesses in Uganda are sufficiently exercising innovative behaviour in order to improve on their performance.

Innovative behaviours have create various opportunities for firms to improve their business operations and competitive advantages (Forsman and Temel, 2011; Al-Ansari (014). The Australian Chambers Business Congress (2011) in reference to Australia noted that a number of companies bank on their innovative behaviours in order to face competitors, create value for customers, and increase their performance.

On the other hand, Hsu and Ziedonis (2013), in their study that was conducted in Australia, noted that there are other important sources which are both internal and external to the firm, which can be utilized to acquire more capabilities and competencies. However, given that Australia is a more developed country when compared to Uganda, the findings leave a contextual gap that this study addressed. In the same breath,

A study by Al-Ansari (2014) argued that traditional innovative behaviours literature mostly focuses on manufacturing industries in developed markets and economies. The researcher agrees with the views of Al-Ansari's and thus decided to address the gap left by other scholars and researchers, so as to establish whether leadership styles had an effect on innovative behavior and consequently, on the performance of small businesses in Nakawa Division. Results of this present study affirmed that indeed, transformational leadership style had an effect on innovative behavior of entrepreneurs and would thus affect business performance.

## **2.4 Summary of the Literature Review**

Literature reviewed indicates that Transformational Leadership is a very important determinant of innovative behaviour and business performance (Jung and Avolio, 2000). Some authors affirm that

although evidence shows that transformational leadership exercised a substantial influence on innovative behavior, understanding of the processes through which the leader exerted this influence on innovative behaviour in order to improve on firm performance is still limited (Jung et al, 2008). Although previous studies have contributed significantly to the understanding of the relationships between transformational leadership and organizational innovative behaviour, between transformational leadership and firm performance, and between organizational innovative behaviour and firm performance; there is still a gap that exist in the literature reviewed between leadership style, innovative behaviour and small business performance. This study focused on examining the relationship between transformational leadership style, innovative behaviour and business performance of small scale businesses, using restaurants in Nakawa Division and results, as presented in chapter four, indicated that indeed leadership style and innovative behavior had an effect on performance of small scale businesses (restaurants) in Nakawa Division.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodological aspects of the study, detailing the design that was identified for the study, study population, determination of sample size, sampling techniques and procedures, data collection methods, data collection instruments, validity and reliability, measurement of variables and ethical considerations.

#### **3.2 Research Design**

The study used a cross-sectional survey design with a blend of qualitative and quantitative research approaches to examine the effect of transformational leadership style and innovative behaviour on small business performance (Oppenheim, 1992).

The researcher used cross-sectional survey design because it was convenient and also helped to collect accurate data with precision, considering time and resources limits to address the research objectives. Moreover, the researcher used a cross sectional survey design for this study because it enabled collection of data over a short period of time, as supported by Amin (2005). A mixture of qualitative and quantitative approaches was used so as to embrace consistency of findings through use of different instruments that help to complement each other as cited by Sekaran (2003).

#### **3.3 Study Population**

The study was carried out in Nakawa Division in Kampala District. This is because Kampala

has the highest number of small businesses in the country (UBOS, 2007). However, specifically Nakawa Division was used as a case for this study. Therefore the population for the study included restaurants in Nakawa Division in Kampala Capital City Authority, where 230 restaurants were identified. The justification for the choice of the this category of small businesses in Nakawa Division was premised on the report by Uganda Bureau of Statistics (UBOS) (2014) that businesses in 2012/13 had the highest growth of nearly 300 percent being registered in the city. Thus restaurants were seen to be a better representative of this study for the small business in Nakawa Division.

### 3.4 Sample Size

The unit of analysis in this study was small business restaurant. From the above population size of 230 restaurants, a sample size of 144 restaurants was chosen basing on the sample size determination table of the Krejcie and Morgan (1970).

**Table 1: Sample frame showing population size, sample size and sampling technique**

Target Population Category	Accessible Population (N)	Sample Sizes (s)	Sampling Technique	Data collection instrument
Restaurant owners	226	140	Simple random	Questionnaire
Managers	04	04	Purposive	Interview guide
<b>Total</b>	<b>230</b>	<b>144</b>		

Source: primary data

### 3.5 Sampling Techniques and Procedures

The researcher used the simple random sampling technique to obtain information from the identified sample of 144 restaurants. This meant that every restaurant in the total population had an equal chance to be chosen on as a sample for this study. Basing on the sample size determination table by Krejcie & Morgan (1970), the sample size for this study was 144. Out of these, 140 restaurants were selected using simple random sampling procedure. A list obtained from USSIA constituted the sampling frame. The lottery method was employed by writing the names of the SMEs on separate small pieces of paper, then folded and put in a box. After which, 140 pieces of papers were picked one by one to obtain the exact SMEs to participate in the study. Out of each SME the owner or managers were selected to respond to the questionnaire. In addition, 04 restaurants were purposively selected, premised on the fact that they had managers who were not necessarily their owners. The managers of these 04 restaurants were interviewed as key informants to gain deeper insight on the subject under study. In total, the study sample included 140 restaurant operators and 04 managers; therefore making up a total of 144 respondents.

### **3.6 Data collection Methods**

#### **3.6.1 Questionnaire Survey method**

A questionnaire (See Appendix 1) was used to survey the population for primary data collection. It was designed using a range from strongly agree to strongly disagree. The questionnaire contained structured items, relating to each of the study variables in question. This is because structured questionnaires are simple to administer and relatively inexpensive to analyze (Kothari, 1990). In addition, questionnaires were chosen as the appropriate method for collecting data because they are cheap and can cover a wide geographical area (Amin, 2005). Furthermore, they offered greater

assurance of anonymity and were filled at the respondents' convenience. This increased the chance of getting valid information.

### **3.6.2 Interviewing Method**

The researcher had face-face contact with 04 restaurant managers in order to corroborate the quantitative data. The interviews further allowed asking for clarification on areas of particular interest in order to obtain the fullest possible responses from the individual (Aggor and Badu-Nyako (2003).

### **3.6.3. Document review method**

According to Sekaran (2003), document review method in research involves collection of information from the various documents related to the research area. This method involves delivering information by carefully studying written documents, or visual information from sources called documents. Various books and journals were reviewed mainly to get literature written by different authors on the topic of study and their findings as well.

## **3.7 Data Collection Instruments**

The study used questionnaires and interview guide as instruments.

### **3.7.1 Interview guide**

In-depth interviews were conducted using the interview guide. The interview guide was semi-structured and the method enabled the researcher to collect accurate information from the officials who were selected to participate as key informants, owing to their wealth of experience and knowledge in the business (Mugenda and Mugenda, 2003). The instrument as well

ensured that reliable information was gathered and it facilitated a deeper investigation into the topic under study. It helped the researcher to explain or clarify questions thereby increasing the usefulness of the responses. The interviews only applied to restaurant managers (See Appendix II).

### **3.7.2 Questionnaire**

A five Linkert-scale questionnaire was used to examine the relationship between transformational leadership style and innovative behaviour on performance of small scale businesses. A questionnaire structured in accordance with the five point Linkert-scale was used because it was easily understood and quantifiable, subjective to computation of some mathematical analysis. Besides, responses were very easy to code when accumulating data since a single number represents the participant's response (Amin, 2005). A questionnaire was used because it increased the degree of reliability due to the many items in it and it well enhanced the chances of getting valid data (Amin, 2005). The questionnaire was designed according to the objectives and study variables and responses to the questions were anchored on a five (5) point Likert scale ranging from 5- strongly agree to 1 - strongly disagree. The questionnaires applied to owners or managers of restaurants in Nakawa Division (See Appendix I).

### **3.7.3. Document review checklist**

In this case, a number of field documents were reviewed as primary sources of data, particularly concerning transformational leadership style, innovation and performance of SMEs. These included; reports, journal articles, theses and government reports, among others. Most of these documents were obtained from university libraries, the internet and other Government departments.

