

**SELF-PERCEPTIONS OF LEADERSHIP STYLES OF EX-MILITARY  
ENTREPRENEURS AND CIVILIAN ENTREPRENEURS IN KENYA**

**BY**

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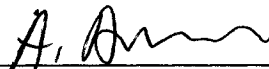
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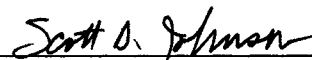
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## ABSTRACT

A number of scholars mainly from the developed nations have dedicated their time studying the relationship between leadership styles of the managers and owners of enterprises in their respective countries. These studies generally agree that leadership is very critical in entrepreneurial development and success. In spite of the centrality of leadership and leadership styles in entrepreneurship development, very few studies have delved into a systematic study of leadership styles in entrepreneurship in Kenya.

In an attempt to fill this gap the current study utilize the Multifactor Leadership Questionnaire (MLQ), which is a verified instrument for measuring transformational and transactional leadership in various settings, mostly in the USA and several other developed countries to establish the trends among the ex-military and civilian entrepreneurs in Kenya. The study employed stratified random sampling procedure to select an equal number of respondents (50 from each strata, ex-military and civilian) from selected service industries based in Nairobi, Kenya. The questionnaire was administered to owner-managers of the selected SMEs, and data was entered into computer spreadsheets for analysis using Statistical Package for Social Sciences (SPSS). The main statistical tools applied included means, ANOVA, t-test, Pearson Moment Correlation Coefficient and Regression Analysis.

The results indicated that the predominant leadership style of both categories of entrepreneurs was transformational leadership followed by the transactional leadership style and lastly laissez faire. It was concluded that ex-military and civilian entrepreneurs are not homogenous in the application of leadership styles. The results indicated that there was a significant difference between the leadership styles employed by the ex-

military and civilian entrepreneurs for both transformational and transactional leaderships styles at 0.05 level of significance. It is only in laissez faire leadership style that there was no significant difference between the ex-military and civilian entrepreneurs at 0.05 level of significance.

It was concluded that SME could be a potential career for ex-military officers and that the military training could have very important elements that can be incorporated in the entrepreneurship training.

*This dissertation is dedicated to Sarah, my dear wife and lifelong partner,  
children Sheila, Brian and Laura, my late mother Mama Salome Kathurima, and  
my father Mzee Stanley I Kathurima.*

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I acknowledge and appreciate the cooperation of civilian and ex-military entrepreneurs in Nairobi who willingly responded to the research questionnaire. It is my



hope that the results and recommendations emanating from this study will affect the performance and success of their firms as well as their colleagues not directly involved in the study.

I thank the almighty God for His guidance. I glorify and bless His name for I was never alone in the whole process of my study period. Indeed, this study has enabled to achieve my lifelong dream to make a small contribution to the advancement of humanity.

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## TABLE OF CONTENTS

|                                                                     |    |
|---------------------------------------------------------------------|----|
| LIST OF TABLES .....                                                | xi |
| CHAPTER ONE INTRODUCTION .....                                      | 1  |
| Background .....                                                    | 1  |
| Statement of the Problem .....                                      | 4  |
| Purpose of the Study .....                                          | 6  |
| Research Questions.....                                             | 7  |
| Theoretical Framework .....                                         | 7  |
| Significance of the Study .....                                     | 16 |
| Limitations of the Study.....                                       | 16 |
| Definitions.....                                                    | 17 |
| Summary .....                                                       | 19 |
| CHAPTER TWO LITERATURE REVIEW .....                                 | 20 |
| Leadership .....                                                    | 20 |
| Style or Behavior Leadership Theory .....                           | 25 |
| International Leadership Research .....                             | 29 |
| Military Leadership.....                                            | 40 |
| Entrepreneurial Leadership .....                                    | 42 |
| Summary .....                                                       | 45 |
| CHAPTER THREE METHOD .....                                          | 46 |
| Research Design .....                                               | 46 |
| Background of MLQ Development .....                                 | 48 |
| Construct Validity and Reliability of the Instrument .....          | 49 |
| Data Collection.....                                                | 50 |
| Data Analysis .....                                                 | 51 |
| Summary .....                                                       | 52 |
| CHAPTER FOUR RESEARCH FINDINGS .....                                | 53 |
| Introduction .....                                                  | 53 |
| Background Information of the Respondents.....                      | 54 |
| Characteristics of Leadership Styles.....                           | 55 |
| Leadership Outcomes.....                                            | 63 |
| Entrepreneurship Leadership Styles .....                            | 65 |
| Relationship Between Leadership Styles and Leadership Outcomes..... | 69 |
| Leadership Styles and Leadership Outcomes.....                      | 73 |
| Summary .....                                                       | 75 |
| CHAPTER FIVE DISCUSSION .....                                       | 76 |
| Discussion of Results .....                                         | 76 |
| Conclusions .....                                                   | 79 |
| Recommendations.....                                                | 80 |

|                 |    |
|-----------------|----|
| REFERENCES..... | 85 |
| VITA .....      | 95 |

## LIST OF TABLES

| Table | Page                                                                                                           |
|-------|----------------------------------------------------------------------------------------------------------------|
| 1     | <i>Mean Scores of Characteristics of Transformational Leadership</i> ..... 58                                  |
| 2     | <i>ANOVA Scores for Characteristics of Transformational Leadership</i> ..... 59                                |
| 3     | <i>Mean Scores for Transactional Leadership Style by Entrepreneurial Type</i> ..... 60                         |
| 4     | <i>ANOVA Test on Transactional Leadership Characteristics</i> ..... 61                                         |
| 5     | <i>Mean Scores for Laissez Faire Leadership Style by Entrepreneurial Type</i> ..... 63                         |
| 6     | <i>Outcomes Means by Type of Entrepreneur</i> ..... 64                                                         |
| 7     | <i>ANOVA Results of Outcomes by Type of Entrepreneur</i> ..... 65                                              |
| 8     | <i>Combined Mean for Leadership Styles</i> ..... 66                                                            |
| 9     | <i>Mean Score of Transformational Leadership Style by Entrepreneurial Type</i> ..... 67                        |
| 10    | <i>Mean Scores for Transactional Leadership Style by Entrepreneurial Type</i> ..... 68                         |
| 11    | <i>Correlation Between Leadership Outcomes and Characteristics of Transformational Leadership</i> ..... 71     |
| 12    | <i>Correlation Between Characteristics of Transactional Leadership Styles and Leadership Outcomes</i> ..... 72 |
| 13    | <i>Mean Difference Between Leadership Styles and Outcomes</i> ..... 74                                         |
| 14    | <i>Results of Regression Analysis for Leadership Styles and Outcomes</i> ..... 74                              |

# CHAPTER ONE

## INTRODUCTION

### Background

The economic performance of most African countries over the past three decades has been generally unsatisfactory, both in absolute terms and in comparison with other developing regions of the World. This has created a highly adverse economic climate for the development of African private enterprise, including small and medium-sized enterprises (Killick, 1999). The effects of many years of centralized planning and the heavy government control over business and other development resources explains to some degree the slow pace of economic improvement in African countries. The debilitating levels of poverty have affected a large proportion of the people in these countries. Even in the wake of substantial injections of foreign aid, countries of the Sub-Saharan Africa (SSA) have not much to show for donor funds earmarked for social and economic development activities.

Gainful employment opportunities in many African countries have continued to dwindle as the public sector undertook major structural reforms resulting in significant job losses through retrenchment. In addition, the private sector downsized their hitherto labor intensive production systems to remain competitive against the pressures of liberalized local markets.

In recent years, mainly as a result of the poor economic trends, there has been a growing awareness of the importance of supporting entrepreneurship and small business development and management in Kenya for sustained economic growth, welfare of

society, rapid employment generation and poverty eradication (Government of Kenya, 1992, 1999; World Bank, 2000). A 1999 baseline survey conducted in Kenya found that there were 1.3 million small and medium enterprises (SMEs) that employed about 2.4 million people or approximately 17% of the total labor force. Since the mid-1980s, the sector has provided the most significant employment growth in the Kenyan economy and has generated over 70% of all new jobs annually.

According to the 2003 Economic Survey for Kenya, employment within the SME sector increased from 4.2 million persons in 2000 to 5.1 million persons in 2002. The SME sector accounted for 74.2% of the total persons employed in Kenya in 2002. The sector contributes approximately 18% of the country's Gross Domestic Product (GDP). The sector can, therefore, be regarded as a significant producer of goods and services, as well as the one most important means of promoting an enterprise culture. The SME sector may be considered a primary force for private sector development and industrialization.

Sessional Paper No. 2 of 1992 noted that SMEs account for a significant proportion of activities in urban and rural areas of Kenya. Dondo (1999) indicated that the role of SMEs in terms of employment creation, income generation, economic diversification and growth made the SME sector an important factor in future industrial development strategy for the country. The SMEs is one of the fastest growing and most dynamic sector of the Kenyan economy estimated to be growing at an annual rate of 10% even in lean years. The SME sector has made a critical contribution to social and economic development because of its capacity to involve the growing masses of poor Kenyans in the development process (ICEG, 1998).

The performance and competitiveness of the SME sector must remain a matter of concern for both policy makers and practitioners alike. The SME must continue to effectively respond to the challenges of: creating productive and sustainable employment opportunities, promoting economic growth and reducing poverty in the country. The Government of Kenya has committed itself to the creation of an enabling environment to facilitate the growth and expansion of the SMEs. To achieve this goal the government has introduced stable macro-economic policies, improvement of infrastructure, and the removal of legal and regulatory barriers on businesses (Government of Kenya Sessional Paper No. 2, 1992).

The Government of Kenya's commitment to entrepreneurship and small business development is critical to the long-term vitality and growth of its economy. In order to take advantage of the conducive environment created by the government, entrepreneurs in Kenya need to be thoroughly grounded in the skills necessary for successful management of their businesses. This is particularly important since operating a business in today's turbulent environment is equated to active warfare, especially in the light of the continuous shifts in consumer tastes and preferences and the resultant competition mainly as a result of globalization. According to Santamaria, et al. (2003) brutal competition, ethical strife, unanticipated changes in the marketplace, technological shifts, and lingering recession can leave a business battle worn. However, they argue that the answer to the uncertainties of business, similar to those of warfare, rests with a strong and swift offense that calls for the use of strong leadership skills.

The developments in information, communications and technology have created a world in which organizational boundaries are less clear than ever before. Santamaria et



al. (2003) recommended that business managers could learn much from a combat philosophy known as maneuver warfare. Maneuver warfare emphasizes leadership action in the midst of uncertainty. It has been suggested that many of the intangibles of maneuver warfare identified by the Marine Corps appear in some fashion in the business arena.

Conventionally speaking, there are significant differences in military, business, political, religious, and social institutions. Each institution calculates a bottom line in a unique way. However, there are many commonalities among these institutions and in the area of organizational leadership. The military has provided leadership models that have been adopted by other institutions. This study sought to compare the leadership styles between a group of civilian entrepreneurs and a group of ex-military officers who became entrepreneurs. The study sought to highlight leadership characteristics that are similar and different between the two groups.

#### Statement of the Problem

Leadership is one of the key characteristics of being an entrepreneur. As a business leader, an entrepreneur is expected to provide direction, offer guidance on establishing goals and developing strategies for the achievement of those goals. The high failure rate in small and medium enterprises in Kenya, and their lack of direction for growth and expansion into the new market, such as exporting, could be the result of inappropriate leadership skills employed by the entrepreneurs in managing their businesses.

Many entrepreneurs find themselves operating businesses in the SME sector as a result of unemployment or becoming retired. Most of these entrepreneurs and especially the civilian ones may not have any previous formal training on leadership to enable them develop such skills. They, therefore, develop these skills mainly through experience, trial and error.

Moreover, the problems facing SMEs, especially in regards to need for entrepreneurs to have strong leadership skills, have not been well understood. As a result viable solutions to the many problems encountered by SMEs are still elusive.

This study was designed to assess the leadership styles of a group of ex-military and a group of civilian entrepreneurs. Ex-military entrepreneurs have been selected because of the nature of their training while in military service which lays major emphasis on leadership. The military may have a lot to contribute to the research regarding entrepreneurship, especially in the area of leadership. It has been estimated that many military officers retire and become entrepreneurs. Therefore, there appears to be a large group of ex-military officers who are now entrepreneurs. The civilians on the other hand, were selected since they have not undertaken similar training as their ex-military counterparts.

The following leadership styles were selected to be included in this study: transformational leadership, transactional leadership, and laissez faire leadership. A questionnaire known as the Multifactor Leadership Questionnaire (MLQ) (Avolio, Bass, & Jung 1995) was used to assess the extent to which the three leadership styles were applied in business by these two groups of entrepreneurs.

The characteristics of transformational leadership assessed were: idealized influence (attribute), idealized influence (behavior), inspirational motivation, intellectual stimulation and individualized consideration. For transactional leadership, the study focused on the following characteristics: contingent reward, management by exception (active) and management by exception (Passive). Laissez Faire leadership, widely considered a non-leadership style, has no distinct characteristics that were assessed. A set of questions was asked to determine the extent to which entrepreneurs leave things to sort themselves out.

#### Purpose of the Study

In general, retired people are one of the most underutilized resources in a country. A major problem in Kenya is that retired military officers are not viewed as a valuable resource. These officers have completed a great deal of training throughout their military careers. They already possess many of the entrepreneurial skills that are needed to own and operate a private business. This is particularly so because leadership is one of the most highly valued characteristics that a military officer can possess. Furthermore, as stated earlier, leadership is an invaluable characteristic that all entrepreneurs must possess.

The purpose of this research study was to compare the leadership characteristics of a group of retired military officers, who are currently entrepreneurs, with a group of civilian entrepreneurs in service sector businesses in Nairobi, Kenya. Specifically, attention was paid to the predominant leadership styles of the total group, the differences between the civilian group and the ex-military group of entrepreneurs, and the

implications for entrepreneurial development in Kenya. The study was exploratory in nature because it was conducted in Kenya based on American business leadership theory. This study attempted to apply leadership theory, developed and practiced in the United States, to an African context and specifically to Kenya.

### Research Questions

The study sought to answer the following three research questions:

1. What are the predominant leadership styles, as perceived by the two groups of entrepreneurs: those that have military backgrounds and those with civilian backgrounds?
2. What are the differences in self perceived leadership styles between ex-military entrepreneurs and civilian entrepreneurs?
3. What are the implications of leadership styles for entrepreneurship development in Kenya?

