

**ORGANIZATIONAL CULTURE, LEADERSHIP STYLES AND
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN
UGANDA. “ A CASE STUDY OF JINJA DISTRICT.”**

By

Aketch Anyango Everline

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Supervisors

Prof. Benon Basheka

Uganda Technology and Management University

Dr. Vincent Bagire

Makerere University Business School

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Introduction

Small and Medium Enterprises (SMEs) are considered to be engines of all economies specially in emerging economies where they account for over 70 percent of employment in the private sector (Ankunda,2010; Nugi, 2012, Ernst and Young , 2011) and account for more than 95 percent of all firms outside the primary agriculture sector (OECD, 2004). While their contribution to national development is uncontested, their high failure rates is an area of scholarly and policy concern (Neneh, 2012; Kze, Thiam and Seng, 2013; Global Entrepreneurship Monitor (GEM) ,2004). This study intends to examine the relationships between organizational culture, leadership styles and performance of SMEs in Uganda.

In this introductory chapter, the background to the study is developed before giving the statement of the problem, purpose, objectives, the research questions, hypotheses, scope and significance of the study. The chapter also justifies the study and operationally defines key terms and concepts. The next section turns to the background.

1.2 Background to the Study

1.2.1 Historical Background

The importance of SMEs in world economies is well documented due to the fact that world over SMEs make up the largest business sector accounting for more than 95 percent of all firms outside the primary agriculture sector (OECD, 2004). In accordance to OECD (2004) SMEs contributed to over 55 percent of GDP and over 65 percent of total employment in high-income countries, about 70 percent of total GDP and over 95percent of total employment in middle-

income countries and over 60 percent of GDP and 70 percent of total employment in low-income countries.

In East Africa, SMEs are also considered as engines for economic development and growth. For instance in Kenya, SMEs contribute to 50 percent GDP (Kihimbo *et al*, 2012; Bowen, Morara and Mureithi, 2009; and Ernst and Young 2011) while in Tanzania the GDP contribution by SMEs is estimated at 33.3percent (Ministry of Industry and Trade (MIT), 2003 and Ernst and Young, 2011). In Uganda SMEs are considered the backbone of the economy providing substantial percentage of new jobs as well as play crucial role in income generation (UIA, 2008). SMEs in Uganda make up 90 percent of the private sector (Eyaa and Ntayi, 2010) With a employment growth of 20 percent per annum (Ernst and Young, 2011). They contributes to approximately over 70 percent to GDP (Ankunda, 2010 and, Eyaa and Ntaye, 2010)

Despite their potential contribution to the world economy, SMEs face high failure rates ranging from a high rate of 80 percent in the first three years of operation in the U.S.A. to over 50 percent in Australia, France and New Zealand (Tung, 2008). In Africa the death rate is above 75 percent in the first year (Neneh and Zyl, 2012 and Badagawa, 2011) and poor performance levels (Jocumsen, 2004). In East Africa, Kenya records SMEs failure of 60 percent in the first few months (Bowen *et al*, 2009). As observed by OECD (2004) for every one business that is established another collapses in Uganda. A number of factors have been identified to contribute to SMEs performance

Organization culture is one of the key factor that determines the performance of organizations (Marcoulides and Heck, 1993; Denison and Mishra, 1995; Raudan et al, 2008, Tajudin et al, 2012). A number of scholars agree that organizational culture is not only an important factor of

an organization but also a central driver of superior business performance. This is attributed to its ability to influence is imperative organizational change efforts as well as aid sustained competitive edge (Abu-Jared, Yusof and Nikbin, 2010 and Yilzam and Ergun, 2008). As argued by Timtime (2008), the prevailing organizational culture whether strong or weak determines the overall performance of SMEs.

Besides organizational culture, performance is also influenced by leadership style (Bass, 2000; Leon, 2010, Abu-jared et al, 2008 and Omojola and Siddiq, 2013). Understanding that organizations operate in an increasingly volatile and turbulent environment, appropriate leadership styles capable of leading the organization and its members in coping and adjusting with the changes is required (Omojola and Siddiq, 2013).

The origin of organizational culture can be traced to the 1970s (Mckenzie, 2010; Dashpande and Webster, 1989; Ouchi and Wilkins, 1985; and Hatch Mary, 1993), although the concept of culture has been central to anthropology studies over a century. In accordance to Dashpande and Webster (1989), organizational culture merged out of Pettigrew (1979) research on a private British boarding school. However, it was not until 1980s that various scholars (Deal and Kennedy, 1982; Ouchi, 1981; and Pascale and Athos, 1981) developed keen interest in the concept of culture as applied to organizational functionality. This was due to the realization that the traditional model of organizations did not always help them understand observed difference between organizational goals and actual outcomes as well as between strategy and implementation. McKenzie (2010) adds that, the additional interest was also premised on the assumption that strong organizational culture could lead to a competitive edge for the firm.

Unlike organizational culture that is relatively newer, Warrick (1981) submits that leadership styles studies emergence is attributed to Ohio State University studies that began in 1945. He notes that the study identified two dimensions of leadership behavior known styles that included consideration and initial structure. Consideration focused on rapport creating between the leader and the subordinate, with emphasis on mutual respect, understanding, trust and warmth between the supervisor and the supervised. On the other hand initial structure defined the process laid by the leader to help smooth interaction between/among the employees, in terms of planning, scheduling, role assignment and productivity among others aimed at the achievement of the overall goals.

1.2.2 Theoretical Background

Organizational culture, leadership styles and performance are linked by three theories of the resource-based view (RBV), dynamic capabilities (DC) and contingency theories.

Resource-Based View

Resource based view, considers a firm as a bundle of resources. The bundle of resources both tangible and intangible which must be valuable, rare, inimitable and non-substituable (Barney, 1991). The organization uses these resources to achieve competitive advantage which is a conceptual measure of performance (Barney, 1991; and Menon and Mohanty, 2008). In explaining resource based view, Barney (1991) argues that, the achievement of sustained competitive advantage is by implementing strategies that take advantage of internal strength (resources) to respond to external opportunities while negating external threats through avoiding internal weaknesses. However, owing to some of inherent weaknesses associated with the preposition of resource based view, dynamic capabilities theory was introduced (Teece and Pisano, 1994).

Dynamic Capabilities Theory

Teece and Pisano (1994) and Teece, Pisano and Shuen (1997) define dynamic capabilities as the ability of the firm to extend, modify and reconfigure internal and external competencies to meet the rapidly changing environment. Prieto and Smith (2006) add that the adaptation is not by necessarily undertaking constant change but rather in the firm's potential to extend, modify or create internal resources and routines as appropriate.

In line with the above prepositions, Teece and Pisano (1994) argue that the ability of a firm to achieve a competitive advantage lie in its dynamic capabilities rooted in high performance routines found within the firm as reflected in the firm's processes. The implication is that those organization that are able to create value adding process can realize competitive advantage Ehtesham, Muhammad and Muhammad (2011) posits that "organizational culture is a valuable source of a firm's competitive advantage. It shapes organizational procedures, unifies organizational capabilities into a cohesive whole, provides solutions to the problem faced by the organization, and, thereby, hindering or facilitating the organization's achievements of its goals" (pp, 2). Further, the ability of the leaders to motivate others and direct the organization to adapt to the rapidly changing environment is essential for the organization success (Bass, 2000).

Dynamic capabilities theory has although been criticized due to the notion that the value of capabilities is defined in terms of their effect on performance. Additionally, dynamic capabilities can only be inferred while looking at apparently successful organizations over a sustained period of time and not easily within the short term (Menon and Mohanty, 2008; and, Prieto and Smith, 2008).

Contingency Theory

Contingency theory argues that there is no single best way of managing organizations (Raduan *et al*, 2009) since each organization faces unique sets of internal and external constraints. Organizational success, therefore, will depend on the organization's ability to diagnose and understand situational factors like environment, and adopt organizational processes and structure that will enhance its performance (Moorthy *et al et al*, 2012 and Ogbonna and Harris, 2000).

Donaldson (2006) submits that an organization that is able to achieve a fit with its environment is able to enjoy higher performance. This view is also shared by Lumpkins (1996) who asserts that the congruence between environment, structure and strategy is critical for realizing best performance. Thus the ability of SMEs to use the available resources in a manner that takes into account contingencies within its operating environment, with the understanding that no one situation fits all, will enable them attain increased performance to ensure survival.

Some of the factors that have been considered to help organizations achieve leverage in their environment include organizational culture and leadership styles (Dashpande and Webster, 1989; and Ogbonna and Harris, 2000). The theory, however, suffers from being static. It views an organization as being able to gain fit within the environment every time thus being able to remain in equilibrium (Donaldson, 2006). As further noted by Stacey (1993), this theory does not take into account circular causation in which the structure of the organization causes the organization to follow a certain pattern of action which may create certain kinds of environment to which they respond.

1.2.3 Conceptual Background

This section defines key study variables of organizational performance, organizational culture and leadership styles and industrial dynamics.