### 3.8 Reliability and Validity

#### 3.8.1 Validity

Validity refers to the extent at which an empirical measure accurately reflects the concept it is intended to measure. Content Validity Index (CVI) was used to establish whether the questionnaire measured what it was intended to measure. Overall, the CVI should be above 0.7 to be considered acceptable as valid (Amin, 2005). Content Validity Index (CVI) formula is shown below:

$$\text{CVI} = \frac{\text{Total number of valid statements}}{\text{Total number of statements}} \times 100 = 0.818 \text{ or } 81.8\%$$

$$\frac{36}{44} \times 100 = 81.8\%$$

**Table 2: Results of the Validity of the Study.**

Study Variable	No of items before computing CVI	Number of items after computing CVI	Total
Transformational leadership style	17	15	0.88
Transformational leadership style and the innovative behavior	8	6	0.75
Innovative behavior	10	8	0.8
Business Performance	9	7	0.777
Total	44	36	0.818

Source: Primary Data (2016)

Table 2 above shows that out of the 44 items, only those with the CVI of 0.5 remained and the rest were discarded to 36 items on the scale and these were finally considered in the questionnaire for data collection.

#### 3.8.2 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or

data after repeated results (Chronbach, 1953). The acceptable Cronbach Alpha ( $\alpha$ ) of the study items in this study was 0.5 and above (Mugenda and Mugenda, 2003). The alpha was used to analyze the raw data obtained from the survey. Data was then manipulated using SPSS. It should be noted that alpha measures the extent to which item responses obtained at the same time correlate highly with each other (DeVellis, 2003).

**Table 3: Reliability Analysis Results**

	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Transformational leadership style	.644	15
Transformational leadership style and the innovative behavior	.673	6
Innovative behaviour	.747	8
Business Performance	.689	7

*Source: Primary data (2016)*

The results of the reliability analysis in table 3 indicate an average Cronbach's Alpha Coefficient for the variables that range from 0.644 to 0.747. Based on guidelines of Amin (2005) this implied that the items adopted in the question were deemed highly reliable, which helped to eliminate ambiguities and biases in the data collection instruments. Because the higher the coefficient of the stability, the more reliable the instrument, for an instrument to be taken as reliable a minimum coefficient of 0.5 is assumed as suggested by Mugenda and Mugenda (2003) in this case the research proceeded.

### **3.9 Procedure of Data Collection**

The researcher obtained an introductory letter from Uganda Management Institute, which was presented to management of the different restaurants in Nakawa Division to seek authorization to conduct research on their businesses. The researcher circulated the questionnaires personally. The questionnaires were collected immediately after they are filled.

### **3.10 Data Analysis**

Below is how the researcher analysed quantitative data and qualitative data in this study:

#### **3.10.1 Quantitative Data Analysis**

The collected quantitative data was statistically analyzed with the help of SPSS version 20 and Microsoft Excel. Frequency, percentages and mean value calculations were made on the Likert items (Creswell, 1994). With the help of the software, correlation test was made to identify if there was a correlation between the factors and the Likert items that involved the specific factor. All statistical data analyses were performed using SPSS (Statistical Package for Social Science) programme. The analyses were descriptive statistics and correlation. Descriptive statistics were used to describe the sample and inferential statistics to draw conclusions about the theoretical model.

#### **3.10.2 Qualitative Data Analysis**

Content analysis technique was used as the main technique of qualitative data analysis. As noted by Chambliss and Schutt (2004), content analysis is a form of research technique for systematically analyzing and making inferences from texts. In the broader perspective, content analysis could also mean a survey of documents to make inferences (Rubin and Babie, 2004). Quotations and other interpretations were used to back up quantitative data. This helped to triangulate findings of the study. Interpretation was undertaken through: searching for alternative explanations, and writing the report.

### **3.11 Measurement of Variables**

In this study, the measurement of variables was conducted using the works of Sekaran (2004)



and three scales were used; nominal, ordinal and interval. Also, other measures like descriptive statistics were used to establish and analyze data using the SPSS application programme. The independent variables were transformational leadership style and innovative behaviors while the dependent variable was small business performance. The measurements of the variables were: Transformational leadership, guided by three sub variables (inspirational motivation, intellectual stimulation, individual consideration). The, categorization of innovative behaviors associated with individual innovative behaviour in this study was based on: idea generation, changes in administrative procedures and application of new ideas. Business performance was measured using customer satisfaction and growth on sales. A Likert scale rated on a five(5) point scale from 5- strongly agree, 4- agree, 3-undecided, 2- disagree and 1- strongly disagree was used ( Amin, 2005). It was envisaged that the five-point likert scale would enable the respondents to easily identify the most suitable option.

### **3.12 Ethical Consideration**

In an effort to ensure confidentiality, respondents were asked to not indicate their names on the questionnaires or put any identifying marks. Further, respondents were asked to give their consent before responding to the questionnaire or interview questions. In addition, respondents were assured that the data were only to be used for academic purposes and their responses had no negative implications on them or their businesses. The participants were also assured that they would be at liberty to withdraw from the study at their own will, without any negative implications

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.1 Introduction

The chapter presents the analysis and interpretation of the study findings arising from the raw data collected from the field using questionnaires, interview guide and documentary review. The first section presents the response rate followed by background information about the respondents and lastly, presentation and analysis of the study finding in relation to the study objectives. The purpose of this study was to examine the effect of transformational leadership style and innovative behaviour on performance of small scale businesses in restaurant sin Nakawa Division.

#### 4.2 Response rate

A total of 144 respondents were targeted to participate in this study including 140 questionnaire respondents and 04 interviewees

**Table 4: The response rate**

	<b>Target No</b>	<b>Released No.</b>	<b>Percentage</b>
Questionnaire	140	113	80.7
Interview	04	04	100
<b>Total /overall response rate</b>	<b>144</b>	<b>117</b>	<b>81.2</b>

**Source: Primary data**

A total of 113 questionnaires were returned and 04 interviews were conducted. Overall, out of a sample of 144 that was targeted for the study, 117 respondents fully participated by way of responding to the questionnaire and interviews, making an overall response rate of 81.2%. The respondents were a direct reflection of their sizes in the population, and the 81.2 % response

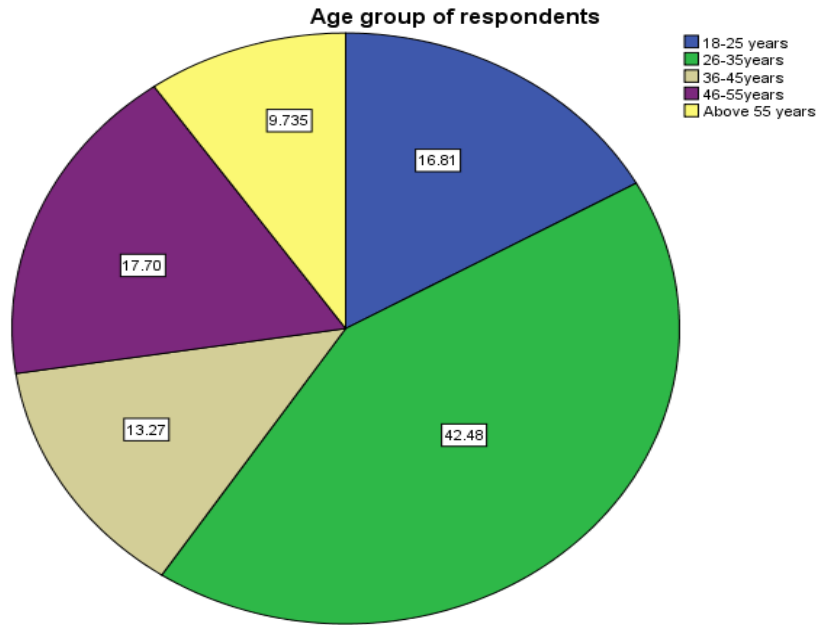
rate that provided data was higher than the 75% response return rates recommended by Amin (2005). These results were therefore trusted to provide fair representation of the study from Nakawa Division. The high response was attributed to the good communication strategies laid by the researcher that convinced many respondents to take part in the study.

### **4.3 Results on the background information of respondents**

In this section, data is presented on the background characteristics of the sample obtained through the questionnaires, which included; Gender, age group and length of service. All the tables are based on the 113 respondents. The purpose of collecting background data on respondents was to help in establishing the respondent sample characteristics and be able to form appropriate opinions about the research findings. The detailed analysis and interpretation of these characteristics are presented as below.