### Theoretical Framework

Leadership is a key construct in the organizational sciences and has spawned a large number of empirical studies over the last fifty years (Yukl & Van Fleet, 1992). Much of the focus of leadership research over the last fifteen years has been on leadership theories that were based on the concept of charisma (House & Podsakoff, 1994). German sociologist Weber (1924, 1947) defined charisma as the leader's authority based on "devotion . . . exemplary character [and] of the normative patterns of order revealed by him" (p. 328). Based on Weber's notion of charisma, Bass (1985) developed a variation of the theory of transformational leadership. Bass made important distinctions between transformational and transactional leadership styles. He indicated that transformational leaders motivate their subordinates to perform at a higher level by:

inspiring their followers, offering subordinates intellectual challenges and paying attention to individual developmental needs of subordinates. Transformational leaders help subordinates transcend their own self-interests for a higher collective purpose, mission, and vision.

Conversely, transactional leaders engage in a process of negotiation by offering subordinates rewards in exchange for attainment of specific goals and completion of agreed upon tasks (Bass, 1985). While transactional leadership focuses on specific goals and agreed upon rewards as necessary and effective, transformational leadership appeals to various affective factors. For example, a subordinate's pride in working with a specific supervisor has been shown to exert an augmentation effect. These subordinates may exhibit higher levels of productivity, satisfaction, and effectiveness that are associated with transformational leadership (Avolio, Bass, & Jung, 1995).

### *Military Leadership*

The study of military leadership can be extremely challenging. Many leadership theories have been applied to military contexts, thereby providing considerable military leadership research literature. Military personnel are often viewed as stereotypes. However, The military is far from the monolithic institution. The armed forces actually consist of a diverse collection of organizations, roles, cultures, and people. For example the Kenyan Armed Forces consist of personnel in the Army, Navy, and the Air Force.

Research has indicated that transformational leadership can motivate followers to exceed expected performance. Transformation leadership may be a particularly powerful source of effective leadership when used in the Army, Navy, and Air Force (Bass, 1985; Boyd, 1988; Curphy, 1992, Longshore, 1988; O'Keefe, 1989; Yammarino & Bass,

1990a). A form of transformational leadership was recognized in the military long before the paradigm was codified as the Full Range of Leadership (FRL). This codification allowed the systematic exploration of the phenomenon of transformational leadership and the effects of its application to specific conditions and situations in the military.

Gal (1987) indicated that the older models of leadership, such as path, goal or situational leadership, did not address the commitment requirements between soldier and officer. A new model of transformational leadership was needed to explain the commitment relationship between soldier and officer. For Gal, commitment was a central concept regarding motivation in the military; this concept contrasted with the earlier military emphasis on compliance through obedience. Without personal commitment between officer and soldier, the will to fight may be lacking. "It is the commitment to the point of death which creates the unlimited liability clause of military members" (Hackett, 1979, p. 101). For such total commitment, Gal (1987) argued strongly that transformational leadership is needed at all levels within the military.

There are three basic facets of commitment within the military: organizational commitment, career commitment, and moral commitment. Organizational commitment focuses on the organization's goals, purposes, and norms. Career commitment focuses on individual's own success. Moral commitment goes to the basic moral codes that one believes and for which one will make a considerable sacrifice (Sarkesian, 1981).

These three facets of military commitment need to be in alignment for the military professional to be in harmony with his or her organization. For those in command position, there is commitment to one's men, one's unit and one's task. According to Gal (1987), commitment is derived from one's own internalized sense of duty, responsibility

and conviction. Orders do not come from a single external source as in the case of obedience, but reflect the interaction of beliefs, values and conscience.

An important aspect of transformational leadership is developing, maintaining and enhancing this alignment between organizational, career and moral commitment. From this alignment, there are specific societal and organizational goals which complement the military professional's values and norms. This alignment helps make military professionals willing to devote themselves, and even sacrifice themselves, to attain organizational goals. The commitment of transformational leaders includes the feelings of responsibility which is derived from the leader's own conscience and internalized values. If the three facets of commitment are out of alignment, the military leader and the subordinate soldier may fall back on obedience to serve as their most important commitment or to rationalize their actions as matters of obedience and professional loyalties (Gal, 1985).

The transformational leader, whether a corporal leading a squad or a commanding general leading an army, can further increase the commitment of subordinates by employing intellectual stimulation. The concerns of the soldier can be the basis of a joint effort to deal with problems in a creative way. Pride in the actions of all those involved, as well as joint success in overcoming obstacles, may be used to reinforce the commitment of subordinates. To enhance commitment, subordinates at all levels in the military should feel that their personal career needs are being met within the military. Additionally, the coaching and mentoring provided by their superior officers should provide them with a sense of increased confidence to carry out orders. Tannenbaum, Mathieus, Salas, and Cannon-Bowers (1991) provided evidence of the importance of

military commitment to the fulfillment of training goals. For 666 military trainees in socialization training, post-training organizational commitment was closely related to training fulfillment as well as motivation and self-efficacy.

Under crisis-ridden or uncertain conditions, transactional leaders who are reactive and depend on old rules and regulations to maintain their control system are not as likely to help subordinates cope with the situation as would transformational leaders who are pro-active. Transformational leaders are more likely to be proactive, break with tradition, provide innovative solutions and institutionalize new operational arrangements (Bass, 1990b).

Keithly and Tritten (1997) indicated that military doctrine underscored the importance of “decentralized execution,” that is the empowerment of subordinates. This command method known generally as “Auftragstaktik,” has been an issue in western military thinking. It focuses on decentralized leadership and empowers lower level military leaders to make their own decisions in fast-moving combat environments. The “Auftragstaktik” command method is well suited to high-stress, conflict circumstances.

The Israeli Defense Force requires leaders to be in front of their troops and be in a position to say, “follow me.” This approach to leadership stresses the importance of the leaders to be visibly supporting their units and setting the example to be followed in risky combat situations (Gal & Jones, 1985). Confidence in their commanders was critical to the morale of Israeli soldiers in the 1982 Lebanon military conflict. Transformational leadership, in the context of the Israel army, involved three elements to inspire confidence in the commander. According to Kalay (1983), these three elements were belief in the commander’s professional competence (charisma), belief in the



commander's credibility (inspiration), and perception of how caring the commander was toward subordinates (individualized consideration).

Hassen, Denton, Reis, and Rochetto (1992) argued that the empowerment of subordinates through Total Quality Leadership (TQL) involved leadership methods more appropriate in non-combat and low-stress environments. The TQL approach was not as appropriate in combat situations. Studies of leadership under stressful conditions indicated that the groups faced with a crisis tended to shift their loyalties from a participatory-style leader to a leader that was more forceful and more decisive.

Follower perception is the fundamental determinant of the charismatic leader. A charismatic leader is important in combat situations as long as the leader can establish and maintain this special relationship with subordinates. Willner (1982) indicated that in the search for evidence of charismatic presence, one should not only evaluate the leader's attributes and the leader's perception of self. Of even more importance, according to Willner (1982) focus should be on the responses by the followers. Charismatic leadership comes primarily from the perceptions of followers; charisma is not only situational, but it is also culture dependent.

### *Leadership and Entrepreneurship*

Entrepreneurship is an essential component of the economic development process. Schumpeter (1934) described entrepreneurship as the process of creating new combinations of factors to produce economic growth. He postulated that the entrepreneur introduces change into an economic system that is pivotal to economic growth. The results of these changes increase production. Schumpeter indicated that the entrepreneur was "the focal point and key to the dynamic of economic development and growth"

(Greenfield & Strickon, 1986, p. 6). Entrepreneurs are able to put together new combinations of business activity. The actions of entrepreneurs have consequences that are based on their organizational skills, their creativity as decision makers, and the distinctive opportunity structures. Opportunity structures may be defined as the settings, circumstances or situations within which the decisions and choices are made.

Schumpeter's major thesis that the entrepreneur functions primarily as a creator of innovations in the production process has influenced much of the literature since the 1930s regarding entrepreneurship in developed economies.

Entrepreneurs may not always be innovators, but they must be coordinators. The many decisions and actions in which business owners engage in on a daily basis to maintain or expand their operations may include normal actions that can be considered minor innovations. Gray et al. (1996) provided one Kenyan example where the coordination of business operations ranged from developing a market strategy to improving product quality. These activities are generally managed by the entrepreneur and may be considered innovations.

The element of risk taking is also an aspect of entrepreneurship. Chileshe (1992) argued that an entrepreneur "is a person with certain unique characteristics, capable of organizing and managing commercial undertakings that involve considerable risks" (p. 96). Entrepreneurs are able to control the means of production and they have the ability to act as intermediaries between supply and demand. Entrepreneurs exhibit the necessary capability by initiating, conceptualizing and managing the required changes where others have not yet managed to get to (Chileshe, 1992).

An entrepreneur has been defined as a person who endows resources with new wealth producing capacity (Drucker, 1985). According to Acheson (1986), the organizational skills of entrepreneurs reduce the transaction costs in firms. Some authors suggest that the behavior of entrepreneurs are responses to circumstances in which individuals make decisions based on various choices which result in economic, social and political advantages (Glade, 1967; Greenfield & Strickon, 1986). Glade concluded that entrepreneurs are those that successfully exploit the advantages created within potential opportunities.

The importance of understanding leadership behaviors of entrepreneurs and small business owners is evident from the increased attention devoted to the topic in popular and practitioner-oriented literature (e.g.. Barrier, 1999; Exley, 2000; Higdon, 2000; Weathersby, 1998). However, the extent of scholarly investigation of entrepreneurial leadership is limited.

Bird (1989) described the entrepreneur's creative and transformational leadership behavior, especially in regards to the use of charismatic and inspirational behavior. Eggers and Leahy (1995) and Eggers and Smilor (1996) defined entrepreneurial leadership and its effect on the successful development of small businesses. Of more than 30 entrepreneurial skills identified by them, four of the top five were related to various aspects of leadership.

The inspiration of charismatic leadership and intellectual stimulation fostering new ideas can potentially lead to breakthroughs and important modifications needed for technological innovation (Ardichvili, 2001). Bass (1985) indicated that a leader could provide intellectual stimulation to employees when the leader acts as a teacher and

prodder of inquiry and questioning. Furthermore, Bass also stated that intellectual stimulation by the leader is needed most often when groups have to solve non-structured rather than well-structured problems. New business start-ups generally face many non-structured problems that would be amenable to intellectual stimulation by a leader.

Strategic vision in the business sense is largely the product of an incremental process derived from the entrepreneur's past experiences, creative insights, potential opportunities and some element of chance. As a general rule, leaders with vision become competent in their respective businesses relatively early in their careers and consequently develop an intuitive sense about the enterprise's needs (Mackay, 1997). Many business owners encounter markets and technology that are largely beyond their control, notwithstanding their own assessments of the facts and their determination to shape events. When competent business leaders are able to sense an opportunity and are able to take action to implement the opportunity, they may then be credited with having not only intuition, but also charisma. The charismatic leader accepts uncertainty and may implement unconventional approaches to business. As a consequence, charismatic leaders are potential catalysts for change and tend to create new business organizations.

Hornaday and Churchill (1987) posit that being able to understand the core factors that contribute to the success of firms is an important area of inquiry. Bass's research supported the conclusion that organizations receive higher payoffs when leaders articulate a shared vision of the future in a manner that arouses confidence and commitment in subordinates. In a similar manner, Peter Senge (1990) underscored the linkage between charisma and shared vision; he noted that a shared vision is one of the five cornerstones of what he terms the "learning organization." Transformational

business leaders tend to thrive in an atmosphere of innovation and creativity and are more likely to emerge in times of stress and uncertainty.

### Significance of the Study

The present study may be important in three ways. First, it is anticipated that the results will provide information that might help in policy formulation. This is particularly true in the areas related to training needs and training content for entrepreneurs.

Second, it is expected that the results will contribute to the wealth of knowledge already existing on entrepreneurship. The use of leadership theory-based models and instruments in Kenya was an initial attempt to test a Western leadership theory in an African context. In addition, the findings are expected to result in additional studies on leadership and entrepreneurship in developing countries.

### Limitations of the Study

The study was limited to ventures located within the city of Nairobi. The sample was drawn from owner-managers of businesses who are in the service sector. Consequently, the study findings cannot be generalized for other areas and sectors other than the service industries located in Nairobi. Another important limitation is that the study was based on entrepreneurs' self-reports and no comparisons to the subordinate ratings were used.

## Definitions

Small and Medium Enterprises (SMEs): In Kenya, small enterprises are taken to be those enterprises employing between one and forty-nine persons while the medium enterprises are defined as enterprises employing between fifty and one hundred and ninety nine persons (Liedholm, 1990).

*Entrepreneurship*: Entrepreneurship includes the activities and behavior of individuals with unique characteristics to perceive opportunities for profit and initiate action to fill currently unsatisfied needs or doing more efficiently what is already being done (Kirzner, 1973).

*Leadership*: This is an act, behavior or process that occurs between the leader and his or her followers/subordinates. It is used as a means of goal achievement in helping group members achieve their goals and meet their needs. Leadership involves directing followers towards accomplishing some task or end (Northhouse, 2001).

*Leadership style*: Leadership style is the behavior pattern of an individual who attempts to influence the activities of others (Northhouse, 2001).

*Transformational leadership*: Transformational leadership is defined as a leadership approach that is concerned with the performance of followers. Transformational leadership is concerned with developing followers to their fullest potential (Avolio, 1999; Bass & Avolio, 1990a). This approach to leadership raises subordinates awareness of their importance and the value of designated outcomes. Transformational leadership helps employees to transcend their own self-interest for the sake of the group or organization (Avolio, Bass, & Jung, 1995).

*Transactional leadership:* Transactional leadership refers to the exchange relationship between the leader and follower to meet the self-interests of the follower. It may take the form of contingent reward in which the leader clarifies for the follower through direction or participation what the follower needs to do to be rewarded for the effort (Bass, 1985).

*Laissez-faire leadership:* Laissez-faire leadership refers to leadership where the leader avoids making decisions, and allows sub-ordinates to develop their own procedures to execute their responsibilities (Bass, 1990b).