Organizational Performance has been defined as the organization's ability to attain its goals by using resources in an efficient manner (Gekonge, 2005). Herath and Rosli, 2013) add that performance is the comparison of the value created by the firm with the value owners expected to receive from the firm, sometimes referred to as "firm's success." The measurement of the attainment of goals can be achieved by both financial and non-financial measures (Sadik, 2012, and Abu-Jared *et al*, 2010). This study will adopt profitability, sales volume and employee growth (Soriano and Castrogiovanni, 2009; Ogbonna and Harris, 2000 and Sidik, 2012) as measures of SMEs performance.

On the other hand organizational culture has been defined by Schein (2009) as "a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problem," (pp, 27). Hofstede (2011) refers to this as "the collective programming of the mind that distinguishes the member of one group or category of people from the other" (pp, 3).

In accordance to Denison and Mishra (1995) the types of behavior and the organization way of life can be manifested through certain traits that include involvement, consistency, adaptability and mission traits that are adopted in solving problems (Marcoulides and Heck, 1993). These traits will be used as measures of organizational culture in this study.

Leadership is defined as the ability of one to influence others towards the attainment of set goals and objectives (Daft, 2003). Luthans (2005) add that it involves aligning people toward a common goal as they are empowered to take necessary actions required to achieve the set goals. Leadership style will be measured using majorly two dominant styles, transformational and transactional (Bass, 2000; Avolio, Bass and Jung, 1999).

Small and Medium Enterprises (SMEs) are defined differently based on the number of employees, values of sales and or value of assets (Organization of Economic Cooperation and Development (OECD), 2004) depending on the country (USITC, 2010). In Uganda a small enterprise employs a workforce of 5-50 workers and or has an annual sales turnover of a maximum of Ugandan shillings 360 million and total assets of maximum of Ugandan shillings 360 million; while medium enterprise is one with 50-100 employees and or has an annual sales turnover of more than Ugandan shillings 360 million and total assets of more than Ugandan shillings 360 million (Kasendeke and Opondo, 2003; and Ernst and Young, 2011).

1.2.4 Contextual Background

Like the rest of Africa and the world, SMEs in Uganda are seen as vehicles for employment creation and income generation through self-employment (Kasekende and Opondo, 2003, Ernst and Young, 2011). They are also considered as the backbone of Uganda's economy (UIA, 2008). This owes to the fact that they employ over 90percent of the private sector (Badagawa, 2011) and contribute approximately 70 percent of total GDP (Ankunda, 2010) with an employment growth potential of 20percent per annum (Ernst and Young, 2011). In accordance to Ernst and Young (2011) they are actually the nursery bed of workforce for larger organizations.

The report of Uganda Bureau of Statistic (2011), show that Uganda had a total of 458106 business establishments of which only 30percent were SMEs. Majority of the business approximately 61percent were in trade business, 14 percent were in the accommodation and food services, 9 percent were in recreation and personal service, 6percent were in manufacturing sector while the others that included agriculture, forestry, mining and quarrying, food processing, construction and transport accounted for 2 percent each. In terms of distribution by region 30 percent of the business were located in Central region, 29 percent in Kampala, 18percent in Western region, 15percent in Eastern region and 8percent in Northern region.

Jinja that is found in Eastern Uganda recorded 130 manufacturing firms and 132 of accommodation and food service firms respectively. This represents approximately 19.6% of the total firms found within each of these sectors of the registered SMEs in Eastern Uganda (UBOS, 2011). Jinja District was once known to be an industrial hub of Uganda between the 1960s and 1970s and is also considered to be a tourist attraction center due to River Nile (Jinja Profile, 2010).

Despite a number of incentives by the Government of Uganda (Ernst and Young, 2011 and Uganda Investment Authority, 2008, Turyahebwa *et al*, 2013), a number of studies in Uganda show that SMEs continue to be bedeviled with performance and survival challenges leading to high failure rates estimated at 50% collapse between the first and five years (Nangoli *et al*, 2013, Eyaa and Ntayi, 2010; Ernst and Young, 2011; Namatovu *et al*, 2010; Badagawa, 2011 and Uganda Investment Authority, 2008). Among the challenges identified that affect SMEs performance include inability to access finance (Kasendeke and opondo, 2003), lack of professionalism in terms of procedures, decision-making processes, business planning and management in general (Ernst and Young, 2011).

1.3 Statement of the Problem

SMEs in Uganda continue recording low profits, sales growth and employee growth (Owonda, Okello and Okello, 2013; Turyahebwa *et al*, 2013; and Kazooba, 2006). This has led to high SMEs failure rates approximated at above 50 percent annual closure. (Nangoli et al, 2013; Eyaa and Ntayi, 2010; Ernst and Young, 2011; UIA, 2008, and Badagawa, 2011). A number of studies have identified poor supervision by managers, lack of business management, entrepreneurship and managerial incompetence in terms of skills, knowledge and experience as some of the internal causes of SMEs failures (Nangoli *et al*, 2013; and Odeng, 2011 and ; Ernst and Young, 2011). However, dearth studies have considered the combined effect of organizational culture and leadership styles in influencing members towards the attainment of the firm's performance goals and objectives which are integral part of management. This is despite, the two variables being recognized as central drivers of organizational performance (Abu-Jared, Yusof and Nikbin, 2010; Yilzam and Ergun, 2008; and Ogbonna and Harris, 2000).

Undertaking a study to establish the combined effect of organizational culture and leadership styles as moderated by industrial dynamics possible predictive influence on SMEs performance in Uganda will make a contribution towards finding solutions to the continued current high failure rates. This is in line with resourced based view, dynamic capabilities and contingency theories that underscore the importance of these intangible resources in enhancing performance (Tajudin, Musa and Musa, 2012).

The study will also contribute to the dearth studies on the combined effect of organizational culture and leadership styles on performance as well as lead to development of a model suitable for SMEs within developing economies (Oju, 2010).

1.4 Purpose of the Study

The purpose of this study is to establish the effect of organizational culture and leadership styles on the performance of SMEs in Uganda as moderated by industrial dynamics.

1.5 Research Objectives

1. To establish the extent to which organizational culture influences performance of SMEs in Uganda
2. To assess the relationship between leadership styles and performance of SMEs in Uganda
3. To establish the combined effect of organizational culture and leadership styles on performance of SMEs in Uganda
4. To establish the moderating effect of industrial dynamics on the relationship between organizational culture, leadership styles and performance of SMEs in Uganda

1.6 Research Questions

1. To what extent does organizational culture influence performance of SMEs in Uganda?
2. To what extent do leadership styles influence performance of SMEs in Uganda?
3. What is the combined effect of organizational culture and leadership styles on performance of SMEs in Uganda?
4. What is the moderating effect of industrial dynamics on the relationship between organizational culture, leadership styles and performance of SMEs in Uganda

1.7 Hypotheses of the Study

H₁: Organizational culture has a significant positive influence on performance of SMEs.

- H_{1a}: There is a significant positive relationship between involvement culture and performance of SMEs.
- H_{1b}: There is a significant positive relationship between consistency culture and performance of SMES.
- H_{1c}: There is a significant positive relationship between adaptability culture and performance of SMES.
- H_{1d}: There is a significant positive relationship between mission culture and performance of SMEs.
- H₂: Leadership styles have significant positive influence on performance of SMEs.
- H_{2a}: Transformational leadership has a significant positive influence on performance of SMEs
- H_{2b}: Transactional leadership positively influences performance of SMEs
- H₃: There is a positive relationship between the combined effect of organizational culture and leadership styles on the performance of SMEs.
- H₄: Industrial dynamics positively moderates the relationship between organizational culture, leadership styles and performance of SMEs in Uganda

1.8 Significance of the Study

- 1 This study seeks to contribute to the dearth literature on studies that address the effect of organizational culture and leadership styles on SMEs performance especially in the context of developing countries in addressing the high failure rates among SMEs
- 2 The study is also envisaged to make a contribution to the current dearth research that have looked at the combined effect of organizational culture and leadership styles on organizational performance (Ogbonna and Harris, 2000 and Alnasseri, Osborne and Steel, 2013)

- 3 The findings of this study may also be used by manager/owners of SMEs in adopting appropriate organizational culture and leadership styles to enhance their firm's performance since it seeks to establish a model that will be appropriate to SMEs in Uganda and a developing world context.
- 4 Understanding that there is no specific policy addressing SMEs in Uganda (Ernst and Young, 2011), the findings of this study may be useful to policy makers in developing training manual and policies that will encourage development and adoption of appropriate organizational culture and leadership style in Ugandan SMEs.

1.9 Justification of the Study

A lot of research has been undertaken in developed countries like USA,UK and emerging economies on the performance of SMEs (Falshaw, Glaister and Tatoglu, 2006; Faud, 2001; Elbanna, 2008; Shihab, Wismiarsi and Sine 2011 Nenen and zyl, 2012) .However, there is scarce literature in developing countries on the SMEs and, the influence of organizational culture and leadership styles on their performance (Oju, 2010) and more specifically in the Small and Medium Enterprises, unlike developed and emerging economies (Denison and Mishra, 1995; Zaheer, Rehman and Ahmad, 2006; Shihab et al, 2011; Tidor et al, 2012; and Hajipour and Ghanarati, 2012; and Yang, 2008).