#### **4.3.1 Distribution of Respondents by Age Range**

This examined the age range of the respondents and they are presented in figure 2 below.



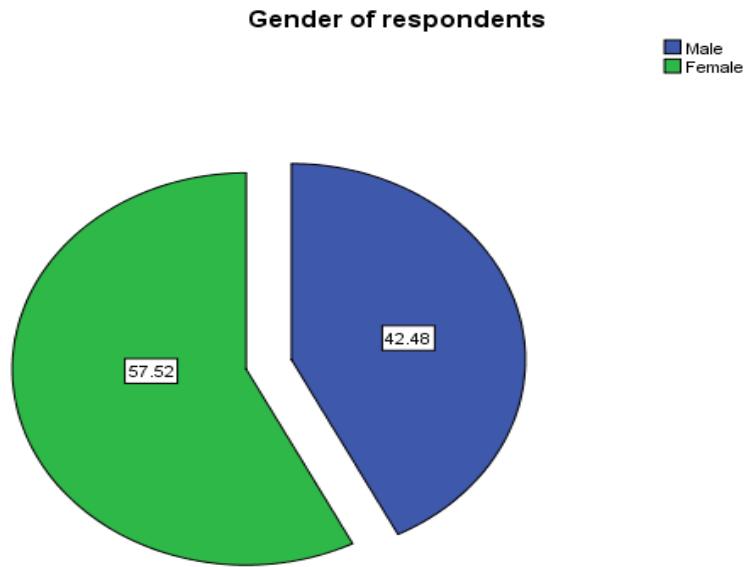
**Figure 2: Age range of the respondents.**

**Source: Primary data (2016)**

The findings in figure 3 above reveal that 42.48% of the respondents are within the age range of 26-35 years, 16.8% of them are in the age range of 18-25 years, 17.7% are in the age bracket of 46-55 years, 13.3% are in the bracket of 36-45 years and 9.7% are above 55 years. It can therefore be deduced that more than 73.5% of the respondents were below 46 years of age which represents an energetic and productive work force; most of these are working hard to build their future career and are therefore likely to be more innovative than the older age groups. This can lead to better performance of the business.

#### **4.3.2 Distribution of respondents by gender**

This observed the gender of the respondents as in figure 3;



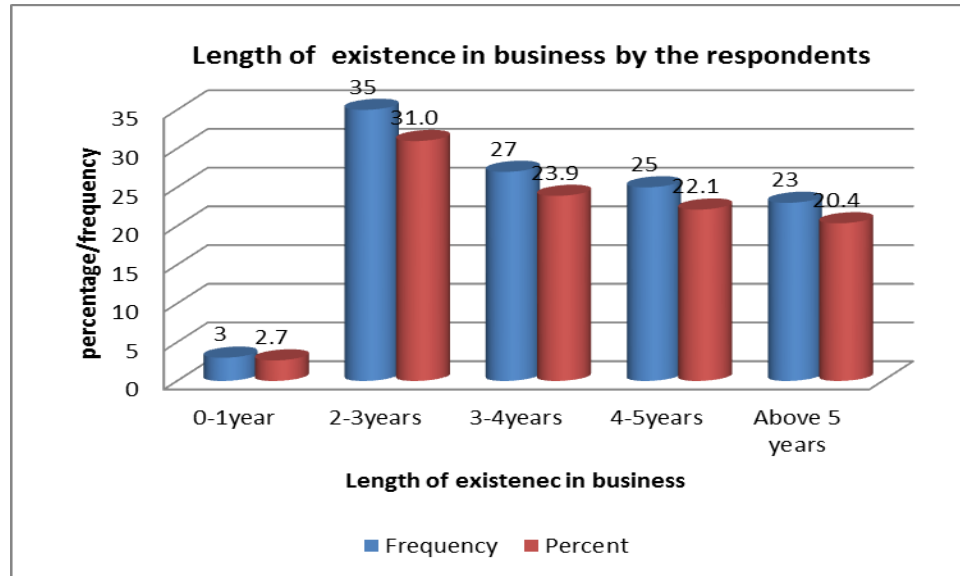
***Figure 3: The Gender of the Respondents***

**Source: Primary data (2016)**

The gender distribution showed that majority of the respondents were male at 57.5% while the male were at 42.3%. This finding implies that most of the restaurants were being operated and owned by female personnel compared to their male counter parts.

### **4.3.3 Distribution of respondents by length of existence in business.**

This study aimed at determining the length of existence in business of the respondents as illustrated in figure 4.



*Figure 4: The length of existence in business of the respondents*

**Source: Primary data (2016)**

From the figure 4 above it is seen that the majority 31% of the respondents had been in business between 2-3 years, 23.9% had operated between 3-4 years, 22 % had been in business 4-5 years, 20.4% had been in business for more than 5 years, while only 2.7% of the businesses had existed not more than 1 year. This implies that the information got was reliable to the researcher because majority of the respondents were those who had known more about the business operations and activities since they had been in business for a reasonably long period of time.

#### **4.4 Empirical results**

##### **4.4.1 Transformational leadership style and performance of small scale business.**

This section presents description of findings to establish the relationship between transformational leadership style and performance of small scale business. This research objective was conceptualized using sixteen questionnaire items which required each respondent to do self-rating on the relationship between transformational leadership style and performance of small scale

business. The results are summarized in Table 5;

**Table 5: Transformational leadership style and performance of small scale business**

	N	Valid					Mean
		Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
As the business owner/manager, you are able to communicate effectively the vision to the public	113		2.7	19.5	45.1	32.7	<b>4.08</b>
New ideas concerning the methods and processes of production are encouraged in the business	113	3.5	.9	10.6	31.9	53.1	<b>4.13</b>
The business goals and how to achieve them are well understood	113	1.8	2.7	6.2	59.3	29.2	<b>4.34</b>
Goals give you a sense of direction	113	0.0	0.0	7.1	52.2	40.7	<b>3.81</b>
Staff are got to work together	113	0.0	0.0	38.9	41.6	19.5	<b>4.21</b>
Expectations of high performance the business are communicated to all staff	113		8.0	8.8	37.2	46.0	<b>3.81</b>
Top management treats staff with respect	113	0.0	5.3	32.7	37.2	24.8	<b>3.65</b>
Top management provides advice to staff whenever they need it	113	7.1	12.4	11.5	46.0	23.0	<b>3.79</b>
Staff are being coached by the top management whenever it is necessary	113	0.0	9.7	23.9	44.2	22.1	<b>4.01</b>
Top management express appreciation for any good job performance done	113	4.4	0.0	16.8	47.8	31.0	<b>3.96</b>
Staff are made aware of their expectations and feedback on job performance is also given	113	0.0	2.7	29.2	38.1	30.1	<b>4.53</b>
New staff get help from colleagues	113	0.0	0.0	6.2	34.5	59.3	<b>3.89</b>
Top management encourages staff to come up with new ideas	113	0.0	13.3	12.4	46.0	28.3	<b>4.65</b>
Staff are encouraged to think of new strategic approaches/solutions to problems	113	1.8	0.0	0.0	27.4	70.8	<b>4.42</b>
Staff are involved in decisions affecting their work	113	1.8	2.7	6.2	31.0	58.4	<b>4.19</b>
Staff are encouraged to bark-up their opinions with good reasoning	113		3.5	11.5	47.8	37.2	<b>4.19</b>

**Source: Primary data (2016)**

For interpretation purposes, opinions are grouped. For instance, respondents who agreed and strongly agreed represent respondents who agreed and those who strongly disagreed and disagreed represent the respondents who disagreed. In addition, the mean scores above 3.00 reveal

respondents who agreed and those below 3.00 represent respondents who disagreed respectively.

Findings as presented in table 5 reveal that 77.9% coupled with a mean score of ( $u=4.08$ ) of the respondents, agreed that with their business owner/manager, they are able to effectively communicate their vision to the public. A vision reflects what the business enterprise stands for and therefore, the ability to communicate it implies that one clearly appreciates their reason for running that very business. On whether new ideas concerning the methods and processes of production are encouraged in the business, the respondents agreed at 85.0% with a mean of ( $u=4.08$ ) and 10.4% were not sure. From majority agreement, it can be noted that there was general consensus that innovation was exhibited by most restaurant owners.