*Charisma:* Charisma refers to a set of personality characteristics, behaviors, and effects that can either be social or personalized (Howell & House, 1993). A socially charismatic person is described as a person who articulates visions that serve the interests of the collective group. A charismatic leader articulates a vision and a sense of mission, instills pride and faith in the group and gains respect (Bass & Avolio, 1994a). Attributed idealized influence is based on subordinates' perceptions of characteristics attributed to the leader. Behavioral idealized influence is based on the subordinates' perception of observable leader behaviors (Bass & Avolio, 1997).

*Maneuver warfare:* Maneuver warfare is defined as the use in military combat of speed, surprise, and concentrated force against an opponent's weakness to achieve maximum impact with a minimum expenditure of resources in the presence of strategic uncertainty and hostile intent (Santamaria, Martino, & Clemons, 2003).

## Summary

This introductory chapter has provided an overall picture of the critical need for developing the small enterprise sector and fostering entrepreneurship development in Kenya. The need to address management problems and development needs by identifying leadership styles between ex-military and civilian entrepreneurs was the main focus of the study.



## CHAPTER TWO

### LITERATURE REVIEW

This chapter is divided into five sections. The first section reviews different theoretical perspectives on leadership. The second section of the chapter discusses leadership styles. The third section discusses international leadership research and leadership related research in Africa. The fourth section discusses military leadership. The fifth section discusses entrepreneurial leadership.

#### Leadership

A review of the scholarly studies on leadership indicates that there are a wide variety of different theoretical approaches to explaining the complexities of the leadership process (e.g., Bass, 1990; Bryman, 1992). Some researchers conceptualize leadership as a trait or as a behavior; some view leadership from a political perspective; others view leadership from a humanistic viewpoint.

According to Yukl (2002), various conceptions of leadership provide different perspectives on this complex, multifaceted phenomenon. Campbell (1977) indicated that in research the operational definition of leadership would depend to a great extent on the purpose of the researcher (Campbell, 1977).

Stogdill (1974) concluded, “there are almost as many definitions of leadership as there are persons who have attempted to define the concept” (p. 7). Northouse (2001) compared these definitions to words like democracy, love and peace. Although we intuitively know what we mean by such words, the words can have different meanings to different people. There has been as many as 65 different leadership classification systems

in the last 50 years that have been developed to define the various dimensions of leadership (Fleishman et al., 1991). One such classification system was proposed by Bass (1990). He suggested that some definitions view leadership as the focus of group processes. From this perspective, the leader is at the center of group change and activity and embodies the will of the group. Another group of definitions conceptualized leadership from a personality perspective. This group of definitions suggests that leadership is a combination of special traits or characteristics that individuals possess that enable them to induce others to accomplish tasks. Others define leadership as an act or behavior that leaders do to bring about change in a group. However, Yukl (2002) indicated that any member of the social system may exhibit leadership at any time and that there is no clear distinction between leaders and followers.

One way to classify leadership in research is according to the type of variable that is most emphasized. Using this criterion, Yukl (2002) identified the following three types of leadership variables relevant to leadership effectiveness: (a) characteristics of the leader, (b) characteristics of the followers, and (c) characteristics of the situation. Most theories developed over the past half century have emphasized leader characteristic that focuses the following three types of leader characteristics: traits, behavior, and power. Yukl, (2002) indicated that it is helpful to classify theories and empirical research into the following five approaches: (a) the trait approach, (b) the behavior approach, (c) the power influence approach, (d) the situational approach, and (e) the integrative approach.

According to Yukl (2002), the trait approach emphasized attributes of leaders such as personality, motives, values and skills. In the trait approach, the underlying assumption is that some people are natural leaders who are endowed with certain traits

not possessed by other people. This approach is limited in that historically, various researchers have used different traits or labels to define similar behavior patterns. This approach is highly subjective and depends on the researchers skills and experience. It refutes the idea that leadership is a learned behavior.

In the behaviorist perspective, emphasis is on the behavior of the leader. It focuses exclusively on what leaders do, how they act and their actions toward their subordinates in various contexts. This approach overemphasizes the behavior of the leaders at the expense of the behavior of the subordinates. The behaviorist approach to leadership does not consider the effect of the subordinates' behavior on the leader.

The power relations approach views leadership in terms of the power relationship that exists between leaders and followers. Based on this view, leaders have power and wield it to effect change in other people (Northhouse, 2001). However, Yukl (2002) indicated that the distinction between leader and follower roles does not mean a person cannot perform both a leader and follower role at the same time. The term follower is used to describe a person who acknowledges the leader as the primary source of guidance about the work, regardless of how much formal authority the leader actually has over another person. Unlike the term subordinate, the term follower does not preclude leadership processes that occur in the absence of a formal authority relationship (Yukl, 2002). Other researchers view leadership as an instrument of goal achievement. Leaders help group members to achieve their goals and meet their needs. This view includes leadership that transforms followers through vision setting, role modeling and individualized attention (Northhouse, 2001).

Defining leadership as a process means that it is not a trait or characteristic possessed by the leader, but it is a transactional event that occurs between the leader and followers. As a process, leadership implies that a leader affects and is affected by followers. It emphasizes that leadership is not a linear event but rather an interactive process. When leadership is defined as a process, it becomes available to everyone. It is not restricted to only the formally designated leader in a group; both leaders and followers are involved together in the leadership process. Leaders need followers and followers need leaders (Burns, 1978; Hollander, 1992). Northhouse (2001) contended that it is the leader who often initiates the relationship, creates communication linkages and carries the burden for maintaining the relationship. As a process, however, leaders and followers are closely linked.

Leadership involves influence; it is concerned with how leaders affect followers. Without influence, leadership does not exist (Northhouse, 2001). Leadership occurs in groups, and groups are the context in which leadership takes place. It involves influencing a group of people who have a common purpose and can either be a small task group, a community group or a large group encompassing an entire organization. Yukl (2002) stated that the above definition does not include leader's attempts to influence followers that are irrelevant or detrimental to followers. Leaders may attempt to gain personal benefits at the follower's expense. Conversely, actions motivated solely by a leader's personal needs may result in unintended benefits for followers and the organization. In addition, leadership involves focusing on goals. Leadership means directing a group of individuals towards accomplishing a task or a goal. Leaders direct their energies towards groups of individuals who are trying to achieve goals.

Another perspective on leadership, the situational leadership approach, was developed by Hersey and Blanchard (1969). Situation leadership is premised on the assumption that different situations demand different kinds of leadership. Based on this perspective a leader adapts his or her style to the demands of the specific situation. According to the situational leadership paradigm, a leader should align his or her style to fit the ability and commitment of subordinates. Northouse (2001) believed that effective leaders are those who can recognize what employees need and then adapt their own style to meet those needs.

Kerr, S (1979) suggested that a number of individual, task, and organizational characteristics often act as substitutes for hierarchical leadership, impairing the leader's ability to influence the attitudes and performance of his work group for either better or worse. He argues that the leadership substitutes construct, though important, has been under attended by both leadership theorists and organizational designers, and this lack of attention has been to the detriment of organization theory, research, and practice. Kerr further postulates that greater attention needs to be paid to the identification or substitutes for hierarchical leadership and to the design of authority, control, evaluation, and reward systems which are explicitly cognizant of their existence. In this respect, we should begin to think seriously about not only the identification, but the systematic creation, of substitutes for hierarchical leadership.

In summary, leadership has been defined in different ways, but most definitions share the assumption that leadership involves an influence process concerned with facilitating the performance of a group task. In addition, leadership has been studied from

various perspectives, depending on the researcher's methodological preferences and definition of leadership.

### Style or Behavior Leadership Theory

The style approach to leadership emphasizes the behavior of the leader. It focuses exclusively on what leaders do and how they act. Much of the research on leadership behavior during the past five decades has followed a pattern established by the pioneering research programs at Ohio State University and the University of Michigan. Most of the studies of leadership behavior during this period of time used questionnaires that measured leader consideration and initiating structure. Other researchers used critical incidents and laboratory experiments to investigate how leader behavior affected the satisfaction and performance of subordinates. The overall pattern of research results suggested that effective leaders exhibit a dual concern for task and relationships in their day-to-day pattern of behavior.

Researchers found that subordinates' responses on questionnaires clustered around the following two general types of leader behaviors: initiating structures and consideration (Stogdill, 1974). Initiating behaviors were essentially task behaviors, including acts such as: organizing work, giving structures to the work context, defining role responsibilities and scheduling work activities. Consideration behaviors were essentially relationship behaviors and included: building camaraderie, respect, trust, and developing linkage between leaders and followers. The two types of behaviors identified by the Leader Behavior Description Questionnaire represent the core philosophy of the

style approach—these behaviors are central to what leaders do: leaders provide structures for subordinates and they nurture them (Northouse, 2001).

Since the 1980's, much of the leadership research has concentrated on characteristics and specific effects of charismatic and transformational leadership (Bass, 1985; Bennis & Nanus, 1985; Kanungo & Jaeger, 1990; Sashkin, 1988; Tichy & Devanna, 1980). Bass (1985) provided a more expanded version of transformational leadership that was based on the prior works of Burns (1978) and House (1976). Bass focuses more attention on the needs of followers rather than needs of leaders. Bass described transactional and transformational leadership as a single continuum rather than mutually independent continuum (Yammarino, 1993).

Bass (1985) extended House's work and gave more attention to emotional elements and origins of charisma and suggested that charisma was necessary but not a sufficient condition for transformation leadership (Yammarino, 1993). A new version of transformational theory was formulated by Bass and his colleagues (Bass, 1996; Avolio, Bass, & Jung, 1995), and this research has evolved as the basis for much of the recent research on transformation leadership.

### *Transformational Leadership Style*

Transformational leadership is concerned with the performance of followers and also with the ability of leaders to develop followers to their fullest potential (Avolio, 1999; Bass & Avolio, 1990a). The transformational leader adopts a long-term perspective. Rather than focusing solely on current needs of their employees or themselves, transformational leaders also focus on future needs. Rather than being concerned only with short-term problems and opportunities facing the organization,

transformational leader also concern themselves with long-term issues. Rather than viewing intra-organizational and extra-organizational factors as discrete, transformational leaders view them from a holistic perspective (Ardichvili, 2001). Transformational leadership is not viewed as a substitute for transactional leadership; rather, transformational leadership can be a complement to transactional leadership. Research results indicate that transformational leadership reinforces and augments the effects of transactional leadership (Avolio, Waldman, & Einstein 1988; Bass, 1990a).

Managers exhibiting transformational leadership raise subordinates' awareness of importance and value of designated outcomes, and get employees to transcend their own self-interest for the sake of the group and change subordinates' needs (Avolio, Bass, & Jung 1995). To accomplish these results, transformational leaders possess and display the following four key characteristics (Bass, 1985, 1990a): Charismatic Leadership (CHA), Inspirational Motivation (IM), Intellectual Stimulation (IS), and Individual Consideration (IC).

Leaders who demonstrate Charisma have a vision, exhibit strong influence, and have a sense of mission. They act as role models for followers. Charismatic leaders instill pride in their subordinates and they command respect. Employees tend to adopt the vision of the charismatic leader and seek to identify with them and develop a strong sense of loyalty to them (Bass 1985, 1990b).

Leaders manifesting Inspirational Motivation have high expectations of subordinates; they communicate important purposes to subordinates in simple ways, and use symbols and emotional appeals to focus group members' efforts to achieve more than they would in their own self-interest. Leaders also demonstrate self-determination and



commitment to attaining objectives and present an optimistic and achievable view of the future. Through these efforts, such leaders helped employees accomplish more than they initially felt was possible.

A transformational leader provides Intellectual Stimulation to employees by encouraging them to be creative and innovative in developing new approaches to: solving problems, exploring new ways of achieving organizational goals, employing reasoning rationality and providing evidence rather than unsupported opinions. Subordinates are encouraged to think on their own and engage in careful problem solving. Under such a leader, subordinates are not hesitant to offer their ideas, become critical problem solvers, and enhance their thought processes.

Leaders display Individual Consideration by treating each employee as an individual. Such leaders are aware of the unique concerns of each subordinate, and consider the individual development and growth needs of subordinates. Mentoring, coaching, and counseling are means of a leader demonstrating Individualized Consideration.

#### *Transactional Leadership Styles*

Transactional leaders identify and clarify for subordinates their job tasks and communicate to them how successful execution of those tasks will lead to receipt of desirable job rewards (Avolio & Bass, 1988; Bass, 1985, 1990a). Transactional leaders identify and define goals for their subordinates, suggest ways to execute tasks, and provide feedback regarding the execution of the task. Research results indicate that transactional leadership can have a favorable influence on attitudinal and behavioral responses of employees (Bass, 1990a).

Transactional leadership may be defined in terms of two dimensions, Contingent Reward (CR) and Management-by-Exception (MBE). Using Contingent Reward (CR) the leader assigns or gets agreement from subordinates on what needs to be done and promises rewards to subordinates in exchange for satisfactorily completion of the assignment. These rewards are positively reinforcement for the achievement of mutually agreed group goals. Management-by-Exception (MBE) is defined as negative reinforcement. This corrective transaction tends to be less effective than contingent reward or the characteristics of transformational leadership. The corrective transaction may be illustrated as active (MBE-A) or passive (MBE-P) (Tejeda et al 2001). In active MBE-A, the leader actively monitors deviances from standards, mistakes, and errors in the subordinate's assignments and the leader takes corrective actions as necessary. In regards to MBE-P the leaders waits passively for deviances, mistakes and errors to occur and then this leader takes corrective action.

#### *Laissez-Faire Leadership Style*

Laissez-faire leaders avoid making decisions and leave their sub-ordinates to execute their responsibilities largely on their own (Bass, 1990b). Prior research has determined that laissez-faire leadership may have a negative effect on work- related outcomes of employees (Bass, 1990a; Yammarino & Bass, 1990).

### International Leadership Research

Leadership exists in all societies and in all organizations within those societies. However, the definitions and attributes of leadership that are seen as characteristics of leadership may vary across cultures (Den Hertzog et al., 1999). House (1995) indicated

that current dominant theories of leadership are based on North American research that focuses on individual orientation, the centrality of work and a democratic value orientation. Den Herzog et al. (1999) argued that these assumptions are not shared by many cultures as shown by cross-cultural psychology and sociological research. House (1995) noted that there is a growing awareness of the need for better understanding of the way the leadership is enacted in various cultures.