The findings from the developed and emerging economies cannot be invoked with full confidence in understanding less developed countries like Uganda (Oluko, 2003) taking into account contingency theory argument. This is despite organizational culture and leadership styles still being viewed as the missing link in advancing the understanding of behavioral dynamics

within organizations which influence organizational performance (Moon, Quigley and Marr, 2011, and Alnasseri *et al*, 2013).

Secondly, considering the importance of SMEs to the economic development of the country, research to contribute towards finding solutions in enhance their survival is very vital. Lastly scholars like Ogbonna and Harris (2000) have called for further research on the relationship between organizational culture, leadership styles and performance within a different context other than developed countries.

1.10 Scope of the Study

Content scope

The study will focus on the effects of organizational culture, leadership styles and performance of SMEs as moderated by industrial dynamics. Organizational culture will be measured using the four dimensions of Denison and Mishra (1995) that include involvement, consistency; adaptability and mission, leadership styles will be measured using transformational and transactional styles (Bass, 2000; Yang, 2008 and Arham, 2014) while performance will be measured by profitability, sales growth, and employee growth (Soriano and Castrogiovanni (2010); Falshaw et al (2010 and Chong, 2008). On the other hand industrial dynamics will be measured by changes in customers taste and preferences, number of competitor, changes in technology and innovations and threat of substitutes (Ting, Wang and Wang, 2012; Mian, Baiyin and Hai, 2011; and Porter, 2008)

Geographic Scope

The study population will be drawn from SMEs found in the Jinja District. Jinja District is located in the Eastern part of Uganda. It was once known to be an industrial hub between the 1960s and 1970s and is also considered to be a tourist attraction center due to River Nile (Jinja Profile, 2010). Additionally a number of studies have previously focused mainly in Kampala (Nangoli et al, 2013; Eyaa and Ntayi, 2010; and Apolot, 2012).

1.11 Operational Definition

Performance in this study will be viewed as how well an organization achieves its set goals and aims, with a view of remaining competitive, profitable as well as ensuring survival as measured by profitability, sales volume and employee growth as well as overall performance (Soriano and Castogiovani, 2010; Sadik, 2012 and Chong, 2008).

Organizational culture is how a group of people in an organization view and conduct activities while undertaking to achieve the organizational aims, that is, the way things are done within the organization. This is reflected in terms of involvement, consistency, adaptability and mission Denison and Mishra, 1995; and Denison, Janovics, Young and Cho, 2006).

Leadership style is the attitude and approach adopted by the leader in terms of dealing with his/her subordinates as they execute their responsibilities of achieving set organizational goals. Leadership style can be classified as either transformational (charisma/inspirational, intellectual stimulation, and individualized consideration) or transactional (contingent reward, active management by exception and passive management by exception) (Avolio, Bass and Jung, 1999).

SMEs in this study are defined as enterprises that employ a workforce of 5-50 workers and or have annual sales turnover of a maximum of Ugandan shillings 360 million and total assets of maximum of Ugandan shillings 360 million for the case of small enterprises; while medium enterprises are ones with 50-100 employees and or have annual sales turnover of more than Ugandan shillings 360 million and total assets of more than Ugandan shillings 360 million as defined by the Government of Uganda (Ernst and Young, 2011).

2.0 CHAPTER TWO

2.1 LITERATURE REVIEW

2.1.1 Introduction

The literature review focuses on the effects of organizational culture, leadership styles and performance of SMEs while reviewing various theories that have been used to explain competitive advantage in firms. It is organized in 4 sections; review of various theories and conceptual framework, an understanding of organizational culture, leadership styles and organizational performance of SMEs as well as linkages between the three variables and synthesis of literature and research gap analysis. Literature sources include books and journals. This is aimed at providing insight into what has already been done within this area as well as guide in answering the research objectives.

2.1.2 Theoretical Review

Theories that explain a competitive advantage and survival of the organization which is an indicator of organizational performance will be examined. In particular resource based view ,

dynamic capabilities and contingency theories will be examined. Barney (1991) suggests that an organization is able to achieve a sustained competitive advantage based on how it undertakes internal integration (reflected by strengths and weaknesses) to achieve external adaptation (opportunities and threats within the industry) under resource based view. On the other hand Teece, Pisano and Shuen (1997) argue that the ability of the organization to manage, coordinate and redeploy its internal and external competences is what will lead to competitive advantage, while contingency theory advocates note that since there is not one best way of managing all organization, an organization will only be able to succeed if they are able to achieve a fit between internal resources and situation that prevails within its external environment (Ogbonna and Harris, 2000; and Donaldson, 2006)

2.1.2.1 Resource Based View

Wright, Dunford and Snell (2001) report that Resource Based View (RBV) was based on the works of Penrose (1959), however, it's clear articulation is attributed to Wernerfelt (1984). Wernerfelt (1984) submits that organization's resources are its strengths and weaknesses. He thus defines resources as "those (tangible and intangible) assets which are semi-permanently to the firm" (pp. 172). He further asserts that the ability of the firm to achieve competitive advantage lies in the use of its resources and not the end product; the unique resources being used to realize competitive advantage both in the short and long run while being cognizant of its imperfect market environment.

Following the submission of Wernerfelt (1984), Barney (1991) points out that under resourced based view, a firm is able to achieve sustainable competitive advantage by implementing strategies that take advantage of internal strength to respond to external opportunities. The firm

should also be in position to negate external threats through avoiding internal weaknesses by using its unique resources not being held by competitors. In light of the above, the competitive advantage of the firm will thus lie in the heterogeneity of resources held across firm and the inability of the resources to be moved from one firm to the other (immobility). Additionally, these resources must have the characteristics of being valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991).

However, Barney (1991) warns that a sustained competitive advantage will only be realized if the resources are have the four characteristics of being valuable, rare, non-imitable and non-substitutable. This means that despite a resource having the first three characteristics (valuable, rare and non-imitable), if rivals within the industry are able to get alternative resources to use to copy similar strategies being implemented then no competitive advantage will accrue to the firm. According to Menon and Mohanty (2008) the success or failure of firms operating within the same environment is based on how they use the resources. They argue that for small firms their ability lies in their creativity in terms of using the available resources left open ('interstices') by larger firms to gain competitive advantage so as to gain success. As noted by Barney (1991), though a firm obtains no competitive advantage as a result of condition of competitive parity, a firm is still in position to increase their chances of survival.

Organizational culture is one of the factors that would provide the SMEs with the opportunity to build the ability needed to be creative in the environment dominated by large firms. Here organizational culture is measured in terms of involvement, consistency, adaptability and mission (Denison and Mishra, 1995). Leadership style is another variable that is able to unify and direct the entire organizational resources towards the achievement of set goals (Bass, 2000). This is taking into account that these are some of the intangible resources considered to meet

much of the qualities under the resource based view of the firm qualities. As posited by Barney (2001) intangible resources are considered to provide more competitive advantage compared to tangible resources.

Ogbonna and Harris (2000) undertook a study to establish the effect of leadership styles and organizational culture on firm performance drawing from resources based view theory. The study revealed that organizations that adopt organizational culture that helps in external orientation and adaptability were in position to achieve a sustained competitive advantage (Barney, 1991). Similar findings were obtained by a study undertaken in SMEs that showed that, strategic and operational market capabilities that are considered to have the ascribed qualities of resource based view have direct and positive impact on the overall business performance (Vijande, Perez, Gutierrez and Rodriguez, 2012). However, a study undertaken to assess the effect of IT on firm performance, however, suggested that possession of valuable, rare, inimitable and non-substitutable resources may not necessarily result in the firm capturing sustained competitive advantage (Annand, Wamba and Sharma, 2013)

Resource based view has although been faulted for not sufficiently explaining reasons for competitive advantage during rapid and unpredictable changes (Teece *et al*, 1997). Further, it is criticized for not providing linkages with market dynamics and processes involved in transforming resource advantage into competitive advantage since its focus is on the internal integration (Menon and Mohanty, 2008; and, Wang and Ahmed, 2007).

We can thus conclude that SMEs in Uganda need to develop organizational cultures and adopt leadership styles that are not only strong but also unique and not easily imitated by the

competitors with the ability to enable them adapt to changes in environmental conditions (Ogbonna and Harris, 2000).

2.1.2.2 Dynamic Capability Theory

Teece *et al* (1997) defines dynamic capability as the firm's ability to integrate, build and re-configure internal and external competences to address the rapidly changing environment. It is also referred to as the ability of a firm to utilize its resources effectively to achieve congruence with changing environment. The aim of congruence being competitive advantage and enhanced organizational performance (Teece and Pisano, 1994).

As noted by Menon and Mohanty (2008) dynamic capability theory was formulated to address weaknesses related to resource based view. Teece (2014) adds the assumptions of the development of dynamic theory was proposed on business environments where there was strong innovation-driven competition within a global context. Schein (2009) and Prieto and Smith (2006) observe that dynamic capabilities emphasize routine as reflect by learnt behaviors that are highly patterned repetitions linked to organization culture and leadership styles. The latter being the driving force behind changes in resources configurations that lead to organization's performance.

As argued by Teece and Pisano (1994) competitive advantage of a firm stems from dynamic capabilities rooted in high performance routines operating inside and embedded in the firm processes normally conditioned by its history. The process of re-configuring and adapting to the changes in the environment must be spear headed with clear leadership that is motivational and inspirational (Ogbonna and Harris, 2000).