The findings obtained revealed that at 88.5% with a mean of ( $u=4.34$ ), the respondents agreed that they had business goals and clearly understood how to achieve them, 4.4% disagreed with the statement. The ability to set clear goals helps to give direction to all the players in the business and can thus translate into improved performance.

At 83.2% with a mean of ( $u=3.81$ ), majority respondents revealed that expectations of high performance of the business are communicated to all staff and goals give them a sense of direction, 8.8% of the respondents were not sure with the statement. Top management treats staff with respect and provides advice to staff whenever they need it and this was registered at 69.0% with a mean of ( $u=3.65$ ) and 19.5% disagreed with the statement. The result here implies that for most of the restaurants surveyed, leaders clearly articulated their expectations from the businesses; this helps to guide and drive performance.

The findings further revealed that staffs were being coached by the top management whenever



necessary and were aware of their expectations and feedback on job performance is also given as it was registered at 68.1% with a mean of ( $u=4.53$ ); 23.9% of the respondents were not aware. At 77.45% with a mean of ( $u=3.89$ ) agreed that staff worked together and new staff got help from colleagues. Team work enhances creativity and innovation and can be a great driver of performance in any enterprise.

Opinions obtained from the field of study revealed that 86.25% with an average mean of ( $u=4.25$ ) respondents agreed that management encourages staff to come up with new ideas and staffs are encouraged to think of new strategic approaches/solutions to problems. Staffs agreed that they are involved in decisions that affect their work and they encouraged to bark-up their opinions with good reasoning and this was realized at 87.15% with a mean of ( $u=4.19$ ), 8.85% were not sure and only 4.0% disagreed with the statement. At 78.8% with a mean of ( $u=3.96$ ), the respondents agreed that top management express appreciation for any good job performance done, 16.8% were not sure and only 4.0% disagreed with the statement. From the descriptive statistics, it was clear that the businesses that participated in the study exercised some of transformational leadership, which would greatly enhance their performance.

In order to corroborate the quantitative findings, qualitative findings were obtained from interviews with key informants and responses are as below;

One key informant shared thus; *“SMEs are small, the entrepreneur is the one who guides the vision and direction, which is equivalent to the idealized relationship between transformational leadership”*. Yet another respondent argued; *“we operate in a dynamic environment which is distinguished by unpredictable opportunities and threats; therefore, transformational leadership is*

*perhaps suitable for us to adapt to this kind of environment*". Such views showed that the small business operators and owners had embraced the ideas enshrined within transformational leadership style, with a view of enhancing their business performance. The finding further implies that for the better performance SMEs, they have to acknowledge that they operate in a dynamic environment with many factors that needs to be looked for the sustainability and growth of the business.

#### **4.4.1.1 Correlation between transformational leadership style and performance of small scale business**

A Pearson correlation product moment technique (bivariate) was used for the study to establish whether relationship existed between the study variables highlighted (transformational leadership style and performance of small business) and the findings are presented in the Table 6.

**Table 6: Correlation results transformational leadership style and performance of small scale business**

<b>Correlations</b>			
		<b>Transformational leadership style</b>	<b>Business Performance</b>
Transformational leadership style	Pearson Correlation	1	.614**
	Sig. (2-tailed)		.000
	N	113	113
Business Performance	Pearson Correlation	.614**	1
	Sig. (2-tailed)	.000	
	N	113	113
**. Correlation is significant at the 0.01 level (2-tailed).			

The results in table 6 above show a Pearson correlation coefficient of 0.614\*\* and a probability value of 0.000 which is less than the pre-determined significance level of 0.01 or 0.05.

These findings imply that there was a significant positive relationship between transformational leadership style and performance of small scale business. That is, with more activities of transformational leadership style, there is a possibility of improved business performance, while lower levels of transformational leadership style would translate into reduced business performance. This implies that performance of small scale business is greatly influenced by transformational leadership style.

#### 4.4.1.2 Regression analysis for transformational leadership style and performance of small scale businesses

**Table 7: Regression model summary for transformational leadership style and performance of SMEs**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.614 <sup>a</sup>	.377	.372	.45266
a. Predictors: (Constant), Transformational leadership style				

Results in table 7 show regression results for transformational leadership style and small business performance, with R at .614, R<sup>2</sup> at .377; adjusted R<sup>2</sup> at .372 and error of the estimate at .45266. The findings revealed that transformational leadership style accounted for 37.2% of the variance in business performance (adjusted R Square =.372) while the rest of the variance could be explained by other factors not considered in this study.

**Table 8: Analysis of variance for transformational leadership style and business performance**

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.781	1	13.781	67.258	.000 <sup>a</sup>
	Residual	22.744	111	.205		
	Total	36.526	112			

a. Predictors: (Constant), Transformational leadership style

b. Dependent Variable: Business Performance

The findings were further subjected to test of analysis of variance (ANOVA test). Results in table 8 showed that the significance (Sig F = .000) of the Fishers ratio (F = 67.258) was smaller than the critical significance at .05. The result meant that transformational leadership style was a significant predictor of performance of small businesses (restaurants) in Nakawa Division. From the correlation and regression results, it can be inferred that there is a significant positive relationship between transformational leadership style and performance of small businesses. Therefore, the earlier hypothesis stated in chapter one of this report was upheld.

#### **4.4.2 Transformational leadership style and the innovative behavior of small scale business**

This section presents description of findings on transformational leadership style and the innovative behavior of small scale businesses. This research objective was conceptualized using six questionnaire items which required each respondent to do self-rating on the relationship between transformational leadership style and the innovative behavior of small scale businesses. Responses are presented based on Likert scale ranging from 5 which reflected strongly agree, 4 agree, 3 not sure, 2 disagree and 1 strongly disagree although these were thereafter categorized into agree, not sure and disagree sections. The results are summarized in Table 9;

**Table 9: Transformational leadership style and the innovative behavior of small scale business**

	N	Percentage opinion%					Mean
		Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
Staff are involved in coming up with new ideas in the business	113	.9	0.0	3.5	72.6	23.0	<b>4.17</b>
Ideas to innovate the business are searched for internally and externally of the business	113	3.5	0.0	27.4	38.9	30.1	<b>3.92</b>
Brainstorming of ideas on issues concerning innovative behaviour is allowed in the business	113	0.0	0.0	16.8	37.2	46.0	<b>4.29</b>
Staff are involved in decisions affecting their work	113	0.0	11.5	15.9	32.7	39.8	<b>4.01</b>
Clients are allowed to comment on the product/ service	113	0.0	0.0	8.0	48.7	43.4	<b>4.35</b>
New ideas concerning the methods and processes of production are encouraged in the business	113	3.5	.9	10.6	31.9	53.1	<b>4.30</b>

**Source: primary data (2016)**

To interpret the findings in table 9 above, Likert scale was categorized into three, where strongly disagree and disagree were categorized into ‘disagree’, not sure remained as it were and strongly and agree was categorized as ‘agree’. Further, a mean of above 3.0 represented respondents that agreed with the statement and a mean below 3.0 represents respondents that disagreed with the statement.

The findings in table 9 above indicate that 95.6% with a mean of ( $u=4.17$ ), staff agreed that they were involved in coming up with new ideas in the business, 3.5% of the respondents were not sure and only 0.9% disagreed with the statement. Generation of new ideas for the business is an aspect of innovation, which can eventually translate into improved business performance. Further, at 69.0% and mean of ( $u=3.92$ ), respondents agreed that ideas to innovate the business are searched

for internally and externally of the business, 27.4% of the respondents were not sure and 3.5% disagreed with the statement. The result shows that most of the businesses that participated in the study had deliberate efforts to search for new ideas as a strategy towards better business performance.