House et al (1999) identified a southern Asia cluster comprising India, Indonesia, Iran, Malaysia, Philippines, and Thailand whose hallmark is its high power distance and group and family collectivism practices. The cluster is distinguished as highly group oriented, humane, male dominated, and hierarchical. Several foreign invasions in the past and colonialism may account for submission to power, and also great reliance on the groups support. Additionally, power distance can be attributed to the historically rigid and hierarchical organization of the society into various social economic classes. In comparing the societal practices and values, the managers from this cluster prefer their countries as a whole to be more performance and future oriented, and more assertive desiring a higher level of structure in their societies, but a lower level of male domination and power differentiation. In Iran, public sector managers fear committing themselves to a decision, since there are hardly any rewards for good decisions, but high penalties for a wrong one (Frischenschager, 2000).

The islands of Philippines have historically operated as independent, separate states called *barangayas*, each with its own hereditary ruler and own group customs. These *barangayas* were frequently united into institutional confederations (Arcilla, 1998) Modern Philipinos cherish the ancestral trait of *bayanihan*, which means cooperation. In

addition, Philippines has the most assertive, feminine, and performance-oriented social aspirations in the cluster.

Thailand stands out with its most future and rule oriented, but least humane and least assertive societal values among the nations of the cluster. The lack of interest in assertiveness can be explained by a preference for avoiding confrontation, as enjoined by Hindu and Buddhist world views (Pathmanand, 2001). Due to a military-type culture of hierarchical rule orientation, reflecting a long political history of absolute monarchy, the country has the highest power distance practices (Ebsen, 1997).

Iran has great preference for collective interests, indicative of a strong desire for a focus on collective good rather than individual interest. It also has high humane orientation values, in continuation of the tradition of hospitality handed down over centuries of living in hostile environment, and a view of visitors and guests as a gift of god (*mehmum*) (Kosaka, Reif, & Shahmanesh, 1998).

In general, a group-oriented humane approach is the hallmark of southern Asian societies, and involves a delicate non-assertive balancing of power performance. Thus, hierarchical organization in these societies may be both a way of managing conflict within and across groups and promoting egalitarianism.

The GLOBE program (1999) on Southern Asia cluster identified 23 leadership styles that were deemed effective in one or more cultures of the world. Using second-order factor analysis, five distinct leadership models were formulated, and the first split into two (charismatic and team-oriented) for theoretical consistency. The individual scores were aggregated to the society level, and society scores were averaged to the cluster level. Transformational-charismatic and team oriented leadership styles were

found to be most effective models for outstanding results in southern Asia. In other words, visionary and inspirational leaders who are decisive and performance oriented, and who have high levels of integrity and are willing to make personal sacrifices are deemed to be effective. Furthermore, leaders who are team builders, collaborative and diplomatic are also highly valued. These attributes are consistent with the cluster's high power distance and family-oriented culture. Leaders are supposed to act as patriarchs who help subordinates aspire towards more ambitious and collective goals. The emphasis on humane and participative leadership models is consistent with the societal cultures of humane and group orientation in these societies.

In international comparisons, GLOBE found out that managers in the southern Asia cluster find humane leadership significantly more facilitative and self-protective leadership less of an impediment. The effectiveness of other leadership attributes is comparable with the rest of the world. In group-oriented hierarchical cultures, leaders often need to protect themselves against a breach of norms through involvement of higher-ups and various stakeholders in decision making processes. Such an approach also makes it imperative to be more responsive to human considerations. While the participating managers put high value on their societies becoming more futuristic and performance oriented and less male-dominated and hierarchical, they do desire a continuation of strong group collectivism. From a global standpoint also, group-oriented human heartedness is the hallmark of this cluster. A universal value-based model, founded on charismatic and team-oriented elements, is found to be the most effective for southern Asia. The challenge for managers creating strategies, designing organizations, and developing human resources systems in this region lies in developing an

organizational model that is simultaneously craft based, yet dynamic not static. Further, in southern Asia, where financial resources are rather limited, cultural acumen has helped in fostering human and social capital to improve organizational performance.

The importance of leadership in India has been attested by the fact that statues of leaders of all sorts—political, social, and religious—are erected all over, from big cities to small towns. The range of effective leaders can be illustrated by four examples, those of Chandragupta Maurya, Asoka, Akbar, and Gandhi. Chandragupta Maurya ruled for 24 years around 320 B.C. and has been described as the chief architect of the greatest of India's ancient empires (Basham, 1967). He was a *warrior king* who consolidated several smaller states into one large kingdom. He was the beneficiary of the advice of Chanakya (also known as Kautilya) who is believed to be the author of *Arthashastra*, a treatise of statecraft and governance. Asoka, whose reign began around 269 B.C., ruled as a tyrant but changed his heart and became a pacifist. He is shown as a benevolent king who introduced humanity in his internal administration and abandoned aggressive warfare in his dealings with other states (Basham, 1967, p. 53). He also strongly supported the doctrine of *ahimsa*, meaning non-violence and non-injury to humans as well as animals, which was used very effectively centuries later by Gandhi in the Indian struggle for independence from the British rule. Akbar (1555-1606) who was one of the Mughal emperors is the third example of effective leadership in India. He seemed to understand the complexity of Indian society and polity, and realized that tolerance of differences in religion, language, social customs, etc. was essential for the empire to survive. Akbar abolished all preferences and discrimination based on religion, appointed people to high state offices without regard to their religious beliefs, and encouraged inter-communal

marriages by setting an example himself. Akbar could thus be considered an *enlightened pragmatic* ruler. The last example is that of Gandhi who symbolized a unique style of leadership that converted materialistic weaknesses into spiritual and political strengths. His approach consisting of non-violent struggle and civil disobedience, which had its beginnings during his stay in South Africa, had a profound impact on the course of the Indian freedom struggle. His concept of *Satyagraha* (literal translation meaning “insistence on truth”) has found a permanent place in the industrial relations scenario in India as a common method of protest by unions and dissatisfied employees. It is not easy to label Gandhi’s leadership style but *charismatic, inspirational, visionary, and value based* come close to capturing the essence of his impact on the multitude of his followers.

In the GLOBE research, the five highest ranking scales identified within India were visionary, integrity, procedural, performance oriented, and inspirational, in that order. The high-intercountry rankings can be understood in the context of Indians having “developed ‘encompassing systems’ (Dumont, 1970) through which contradictions between thoughts and actions, instead of leading to dissonance and confrontation, are *balanced, accommodated, integrated, or allowed to coexist* (Marriot, 1976)” (emphasis in original) (in Sinha, 1997, p. 61). The findings of both qualitative and quantitative analyses are in general agreement on the importance of action-oriented and charisma, and these can therefore be considered to the most important characteristics for effective leadership in India. Collectivism and humane orientation continue to be the most important characteristic of Indian culture. This is in keeping with earlier findings (Triandis et al., 1986).

Taking an overall view, two distinct though interrelated characteristics of Indian society seem to stand out. One is that Indian culture is ancient yet continuously living and evolving. The second is the great complexity and diversity of Indian society and culture. These two characteristics in combination with other features of Indian society do demand unique attributes, abilities, and behaviors of leaders in India. This may require a high tolerance for ambiguity, and the ability to balance a diverse set of factors not at the lowest but at a rather common denominator. The interaction, and more often mere co-existence, of collectivist and individualist values; and the adoption, by many Indian organizations, of the formal systems of management in a *vertical collectivist* culture (Sinha, 1997), often creates an unpredictable situation. The resultant prescription for dealing with India, and also for any other foreign culture, is to *expect* differences, to *accept* differences, and to also *respect* differences.

Burns (1997) presented cross-cultural evidence collected from organizations in business, education, the military, the government, and the independent sector. Burns maintained that the same conception of the leadership phenomena could be observed in a wide range of organizations and cultures. He further argued that there is universality in the transactional/transformational leadership paradigm. However, Den Herzog et al. (1999), in their study of 62 cultures, identified that certain attributes associated with transformational leadership were universally endorsed as contributing to outstanding leadership. Other attributes were universally seen as impediments although cross-cultural research indicated that different cultural groups are likely to have different conceptions of leadership.



However, Kuchinke (1999) noted that most research on positive effects of transformational leadership has focused on higher ranked employees within the North American context with little research coming out of other countries of the world. He contends that it is most unlikely that a direct transfer of US-style leadership training can be accepted and effective in other countries. Charisma and Inspirational Motivation have different meanings in different contexts and US-style organizational visions and missions might not have the same leadership enhancing effects in different cultural settings (Kuchinke, 1999). Kuchinke contended that there is need to understand organizational symbols, such as vision or mission statements, and their effectiveness in different cultures cannot be taken for granted. To determine the most appropriated mix of transactional and transformational styles in specific cultures, organizations and situations, there is need to investigate the employee's expectations of their leaders.

Descriptions of management in Africa has largely been informed by the developed/developing world dichotomy, as noted in the work of Blunt and Jones (1992) and that of Kanungo and Jaeger (1990) on management in 'developing' countries in general. This is particularly so in the distinction made between (Western) management styles (team-work, empowerment, etc.) and African styles (centralized, bureaucratic, authoritarian, etc.) (Blunt & Jones, 1997). However, systems of organization identified in the literature as 'African' (Blunt & Jones, 1992, 1997) or as 'developing' (Jaeger and Kanungo, 1990) are mostly representative of a post-colonial heritage, reflecting a theory X style of management (from McGregor) which generally mistrusts human nature with a need to impose controls on workers, allowing little worker initiative and rewarding a narrow set of skills simply by financial means. This system is identified as being 'tacked

on' to African society originally by the colonial power (Carlsson, 1998; Dia, 1996) and being perpetuated after independence, perhaps as a result of vested political and economic interest or purely because this was the way managers in the colonial era were trained. Quite often, the literature conveys this as a monolith system of management that is discernible throughout Africa, and even throughout the 'developing world. Kiggundu (1989) adds that there is typically a lack of a clear mission statement or sense of direction. He also characterizes organizational structure, in terms of their *governance* and *decision making*, as having top management that is overworked, having authoritarian and paternalistic decision styles with centralized control and decision making. This is also reflected in Blunt and Jone's (1997) view that leadership is highly centralized, hierarchical and authoritarian. They also add that there is an emphasis on control mechanisms, rules and procedures rather than performance (and a high reluctance to judge performance), a bureaucratic resistance to change and high level of conservatism, together with the importance of kinship networks.

There is little empirical evidence to suggest that private-sector organizations are any better to meet the challenges of change and development in Africa (Blunt & Jones, 1992). Montgomery's (1987) study among South African Development Community (SADC) countries suggests private-sector organizations are no more rational in goal seeking than the public sector. It may be somewhat idealistic to try to identify a particular African style or even philosophy of management (e.g. Human, 1996), but it is worth pointing to aspects that it may include, so that in empirical studies those aspects may be discerned where they do exist.

Most of the impetus for a return to African values and indigenous knowledge systems has been from South Africa, through the suggestion for a movement towards an African Renaissance (e.g. Makgoba, 1999). Mbigi and Maree (1995) have more specifically set about defining and elaborating the management philosophy of *ubuntu*, which is based on this sense of community that is involved in reconciling “individualism” and “communalism.” Binet (1970) provided a useful framework on what an African Renaissance management system might look like. Dia (1996) provides an account of this work. This has been supplemented and supported by popular African texts (Boon, 1996; Mbigi & Maree, 1995; Mbigi, 1997), as well as specific anthropological work, such as that of Gelfand (1973) illustrating specific aspects by reference to Shona values in Zimbabwe whose key values has been identified as sharing, deference to rank, sanctity of commitment, regard to compromise and consensus and good social and personal relations.

The concept of “*ubuntu*” is a value that is built on the assumption that people are only people through other people. Mbigi (1997) for example, suggests that collective trust is a large part of this value and should be developed in organizations before participation and empowerment initiatives can succeed. Openness, sharing and welcome together form important components of “*ubuntu*” (Boon, 1996). Although traditional rulers were such by their title to the senior lineage, they had to earn the respect of their followers and rule by consensus. Political decision-making was through obtaining consensus and through a system against autocratic rule. People were free to express opinions and dissension (Mbigi, 1997).

A study by Aosa (1992) on large private industries in Kenya questions whether management techniques developed and applied with success in one cultural setting could be applied with equal success in a different cultural setting. Aosa found that the more successful foreign owned companies were those that had a high degree of local participation. Interestingly, however he did not find any association between increased participation in decision-making and organizational performance among indigenous and Asian owned companies. Other studies by Kimutai (1993) and Katwebwe (1976) found that workers' involvement in decision-making and goal setting resulted in overall improvement in performance. Katwebwe (1976) concluded that workers were given limited opportunities for participation in decision making in spite of their having positive attitudes and apparent potential.

A need to incorporate a humanistic perspective of the African people when looking at leadership has been advocated by several researchers. Lynham (1995) argues that one needs to incorporate the humanistic spirit of the African people when looking at leadership from the perspective of global companies, where each polarity of the compass represents a distinctly different cultural orientation and collection of wisdom about leadership. Lynham's perspective shows the North is represented by Europeans, the West is represented by Americans, the East represented by Asians, and the South is represented by African cultures where each brings a unique and valuable perspective about leadership. Lynham (1995) postulated that these different cultures factors could help us synergize a more globally acceptable and relevant understanding of leadership. Lynham contended that the West brings the wisdom of the pioneering spirit of the American people and their command of technology, theories of new thinking of leadership. The

North brings the wisdom of the past, tradition and protocol to leadership. The East brings to leadership the wonderful wisdom of patience, and understanding that all things are interconnected. Africa, Lynham believes, brings to leadership the humanistic wisdom and the traditional soul of society.

The need to recapture and integrate the traditions, values and energy of the spirit of the African people need to be looked at within the emerging theories of entrepreneurial leadership. Lynham's (1995) concept validation is based on review studies in the context of the Southern African business sphere, which emphasizes the need for an integrated approach to African management (Lessem, 1993), the spirit of African management (Mbigi, 1993) and the need for an afro centric management (Khoza, 1993).

### Military Leadership

Military organizations are extremely diverse and have units with widely differing functions, ranging from support units to frontline fighting units. The military includes a wide range of professions and skills. The conditions in which the military operates can vary widely, from peace to limited fighting engagement, to full-scale war. It has an extensive set of hierarchical levels, from group leaders to the commander-in-chief. The multiplicity of situations encountered by the military requires a variety of leadership behaviors, styles, and characteristics (Broedling, 1977).