Annand, Wamba and Sharma (2013) report that firms are able to capture performance gains from IT when they employ capabilities of IT to reconfigure their processes. Similarly Wu, He and Duan (2014) found out that firms that are able to follow certain organizational process that enables them to adapt and achieve strategic fit between external corporate social responsibility expectation and their internal resources were in position to realize corporate social responsibility management that eventually translate to superior business performance.

The performance of SMEs in Uganda will only improve if their organizational culture and leadership styles is able to help them utilize the internal resources to adapt and take advantage of opportunities offered with the environment taking into account the rapid and constant changes (Lunenburg, 2011; Carmeli and Tishler, 2004; and Obiwuru *et al*, 2011). As noted by Penrose (1959) in Kor and Mahoney (2004) the ability of an organization to achieve success despite limited resources is contingent on it undertaking to continuously find innovative and new ways of using available resources.

Dynamic capabilities theory has although been criticized due to the notion that the value of capabilities is defined in terms of their effect on performance (Menon and Mohanty, 2008). It is also argued that as much as dynamic capabilities are things that enable organizations to sustain competitive advantage, they can only be inferred while looking at apparently successful organizations over a sustained period of time (Prieto and Smith, 2008).

2.1.2.3 Contingency Theory

Contingency theory posits that there is no single best way of managing organizations (Raduan *et al*, 2009). This is premised on the assumption that each organization faces a unique sets of internal and external constraints (Moorthy *et al*, 2012; and Ogbonna and Harris, 2000). In

accordance to Moorthy *et al* (2012) and Ogbonna and Harris (2000), organizational success will depend on the firm's ability to diagnose and understand situational factors like environment while adopting organizational processes and structure that enhance its performance.

Rauch *et al* (2010) and Donaldson (2006) further points out that the contingency theory suggests that congruence or fit among key variables such as industry condition and organizational processes are critical in obtaining optimal performance. Lumpkins (1996) shares the above views by adding that the congruence between environment, structure and strategy are also critical for realizing best performance under contingency theory. In essence, the ability of SMEs to use the available resources in a manner that takes into account contingencies within its operating environment, under leadership styles that understands that no one situation fits all, will enable them attain increased performance and rate of survival.

Although as noted by Teece and Pisano (1994); Mian, Baiyin and Hai (2011), external environments sometimes referred to as industrial dynamics tends to dictate how an organization adapts as well as re-configure its resources and which leadership style to adopt (Ogbonna and Harris, 2000) to be able to realize competitive advantage.

In assessing how contingency factors influence organizational performance, Louis (2004) found out that while increasing both critical success factors and advanced manufacturing technologies directly impacted on operational performance, a mismatch between the two significantly reduced performances in SMEs in Canada. Furthermore, the results revealed that increasing uncertainty in SMEs environment leads to increased critical success factors but not increased assimilation of advanced manufacturing technologies. Similarly, a study undertaken by Ganescu (2012) in automotive industry revealed that organizations with strong and positive organizational culture

coupled with strategic research and development that addressed needs of stakeholders, were able to achieve outstanding social corporate performance

In essence, the ability of SMEs to use the available resources in a manner that takes into account contingencies within its operating environment, under leadership styles that understands that no one situation fits all, will enable them attain increased performance and rate of survival. Although as noted by Teece and Pisano (1994); Mian, Baiyin and Hai (2011), external environments sometimes referred to as industrial dynamics tends to dictate how an organization adapts as well as re-configure its resources and which leadership style to adopt (Ogbonna and Harris, 2000) in order to realize competitive advantage.

2.1.3 Conceptual Framework

Organizational culture is argued to be a glue that bonds people together while making them feel part of the organizational experience (Oju, 2010). In addition, Bass (2000) argues that leadership styles influences and motivates the employees towards the attainment of organizational goals. A number of scholars have found out through a number of studies that both organizational culture and leadership styles have direct and in some case indirect influence on organization's performance (Denison, 1990; Denison and Mishra, 1995; Schein 1990; Ogbonna and Harris, 2000; Oju, 2010; Oluko, 2003; Leon, 2010; Abu-jared *et al*, 2008 and, Omojola and Siddiq, 2013). Nevertheless, environment in which an organization operates influences the type of culture and leadership that eventually impacts on the organization performance (Mian *et al* 2011).

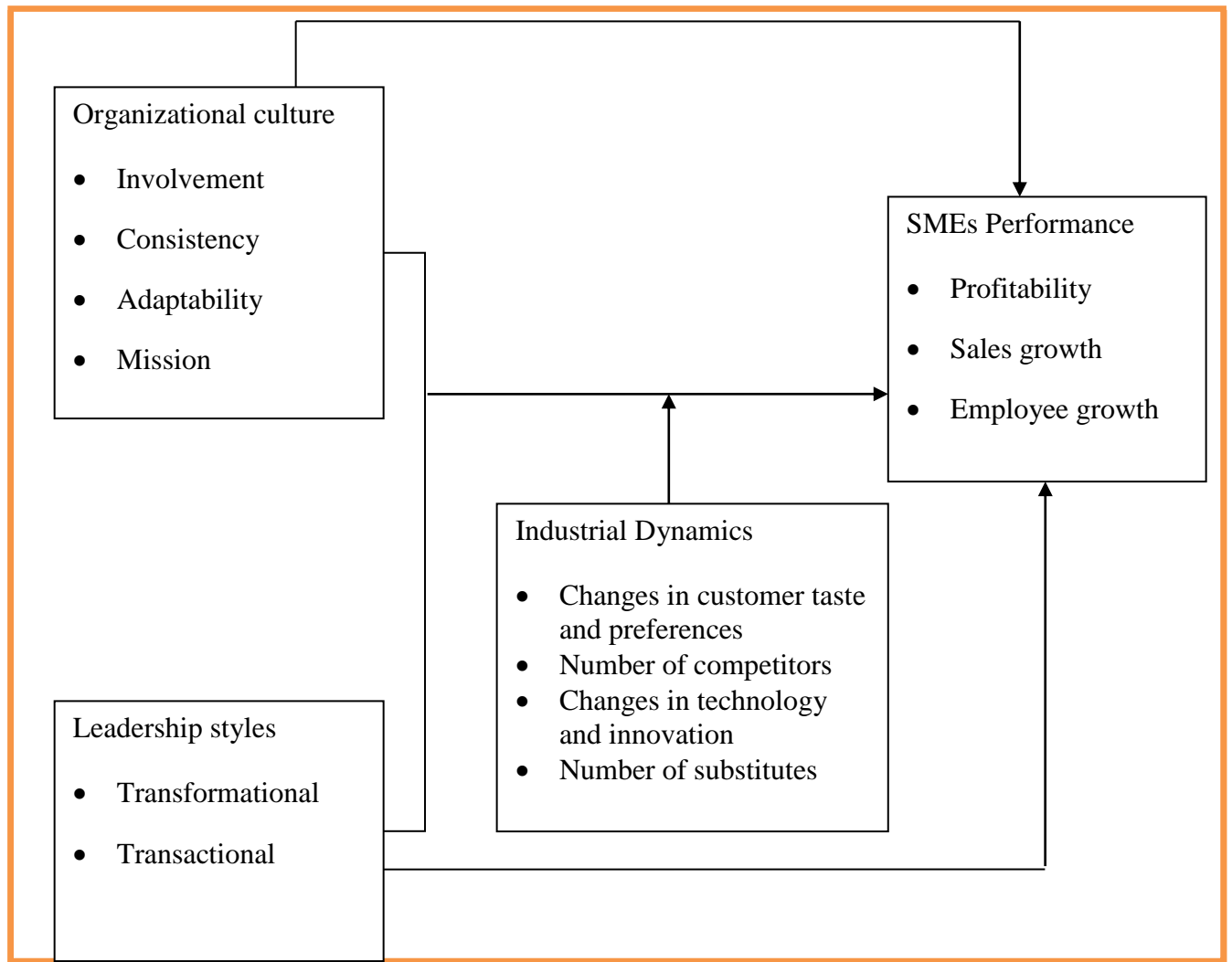
In undertaking this study, Denison and Mishra (1995) cultural dimensions that include involvement (team orientation, capability development and empowerment); consistency (core

values, agreement, coordination and integration); adaptability (creating change, customer focus and organizational learning), and mission (vision and mission, goals and objectives, and strategic intent) will be used. Adoption of Denison and Mishra model is considered appropriate as it takes into account the proposition of both resources based view, dynamic capability and contingency theories. In addition, as observed by Yilzam and Ergun (2008) Denison's model is rooted on the earlier works that try to reveal the functional relationship between culture and organizational performance.

On the other hand, leadership style will be measured using, transformational and transactional styles (Bass, 2000; and Avolio, Bass and Jung, 1999). In accordance to Avolio, *et al* (1999) transformational style is characterized by charisma/ inspiration, intellectual stimulation and individualized consideration, while transactional styles is characterized by contingent reward, and active management by exception.

In terms of determining SMEs performance, a goal approach of measuring performance (Chong, 2008) will be adopted. This is considered a better fit for SMEs since targets are set internally based on the owners-managers interest and capability to achieve (Chong, 2008). Performance will therefore be measured using both financial and non-financial measures that include profitability, sales growth, and employee growth (Soriano and Castrogiovanni (2010); Sadik , 2012) 2010 and Chong, 2008). Industrial effects will be treated as a control variable under this study.