More so, majority 83.2% of the respondents with a mean of ( $u=4.29$ ), agreed that they brainstormed ideas on issues concerning innovative behaviour in the business, 16.8% were not sure. Brainstorming is an effective tool for enhancing innovation and creativity, further contributing to business growth. The respondents further agreed that they are involved in decisions affecting their work and this was revealed at 72.6% with a mean of ( $u=4.01$ ); 15.9% of the respondents were not sure and only 11.5% disagreed with the statement. The trend of responses in this respect showed proprietors of small businesses in Nakawa Division made deliberate attempts to come up with business related decisions that could enhance business performance.

Notably also was the majority (92%) view that small businesses in Nakawa division allowed clients to comment on the product/ service, with a mean of ( $u=4.35$ ), though 8.0% were not sure. Feedback from customers about the nature of service can serve as an effective strategy for idea generation and can thus drive innovation. Lastly, the findings registered 85% respondents, together with a mean of ( $u=4.3$ ) who indicated that new ideas concerning the methods and processes of production are encouraged in their business, though 10.6% of the respondents were not sure and only 4.4% disagreed with the statement. This finding was an indication of innovativeness, which can greatly enhance business performance.

In order to support the quantitative findings above, qualitative findings using interview were

also gather as revealed below; One key informant shared as follows;

In our businesses here, we have decided to adopt growth performance indicators that do not consider the financial aspects but instead focus on measuring issues such as customer satisfaction, internal efficiency, idea generation, service development and staff satisfaction and retention to ensure that there is smooth running of the business.

The response implies that small scale businesses in Nakawa Division and restaurants in particular greatly encourage innovative behaviors to enable them grow or sustain in the competitive business environment.

**4.4.2.1 Correlation between transformational leadership style and the innovative behavior of small scale business**

In order to establish a relationship between transformational leadership style and the innovative behavior and performance of small scale business, correlation coefficient results were determined using Pearson correlation coefficient. The results are presented in table 10.

**Table 10: The relationship between transformational leadership style and the innovative behavior of small scale business**

		Transformational leadership style	Innovative behavior
Transformational leadership style	Pearson Correlation	1	.268**
	Sig. (2-tailed)		0.001
	N	113	113
Innovative behavior	Pearson Correlation	.268**	1
	Sig. (2-tailed)	0.001	
	N	113	113

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From table 10 above of the correlation coefficient, it is indicated that there exist a significant relationship between transformational leadership style and the innovative behavior of

small scale business which was revealed at 0.268\*\* with probability value ( $p = 0.001$ ) that is less than  $\alpha = 0.01$  level of significance. This implies that there was a significant positive relationship between transformational leadership style and the innovative behavior of small scale business. The positive correlation suggests that improving transformational leadership style would result into improvement in innovative behavior of small businesses, while the reverse is also true. The implication of the finding is that once small businesses in Nakawa Division put more efforts in ensuring transformational leadership style; there is possibility that their innovative behavior will be enhanced.

#### 4.4.2.2 Regression analysis for transformational leadership style and the innovative behavior of small scale business

**Table 11: Regression Model Summary results for transformational leadership and innovative behavior**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.097 <sup>a</sup>	.009	.000	.57094

a. Predictors: (Constant), Transformational leadership style and the innovative behavior

Evidence in table 11 shows that R (correlation) was at .097, R square ( $R^2$ ) at .009, adjusted  $R^2$  at .000 and error of the estimate at .57094. Going by the adjusted R Square, the finding suggests that transformational leadership style had no effect on the innovative behavior of small businesses.



**Table 12: ANOVA results for transformational leadership style and innovative behavior**

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.342	1	.342	1.050	.308 <sup>a</sup>
	Residual	36.183	111	.326		
	Total	36.526	112			

a. Predictors: (Constant), Transformational leadership style and the innovative behavior

b. Dependent Variable: Business Performance

The findings were further subjected to test of analysis of variance (ANOVA test). Results in table 12 showed that the significance (Sig F = .308) of the Fishers ratio (F = 1.050) was larger than the critical significance at .05. The result meant that transformational leadership style was not a significant predictor of innovative behavior of small businesses in Nakawa Division. Therefore, considering the results of the correlation and regression analyses, the hypothesis that ‘There is a significant positive relationship between transformational leadership style and innovative behavior in restaurants in Nakawa Division’ was not substantiated and instead, the null hypothesis that ‘There is no significant relationship between transformational leadership and innovative behavior of small businesses’ was adopted.

#### **4.4.3 Innovative behaviour and performance of small scale business**

This section presents the descriptive findings on innovative behaviour and performance of small scale business. This research objective was conceptualized using six questionnaire items which required each respondent to do self-rating. The findings are summarized in table 13;

**Table 13: Innovative behaviour and performance of small scale business**

	N	Percentage opinion%					Mean
		Strongly disagree	Disagree	Not sure	Agree	strongly agree	
Conflicts that exist between top management and staff are always handled in time	113	1.8	.9	25.7	42.5	29.2	4.05
Innovative ideas exhibited by staff are always rewarded	113	0.0		24.8	46.0	29.2	4.04
Top management and staff interact freely on matters concerning innovative behaviour of the business	113	9.7	5.3	1.8	39.8	43.4	4.02
Staff are always given time off to think about new better ways of improving their respective activities	113	0.0	5.3	0.0	60.2	34.5	4.24
Resources are allocated for the new innovative ideas to be implemented	113	0.0	3.5	8.8	56.6	31.0	4.15
Staff are always trained in areas of inadequate skills in order to enable them to work on new ideas	113	1.8	0.0	5.3	44.2	48.7	4.38
There is flexibility in the methods and processes of production	113	0.0	4.4	19.5	39.8	36.3	4.08
The products/ services being provided to the customers are always changed for the better	113	2.7	2.7	18.6	24.8	51.3	4.19

**Source: Primary data (2016)**

To interpret the findings in table 13 above, the Likert scale was categorized into three where strongly disagree and disagree were categorized into ‘disagree’ and strongly and agree were categorized as ‘agree’. A mean of above 3.0 represents respondents that agreed with the statement and a mean below 3.0 represents respondents that disagreed with the statement.

From table 13, the findings reveal that 71.7% coupled with a mean of ( $u=4.05$ ), respondents agreed that conflicts that exist between top management and staff are always handled in time; 25.7% of the respondents were not sure and only 2.7% disagreed with the statement. The

response shows that most businesses took the initiative to resolve emerging conflicts in a creative manner such that they did not affect performance. At 75.2% with a mean of ( $u=4.05$ ), it is agreed by the respondent that innovative ideas exhibited by staff are always rewarded; 24.8% of the respondents were not sure. Rewarding innovative behavior can help to encourage staff to be more innovative and thus positively impact on business performance.

Results further revealed that top management and staff interact freely on matters concerning innovative behaviour of the business, as was affirmed by 83.2% of the respondents, with a mean of ( $u=4.02$ ). To the same item, 15% disagreed while 1.8% were not sure. The result shows an attitude that encourages innovativeness; this could enhance business performance.

In addition, Staff agreed are always given time off to think about new better ways of improving their respective activities and this was registered at 94.7% coupled with a mean of ( $u=4.24$ ); 5.3% disagreed with statement. The high affirmation of the statement serves to show that small businesses in Nakawa Division gave priority to innovative behavior. Relatedly, the results also revealed that most of the respondents represented by a mean score of ( $u=4.15$ ) and percentage score of 87.6% agreed to the statement that resources are allocated for the new innovative ideas to be implemented, 8.8% were not sure and 3.5% disagreed with the statement. Allocation of resources towards innovation clearly shows that a business is keen to innovativeness and at the same time, it encourages staff to be innovation, hence improving performance.

The opinions of from the majority respondents represented by 92.9% with a mean of ( $u=4.38$ ) revealed that staff are always trained in areas of inadequate skills in order to enable them to work on new ideas, 5.3% were not sure and only 1.8% disagreed with the statement. Training staff enhances their creativity and innovativeness. Further, with a mean score of  $u=4.08$ ) and

76.1%, respondents agreed that there is flexibility in the methods and processes of production, 19.5% were not sure and 4.4% disagreed with the statement. Innovativeness thrives where there is room for flexibility. Lastly, 76.1% of the respondents agreed that the products/ services provided to the customers were always changed for the better, 18.6% were not sure and only 5.3% disagreed with the statement. Constant change of products is an indication of innovativeness and can result into improved performance.