Every aspect of military organizational life offers opportunities for leadership. The basic imperatives of command in the military are: lead, teach, and manage. In business, employees may be motivated to achieve goals by appeals to self-interest. Those who are not equipped to lead may manage their affairs. In the military profession,

however there is a significant denial of self-interest. In its place, there is a professed willingness to serve a cause larger than self, and to make whatever sacrifices that may be required. Yukl (2002) discussed situations where leaders inspire followers to willingly sacrifice their selfish interests for a higher cause. For example, soldiers may risk their lives to achieve an important mission or to protect their comrades. Leaders, not just managers, must lead these highly motivated soldiers. While recognizing this concept, Sorley (1981) indicated that successful military leaders also need managerial skills of a high order. These managerial skills are important because of the complexities of contemporary technical, tactical, logistical, and sociological contexts in which military commander's lead. Those skills must be employed in ways that are complimentary to military leadership and compatible with an overall philosophy of military command.

Based on the work of classical management theorists of the administrative science tradition and theorists of the behavioral psychological tradition, Broedling (1977) developed taxonomy for several types of leaders in the military. She summarized Mintzberg's (1973) framework of leadership and indicated that leadership does not occur in a vacuum, and leadership is a management function.

Ethical considerations are crucial to military leadership because of the unique functions of the military. Wakin (1979) established the critical importance of military leadership by contrasting two fairly extreme characteristics of superior-subordinate relationships. Discussing "military virtues," Wakin indicated that the following virtues were evident in any society: courage, obedience, loyalty, integrity, and subordination of self-interest for the good of the nation. He argued that these virtues are not merely "nice to have," but they are essential characteristics for a military leader.

According to Keithly and Tritten (1997), most military units are of a tightly knit bureaucratic structure that has a great deal of influence over each specific unit. This creates a situation in which the influence over each specific unit. This creates a situation in which the unit's leader is not paramount. It also creates a situation in which the unit leader has more impact on the unit but rather must influence those above who do have the decision-making authority.

Cohesiveness, the ability of a military unit to sustain combat effectiveness despite the stress of the battlefield, matters most at the company level and below. War, more than any other activity, require quick reactions, adaptability and initiative. Consequently, the military organization must be able to elicit the best in the individual performance within the context of team performance. It requires leaders who will allow subordinates to develop their own initiative with minimum guidance from their superiors.

### Entrepreneurial Leadership

Numerous practitioner-oriented articles are devoted to understanding leadership behaviors of entrepreneur and small business (Barrier, 1999; Exley, 2000; Higdon, 2000; Weathersby, 1998). However, the extent of scholarly investigation of entrepreneurial leadership is limited.

In their study of the relationship between vision and vision communication to venture growth in entrepreneurial firms, Baum, Locke, and Kirkpatrick (1998) have found that vision attributes and vision content affect subsequent venture growth both directly and also through verbal and written communication. These researchers indicated that vision is shaped almost entirely by the external environment. They believe that the

vision of an entrepreneurial leader should be mostly looking at the larger business environment and envisioning future possibilities. Such possibilities come not from the leader's analysis of the values of followers, but rather from the leader's analysis of the broader business environment.

Vision formulation is an expression of creative genius on the part of the leader based on environmental scanning. As Baum et al. (1998) indicated, Bill Gates, John D. Rockefeller, and Sam Walton did not formulate their visions by first testing whether their visions were meaningful to their employees. Rather, these individuals identified opportunities in their industries that held great future promise. Their visions then evolved through successes and failures, market place changes, competition moves, and technological breakthroughs. Baum et al. (1998) indicated that environmental scanning is more crucial for vision formulation, but follower sensitivity is more important for vision acceptance and implementation.

In an attempt to define entrepreneurial leadership and its effects on the successful development of small businesses, Eggers and Leahy (1995), and Eggers and Smilor (1996) identified more than 30 entrepreneurial skills, four of the top five skills related to issues of leading people. These were: communication (both interpersonal and intrapersonal); motivation of others which the leaders accomplish by developing their employees; guiding team development process and having formal programs that reward team efforts; and vision development by having the ability to create and communicate a clear direction for their companies. This last skill often requires the leader to see opportunities long before others do. Leaders must motivate and commit themselves to action; they must have a fiercely competitive "can do" attitude that creates success.



Leaders need boundless energy, self-discipline, resilience and a powerful work ethic. Eggers and Smilor (1996) identify entrepreneurial leadership-related skills as creating and managing change; building effective organizations; assembling resources; and having knowledge of the market place.

Ardichvili (2001) contended that charismatic leadership and intellectual stimulation promote the development of new ideas that may lead to breakthroughs and important modifications needed for technological innovation. Bass (1985) argued that a leader could provide intellectual stimulation for employees when being a teacher and prodder of inquiry and questioning. Furthermore, Bass indicated that intellectual stimulation by the leader is needed most when groups have to solve ill-structured rather than well-structured problems. New business start-ups generally face the kind of ill-structured problems that would be amenable to intellectual stimulation by a leader.

Strategic vision in the business sense is largely the product of an incremental process that is derived from past experiences, creative insights, opportunity, and not least by chance. Leaders with vision become successful in their respective businesses relatively early in their careers; consequently, they develop an intuitive sense about the enterprise's needs (Mackay, 1997). When competent leaders sense an opportunity and are able to act upon it, they may then be credited with having intuition and charisma. The charismatic leader accepts uncertainty and uses unconventional approaches. As a consequence, charismatic leaders are potential catalysts of change; frequently they are instrumental in creating new organizations.

Hornaday and Churchill (1987) posited that understanding the core factors that contribute to the success of firms is an important area of inquiry. Bass's (1990) research

supported the conclusion that organizations receive higher benefits when leaders articulate a shared vision of the future in a manner that arouses employee confidence and commitment. Senge (1990) also underscored the linkage between charisma and shared vision. He noted that a shared vision is one of the five cornerstones of what he termed the “learning organization.” Transformational leaders tend to thrive in an atmosphere of innovation and creativity and are more likely to emerge in times of stress and disorganization.

### Summary

This chapter has focused on five main streams of leadership and entrepreneurship development research. Transformational leadership has been identified to be present in both military and business settings. Studies have determined that individuals who exhibited transformational leadership were perceived to be more effective leaders and achieved greater work outcomes. This was true for higher or lower level leaders as well as leaders in military, public, and private settings. Furthermore, the literature review suggests that there is a need to determine what leadership styles are more applicable in entrepreneurship. Chapter 3 focuses on the method that was used to conduct the study.

## CHAPTER THREE

### METHOD

#### Research Design

The conceptual model used in this study is based on Bass's (1985) model of transformational leadership theory. The design of the study was based on a quantitative survey approach. A self-administered questionnaire was distributed to owner managers of SMEs in the service sector to help collect data on their leadership styles.

#### *Population and Sample*

The study population consisted of small and medium businesses in the service sector. The sample consisted of 100 owner managers, which included 50 ex-military and 50 civilian owner managers of small and medium enterprises within the service sector in Nairobi. It is approximated there are about 850 small and medium sized service businesses in Nairobi and 3000 countrywide. The research study was confined to the service sector in Nairobi to eliminate any confounding factor regarding regional and sector differences. The firms selected for the study were those that have been in existence for a minimum of three years. A list of service businesses located in Nairobi was obtained from the Kenya Management Assistance Program (K-MAP). This list was used to identify SME clients that K-MAP provided business development services, including training and business counseling. This was done through stratified random sampling. From the list of the SMEs' two groups were selected, namely the ex-military and the civilian entrepreneurs. From each category, 50 entrepreneurs were randomly selected for the study.

### *Instrumentation*

To address the three basic research questions formulated in the study, the Avolio, Bass, and Jung's (1995) Multifactor Leadership Quality, MLQ5x Full Range Leadership Style Questionnaire was utilized. The instrument was used to measure the independent variables of transformational, transactional and laissez-faire leadership styles of entrepreneurs who owned service business in the SMEs sector in Nairobi.

The MLQ is available in two forms, a Leader Form and a Rater Form. The Leader Form is used by the leader to assess his/her own leadership preferences. The Rater Form is used to evaluate other persons: higher in the organization, lower in the organization level or at the peer level in the organization. The contents of the forms are identical with the only exception being that the Leader Form is written in the first person and the Rater Form is written by the third person.

For the purpose of this investigation, only the Leader Form was used. The Leader Form, known as the MLQ 5X, contained 45 items identifying and measuring leader behaviors. Thirty-six of the items measured the independent variables of leadership behaviors and nine items measured the dependent variables regarding outcome factors (Bass and Avolio, 1997). The 100 respondents included in the total sample rated their own leadership behaviors. The statements were evaluated on a five point Likert Scale with the values ranging from 0 = not at all, 1 = once in a while, 2 = sometimes, 3 = fairly often, to 4 = frequently or always (Bass and Avolio, 1997).

The MLQ measures eight leadership factors, which are grouped within two dimensions of transformational and transactional leadership. Leadership factors include: Idealized Influence (Attributed), Idealized Influence (Behavioral), Inspirational

Motivation, Intellectual Stimulation, Individual Consideration, Contingent Reward, Management-by-Exception (Active), and Management-by-Exception (Passive). In addition, MLQ measures Laissez-faire leadership, which is considered to be a non-leadership style.

In addition, three characteristics of outcomes: satisfaction, effectiveness, and extra effort (Bass and Avolio, 1997) were measured. The instrument in the MLQ are designed to determine the extent to which the entrepreneur feels satisfied with the approach he uses in operations of the firm; the extent to which the entrepreneurs is effective in firms affairs and how willing is the entrepreneur to employ extra effort. In the analysis, a composite of all three components of outcome was used as one outcome variable.

The MLQ was selected for use in this research study because it has been widely used for over 15 years both in the United States and internationally in field studies and laboratory settings within private and public organizations to examine the full range of leadership styles from transformational to laissez-faire (Bass & Avolio, 1997). The original MLQ (Bass, 1985) has been revised several times in response to subsequent research findings as well as from feedback regarding the structure and content of the instrument. However, its use in research studies conducted in Africa has been minimal.

#### Background of MLQ Development

The earlier version of Multifactor Leadership Questionnaire (MLQ), which was originally developed by Bass (1985), was based on a five-factorial model to measure transformational and transactional leadership dimensions and a sixth factor, laissez-faire or non-leadership. The initial MLQ 142-item pool was developed through a survey of

literature as well as a content analysis based on open-ended survey of 70 senior executives. The executives were asked to describe transformational or transactional leaders that they had known. A response allocation analysis reduced the 142 items to 73. This analysis became the basis for the development of a preliminary survey instrument (Bass & Avolio, 1990; Hater & Bass, 1988; Waldman et al., 1987).

### Construct Validity and Reliability of the Instrument

Feedback from studies constructed based on revised versions of the MLQ has resulted in the model evolving from six factors to nine (Avolio et al., 1995, 1996; Bass & Avolio, 1997). MLQ revisions have included the addition of a fourth transformational factor, Inspirational and the non-leadership factor termed *laissez-faire*.

Criticism of the MLQ Form 5R survey resulted in the refinement of the instrument to create the Form 5X. The critique included a lack of discriminant validity with high correlations among the factors, the combination of behaviors and outcomes within a scale, and the inability to replicate the initial six-factor model in subsequent research (Avolio et al., 1995, 1996; Bass & Avolio, 1997). Therefore in MLQ Form 5X the transformational factor of charisma was further defined to include idealized influence-behavioral and idealized influence-attributed leadership characteristics. The transactional factor of Management-by-Exception was divided into Management-by-Exception (Active) and Management-by-Exception (Passive) (Avolio et al., 1995, 1996).

The MLQ 5X was derived from four activities. Item selection was determined by partial least squares (PLS) analysis and confirmatory factor analysis to determine the items with the best convergent and discriminant validities (Avolio, et al., 1995, p. 9). The

renaming of charisma and its subsequent division into two factors was derived from a review of the literature. Scholars reviewed a preliminary version of the MLQ 5X and gave input to modify or delete items based on the “conceptual model of the full range of leadership development” (Avolio et al., 1995, p. 9). Avolio et al., (1995) contended that revisions of the model did not invalidate earlier research, but provided evidence of an attempt to further define the constructs of the full range of leadership.

Avolio, et al., (1995) reported internal consistency reliabilities for the MLQ Form 5X based on a sample of 2,080 subjects from a variety of industries and organizations. Alpha coefficients ranged from .74 to .94. Avolio, et al. (1995) contended that the reliability scores reported surpassed accepted “cut offs for internal consistency recommended in the literature” (p. 9) and concluded that these results support the reliability of the instrument to measure the intended leadership factors.

#### Data Collection

Data was collected on the basis of individual visits to the business premises of the entrepreneurs in the sample. The respondents had to fill out the questionnaires in the presence of the researcher.

The study instrument was administered to a Kenyan target audience that has encountered the data collection instrument for the first time. Both the civilian and ex-military respondents indicated that they had not been through a similar exercise before. A number of ex-military respondents were apprehensive during the interviews, and sought assurances that the researcher had no intention to investigate their military past. After assurances of confidentiality, however, the respondents exhibited enthusiasm in

answering the questionnaire and supplying the required information for the study. They were particularly satisfied that the questionnaire did not require information on their personal details. Due to sensitivity on the part of the ex-military entrepreneurs the background details were obtained through observation. A handful of respondents sought to be informed about their leadership styles when the results are finally analyzed.

### Data Analysis

The scores on the MLQ were calculated using the formula provided by the test authors. Test statistics for the leadership scales were on a Likert scale from 0 (low) to 4 (high). Analysis of variance (ANOVA) was used to test significance of the mean difference between the leadership styles of the two groups of entrepreneurs.

A paired t-test was used to determine whether there were any significant difference between the means of leadership styles and leadership outcomes. The paired t-test was deemed appropriate since both the leadership style scores and outcome scores were measured on the same five-point Likert scale ranging from 0 to 4. Regression analysis was used to determine the relative contribution of the selected leadership styles to a composite of leadership outcomes. The regression analysis was used since the data was ordinal and regression analysis provides the relative contribution of each variable regarding leadership styles.

All the analysis of the quantitative data was done by computer using the Statistical Package for Social Sciences (SPSS) version 10.5.