Figure 2.1: Conceptual Framework



Adapted from Denison and Mirshar (1995); Ogbona and Harris (2000); Bass, 2000; Arham, 2014; Voon *et al*, 2011; Soriano and Castrogiovanni (2010); Mian *et al* (2011), Sadik (2012) and Chong, 2008.

2.1.4 The Concepts of SME and Organizational Performance

Badagawa (2011) and Uganda Investment Authority(UIA) (2008) report that SMEs in Uganda are bedeviled by poor performance, recording an average rate of over 50% failure and closure in the first to fifth year of operation. A number of factors have been identified in Uganda that affect

SMEs performance which include among others access to finance, lack of financial and managerial skills, and poor business planning. (Ernst and Young, 2011; Kasendeke and opondo, 2003 and Nangoli *et al*, 2013).

Organizational performance has been defined by Gekonge (2005) as the organization's ability to attain its goals by using resources in an efficient manner (Gekonge, 2005). Herath and Rosli (2013) further defines performance as the comparison of the value created by the firm with the value owners expected to receive from the firm sometimes referred to as "firm's success." In accordance to Fatoki (2011) own word, it is the results of the activities undertaken by a firm including investments undertaken (Fatoki, 2011).

For SMEs, performance measures are important as they provide parameters against which success or failure can be assessed.(Eruh, 2012).The measurement of the attainment of goals can be achieved by both financial and non-financial measures (Sadik, 2012). Abu-Jared *et al*, (2010) contends that profitability measures that are financial in nature has been claimed to be the best indicators as to identify whether an organization is achieving its goals or doing things right or not. However, as posited O'Regan and Ghobadian (2007), incorporating non-financial measures with financial measures facilitate the surveying of performance in several areas simultaneously. This leads to avoidance of subjectivity bias associated with financial measure (Fatoki, 2011), while helping the managers and owners in SMEs to ascertain the business progress as well as the overall firm performance and success (Eruh, 2012).

Considering importance of organizational performance, a number of factors have been identified to determine the performance of organizations; these are normally classified into two. The economic/environmental determinants that include competition, industry type among others and

organizational determinants that may include among others organizational culture and leadership styles (Abu-Jared *et al*, 2010).

2.1.5 Organizational Culture and Organizational Performance

2.1.5.1 Organizational culture

Schein (2009) defines organizational culture as “a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problem,” (pp, 27). It includes values, beliefs and assumptions that are held by members of an organization and which facilitate shared meanings and guide behaviour at varying levels of awareness in the organization (Denison, 1990 and Moon, Quigley and Marr, 2011). Hofstede (2011) refers to this as “the collective programming of the mind that distinguishes the member of one group or category of people from the other” (pp, 3).

In order to understand organizational culture, its study has been undertaken from two perspectives. The phenomenal approach which focuses on nature of culture, ways to study culture, managing and changing culture (Schein 1992; Hofstede, 1986, 1990; and Kotter and Heskett, 1992) or the functionalist approach (Denison and Mishra, 1995; and Cameron and Quinn, 1999) that focuses on the culture-performance relationship (Liu, 2013; Zakaria, Poku; and Ansah, 2013). Schabracq (2007) notes that functional approach is based on what culture wants to achieve as it is the means to survival, and a problem solving mechanism due to the goals that an organization is set to achieve.

Following the above, this study will adopt the functional approach as it focuses on the attainment of set goals (both financial and non-financial) of SMEs in Uganda. As observed by Ogbonna and Harris (2000) the dimensions of culture depends on the definition adopted by the various scholars.

2.1.5.1.1 Denison Organizational Culture Model

In adopting the functional approach this study will adopt the cultural dimensions as proposed by Denison and Mishra (1995) and Denison, Javonics Young and Cho (2006). In accordance to Denison and Mishra (1995) the types of behavior and the organization way of life can be manifested through certain traits that include involvement, consistency, adaptability and mission traits. These traits are adopted in solving problems (Marcoulides and Heck, 1993).

Involvement Trait

(Denison and Mishra, 1995) submits that involvement trait is concerned with the personal engagement of individuals within the organization. This creates a sense of ownership and responsibility as well as increasing capacity and autonomy (Imam, Muneer and Qadri, 2013). Involvement is also argued to help with the implementation of decisions within the organization since it provides for inclusion of everyone in the firm (Ahmad, 2012 and Imam *et al*, 2013). The involvement trait is reflected by three indices in an organization that include: empowerment, team orientation and capability development (Denison and Mishra, 1995; Halim *et al*, 2014; Imam *et al*, 2013).

Consistency Trait

Denison and Mishra (1995) advances that consistency refers to the shared values, efficient system and processes. It provides a central source of integration and thus has a tendency of enhancing efficiency, effectiveness and overall performance as a result of facilitating coordination, communication and cost reduction (Imam *et al*, 2013). This trait is believed to be a powerful sources of stability and integration (Denison *et al*, 2006) that springs from communication frame of mind and conformity (Ahmad, 2012 and Halim *et al*, 2014). Consistency is measured using three indices that include: core values, agreement, and coordination and integration (Denison and Mishra, 1995; and Denison *et al*, 2006).

Adaptability Trait

Adaptability trait is one that helps an organization to receive and act on information from the external environment (Denison et al, 2006 and Yilzam and Ergun, 2008). Denison *et al*, (2006) argue that some organization may become the least adaptable to changes in the business environment, despite have a stable and integrated internal system. This may cause conflict between internal integration and external adaptation. They further contend that an organizational that is able to receive and interpret and act on the information received from the external environment to enhance business success is referred to as an adaptable organization.

As pointed out by Imam *et al* (2014), adaptability improves the organization's ability to cope with volatility in the environment through innovations, market development as well as cushioning on threats, which promotes its survival, growth and development (Baker, 2002). Adaptability is also measured by three indices (Denison and Mishra, 1995 and Denison *et al*, 2006) that include: creating change, customer focus and organizational learning.

Mission Trait

Mission refers to an organization's purpose and direction (Denison and Mishra, 1995). Denison, *et al* (2006) posits that organizations that have a clear picture of the future that they want to attain; through which means and by focusing specifically on what, as reflected through the vision, mission, goals and strategic objective tend to be more successful. This is based on the notion that they have a clear sense of purpose and direction that guides their actions. It thus focuses on external integration while maintaining internal stability ((Denison and Mishra, 1995; Denison *et al*, 2006; Halim *et al*, 2014 and Ahmad, 2012). Mission trait is measured by three indices that include: strategic direction, goals and objectives,; and vision ((Denison and Mishra, 1995 and Denison *et al*, 2006).

Whereas Denison's Model emphasis both internal integration and external focus, Yilzman (2008) observes that organizations face challenges of tradeoff between internal integration and external focus in realizing organizational performance. This tension is created between focusing on internal integration and achieving external adaptability. In addition there is contradiction between top-down direction and bottom-up influence as reflected by emphasis in mission and involvement traits respectively (Denison *et al*, 2006).

2.1.5.2 Organizational culture and Organizational Performance

A number of research and scholars submit that organizational culture possesses the ability to enhance organization performance, create competitive advantage and define the boundaries of the organization in terms of scope of information processing (Luxenburg, 2011; Raudan *et al*, 2008, Ogbonna and Harris, 2000). This is achieved as a result of unique quality of culture put forward by resources based view theory (Barney, 1991) and its ability to help the organization to

anticipate or adapt to environmental changes as proposed by dynamic capability and contingency theories (Ubius and Alas, 2009; Teece *et al*, 1997 and Donaldson, 2006).

Baker (2002) and Ahmadi *et al*, (2012) posit that organizational culture can be categorized as either strong or weak. Strong cultures are the ones associated to superior performance owing to strongly shared values among employees (Raudan *et al*, 2008). However, where the organizational culture is not able to achieve congruence with the environment, then it will not be in position to help the firm realize competitive advantage (Raudan *et al*, 2008; Ahmadi *et al*, 2012). Also a weak culture can act as a de-motivator even to an outstanding employee, leading to underperformance and overall poor organizational performance (Ahmad, 2012).

2.1.5.3 Related Studies on Organizational Culture and Organizational Performance

A number of studies have been undertaken to establish the relationship between organizational culture and performance of organization (Denison and Mishra, 1995; Marcoulides and Heck, 1993; Cameron and Quinn, 1999; Yilzam, 2008; Fey and Denison, 2003; Ogbonna and Harris, 2000; Raduan *et al*, 2008).

A study undertaken by Ogbonna and Harris (2000) in UK revealed mixed effect of organizational culture dimensions on organizational performance with a conclusion that organizations that emphasized external focus performed better than those with internal focus. However, Denison, Leif and Ward (2004) comparative study reported a strong positive relationship between organizational culture traits, both internal and external focus traits and organizational performance. Similar results as Denison *et al* (2004) were found in Russia by Fey and Denison (2003) who found a positive relationship between organizational cultural traits and performance in Russian firms. The study though noted that emphasis on internal focus was the

most important determinant of performance, a seeming contradiction to Ogbonna and Harris findings and recommendation.