Qualitative findings were also revealed during the data collection so as to verify the quantitative findings. Emerging qualitative findings are discussed hereunder;

;

During interviews, one key respondent revealed that competitors in the market hastily get exposed to rival activities, which necessitate continuous innovative behaviour to create competitive advantage, differentiate and create value addition for a business to survive and grow. This finding implies that for better performance of a business and to stand the competition the in the industry that they operate in, business owners needs to adapt to necessary behaviours that can stand them in the competitive market.

Another respondent shared: *“Business sustainability is a function of innovative behaviour and entrepreneurs use their innovative skills to turn problems into opportunities. Once an entrepreneur learns to turn problems into opportunities, they can be able to perform better and survive in business”* This finding implies that small scale businesses need to be good at innovative behaviour in order to register good performance. Short of innovative behavior, the business can be edged out of the competition.

#### 4.4.3.1 Correlation between Innovative behaviour and the innovative behavior and performance of small scale business

A Pearson correlation product moment technique (bivariate) was used for the study to establish whether a relationship existed between the two study variables and the findings are presented in the Table 14.

**Table 14: The relationship between Innovative behaviour and performance of small scale business**

Correlations			
		Innovative behaviour	Business Performance
Innovative behavior	Pearson Correlation	1	.421**
	Sig. (2-tailed)		.000
	N	113	113
Business Performance	Pearson Correlation	.421**	1
	Sig. (2-tailed)	.000	
	N	113	113

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 14 above comprises of variables including innovative behaviour and business performance. Based on the results obtained  $r = 0.421^{**}$  and sig as  $p < 0.01, .000$ , it can be said that, a moderate significant positive relationship existed between innovative behaviour and business performance meaning that a unit increase in innovative behaviour increased business performance by 42.1%. The positive and significant correlation result implies that innovative behaviour would result into successful business performance.

#### 4.4.3.1 Correlation between Innovative behaviour and the innovative behavior and performance of small scale business

**Table 15: Regression model summary results for innovative behavior and business performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.421 <sup>a</sup>	.177	.170	.52024

a. Predictors: (Constant), Innovative behaviour

From table 15, it is noted that; R (correlation) was .421, R square ( $R^2$ ) at .177, adjusted  $R^2$  at .170 and error of the estimate at .52024. Going by the adjusted R Square of .170, the finding suggests 17% of the variance in small businesses performance could be explained by innovative behavior while the rest of the variance could be due to other factors outside of this study.

**Table 16: ANOVA results for innovative behavior and business performance**

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.483	1	6.483	23.953	.000 <sup>a</sup>
	Residual	30.043	111	.271		
	Total	36.526	112			

a. Predictors: (Constant), Innovative behaviour

b. Dependent Variable: Business Performance

The findings were further subjected to test of analysis of variance (ANOVA test). Results in table 16 showed that the significance (Sig F = .000) of the Fishers ratio ( $F = 23.953$ ) was smaller than the critical significance at .05. The result meant that innovative behavior was a significant predictor of performance of small businesses (restaurants) in Nakawa Division. From the correlation and regression results, it can be inferred that there is a significant positive relationship between innovative behavior and performance of small businesses. Therefore, the earlier

hypothesis stated in chapter one of this report was upheld.

#### 4.4.4. Findings on business performance

Respondents' views and opinions on business performance were assessed using 07 questionnaire items, arranged on a five point likert scale. Emerging results are presented in table 17.

**Table 17: Results on business performance**

	N	Percentage opinion%					Mean
		Strongly disagree	Disagree	Not sure	Agree	strongly agree	
You always discuss with your suppliers in order to get the best deal for your customers	113	4 (3.5%)		11 (9.7%)	43 (38.1%)	55 (48.7%)	4.28
As a business, you welcome all complaints concerning your product/service from your customers	113	3 (2.7%)	4 (3.5%)	24 (21.2%)	46 (40.7%)	36 (31.9%)	3.96
Your products are never out of stock in the market	113	0	10 (8.8%)	25 (22.1%)	23 (20.4%)	55 (48.7%)	4.09
Your customers convince many more clients to use products/services of the business	113	4 (3.5%)	0	27 (23.9%)	39 (34.5%)	43 (38.1%)	4.04
You consistently have many orders for your products/services every day	113	1 (.9%)	16 (14.2%)	29 (25.7%)	39 (34.5%)	28 (24.8%)	3.68
Your stock for sale always takes shorter time to be finished	113	3 (2.7%)	0	36 (31.9%)	60 (53.1%)	14 (12.4%)	4.19
From your sales, you always have the opportunity to expand your business	113	3 (2.7%)	14 (12.4%)	13 (11.5%)	56 (49.6%)	27 (23.9%)	3.73

To interpret the findings in table 17 above, the Likert scale was categorized into three where strongly disagree and disagree were categorized into 'disagree' and strongly and agree were categorized as 'agree'. A mean of above 3.0 represents respondents that agreed with the statement and a mean below 3.0 represents respondents that disagreed with the statement.

From table 17, the findings reveal that 86.8% coupled with a mean of ( $u=4.28$ ), respondents affirmed that they always discuss with their suppliers in order to get the best deal for your customers; 9.7% of the respondents were not sure and only 3.5% disagreed with the statement. The response shows that most businesses put effort in ensuring that their customers were given the best services. At 72.6% with a mean of ( $u=3.96$ ), it is agreed by the respondents that as a business, they welcomed all complaints concerning product/service from the customers; 21.2% of the respondents were not sure. Encouraging complaints from customers helps to ear mark areas of weaknesses such that a business can keep improving service delivery.

Results further revealed that their products are never out of stock in the market, as was affirmed by 69.1% of the respondents, with a mean of ( $u=4.09$ ). To the same item, 8.8% disagreed while 22.1% were not sure. Consistence in ensuring availability of products encourages customers to stay with a business, thus enhancing business performance.

In addition, 72.6% coupled with a mean of ( $u=4.04$ ) indicated that customers convince many more clients to use products/services of the business; 3.5% disagreed with statement. The high affirmation of the statement shows that once customers are satisfied with the performance of a business, they can easily encourage others to join. Relatedly, the results also revealed that most of the respondents represented by a mean score of ( $u=4.19$ ) and percentage score of 65.5% agreed to the statement that stock for sale always takes shorter time to be finished; 31.9% were not sure and 2.7% disagreed with the statement. The result was an indication of good sales performance, especially considering the nature of business.



## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary, discussion, conclusions and the recommendations derived from the study findings. The chapter has been structured according to the specific objectives of the study as indicated in chapter one of this report. In addition, the chapter highlights the study contributions, limitations as well as areas for further research.

#### **5.2 Summary of key study findings**

This section gives the summary of the key findings that emerged from the study. The summary is presented in respect of the specific objectives of the study.

##### **5.2.1 Transformational leadership style and performance of small scale business.**

In relation to the first objective of this study that was to establish the relationship between transformational leadership style and performance of small scale business, a moderate positive Pearson correlation coefficient of 0.614\*\* with a probability value of 0.000 was realized. This implies that there is a positive strong significant relationship between transformational leadership style and performance of small business. It was further noted from the descriptive statistics that in this area, top management encourages staff to come up with new ideas, encourage them to think of new strategic approaches/solutions to problems and they are aware of their expectations. In addition, feedback on job performance is also given. Therefore, any improvement in transformational leadership style can cause a corresponding positive change in business performance.

### **5.2.2 Transformational leadership style and the innovative behavior of small scale business**

In regard to the second objective of this study, it was revealed that there was a mild positive relationship between transformational leadership style and the innovative behavior of small business. The results indicate that a positive relationship was revealed at 0.268\*\* with probability value ( $p = 0.001$ ) that is less than  $\alpha = 0.01$  level of significance. This implies that there was a strong significant positive relationship between transformational leadership style and the innovative behavior and performance of small scale business as revealed that clients are allowed to comment on the product/ service and new ideas concerning the methods and processes of production are encouraged in the business. However, from the regression analysis, it was revealed that much as there was a mild relationship between transformational leadership style and innovative behavior, it was too weak to make an impact.