## Summary

This chapter presented the research design, population and sample selection, instruments, survey procedures and data analyses that were used in the study. The population for this study was entrepreneurs with ex-military and civilian orientation in the service industry in Nairobi. The selected service industry firms included organizations in private security, transportation (air and road), and hospitality sub-sectors.

A stratified random sampling was used to select 50 ex-military entrepreneurs and 50 civilian entrepreneurs from the target population. A survey questionnaire utilizing Avolio, Bass, and Jung's (1995) MLQ5x full range Leadership style questionnaire was used to solicit information for the study. Chapter 4 describes the results of the study.

## CHAPTER FOUR

### RESEARCH FINDINGS

#### Introduction

Chapter three identified the procedures used in conducting this research study. The primary data collection instrument was the MLQ 5X Short version. This instrument was administered to 50 ex-military entrepreneurs and 50 civilian entrepreneurs. This chapter presents the results of the research study.

The study compared leadership styles among civilian enterprise owners and their counterparts who had a military background in the service industry in Nairobi. Specific findings are reported for the leadership styles, leadership outcomes, types of entrepreneurs, and the role of leadership styles.

The following three leadership styles were used as the basis for this study: transformational, transactional, and laissez faire styles. The four major characteristics within the transformational leadership style included charisma, which has two sub-characteristics of idealized influence (attributed), idealized influence (behavior); inspirational motivation; intellectual stimulation, and individualized consideration.

For transactional leadership, the following three characteristics were assessed: contingent reward, management by exception (active), and management by exception (passive). As for laissez faire style of leadership, there were no clear characteristics to be assessed since it is viewed as a non-leadership style.

## Background Information of the Respondents

Information regarding the background of the sampled entrepreneurs was gathered through observation by the researcher since details on the background information for the participants was not part of the MLQ instrument used in this study. In addition, ex-military entrepreneurs did not want to reveal demographic information that might reflect on their military record. As stated earlier, all the entrepreneurs included in the study were in the service industry and their businesses were based in the city of Nairobi. Although the ages of the sampled entrepreneurs in the study were between the late thirties and sixties, the majority of the sampled entrepreneurs were in the forties and fifties. There did not appear to be any noticeable differences between the ages of the ex-military entrepreneurs and their civilian counterparts. In many instances, entrepreneurs from both groups began their careers as entrepreneurs after compulsory or voluntary retirement either from the military or paid employment. Only a few persons in the total sample became entrepreneurs as their first career.

There was only one woman entrepreneur among the ex-military entrepreneurs as compared to twelve within the civilian group. This was perhaps because the military is widely viewed in Kenya, as in many other countries, as a predominantly male occupation.

The number of staff employed by firms in the total sample ranged from ten to twenty; only a few had staff slightly above twenty. The firms in the total sample had been in operation for at least three years. Most of the firms sampled were those that started their operations in the early 1990s; this coincides with the period of widespread retrenchment and early retirement popularly known as the “Golden Handshake” in Kenya. Some of the ex-military entrepreneurs owned the majority of firms, which began

their operations in the 1980s; this coincided with the failed military coup that saw a number of military personnel being retired or retiring voluntarily.

Based on informal discussions, it was observed that many entrepreneurs used the financial package they obtained upon retirement as the required capital to initiate their businesses. This was true for both the ex-military group and the civilian group of entrepreneurs. There were indications of further financial assistance from the micro financing agencies such as K-REP and Faulu.

### Characteristics of Leadership Styles

To understand the leadership styles implemented by both groups of entrepreneurs, the various characteristics of three selected leadership styles were investigated in this study. The three primary leadership styles included in this study were: transformational, transactional, and laissez-faire. The results of the research study are discussed below.

#### *Characteristics of Transformational Leadership*

According to Bass and Avolio (1990a), transformational leadership is generally associated with the following four characteristics: charisma, inspirational motivation, intellectual stimulation, and individual consideration. He indicated that transformational leaders “motivate their subordinates to perform at higher levels by inspiring their followers, offering intellectual challenges, paying attention to individual developmental needs, and thus leading followers to transcend their own self-interest for higher collective purpose, mission, or vision.” (p. 138).

The first major characteristic of transformational leaders is charisma. Charisma entails winning respect, trust, and confidence of followers towards the leader and the

ability of the leader to transmit to the followers a strong sense of mission and vision of the desired future. For purposes of this study, the following two sub-dimensions of charisma were considered: idealized influence (attributed) and idealized influence (behavior). According to Tejada et. al (2001), the idealized influence attribute (or attributed charisma) is the ability of a leader to make personal sacrifice, deal with crises and obstacles, and exhibit self-confidence. They further defined idealized influence (behavior) as the ability of a leader to promote important values, beliefs and have a strong sense of mission. As von Freytag-Loringhoven (1991) observed, charismatic leadership can also have negative effects on the development of subordinates. Due to the possible negative effects, this study considered the two subscales of charismatic leadership that are idealized influence (attributed) and idealized influence (behavior) (Tejada et al. 2001).

The second major characteristic of transformational leaders is inspirational motivation; this is the dimension of leadership by which the leader communicates a vision with confidence. The leader enhances the attainability of his vision through increased optimism and enthusiasm.

The third major characteristic of transformational leaders is intellectual stimulation. In transformation leadership, the leader is expected to encourage followers to question the status quo and to challenge their own and others assumptions and beliefs. The characteristic of intellectual stimulation is critical because it encourages creativity and innovativeness among subordinates.

The fourth characteristic of transformational leaders is that they express individual consideration. Such leaders treat their subordinates as individuals who have

unique abilities. The transformational leader assumes responsibility for the development and growth needs of each individual subordinate.

This analysis of the characteristics of transformational leaders is particularly important since they provide details on how each of the four specific characteristics can be applied by the entrepreneurs in the two categories of ex-military and civilian entrepreneurs. The results presented in Table 1 indicate that idealized influence (attributed), idealized influence (behavior), inspirational motivation and intellectual stimulation had means higher than three for both groups of entrepreneurs. Thus, the characteristics of transformational leadership employed more often by the entrepreneurs in the total sample were inspiration motivation, idealized influence (attribute), and inspiration motivation and intellectual stimulation. The only characteristics that had a total group score of less than 3.0 was individual consideration.

The results in Table 1 also indicate that the ex-military entrepreneurs had higher means for all the characteristics of the transformational leadership except for individualized consideration.

An ANOVA test indicated that there was a significant relationship between the characteristics of transformational leadership styles and entrepreneurial type at the 0.05 level of significance for all the characteristics except individualized consideration. The ex-military group of entrepreneurs scored significantly higher than their civilian counterparts on three of the four characteristics of transformational leadership. The results of the ANOVA test are presented in Table 2. The two categories of entrepreneurs

Table 1

*Mean Scores of Characteristics of Transformational Leadership*

| Characteristic                  | Type of entrepreneurship | <i>N</i> | <i>M</i> | <i>SD</i> | <i>SE</i> |
|---------------------------------|--------------------------|----------|----------|-----------|-----------|
| Idealized influence (attribute) | Civilian                 | 48       | 3.1771   | 0.4781    | 0.06901   |
|                                 | Ex-Military              | 50       | 3.5200   | 0.3148    | 0.04452   |
|                                 | Total                    | 98       | 3.3520   | 0.4440    | 0.004409  |
| Idealized influence (behavior)  | Civilian                 | 47       | 3.0957   | 0.4440    | 0.06477   |
|                                 | Ex-Military              | 49       | 3.3010   | 0.3306    | 0.04723   |
|                                 | Total                    | 96       | 3.2005   | 0.4017    | 0.04100   |
| Inspiration motivation          | Civilian                 | 47       | 3.2819   | 0.3597    | 0.05247   |
|                                 | Ex-Military              | 50       | 3.4800   | 0.3601    | 0.05093   |
|                                 | Total                    | 97       | 3.3840   | 0.3716    | 0.03773   |
| Intellectual stimulation        | Civilian                 | 47       | 3.0053   | 0.4438    | 0.06474   |
|                                 | Ex-Military              | 46       | 3.3750   | 0.3970    | 0.05854   |
|                                 | Total                    | 93       | 3.1882   | 0.4584    | 0.04753   |
| Individual consideration        | Civilian                 | 48       | 2.9323   | 0.5851    | 0.08446   |
|                                 | Ex-Military              | 50       | 2.7550   | 0.3694    | 0.5224    |
|                                 | Total                    | 98       | 2.8418   | 0.4927    | 0.04977   |

were significantly different in all the characteristics save for individualized consideration with the ex-military entrepreneurs scoring higher in all the characteristics except in individualized consideration. We therefore conclude that both the civilian and ex-military entrepreneurs treated their subordinates as having unique abilities in equal measures and that the ex-military entrepreneurs performed better in idealized influence (attribute), idealized influence (behavior), inspiration motivation, intellectual stimulation than their civilian counterparts.

Table 2

*ANOVA Scores for Characteristics of Transformational Leadership*

| Characteristic                  | <i>F</i> | <i>df</i> | <i>P</i> |
|---------------------------------|----------|-----------|----------|
| Idealized influence (attribute) | 17.722   | 97        | 0.000    |
| Idealized influence (behavior)  | 6.637    | 95        | 0.012    |
| Inspiration motivation          | 7.338    | 96        | 0.008    |
| Intellectual stimulation        | 17.896   | 92        | 0.000    |
| Individual consideration        | 3.244    | 97        | 0.075    |

*Characteristics of Transactional Leadership*

Boss and Avolio (1988) identified two specific characteristics of transactional leadership. These were contingent reward and management by exception. He observed that contingent reward involved the reinforcement in a positive manner the achievement of mutually agreed upon goals. Kuchinke (1999) further observed that management by exception was really negative reinforcement. Management by exception is a leadership style whereby a leader intervenes only when things have gone out of hand and the leader has to use such methods as criticism, discipline, and punishment. According to Tejada (2001), management by exception can be divided into the following two parts: management by exception (active), and management by exception (passive). Management by exception (active) may be defined as the extent to which a leader is able to actively search for subordinate mistakes. Management by exception (passive) is the extent to which a leader would not get involved in the work of subordinates unless the



problems attracted the leader's attention. For purposes of this study, the Tejada (2001) classifications were adopted.

The results presented in Table 3 indicate that contingent reward and management by exception (active) had means above three while management by exception (passive) had a mean lower than one. It appears that contingent reward and management by exception (active) were the predominant characteristics of transactional leadership that were applied by the majority of entrepreneurs studied. As is indicated in Table 3, management by exception (passive) was the least applied characteristic of transactional leadership by both groups of entrepreneurs. It appeared that most of the entrepreneurs in the total sample were willing to positively reinforce the achievements of mutually agreed upon goals. On the other hand, entrepreneurs in the total sample were slightly more than willing to intervene only when things went wrong as is indicated by the high scores on

Table 3

*Mean Scores for Transactional Leadership Style by Entrepreneurial Type*

| Characteristic                    | Type of entrepreneur | <i>N</i> | <i>M</i> | <i>SD</i> | <i>SE</i> |
|-----------------------------------|----------------------|----------|----------|-----------|-----------|
| Contingent reward                 | Civilian             | 45       | 3.1889   | 0.5361    | 0.07991   |
|                                   | Ex-military          | 50       | 3.2450   | 0.3728    | 0.05273   |
|                                   | Total                | 95       | 3.2184   | 0.4558    | 0.04677   |
| Management by exception (active)  | Civilian             | 44       | 2.7216   | 0.9217    | 0.1389    |
|                                   | Ex-military          | 49       | 3.3980   | 0.6672    | 0.09531   |
|                                   | Total                | 93       | 3.0780   | 0.8629    | 0.08947   |
| Management by exception (passive) | Civilian             | 46       | 0.7174   | 0.6425    | 0.09473   |
|                                   | Ex-military          | 50       | 0.7450   | 0.4531    | 0.06408   |
|                                   | Total                | 96       | 0.7318   | 0.5492    | 0.05605   |

management by exception (passive). This fact was underscored by the lower means registered in the management by exception (passive).

Table 3 also indicates that the entrepreneurs in the ex-military group had higher mean scores for all the characteristics of transactional leadership. The ex-military entrepreneurs applied both positive and negative reinforcements more than their civilian counterparts. However, the differences in scores for management by exception (passive) were extremely low between the two groups. Management by exception (passive) did not appear to be a cherished method of transactional leadership among either the ex-military group or the civilian group of entrepreneurs.

Table 4

*ANOVA Test on Transactional Leadership Characteristics*

| Dimension/Component               | <i>df</i> | <i>F</i> | <i>P</i> |
|-----------------------------------|-----------|----------|----------|
| Contingent reward                 | 94        | 0.356    | 0.552    |
| Management by exception (active)  | 92        | 16.671   | 0.000    |
| Management by exception (passive) | 95        | 0.060    | 0.807    |

An ANOVA test of significance was conducted; the results indicated that there was no significant difference at the 0.05 level of significance between the ex-military group and the civilian group of entrepreneurs for both contingent reward and management by exception (passive) dimensions of transactional leadership.

The results in Table 4, however, indicate that there was a significant difference between the ex-military entrepreneurs and the civilian entrepreneurs on management by exception (active) dimension of transactional leadership at the 0.05 level of significance.

Therefore, both the ex-military group and civilian group of entrepreneurs were not significantly different in applying contingent reward and management by exception (passive). The ex-military entrepreneurs were keener in searching subordinates' mistakes (management by exception-active) than their civilian counterparts.

#### *Laissez Faire Leadership Style*

Laissez faire is considered a non-leadership style. Under laissez faire leadership, leaders actually abdicate their responsibility and avoid making decisions. Ardichvili (2001) asserted that taken to its extreme, laissez faire leadership entails a "sink-or-swim" strategy. The laissez faire leadership style, therefore, does not have distinct characteristics that can be identified. In most cases, the laissez faire leader observes events as they happen and events are left to take their own course. In this study, only questions were asked that assessed whether the entrepreneur employed laissez faire methods.

The results in Table 5 indicate that the means for the ex-military group of entrepreneurs and civilian group of entrepreneurs were more or less the same. However, the civilian entrepreneurs had a slightly higher mean than the ex-military group. The ANOVA test of significance indicated that there was no significant difference between the ex-military group of entrepreneurs and the civilian group of entrepreneurs at 0.05 level of significance. Laissez faire is the least preferred leadership style in entrepreneurship. The observed homogeneity in the application of laissez faire style of leadership could be attributed to the fact that entrepreneurs possess some leadership skills regardless of their background. The only difference could be the extent of applications of the leadership skills already possessed.