In another study undertaken by Yilzam and Ergun (2008) in Turkey, the results showed that positive relationship between organizational culture and firm's effectiveness. However, the imbalance between the various cultural traits had both positive and negative impact on the various measures of performance. Within the SMEs sector ,a study undertaken by Yesil and Kaya (2013) among SMEs in Turkey showed that organizational culture had no significant effect on firm financial performance of SMEs. Similar results were obtained in SMEs in Iran (Hajipour and Ghanavati, 2012) that revealed that there was no significant relationship between organizational culture and financial performance.

Within African context, a study undertaken in South Africa by Davidson and Coetzee (2007) in an investment bank reported that only few traits of organizational culture were positively linked with financial performance. Contrary to Davidson and Coetzee (2007) a similar study undertaken by Zakari and Ansah (2013) in n 9 banks in Ghana showed that there was positive relationship between organizational culture and performance.

From the above analysis it can be concluded that whereas in some cases organizational culture had positive effect on organizational performance, in some instances especially within SMEs no positive effect was established on its effect on financial performance, thus making the debate on this subject matter inconclusive. This implies also implies that there are additional factors that also account for performance in SMEs which include among others leadership styles.

2.1.6 Leadership Styles and Organizational Performance

2.1.6.1 Leadership

Daft (2003) defines leadership as the ability to influence people towards attainment of goals as well as empowering them to take actions needed to reach them (Luthans, 2005). Dubrin (2005) on the other hand defines leadership as the ability to inspire confidence and support among the people on whose competence and commitment performance depends. Drawing from the above, leadership can be summed as the ability to influence, inspire and motivate others towards give their best effort in terms of achieving organizational goals as well as the individual goals.

2.1.6.2 Leadership Styles

In accordance to Ogbonna and Harris (2000), leadership performance literature can be categorized into a number of phases that include trait studies which assumed that successful leaders are born with certain inherent qualities. They, however, note that due to difficulty that was associated with categorizing and validating the characteristics associated with trait, style and behavioral approaches to leadership which shifted from character to behavior and style adopted by the leader in the organization emerged. The return to best way of leadership saw new styles being introduces namely transformational and transactional leadership styles.

Transactional Leadership as posited by Boedker *et al* (2011) is the type of leadership which draws its origin from scientific management theory. This mainly focused on the functions of a leader which include among others planning, organizing, commanding, coordinating and controlling. Bass (1999) defines transactional leadership as the exchange between leaders and followers to meet their own self-interest, that may take the form of contingent rewards in which

the leader clarifies for the follower through direction or participation what a follower need to do to be rewarded for the effort.

As submitted by Bass (1999), transactional leadership may also take the form of active management by exception, in which the leader monitors the follower performance and takes corrective action if the followers fail to meet standards, It may also take the form of passive management by exception by waiting for problems to arise before taking corrective action. It can also be laissez-faire and avoids taking any action. Transactional leadership thus aims at eliciting employees commitment by taking rewards to achievement of goals. However, as Bono and Judge (2004) argues, this type of leadership mainly applies in places where markets are relatively stable and the focus of the leadership is to manage operations consistently over-time.

Transformational Leadership on the other hand, is based on the works of human relations and behavioral science of the likes of Elton Mayo. Elton Mayo who noted that showing concern for workers' needs could provide alternative better ways of improving organizational performance. This was based on the recognition that leaders are not all knowing and require input from followers to maximize decision effectiveness (Boedker *et al*, 2011). Bass (1999) defines transformational leadership as the leader who is able to move the followers beyond immediate self-interest through idealized influence (charisma), inspiration, intellectual stimulation or individualized consideration. Obiwuru *et al* (2011) adds that transformational leaders raise followers' consciousness levels about the importance and value of designated outcomes and ways of achieving them. This is done by inspiring the followers to go beyond self-interest for the sake of the better good of the entire organization as reflected in the vision and mission. Transformational can thus be viewed as the leadership style that gives workers a reason to be part of the organization's goal achieving team that transcends beyond rewards.

2.1.6.3 Leadership styles and Organizational Performance

Koech and Namusonge (2012) argue that owing to the definition of leadership, a leader is one who inspires others towards achieving a common goal which is organizational performance. In agreement with the above argument Ehsan (2009) notes that taking into account the dynamic environment within which an organization operates, critical role of the leadership in providing direction on how to re-configure modify or adapt the resources to remain competitive and achieve organizational success (Teece *et al*, 1997) is vital. Aziz, Abdullah, Tajudin and Mahmood (2013) observe that the role leaders' play in providing direction and articulating vision, mission and goals to workers influences the performance of the firm.

The different leadership styles have been noted to have different effect on organizational performance. In accordance to Boedker *et al* (2011) transactional leadership is considered to be an elementary factor to organizational success at both team and individual level. The efficient achievement of organizational objectives is by linking job performance to valued rewards and by ensuring that employees have the resources they need to get the job done (Obiwuru *et al*,2011).

On the other hand, Ogbonna and Harris (2000) observe that a number of research theorize that transformational leadership is linked to performance compared to transactional, as they tend to motivate follower to deliver superior performance. Boedker *et al* (2011) add that transformational leadership may lead to high performance organization due to supportive, delegative, participative and collaborative leader-follower relationship.

2.1.6.4 Related studies on Leadership Styles and Organizational Performance

A number of studies have been undertaken to establish the relationship between leadership styles and performance (Ogbonna and Harris, 2000; Obiwuru *et al*, 2011; Rejas, Ponce, Almonte and Ponce, 2006; Yang, 2008; Aziz *et al*, 2013; and Koech and Namusonge, 2012), and have yielded mixed results.

A study by Ogbonna and Harris (2000) in 322 medium and large enterprises in UK reported that leadership styles is not directly linked to performance but indirectly associated through organizational culture and only for transformational style of leadership. On the other hand, Rejas, Ponce, Almonte and Ponte (2006) study of SMEs in Chile found that transformational style had a significant positive effect on performance while transactional style had a negative effect. Similarly, Yang (2008) undertook a survey study in SMEs in Taiwan and the findings showed that transformational leadership was significantly positively related to total business performance while transactional style was negatively related to performance.

However, a study undertaken by Aziz *et al* (2013) SMEs in Malaysia revealed that both transactional and transformational leadership were positively and significantly related to performance though transformational was highly related compared to transactional. Similar findings were revealed by a study undertaken by Koech and Namusonge (2012) in Kenya among state owned corporations showed that both transformational and transactional leadership styles were positively related to performance, though transformational had a higher correlation. This however, was not the case in Nigeria where a study undertaken within small business revealed that transactional leadership had a significant positive effect on performance while

transformational had a positive but insignificant relationship to performance (Obiwuru *et al*, 2011).

From the a foregoing whereas a number of scholars have claimed transformational leadership has positive influence on performance while transactional will have negative, the empirical studies reviewed have revealed mixed and contradicting findings, thus making debate in this area inconclusive.

2.1.7 Organizational Culture, Leadership Styles and Organizational Performance

2.1.7.1 Relationship between Organizational Culture and Leadership Styles

Leon (2010) contends that organizational culture and leadership styles have a link and both play important role in determining organizational effectiveness. The responsibility of a leader is to influence and ensure that members of the organization understand technical issues that are important in realizing organizational performance (Alnasseri, Osborne and Steel, 2013).

In accordance to Ogbonna and Harris (2000) in order to understand the relationship between organizational culture and leadership, one needs to look at organizational culture as both a variable and also something that can be manipulated. Organizational culture as a manipulated variable brings out the nature and direction of organization culture that depends on the skills and abilities of the leader. On the other hand if organizational culture is variable that is integral part of the organization, then the behavior and styles of the leader will be dictated by it.

Schein (2009) supports the above views by adding that the intertwining of the two variables is based on the fact that culture not only resides within the individual but is also considered as a hidden force that drives the behavior both within and outside the organization. He further adds

that the interplay between culture creation, re-enactment and reinforcement creates interdependency between organizational culture and leadership.

However, in accordance to Yukl and Mahsud (2010) the dynamic environmental factors that calls for balance between internal orientation, external focus, stability and flexibility (Denison and Mishra, 1995 and Cameroon and Quinn, 1999) causes conflict for a leaders in terms of which leadership styles would be more flexible and effective under what type of culture.

2.1.7.2 Organizational Culture, Leadership Styles and Organizational Performance

Ogbonna and Harris (2000) submits that whereas a number of scholars claims there is a linkage between organizational culture and leadership, few studies have actually studies the relationship of the combined effect of these two variables on performance (Alnasseri, Osborne and Steel, 2013;) and thus the precise relationship between organizational culture and leadership styles on performance is yet to be fully understood.

The few studies that have been carried out looked at organizational culture as a mediating variable for the relationship between leadership styles on performance (Ogbonna and Harris, 2000; Toraji, Heris and Zarei, 2011; and Alharbi, 2012).

2.1.7.3 Related Studies on Organizational Culture, Leadership Styles and Organizational Performance

Mishra (2012) reported that organizational culture and leadership positively influenced performance and that, leadership influenced performance irrespective of what type of culture existed in the organization. However, Alnasseri *et al* (2013) study in construction companies reported that organizational culture highly affected performance compared to leadership styles

and thus concluded that organizational culture was key to performance regardless of the leadership styles.