### **5.2.3 Innovative behaviour and performance of small scale business.**

The results in line with the third objective of the study revealed a positive relationship between innovative behaviors and performance of small scale business. This was observed at correlation coefficient of  $r=0.421^{**}$  and sig as  $p < 0.01, .000$ . This is relationship was significant implying that any increase or a positive in innovative behaviour, causes apposite change in the performance of small scale business. The regression results also confirmed that indeed, transformational leadership style has a significant effect on performance of small scale businesses in Nakawa Division.

## **5.3 Discussion of the study findings**

In this section, a discussion of the study findings is given. The findings are also compared and contrasted with those of earlier scholars as presented in the literature review chapter of this report.

### **5.3.1 Transformational leadership style and performance of small scale businesses.**

From the first objective of this study, the findings revealed that there was effective communication of the vision of the businesses to the public. The finding is in line with the view of Matzler et al., Ling et al. (2008) who reasoned that given their relatively fluid nature, SMEs, unlike than large organizations provides a favourable setting for transformational leadership to thrive. Employees in small business have freedom communicate directly to the business customers.

Study findings further revealed that ideas concerning the methods and processes of production are encouraged in the businesses, there are business goals and methods of how to achieve the goals are well understood to respondents. These findings are consistent with literature that showed that inspirational motivation is involves encouraging followers to align personal goals with the goals of the organization (Doody and Doody, 2012).

The study findings also revealed that expectations of high performance of the business are communicated to all staff and goals give them with a sense of direction, and that top management treats staff with respect and provides advice to staff whenever they need it. The findings were in tandem with Furnham (2002) who asserted that the quality of leadership for any organisation has a large bearing on that organisation's effectiveness.

The findings revealed that staffs are being coached by the top management whenever it is necessary and are aware of their expectations; feedback on job performance is given, there is teamwork and new staff get help from colleagues. This finding was consistent with that of

Furnham (2002) who revealed that the behavior of leaders can motivate the followers and challenge them in the execution of their work. Besides, the leader gives followers the courage to foresee an attractive future and demonstrate goals, expectations and a shared vision.

The findings further revealed that staff work together and new staff get help from colleagues, management encourages staff to come up with new ideas and staffs are encouraged to think of new strategic approaches/solutions to problems. The results of this study conformed to Eggers and Leahy (1995) who reported that both management and leadership skills such as financial management, communication, motivation of others, vision, and self-motivation play important roles in determining the growth rate of a small business if there is good coordination and communication employee in an organization.

Lastly, findings on transformational leadership style revealed that staff are involved in decisions that affect their work, staff are encouraged to back-up their opinions with good reasoning and top management expresses appreciation for any good job performance done. These findings were in agreement with Zacher, Pearce, Rooney, and McKenna (2014) who argued that individual consideration should include the leader's ability and willingness to give followers a sense of direction.

### **5.3.2 Transformational leadership style and the innovative behavior of small scale business**

Findings on transformational leadership style and innovative behavior of small scale businesses revealed that staff are involved in coming up with new ideas in the business and ideas to innovate the business are searched for internally and externally of the business. The finding was in agreement with Pena (2002) who argued that firms belonging to entrepreneurs who consider innovative behaviour as an important strategic activity to remain in business, experience

stability and growth. In the same breath, Allocca and Kessler (2006) opine that a company should ensure that its competitive strategy is well aligned with its environmental requirements, in an effort to to outperform others.

Responses also showed that staff brainstorm ideas on issues concerning innovative behaviour in the business and they are involved in decisions affecting their work. It was further revealed through the findings that clients are allowed to comment on the product/ service and new ideas concerning the methods and processes of production are encouraged in their business. According to O'Sullivan and Dooley (2009) and Avci et al, (2011), the measures of performance for an organisation or company include a number of aspects, besides the financial factors. Such aspects may include level of customer satisfaction, internal efficiency, among others.

### **5.3.3 Innovative behaviour and performance of small scale business**

Findings on innovative behavior and performance of small scale businesses revealed that conflicts that exist between top management and staff are always handled in time and innovative ideas exhibited by staff are always rewarded. This finding is in agreement with the literature according to Pena (2002) who argued that firms belonging to entrepreneurs who consider innovative behaviour as an important strategic activity to remain in business, experience stability and growth. Turner (2005) also confirmed that business sustainability was a function of innovative behaviour and entrepreneurs, who use their innovative skills, turned problems into opportunities and would be able to perform better and survive in business.

The findings also revealed that top management and staff interact freely on matters concerning innovative behaviour of the business and always given time off to think about new better ways of

improving their respective activities. These findings correlate with those by Hsu and Ziedonis (2013) who noted that internal and external sources can be utilized by an organisation in an effort to acquire more capabilities and competencies.

The study results further revealed that resources are allocated for the new innovative ideas to be implemented and staffs are always trained in areas of inadequate skills in order to enable them to work on new ideas. These findings are line with the literature that revealed that Organizational innovation atmosphere can directly influence employee innovativeness (Zhen Meirong, *et al.*, (2012).

Lastly the findings on innovative behavior and performance of small scale businesses in Nakawa Division revealed that there is flexibility in the methods and processes of production and products/ services provided to the customers are always changed for the better. This is in harmony with Madjar's (2005) views, considering creativity to be an aspect of frequent interaction between members, rather than a result of the independent thinking of one individual member.

## **5.4 Conclusions of the study**

### **5.4.1 Transformational leadership style and performance of small scale business.**

In relation to the first objective, a positive relationship was realized between transformational leadership style and performance of small scale business and this was observed at 0.614\*\* correlation coefficient. The researcher therefore concluded that encouraging staff to come up with new ideas, think of new strategic approaches/solutions to problems and informing them of their expectations as well as giving feedback on job performance can help to boost staff performance.

The implication of this is that Small scale businesses need to treat their staff with respect and provide advice to staff whenever they need it so as to improve on the business performance

#### **5.4.2 Transformational leadership style and Innovative behaviour of small scale business.**

Given the findings that revealed a positive relationship between transformational leadership style and innovative behaviour and performance of small scale business, the researcher concludes that transformational leadership style is the key driver of innovation in small scale businesses and for them to stay afloat, there is need to encourage constant innovation so as to bring on board new ideas that may not have been previously considered.

#### **5.4.3 Innovative behaviour and performance of small scale business**

From the study results and discussion thereof, it can be deduced that innovative behavior catalyses effective performance and that if are always trained in areas of inadequate skills and given time off to think about new better ways of improving their respective activities; they can be in position to generate new ideas. However, innovation of staff needs to move hand in hand with commensurate rewards on order to be effectively sustained.

### **5.5 Recommendations of the study**

#### **5.5.1 Transformational leadership style and performance of small scale business.**

Since transformational leadership style has a strong positive relationship with performance of small scale business. The researcher thus recommends that managers and proprietors of small businesses should strive to become role models to their subordinates, inspire subordinates by providing meaning and challenge to work, stimulate subordinate efforts to become innovative and

creative, and pay attention to each individual's need for achievement and growth of the business.

### **5.5.2 Transformational leadership style and Innovative behaviours of small scale business.**

The researcher recommends that small scale business should focus on the publicity and advocacy of business internal innovation culture and innovation concept. In addition, the small businesses can use training, promotion, authorization, goal orientation so as to encourage employees' innovative behavior. In addition, the researcher recommends that small scale business should pay more attention on whether personal characteristics and the organizational traits are matching when recruiting, so as to encourage innovation. Characteristic is a long-term of behavior model, and small scale businesses have to spend a lot of human, material resources when they want to make them change. Therefore, when recruiting, business organizations should select employees who would face various challenges actively, and hold innovation consciousness and ability, rather than changing the employees' characteristics to adapt to the organizations.