Table 5

*Mean Scores for Laissez Faire Leadership Style by Entrepreneurial Type*

| Type of entrepreneur | <i>N</i> | <i>M</i> | <i>SD</i> |
|----------------------|----------|----------|-----------|
| Civilian             | 48       | 0.5677   | 0.6477    |
| Ex-military          | 50       | 0.5150   | 0.4085    |
| Total                | 98       | 0.5408   | 0.5369    |

*Note.*  $F = 0.234$ ;  $df = 96$ ;  $p = 0.630$ .

### Leadership Outcomes

In this study, based on the responses to the MLQ, the following three main aspects of leadership outcomes were included for comparison between the civilian group and the ex-military group of entrepreneurs: extra effort, effectiveness and satisfaction. In this section, the mean scores of these outcomes by entrepreneurial type are presented. With this information, a composite picture of the three variables are combined together to form one general outcome variable.

The results in Table 6 indicate that for the entire group, satisfaction had the highest mean; extra effort had the second highest mean; and effectiveness had the lowest mean. The results of Table 6 also indicate that the civilian entrepreneurs had slightly higher mean than their ex-military counterparts in satisfaction and effectiveness.

However, the ex-military entrepreneurs had a higher mean in extra effort than their civilian counterparts.

Table 6

*Outcomes Means by Type of Entrepreneur*

| Outcome       | Type of entrepreneurs | <i>N</i> | <i>M</i> | <i>SD</i> |
|---------------|-----------------------|----------|----------|-----------|
| Extra effort  | Civilian              | 48       | 2.9097   | 0.5617    |
|               | Ex-Military           | 50       | 3.0773   | 0.4431    |
|               | Total                 | 98       | 2.9932   | 0.5081    |
| Effectiveness | Civilian              | 45       | 2.9611   | 0.5460    |
|               | Ex-Military           | 50       | 2.9000   | 0.4818    |
|               | Total                 | 95       | 2.9289   | 0.5114    |
| Satisfaction  | Civilian              | 46       | 3.2717   | 0.4911    |
|               | Ex-Military           | 49       | 3.0204   | 0.5299    |
|               | Total                 | 95       | 3.1429   | 0.5242    |

Based on the results of ANOVA a test in Table 7 there was no significant difference between the ex-military and their civilian counterparts at 0.05 level of significance regarding both extra effort and effectiveness. It was only for satisfaction that there was a significant difference at the 0.05 level of significance between the two types of entrepreneurs. It appears that the group of civilian entrepreneurs felt more significantly satisfied with the kind of leadership style they were employing than the ex-military group of entrepreneurs. The military entrepreneurs appear to set higher goals for themselves than the civilian counterparts.

Table 7

*ANOVA Results of Outcomes by Type of Entrepreneur*

| Outcome       | <i>df</i> | <i>F</i> | <i>P</i> |
|---------------|-----------|----------|----------|
| Extra effort  | 1         | 2.574    | 0.112    |
| Effectiveness | 1         | 0.336    | 0.564    |
| Satisfaction  | 1         | 5.728    | 0.019    |

## Entrepreneurship Leadership Styles

Strong leadership is indeed necessary if enterprise development is to take root in Africa, and particularly in Kenya. According to Meyer (2004), a new form of leadership is critical for business development in Africa. He indicated that the solution to the perennial African poverty problem currently dominating the landscape is the lack of business leaders. Just as a nation depends on leaders and a strong leadership, so does business. Meyer suggests that, it is the leaders and their leadership abilities that create the energy needed to build the desired future and to add value to all stakeholders.

In this study, three leadership styles were considered and compared among two sets of entrepreneurs; the ex-military and the civilian entrepreneurs. The first leadership style was transformational leadership which Kuchinke (1999) described as entailing leading followers to overcome their own self-interest for a higher collective purpose, mission, or vision through inspiration, intellectual challenges and paying attention to individual development needs. The second style of leadership considered in the study was transactional leadership, which, according to Bass (1985), involves a process of

negotiation; offering subordinates rewards in exchange for the attainment of specific goals and completion of agreed upon tasks. The third form of leadership assessed in the study was laissez faire leadership. This is where a leader leaves everything to take its own shape or course. In the strict sense of the term, this is considered a non-leadership style.

Table 8

*Combined Mean for Leadership Styles*

| Leadership component | <i>N</i> | <i>M</i> | <i>SD</i> |
|----------------------|----------|----------|-----------|
| Transformational     | 89       | 3.2045   | 0.2660    |
| Transactional        | 90       | 2.3417   | 0.3712    |
| Laissez faire        | 98       | 0.5408   | 0.5369    |

The mean score results of Table 8 indicate that the predominant leadership style for the total group of entrepreneurs was transformational while the least predominant leadership style was laissez faire. Transactional leadership style was moderately applied by the two groups entrepreneurs.

*Leadership Styles and Type of Entrepreneurship*

Entrepreneurship is multifaceted in that it attracts business persons from all sorts of backgrounds. For the purpose of this study, entrepreneurs were selected and classified into two groups: ex-military and civilian entrepreneurs. The ex-military groups of entrepreneurs were former military officers who have since retired voluntarily or attained the mandatory age of retirement and had ventured into business in the service industry.

The civilian groups of entrepreneurs were considered as those who owned businesses in the service industry but had no military background.

In this study, civilian entrepreneurs were compared with their ex-military counterparts on the following three leadership styles: transformational, transactional and laissez-fair. The results are discussed below, however the results for laissez faire leadership style had been presented earlier.

*Transformational Leadership*

Table 9 shows a comparison of mean scores between the civilian group of entrepreneurs and the ex-military group of entrepreneurs. The results indicate that the ex-military entrepreneurs had a higher mean than that of the civilian entrepreneurs.

An ANOVA test of significance indicated that there is a significant difference between the civilian and ex-military entrepreneurs regarding transformational leadership at 0.05 level of significance. The military training tends to emphasize collective responsibility, and therefore the ex-military entrepreneurs found it much easier to overcome their self-interest for a higher collective purpose, mission, and vision than

Table 9

*Mean Score of Transformational Leadership Style by Entrepreneurial Type*

| Type of entrepreneurs | <i>N</i> | <i>M</i> | <i>SD</i> |
|-----------------------|----------|----------|-----------|
| Civilian              | 44       | 3.1080   | 0.3092    |
| Ex-military           | 45       | 3.2989   | 0.1724    |
| Total                 | 89       | 3.2045   | 0.2660    |

*Note.*  $F = 13.025$ ;  $df = 87$ ;  $p = 0.001$ .



civilian entrepreneurs. The military training could thus be said to help enhance transformational leadership skills significantly.

### *Transactional Leadership*

Table 10 shows a comparison of mean scores between the civilian group of entrepreneurs and the ex-military group of entrepreneurs. The results indicated that regarding transactional leadership, the ex-military group of entrepreneurs had a higher mean score than the civilian group of entrepreneurs. An ANOVA test of significance indicated that there was a significant difference between means for transactional leadership styles of the ex-military group of entrepreneurs and the civilian group of entrepreneurs at 0.05 level of significance. The ex-military and civilian entrepreneurs were significantly different in their application of transactional leadership skills in their enterprises. The military entrepreneurs applied this style significantly more than their civilian counterparts. The observed variations could be as a result of the differences in background of the two sets of entrepreneurs and especially due to military training of the ex-military category.

Table 10

### *Mean Scores for Transactional Leadership Style by Entrepreneurial Type*

| Type of entrepreneur | <i>N</i> | <i>M</i> | <i>SD</i> |
|----------------------|----------|----------|-----------|
| Civilian             | 41       | 2.1931   | 0.4384    |
| Ex-military          | 49       | 2.4660   | 0.2465    |
| Total                | 90       | 2.3417   | 0.3712    |

*Note.*  $F = 13.798$ ;  $df = 88$ ;  $p = 0.000$ .

## Relationship Between Leadership Styles and Leadership Outcomes

This section is divided into two parts. The first part presents the relationship between characteristics of leadership styles and leadership outcomes. The second part presents the relationship between leadership styles and entrepreneurship.

### *Characteristics of Leadership Styles and Leadership Outcomes*

In this study, five characteristics of the transformation style of leadership are considered. The five characteristics of transformational leadership considered in the study are: individualized influence (attribute), individualized influence (behavior), inspirational motivational, intellectual stimulation and individual consideration. For transactional leadership, three characteristics are considered. These characteristics are: contingent reward, management by exception (active), and management by exception (passive). A Pearson moment correlation was then carried out to establish the nature and extent of the relations between these characteristics and a composite of leadership outcomes in each category of style of leadership.

### *Transformational Leadership*

The results presented in Table 11 indicate that there was positive correlation between leadership outcomes and all five characteristics of transformational leadership. The relationships were found to be significant at 0.05 level of significance for: individual consideration, intellectual stimulation, and idealized influence (attribute). The relationship was, however, not significant at 0.05 level of significance for inspirational motivation and idealized influence (behavior).

The results indicate that the two groups of entrepreneurs were more inclined towards the leadership characteristics of: individual consideration, intellectual stimulation

and idealized influence (attribute). Idealized influence (behavior) was the characteristic least correlated with the leadership outcomes.

Table 11 below also indicates that there was a positive correlation between individual consideration and the other characteristics of transformational leadership style though not significant at 0.05 level of significance. Significant positive correlations at 0.05 level of significance were noted between intellectual stimulation and the other characteristics save for individual consideration. Inspiration motivation, idealized influence (behavior), idealized influence (attribute) were also positively and significantly correlated with one another at 0.05 level of significance.

#### *Transactional Leadership*

The second leadership style considered was transactional leadership. The results presented in Table 12 indicates that there is a positive relationship between leadership outcome and characteristics of transactional leadership of Management by Exception (Passive), and Contingent Reward with only Contingent Reward being significant at 0.05 level of significance. The study also found out that there is a significant negative relationship between management by exception active and the outcome at 0.05 level of significance. Thus as the entrepreneur applies more of management by exception (active) the leadership outcomes registers a downward trend. On the contrary contingent reward co-vary with leadership outcomes. Thus as the entrepreneurs scores on contingent reward increases so do their scores on leadership outcome.

Table 11

*Correlation Between Leadership Outcomes and Characteristics of Transformational Leadership*

| Characteristic                  | Statistics          | Outcome | Individual consideration | Intellectual stimulation | Inspirational motivation | Idealised influence (behavior) | Idealised influence (attribute) |
|---------------------------------|---------------------|---------|--------------------------|--------------------------|--------------------------|--------------------------------|---------------------------------|
| Outcome                         | Pearson correlation | 1.0000  | 0.428**                  | 0.474**                  | 0.203                    | 0.112                          | 0.296**                         |
|                                 | <i>p</i>            |         | 0.000                    | 0.000                    | 0.54                     | 0.290                          | 0.004                           |
|                                 | N                   | 92      | 92                       | 86                       | 91                       | 91                             | 92                              |
| Individual consideration        | Pearson correlation |         | 1.000                    | 0.122                    | 0.151                    | 0.146                          | 0.073                           |
|                                 | <i>p</i>            |         |                          | 0.247                    | 0.140                    | 0.157                          | 0.476                           |
|                                 | N                   |         |                          | 92                       | 97                       | 96                             | 98                              |
| Intellectual stimulation        | Pearson correlation |         |                          | 1.000                    | 0.256*                   | 0.242*                         | 0.380**                         |
|                                 | <i>p</i>            |         |                          |                          | 0.014                    | 0.022                          | 0.000                           |
|                                 | N                   |         |                          |                          | 91                       | 90                             | 92                              |
| Inspirational motivation        | Pearson correlation |         |                          |                          | 1.000                    | 0.484**                        | 0.420**                         |
|                                 | <i>p</i>            |         |                          |                          |                          | 0.000                          | 0.000                           |
|                                 | N                   |         |                          |                          |                          | 95                             | 97                              |
| Idealised influence (behavior)  | Pearson correlation |         |                          |                          |                          | 1.000                          | 0.221*                          |
|                                 | <i>p</i>            |         |                          |                          |                          |                                | 0.030                           |
|                                 | N                   |         |                          |                          |                          | 96                             | 96                              |
| Idealised influence (attribute) | Pearson correlation |         |                          |                          |                          |                                | 1.000                           |
|                                 | <i>p</i>            |         |                          |                          |                          |                                |                                 |
|                                 | N                   |         |                          |                          |                          |                                | 98                              |

\*Significant at 0.05 level of significance. \*\*Significant at 0.01 level of significance.

Table 12

*Correlation Between Characteristics of Transactional Leadership Styles and Leadership Outcomes*

| Characteristic                    | Statistics          | Outcome | Management by exception (passive) | Management by exception (active) | Contingent reward |
|-----------------------------------|---------------------|---------|-----------------------------------|----------------------------------|-------------------|
| Outcome                           | Pearson correlation | 1.0000  | 0.129                             | -0.298**                         | 0.212*            |
|                                   | <i>p</i>            |         | 0.224                             | 0.005                            | 0.046             |
|                                   | <i>N</i>            | 92      | 90                                | 87                               | 89                |
| Management by exception (passive) | Pearson correlation |         | 1.0000                            | -0.094                           | -0.237*           |
|                                   | <i>p</i>            |         |                                   | 0.372                            | 0.022             |
|                                   | <i>N</i>            |         | 96                                | 92                               | 93                |
| Management by exception (active)  | Pearson correlation |         |                                   | 1.000                            | 0.265*            |
|                                   | <i>p</i>            |         |                                   |                                  | 0.011             |
|                                   | <i>N</i>            |         |                                   |                                  | 91                |
| Contingent reward                 | Pearson correlation |         |                                   |                                  | 1.000             |
|                                   | <i>p</i>            |         |                                   |                                  |                   |
|                                   | <i>N</i>            |         |                                   |                                  | 95                |

\*Significant at 0.05 level of significance. \*\*Significant at 0.01 level of significance.

It is shown in Table 12 above that management by exception (passive) was significantly and negatively correlated with contingent reward at 0.05 level of significance. Negative correlation was also observed between management by exception (passive) and management by exception (active) though not significant at 0.05 level of significance. There was however a significant positive correlation between contingent reward and management by exception (active) at 0.05 level of significance. Thus chances of an entrepreneur employing contingent reward are significantly reduced for those entrepreneurs applying management by exception (passive) but significantly increased

for those employing management by exception (active). In addition entrepreneurs employing management by exception (passive) are unlikely to employ management by exception (active).