In another study undertaken by Aripin, Salim, Setiawan and Djumanir (2003) within the police sector in Indonesia, it was reported that both organizational culture and leadership styles had insignificant effect on performance and their effect was only mediated by job satisfaction. Contrary, a study undertaken by Sunadji, Troena, Surachman and Armanu (2013) in water sector the findings showed that organizational culture influences job satisfaction but not employee performance, while transformational leadership styles had a positive effect on employee performance but not job satisfaction.

From the analysis of the above, it can be concluded that whereas few studies focused on general organizational performance, the performance measures used mainly focused on employee performance and job satisfaction ignoring other performance measures both financial and non-financial (Chong, 2008).

2.1.8 Moderating effect of Industrial dynamics on the joint effect of organizational culture, leadership styles on organizational performance

Lumpkin and Dess (2001) posit that environment whose one dimension is industrial dynamic has been considered as a critical contingency in organizational performance. Industrial dynamics are the uncertainty and unpredictability within the business environment that the manager has no control over but affect the competitiveness of the firm as well as its profitability (Lumpkin and Dess, 2001). As observed by Porter (2008) industrial environment include those forces that are outside the business environment that affect a firm's competitiveness if not managed well.

Under contingency theory, firms must be willing to adapt various strategies that fit the environment within which they operate (Ting, Wang, and Wang, 2012). Just as no one strategy can be appropriate for all firms operating within different environments, organizational culture and leadership styles that an organization adopts must be aligned to its environmental conditions (Ogbonna and Harris, 2000 and Bono and Judge, 2004).

In accordance to Yukl and Mahsud (2010), dynamic environment creates new opportunities and threats that an organization needs to be cognizant of. They argue that these changes will sometimes call for changes in strategies adapted by the firm. This implies that organizations must be in position to modify, reconfigure and find new ways of using their resources (Teece et al, 1997) in order to ensure effective performance and continued survival. Yukl and Mahsud (2010) further argue that type of industrial dynamics will dictate which type of leadership an organization should adapt. This view is supported by Bono and Judge (2004) who argue that depending on the dynamic environment an organization can either adopt transactional leadership style in stable environment while in highly competitive environment transformational leadership will be considered more appropriate (Boedker *et al*, 2011, and Obiwuru *et al*, 2011).

Mian (2011) submits that business environment occurs in the form of changing taste of customers, fast technology changes and innovation, and many competitors in a changing environment. In addition dynamic environment will also be characterized by substitute products (Esuh, 2011). In accordance to Porter (2008) substitute products tends to lower a firm's profitability especially if they have high threat in terms of having relatively better value than the firms product and low buyer switching costs. In terms of number of competitors, if there are many, it will lead to intense rivalry that sometimes may culminate in price wars that eventually lowers the profitability of the industry (Porter, 2008).

As observed by Morteze (2011), SMEs that operate in highly competitive industries will always be faced with by technological and innovation competition. This will thus impact on the industry profitability (Porter, 2008).

Drawing from the above discussion on the effect of industry dynamics on profitability, Morteze (2011), argues that SMEs that operate in a dynamic environment needs do adopt appropriate internal structure that includes an organizational culture that focuses on external adaptation (Ogbonna and Harris, 2000) and leadership styles that are flexible and inspiring (Yukl and Mashsud, 2010) in order to cope with changes in the dynamic environment and ensure survival.

2.1.8.1 Studies on the moderating effect of Industrial Dynamics on the relationship between organizational culture, leadership styles and organizational performance

As earlier noted few studies have combined the relationship between organizational culture, leadership styles and organizational performance. This implies that there is dearth literature on the moderating effect on the combined effect of organizational culture, leadership styles and organization performance (Ensley, Pearce and Hmieleski, 2006). The studies reviewed have, however, provided insights into the moderating effect on the individual relationship between organizational culture and organizational performance and also leadership styles and organizational performance.

Ensley *et al* (2006) undertook a study to establish the moderating effect of environment dynamism as measured by industry employees, research and development intensity on the relationship between leadership styles (transactional and transformational styles) on performance of new venture in American private firms. The results revealed the environmental dynamism has a significant positive moderating effect on the relationship between transformational leadership

and new venture performance, while there was a significant negative moderating effect on the relationship between transactional leadership and new venture performance. They observed that in less dynamic environment transactional leadership would be appropriate while in a highly dynamic environment transformational leadership would be more effective.

In terms of moderating effect of industrial dynamics on the relationship between organizational culture and performance, Esra, Isik and Mithat (2011) found that dynamic environment (stability and variability) moderates the relationship between certain dimensions of organizational culture and some measures of organizational efficiency. This study was undertaken within health sector with a sample size of 40 managers/owners.

2.1.9 Synthesis of the Literature and Research Gaps Analysis

Three theories have been reviewed namely resource based view, dynamic capabilities and contingency theories that proposes on how organizations can achieve competitive advantage (Barney, 1991; Teece *et al*, 1997 and Donaldson, 2006), and studies that have drawn from their applications. However, as observed, many studies reviewed did not borrow from these theories in explaining organizational performance from the perspective of organizational culture and leadership styles especially within SMEs context (Guettel and Konlechner, 2010). This therefore, creates knowledge gap on how SMEs can explore the proposals embedded in these theories in achieving competitive advantage and increasing their rate of survival and success.

In terms of the study variables, empirical studies reviewed in line with the various objectives have also revealed mixed findings. While some studies reported positive relationship between organizational culture and performance (Dunderetz and Garcia, 2010; Fey and Denison, 2003; Denison *et al*, 2004; and You *et al*, 2010), others reported no significant relationship (Yesil and

Kaya, 2013; Hajipour and Ghanavati, 2012), and another category reported mixed results (Ogbonna and Harris, 2000 and Yilzam and Ergun, 2008). This means that the debate on whether organizational culture positively influences performance is inconclusive despite claims that it is an important resources that can lead to competitive advantage and enhance firm's survival.

Similarly, studies reviewed on the relationship between leadership styles and performance show that there is direct relationship both positive and negative depending on whether an organization adopts transformational or transactional leadership styles. This also depended on the size of the company as well as country context of the two variables (Bass, 1999; Rejas *et al*, 2006; Yang, 2008, Aziz *et al*, Obiwuru *et al*, 2011; and, Koech and Namusonge (2012) only one scholar notes that there is indirect relationship (Ogbonna and Harris, 2000).

In addition, the few studies that have combined organizational culture and leadership styles in understanding organizational performance both as independent variables in the same study have revealed mixed results. This shows that the debate on the influence of organizational culture on performance; leadership styles on performance and joint effect of organizational culture, leadership styles and performance are inconclusive and still on going. In addition, few studies have been undertaken to investigate the joint effect of organizational culture and leadership styles on organizational performance as moderated by industrial dynamics.

This study therefore seeks not only to contribute to this ongoing debate by undertaking a study from a less developed country but more importantly within the SMEs sector where there are dearth studies (Ogbonna and Harris, 2000 and Oju, 2010). Secondly, Understanding the combined effect of the two variables on performance is critical in ensuring improved performance and survival of SMEs. This study therefore seeks to make a contribution in this area

as well as propose ways in which SMEs may use these critical intangible resources collectively to achieve competitive advantage (Teece *et al*, 1997; Barney, 1991 and Donaldson, 2006) by developing an appropriate model. As argued by Ogbonna and Harris (2000), “organizational culture and leadership styles are central to understanding organizations as well as making them effective that we cannot afford to be complacent about either” (pp. 783). The inclusion of industrial dynamics is hoped to provide further insights and explanations on the variations of results as has been observed from the reviewed studies as argued by contingency theory.

In terms of methodology, majority of the studies (Ogbonna and Harris, 2000; Denison *et al*, 2003; Denison and Fey, 2003; Yesil and Kaya, 2013; Hajipour and Ghavanati, 2012; Rejas *et al*, 2006; Yang, 2008; Aziz *et al*, 2013; Koech and Namusonge, 2012; and Mishra, 2012) used only one respondent (managers/ owners) in assessing the relationship among the variables. This is a limitation as the study of organizational culture and leadership styles effect on performance is best investigated among all the members of the organization, representing all levels of staff in the organization (Abu-Jared *et al*, 2010 and Yilzam, 2008). This study will address this gap by using multiple respondents from each SMEs that will be surveyed. In order to answer the research questions and test the hypotheses to address the above gaps, the following methodology will be adopted.

4.0 CHAPTER THREE

4.1 METHODOLOGY

4.1.1 Introduction

This chapter addresses the methods that will be used to answer the research questions and hypotheses. It looks at the research design, study population, sample size and procedure, sampling technique, data collection method and instrument, pretesting, procedure for data collection, data analysis and measurements of the instruments.

3.1.2 Research Design

This study seeks to establish the relationship between organizational culture, leadership styles and organizational performance and further testing various hypotheses to get to understand the strength of the relationship between the various variables in the study. The study will undertake a positivist approach adopting descriptive and explanatory-quantitative research design. According to Neuman (2007), quantitative research relies on positivist approach that follows a linear research path as well as placing emphasize on precisely measuring variables and testing hypothesis.