### **5.5.3 Innovative behaviours and performance of small scale business**

The researcher recommends that small scale business should pay more attention to social capital, including the relationship between superior and subordinate, the relationship among ordinary employees, and the relationship between employees and customers. The individual behavior intention is influenced by the organization atmosphere, so that employee will actively innovate. Employees tend to be more innovative once they perceive that they are in a fair, friendly and encouraging atmosphere. The researcher further recommends that in order to encourage employee innovative behavior, business managers should pay more attention to emotional information from subordinates and make a corresponding response in the process of innovation. The businesses can



adopt development, training and other activities to assist employees to establish trust relationship to promote information and knowledge sharing. Small scale business also should encourage employees to establish a good relationship with customers for better innovation.

## **5.6 Contributions of the study**

The importance of this study can be viewed from two dimensions: theoretical contribution and practical implications. Theoretically: this study fills gap in the literature: that is exploring the relationship between transformational leadership style and innovative behaviour on performance of small scale businesses in Nakawa Division. Therefore the findings of this study would be added to the literature as it could help to the researchers for future studies. Practically: this study would help the policy makers in the SMEs to design transformational leadership style and innovative behaviour to increase on performance of small scale businesses.

Also various studies have been made in relation to transformational leadership style and innovative behaviour on performance of small scale businesses. However no such study had been found to have been carried out in Nakawa Division. This may tend to compare with the different areas and context where similar studies have been carried out.

## **5.7 Limitations**

Respondents took a long time answering the questionnaire because of their work schedule which could be tight. However, the researcher regularly checked on the respective respondents in order to remind them to fill the questionnaires. Moreover, there was low level of willingness of respondents to fill questionnaires. The researcher ensured consistency in contacting respondents and send reminders to them to fill the questionnaires. In some cases, potential

respondents had a view of not obtaining any direct benefit from the research results. However the researcher assured them that they would benefit in the long run when the relevant issues are raised to management and acted upon. Lastly, there was some doubt in the integrity of business performance data since most restaurant owners are poor record keepers. Profitability measurement was easily distorted by irrelevant financial activities.

### **5.8 Areas recommended for future research**

The researcher recommends that further research should be carried out on transformational leadership style and innovative behaviour in categories of business sector other than small scale business to find out whether modern transformational leadership style and innovative behaviour are being implemented and influence affects the better business performance.

Research should also be carried out on the level of enforcement of transformational leadership style and innovative behaviour like inspirational motivation and intellectual stimulation and small scale business performance as they are vital to the successful performance of a business.

Future research should include a larger sample size as well as a consideration of different industries.

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**APPENDIX A**

**QUESTIONNAIRE FOR OWNERS AND OPERATORS OF SMALL SCALE BUSINESSES (BARS AND RESTAURANTS)**

Dear Respondent, My name is Najjuka Carol. I am currently a Masters of Business Administration degree student at the Uganda Management Institute. My Master’s dissertation is about “Transformational Leadership, Innovative Behavior and Performance of Small Scale Businesses in Kampala, A Case of Restaurants in Nakawa Division”. I kindly request you to take not more than 20 minutes to voluntarily respond to this questionnaire appropriately according to your own understanding and experience in your business.

Your participation in this study will provide me with the necessary data that I need to complete my study successfully. I wish to assure I that all information I give was treated very confidentially.

I highly appreciate your participation.

**Section A: Background Information**

1. What is your age range?

18-25years	26-35years	36-45years	46-55years	Above 55 years

2. Gender of the respondent

Male	Female

3. How long has this business been in existence?

0-1year	2-3years	3-4years	4-5years	Above 5 years

## SECTION B

Please respond by ticking the box that best represent your feelings.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
5	4	3	2	1

### Transformational leadership style

	Inspirational motivation					
1.	As the business owner/manager, you are able to communicate effectively the vision to the public	5	4	3	2	1
2.	The business goals and how to achieve them are well understood	5	4	3	2	1
3.	Goals give you a sense of direction	5	4	3	2	1
4.	Staff are got to work together	5	4	3	2	1
5.	Expectations of high performance the business are communicated to all staff	5	4	3	2	1
	Intellectual stimulation					
6.	Top management treats staff with respect	5	4	3	2	1
7.	Top management provides advice to staff whenever they need it	5	4	3	2	1
8.	Staff are being coached by the top management whenever it is necessary	5	4	3	2	1
9.	Top management express appreciation for any good job performance done	5	4	3	2	1
10.	Staff are made aware of their expectations and feedback on job performance is also given	5	4	3	2	1
	Individual consideration					
11.	New staff get help from colleagues	5	4	3	2	1
12.	Top management encourages staff to come up with new ideas	5	4	3	2	1

13.	Staff are encouraged to think of new strategic approaches/solutions to problems	5	4	3	2	1
14.	Staff are involved in decisions affecting their work	5	4	3	2	1
15.	Staff are encouraged to bark-up their opinions with good reasoning	5	4	3	2	1

**Innovative behaviour**

	Idea generation					
1.	Staff are involved in coming up with new ideas in the business	5	4	3	2	1
2.	Ideas to innovate the business are searched for internally and externally of the business	5	4	3	2	1
3.	Brainstorming of ideas on issues concerning innovative behaviour is allowed in the business	5	4	3	2	1
4.	Staff are involved in decisions affecting their work	5	4	3	2	1
5.	Clients are allowed to comment on the product/ service	5	4	3	2	1
6.	New ideas concerning the methods and processes of production are encouraged in the business	5	4	3	2	1

**Transformational leadership style, innovative behaviour and performance**

	Changes in Administrative procedures					
1.	Conflicts that exist between top management and staff are always handled in time	5	4	3	2	1
2.	Innovative ideas exhibited by staff are always rewarded	5	4	3	2	1
3.	Top management and staff interact freely on matters concerning innovative behaviour of the business	5	4	3	2	1
4.	Staff are always given time off to think about new better ways of improving their respective activities	5	4	3	2	1
	Application of new ideas					
5.	Resources are allocated for the new innovative ideas to be implemented	5	4	3	2	1

6.	Staff are always trained in areas of inadequate skills in order to enable them to work on new ideas	5	4	3	2	1
7.	There is flexibility in the methods and processes of production	5	4	3	2	1
8.	The products/ services being provided to the customers are always changed for the better	5	4	3	2	1

**Business Performance**

	Customer satisfaction					
1.	You always discuss with your suppliers in order to get the best deal for your customers	5	4	3	2	1
2.	As a business, you welcome all complaints concerning your product/service from your customers	5	4	3	2	1
3.	Your products are never out of stock in the market	5	4	3	2	1
4.	Your customers convince many more clients to use products/services of the business	5	4	3	2	1
	Growth on sales					
5.	You consistently have many orders for your products/services every day	5	4	3	2	1
6.	Your stock for sale always takes shorter time to be finished	5	4	3	2	1
7.	From your sales, you always have the opportunity to expand your business	5	4	3	2	1

**APPENDIX B**

**INTERVIEW GUIDE FOR KEY INFORMANTS**

Good morning. I am \_\_\_\_\_ (introduce self). This interview is being conducted to get your input about the effect of leadership style and innovative behaviour on the performance of small businesses in Nakawa Division.

- 1. Type of business -----
- 2. Age of respondent ----- Education Background -----
- 3. What is your position in the company?
- 4. How long have you run this company?
- 5. Number of Employees -----

Section A: transformational leadership style and the performance of small restaurants in Nakawa Division

- 1. How does inspirational motivation influence the performance of in your business?
- 2. How does intellectual stimulation influence the performance of your business?
- 3. How does individual consideration of employees by the manager affect the performance of your business?

Section B: Transformational leadership style on the innovative behavior in restaurants in Nakawa Division

- 1. How does inspirational motivation influence innovative behaviour in your business?
- 2. How does intellectual stimulation influence innovative behaviour in your business?
- 3. How does individual consideration of employees influence innovative behaviour in your business?

Section C: To establish the relationship between innovative behaviour and performance of restaurants in Nakawa Division

1. Do you always generate new ideas of ensuring that your business performs well?
2. Do you apply these new ideas in your business? Which ideas?
3. Have you made any changes in the administrative procedures? If yes which changes
4. What is the relationship between idea generation on performance of your business?
5. What is the relationship between application of new ideas on performance of your business?
6. What is the relationship between changes in the administrative procedures on performance of your business?
7. What is your level of business performance for this business?

Thank you very much for your participation in my study.