### Leadership Styles and Leadership Outcomes

Different leadership styles may be expected to result in different leadership outcomes. A combined score on leadership outcomes was used to assess the relationship between leadership styles and leadership outcomes. The results in Table 13 indicate that transformational leadership had a higher mean score than that of leadership outcomes. Both transactional and laissez faire leadership had relatively lower means than that of outcome. The only positive mean difference was between transformational leadership and leadership outcomes. The largest mean difference, though negative, was recorded between laissez faire leadership and leadership outcomes. The entrepreneurs who employed transformational leadership were more satisfied, more effective and applied more extra effort. The t-test of significance indicated that there were significant mean difference between the three leadership styles and leadership outcomes at 0.05 level of significance.

Further statistical analysis using regression analysis presented in Table 14 indicates that the transformational leadership style is the sole positive predictor for leadership outcomes. Transactional leadership was the best and significant negative predictor of leadership outcome. Table 14 indicates that laissez faire leadership was found to be a negative predictor of leadership outcomes though not significant at the 0.05 level of significance.

Table 13

*Mean Difference Between Leadership Styles and Outcomes*

| Pairs                                 | <i>M</i><br>difference | <i>SD</i> | <i>t</i> | <i>df</i> | <i>p</i> |
|---------------------------------------|------------------------|-----------|----------|-----------|----------|
| Transformational leadership - outcome | 0.1888                 | 0.3138    | 5.513    | 83        | .000     |
| Transactional - outcome               | -0.6905                | 0.5469    | -11.571  | 83        | .000     |
| Laissez faire leadership - outcome    | -2.4764                | 0.6907    | -34.392  | 91        | .000     |

In the case of transformational and laissez faire leadership styles, the results are consistent with the results of a study by Ardichvili (2001). However, the findings on transactional leadership styles are inconsistent with those of Ardichvili (2001) that found transactional leadership was a positive predictor of leadership outcomes.

Table 14

*Results of Regression Analysis for Leadership Styles and Outcomes*

| Models                      | Unstandardized coefficients |           | Standardized coefficients<br>Beta | <i>t</i> | <i>p</i> |
|-----------------------------|-----------------------------|-----------|-----------------------------------|----------|----------|
|                             | <i>B</i>                    | <i>SE</i> |                                   |          |          |
| Constant                    | 1.024                       | 0.428     |                                   | 2.390    | 0.019    |
| Transformational leadership | 0.788                       | 0.135     | 0.579                             | 5.835    | 0.000    |
| Transactional               | -0.208                      | 0.099     | -0.215                            | -2.102   | 0.039    |
| Laissez faire leadership    | -0.07259                    | 0.066     | -0.108                            | -1.106   | 0.272    |

*Note.*  $R = 0.584$ ;  $R$  Squared = 0.341; Adjusted  $R$  Squared = 0.314;  $F = 12.762$ ;  $df = 3$ ;  $p = 0.000$ .

This difference could be attributed to country differences or differences in the sample characteristics. Ardichvili's subjects were entrepreneurs and managers while in this study, focus was put on ex-military entrepreneurs and civilian entrepreneurs. As was expected, laissez faire was a negative predictor of leadership outcomes.

### Summary

The results of this study indicate that transformational leadership is the predominant leadership style between both groups of entrepreneurs. It also indicates that there was a significant difference between the ex-military entrepreneurs and their civilian counterparts in both transformational and transactional leadership styles. However, there was no significant difference between the two groups of entrepreneurs and laissez faire leadership styles. The transformational leadership style was the best positive and significant positive predictor of leadership outcomes. On the other hand, transactional leadership is the significant negative predictor of leadership outcomes.

It will be necessary for the test authors to clarify whether the instrument was designed to measure a self-perception of effort or was it designed to measure perception of whether or not employees put more effort.

Chapter 5 presents the discussion, conclusions and recommendation of the study. The findings in Chapter 4 provide the basic input for Chapter 5.



## CHAPTER FIVE

### DISCUSSION

Chapter 4 presented the research results regarding leadership characteristics as they relate to leadership styles. The results indicate that there were notable differences in the leadership styles and leadership characteristics between the following two groups: ex-military entrepreneurs and civilian entrepreneurs. This chapter presents the discussion, summary, conclusions, and recommendations of the study. Special attention was given to understanding the leadership styles of both ex-military and civilian entrepreneurs and the implications for leadership and entrepreneurship development in the service business sector in Kenya.

#### Discussion of Results

This study compared the leadership styles employed by a group of ex-military entrepreneurs and a group of civilian entrepreneurs. The results indicated that ex-military and civilian entrepreneurs do not form a homogenous group with respect to their leadership styles. The ex-military group of entrepreneurs had higher scores on the Bass and Avolio's MLQ5x leadership styles instrument than the civilian group of entrepreneurs. The ex-military group of entrepreneurs had higher scores for both transformational and transactional leadership skills. It was only in the laissez faire leadership style where the civilian group had slightly higher mean scores, but these scores were not significant at 0.05 level of significance. The difference in scores for the application of leadership styles could be attributed to the military officer training that highly emphasizes the critical importance of leadership (Kaithly & Tritten 1997).

The mean scores for both transactional and transformational leadership were significantly different at the 0.05 level. The military experience of the sampled entrepreneurs may have aided in their awareness of their leadership capabilities in regard to leadership characteristics. The results suggest that the type of leadership training used in the military may be appropriate for all potential entrepreneurs and those enrolled in vocational training institutions who want to become entrepreneurs in the future.

The predominant leadership style for the total group of entrepreneurs was transformational leadership. As defined earlier, transformational leadership emphasizes long-term perspectives. According to Ardichvili (2001), transformational leadership is particularly important in winning the confidence of the subordinates and making them feel that they are an essential part of the enterprise. Most entrepreneurs in the total sample preferred using a transformational style of leadership. This could be attributed to the fact that many small enterprises in Kenya may not have the resources, both financial and non-financial resources and incentives, needed to apply the transactional leadership style which is task-reward oriented.

Nelson and Muroki (1997) observed that an employee relation was a major start up problem among small enterprises in Kenya. A transformational leadership style may help to increase the confidence of subordinates over the long term since it emphasizes self-sacrifice and unites all the stakeholders in the enterprise to achieve a common value. As Knowling (2000) observed, leaders need to define a vision, articulate values and infuse both into every aspect of the business. This is particularly important for the small enterprises that expect to expand. If transformational leadership skills are invaluable for long-term enterprise expansion and success, then promoters of entrepreneurship

development in Kenya might want to adapt some elements of leadership training curriculum from the military, modify the curriculum and include it in entrepreneurship training programs for potential entrepreneurs.

According to Nafukho (1998), the content of much of the training for African entrepreneurs does not take into consideration the diverse needs of entrepreneurs. As a result, entrepreneurship training in Africa has been primarily a general training. Due to limited financial and human resources in Africa, general training may not be appropriate and it is very expensive in the long term. It is imperative that training priorities be established according to where the greatest payoffs, in terms of entrepreneurial skills, will occur. However, the available database on entrepreneurial training is limited and more resources should be directed into research regarding the diverse needs of the entrepreneurs.

Analysis of the relationship between leadership styles and leadership outcomes, which is the entrepreneurs' perception of level of satisfaction, input of extra effort and effectiveness of their leadership approaches, indicated that transformational leadership is the best positive predictor of leadership outcomes. This is concomitant with Kelloway and Barlings (2000) who reviewed a number of studies and concluded that results into positive organizational outcomes. Furthermore, the results of the current study indicated that transformational leadership style was positively correlated to leadership outcomes. Keithly and Tritten (1997) observed that transformational leadership is an essential key element in situations demanding innovation and creativity and that transformational leadership is particularly important in times of stress and disorganization. This may explain why the total sample of entrepreneurs in the study preferred a transformational

style of leadership to other forms of leadership. Entrepreneurs need high skills in innovation and creativity; however, they are often bogged down by stressful and occasional disorganized work situations (Nelson & Kibas, 1997, 103).

The results of this study, however, indicated that transformational leadership is by no means a substitute of transactional leadership but rather it complements transactional leadership. The mean scores for some characteristics of transactional leadership were found to be fairly high and almost equal to those of transformational leadership. The results indicate that even though the entrepreneurs were willing to apply transformational leadership, they were also ready and able to apply contingent reward and management by exception (active), which are two out of the three characteristics of transactional leadership. Because subordinates need to be empowered, visionary leadership needs to have mechanisms for both positive and negative rewards. Ardichvili (2001) observed that transformational leadership is never a substitute for transactional leadership, but it rather complements the latter. According to Parry (2000) transactional leadership is a basic competency for managers, and that the extra values of transformational leadership makes managers fully effective leaders.

### Conclusions

Transformational leadership is an important characteristic in enterprise development and much effort is needed to equip entrepreneurs with such leadership skills. It is also significant that officer training in the military does appear to enhance transformational leadership skills. The results of this study indicate that incorporating leadership training as part of the training for the entrepreneurs may improve business

success while minimizing business failures. The future of SMEs might hinge on the leadership style adopted by the owners of these enterprises.

The study concludes that it is important for the entrepreneurs to create an environment that will make the subordinates feel they are part of the firm. This is particularly important if they are to pursue the entrepreneur's goals. A participatory form of leadership is particularly important in entrepreneurship. Subordinates should be given an opportunity to challenge their own and others beliefs. This will enhance creativity and innovativeness in the enterprise.

### Recommendations

This section presents recommendations for future action. Three sets of recommendations are presented: recommendations for practice, recommendations for policy makers and recommendations for further research.

#### *Recommendations for Practice*

Improved business performance is a primary goal of every entrepreneur, their supporters and the country in which they operate. Based on the results of the study, it is recommended that leadership training used in officer training in the military be adopted for use in training civilian entrepreneurs. Such military leadership training may help in the following ways: improve the level of personal sacrifice; equip entrepreneurs with skills necessary to handle crises and overcome obstacles; enhance the enterprise level of self confidence; promote team work in the firm by enhancing important values, beliefs, and a sense of mission; enable the entrepreneur to communicate a vision with confidence; enhance attainability of vision through increased optimism and enthusiasm; allow space

for high level creativity and innovativeness; and enhance the ability of the entrepreneur to search, identify and correct mistakes.

Because military officers already possess many of the entrepreneurial characteristics needed in business, entrepreneurship training programs should be established for serving military officers who are about to retire.

International donors might provide programs for providing entrepreneurial training and loans to ex-military officers. The rationale is that this group of potential entrepreneurs has many of the essential qualities that are needed to be entrepreneurial and initiate small and medium enterprises in a developing country.

It would be important for the entrepreneurs to apply transformational leadership not as a substitute to transactional leadership but as a complement. Some characteristics of transactional leadership such as management by exception (active) and contingent reward could be of great benefit.

#### *Recommendations for Policy*

The development of the small enterprise sector depends on the policies that facilitate small enterprise development. Appropriately informed policies are likely to have a great bearing on the future development of the small enterprise sector in Kenya. It is recommended that training for leadership in the private enterprise sector should be made an important component of the development strategy for the small enterprise sector. Kenyan policies should be revised to highlight leadership development for the small enterprise sector.

Policy makers should understand the diversity of entrepreneurs before formulating policies on entrepreneurs. Entrepreneurs do not begin as equals, and this

inequality needs to be recognized at policy level to enable programmatic interventions into small enterprise development activities that can reach as many potential entrepreneurs as possible.

The Government of Kenya might consider a policy that stresses the need to continue its support for military personnel once they retire from military service. In some developing countries, it is the military that is behind many of the coup attempts or undemocratic changes in governance. Finding positive alternatives for retired military officers may channel their energies in more positive and productive activities. Entrepreneurship is a viable career for retired military personnel, especially military officers.

Because of international donor encouragement and the attendant benefits to privatize government institutions to reduce waste, a policy may be designed to give preference to businesses that are owned by ex-military entrepreneurs that do business with the military.

In designing leadership training, particular attention should be paid to such characteristics as charismatic leadership, idealized influence (attribute) and idealized influence (behavior); inspirational stimulation; intellectual stimulation; contingent reward; and management by exception (active).

#### *Recommendations for Further Study*

Continued research in entrepreneurship, particularly in Africa where very little is known about entrepreneurs, is important and necessary. Based on the experience and findings of this study, the following recommendations for further study are suggested.

A similar study might be conducted for different command levels, arm of service and other professional areas to broaden the horizons of choice from which to pick the characteristics to include in training packages for entrepreneurs.

There is a need for comparative studies between different countries to establish whether these findings are only peculiar to Kenya. In addition, conducting regional studies could generate more knowledge.

Studies might be conducted with entrepreneurs in sub-sectors other than the service industry to establish whether the findings of this study are unique to the service sub sector in Kenya.

Leadership should be studied in addition to other factors, such as education level, to determine the relative contribution of leadership to enterprise development.

Future research might expand the parameters to include collecting of data from employees, clients and others who interact with entrepreneurs. This data would provide a more complete picture of the impact of leadership skills on the operations of a business.

Further research might be conducted to determine the impact of transformational leaders, both ex-military entrepreneurs and non-military entrepreneurs, have on the performance of their employees and their firms. The linkage between business performance and leadership has not received much attention in the research literature. Regarding small business, however, Ardichvili (2001) did study the leadership styles of business owners and their managers. His findings indicated that small business owners exhibited more inspirational and charismatic behaviors than their counterparts in larger businesses. Future research might focus on the relationships between leadership performance styles as they relate to various company performance indicators.



Future research might focus on each of the factors in the MLQ as they relate to the ex-military and non-military groups. Such studies might reveal additional differences between the two groups.

Future studies might compare the leadership styles of small business owners and owners of large firms. Are the leadership skills learned in the military more appropriate for ex-military officers who own small firms, medium firms or large firms?

Research regarding leadership training in the military and its transportability and relevance to preparing private sector entrepreneurs should be studied. Can specific leadership skills learned in the military be transferred to private sector practice? To what extent are these leadership skills an advantage or disadvantage for ex-military entrepreneurs in the private sector?

Command and control leadership styles, which are appropriate for military officers may not be appropriate in the private sector. Future search might focus on the adjustments and modifications of leadership styles that ex-military officers have to make to become successful entrepreneurs in the private sector.

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## VITA

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