The study will also be undertake from a deductive approach that allows for moderating and control variable to be tested (Saunders, Lewis and Thornhill , 2007). As depicted by theoretical and conceptual framework, there is an empirical setting based on extant literature. Specifically, a cross-sectional survey design will be used. As pointed out by Saunders, *et al* (2007); and

Sekaran and Bougie (2013) cross-sectional survey strategy is a popular and common strategy in business and management studies. It also facilitates the collection of data from a bigger population in a more economical manner.

3.1.3 Study Population

Population refers to the entire group of people, things or events that the researcher wishes to investigate and make inferences (Sekaran and Bougie, 2013). The targeted study population in this study is registered manufacturing, and accommodation and food service SMEs located in Jinja District. Jinja District was once known to be an industrial hub of Uganda between the 1960s and 1970s and is also considered to be a tourist attraction center due to River Nile (Jinja Profile, 2010). Additionally a number of studies have previously focused mainly in Kampala (Nangoli et al, 2013; Eyaa and Ntayi, 2010; and Apolot, 2012)

In accordance to UBOS (2011), there are a total of 4332 formal registered manufacturing SMEs in Uganda, out of which Eastern Ugandan had 665 firms (15.4%) . Jinja that is found in Eastern Uganda recorded 130 manufacturing firms that represents 19.6% of the total manufacturing firms in Eastern Uganda. In terms of accommodation and food service firms, there were a total of 5000 registered SMEs in Uganda (UBOS, 2011). Eastern region has 678 in total of which Jinja District accounted for 132 accommodation and food service firms.

Manufacturing sector in this study will include those dealing in food processing and other manufacturing activities. While accommodation and food service will include hotels, inns and lodges, camp sites and guest houses. The unit of analysis will be the SMEs while the unit of inquiry will be managers/owners of the firms and employees. The study will also focus only on those businesses that have been in existence for three years and above. The targeted study

population will thus be a total of 262 manufacturing and, accommodation and food services firms.

3.1.4 Determination of Sample Size

Israel (1992) notes that sample size can be determined using various strategies. These include census, imitation of sample used in similar studies, use of tables and application of formulas. In this study the Sample size will be determined using Yamane (1967) formula that provides for estimation of both the level of precision and confidence level to validate the sample size chosen. Additionally, in order to cater for non-responses, the sample size will be increased by 30% as recommended by various scholars (Israel, 1992 and Orobia, 2013)

3.1.5 Sampling Technique and Procedure

A mixed method sampling technique will be adopted. This will involve stratified sampling technique that is used in a population that is heterogeneous in nature and there is need to obtain a representative sample (Kothari, 2004). Sekaran and Bougie (2013) add that stratification allows for homogeneity within each stratum and thus appropriate for better comparison as is the case with SMEs (Saunders *et al*, 2007).

List of registered manufacturing firms will be obtained from Uganda Manufacturer Association while for Accommodation and Food services will be obtained from Hotel Owners Association of Uganda. Manufacturing will form one stratum, while accommodation and food service will form the second stratum. Considering that the population of manufacturing, and accommodation and food service are almost equal (130 and 132 respectively), proportionate sampling technique will

not be applied instead simple random sampling will be applied for each stratum to get equal sample size from each stratum (Kothari, 2004, Saunders *et al*, 2007 and Sekaran and Bougie, 2013).

The targeted population is 262 manufacturing, and accommodation and food services. Using formula for Yamane (1967) at a precision level of .05 and confidence level 95%. The sample size of 158 will be used.

$$n = \frac{N}{1+N(e)^2} = \frac{262}{1+262(0.05)^2} = 158$$

However to cater for non-response rate the sample size will be increased by 30% as advocated various scholars (Israel, 1992 and Orobia, 2013). This will lead to a sample size of 205 SMEs being used. The table below shows the population and sample size:

Table 3.1 : Study Population and sample size

Business Sector	Registered SMEs	Targeted Population	Sample Size
Manufacturing	4332	130	103
Accommodation and food services	5000	132	104

Source: UBOS Report 2011

3.1.6 Data Collection Methods

Primary data will be collected through a survey questionnaire. As argued by Kothari (2004); Sekaran and Bougie (2013); and Saunders *et al*, (2007), a survey questionnaire method is more efficient in terms of time, cost as well as its ability to reach a big number of population. Sekaran and Bougie (2013) add that it can be used to collect larger numbers of quantitative data which this study aims to undertake.

3.1.7 Data Collection Instrument

A structured questionnaire will be developed following recommended guidelines by various scholars that include Kothari (2004); Sekaran and Bougie (2013) and Saunders *et al* (2007). The first section of the instrument will address issues of demographic data, section two will address organizational culture, section three will address leadership styles, section four will address organizational performance and section five will address industrial effects that will be treated as moderating variable. In each section the respondents' will be given clear instructions on how to complete the item. The questionnaire will be refined once the instrument has been piloted.

3.1.8 Pretesting (Validity and Reliability).

Whereas validated tools will be used, Denison *et al* (2006) for organizational culture and Avolio *et al* (1999) for leadership styles, this study will still undertake to measure the reliability and validity of the instrument. As observed Vogt (2007) even though a number of studies have used this instruments and found both their reliability and validity values to be acceptable, the population being studied is in a different context and thus recommends for testing the validity and reliability of the instruments.

3.1.8.1 Reliability

Reliability is defined by Vogt (2007) as the consistency of either measurement or design to give the same conclusions if used at different times or by different scholars. The first step in ensuring reliability is by providing clear operational definitions of the variables under study. Thereafter internal consistency will be measured through inter-item consistency reliability (Sekaran and Bougie, 2013) as well as split-half reliability using Cronbach's alpha. If R^2 (alpha) value is 0.7 and above, then the instrument will be considered satisfactory (Vogt, 2007 and Sekaran and Bougie, 2013), using results from the pretested questionnaire.

3.1.8.2 Validity

Vogt (2007) defines validity as "the truth or accuracy of the research" (pp. 117). Saunders et al (2007) add that it's the extent to which the data collection instrument measure what it is intended to measure as well as the appropriateness of the measures coming to accurate conclusions (Vogt, 2007). Validity tests will be conducted for content, criterion and construct validity test how well the instrument is representative, captures relationships between the variables as well as measures the concepts (Saunders et al, 2007; Vogt, 2007; and Sekaran and Bougie, 2007).

3.1.9 Procedure of Data Collection

A letter of introduction from the School of Graduate studies introducing the researcher to the various firms will be obtained. The introductory cover letter will be attached to the research instrument explaining the purpose of the research and assuring the respondents of the confidentiality involved. The researcher will distribute the questionnaires and collected the filled questionnaires from the various respondents. In order to minimize non-responses, the researcher

will make frequent follow ups with the respondents to remind them of the questionnaires in order to ensure efficient and effective administration (Ogbonna and Harris, 2000).

3.1.10 Data Analysis

Data will be coded by assigning numbers to each of the participants. Coding will also be undertaken for demographic data. There after editing shall be undertaken after data has been entered in SPSS data editor to check for omission, inconsistency or any outliers. This will be undertaken by the help of frequency tables. (Sekaran and Bougie, 2013). A number of statistical analysis will be undertaken to establish the relationship between the variables under study as well as answer the research hypotheses. The statistical tests will include factor analysis, chi-squared test, regression analysis, path analysis and structural equation modeling (Vogt, 2007; Sekaran and Bougie, 2013; and Kothari, 2004).

3.1.11 Measurement of Variables

The measures of organizational cultural traits are adopted from Denison's Organizational Culture Survey. The instrument includes 60 items. This instrument has been used by a number of studies (Yilzam and ergun, 2008; Denison et al, 2004; Denison and Fey, 2003; Davidson and Coetzee, 2007; Zakari et al, 2013; You and Coulthard, 2010). Denison's model has four traits of involvement, consistency, adaptability and mission traits, each composed of three component indexes, thus making 12 component indexes. Each of the 12 component indexes is measured with five items (Denison and Fey, 2003). All the 60 items are anchored on five-point Likert scale with anchors strongly disagree (=1) to strongly agree (=5).

Multifactor Leadership Questionnaire (MLQ) developed by Avolio, Bass and Jung (1991) will be used as a measurement for leadership style with some modifications. This instrument has been used by a number of scholars (Obiwuru *et al*, 2011; Rejas *et al*, 2006; Aziz *et al*, 2013; Toraji *et al*, 2011 and Ogbonna and Harris, 2000) The instrument includes 36 items. MLQ addresses three types of leadership that include transformational, transactional and passive avoidant. Transformational leadership is treated as charisma/inspirational, intellectual stimulation, and individualized consideration; transactional on the other hand is considered to be contingent reward and active management by exception and passive avoidant that only reacts when problems have become serious. The items will use Likert five-point scales anchored at strongly disagree (=1) to strongly agree (=5).

For the measurement of firm performance, the managers will be asked to assess their firms average performance for the last 3 years on each of the performance criterion. Each of the first three items will capture a different aspect of performance while the fourth item will be used to assess the overall organization performance. All the four performance items will use five-point scale anchored at greatly reduced (=1) to greatly improved (=5).

Our study will also employ measures of firm size (number of employee), age of the firm (number of years in operation), industrial dynamics in terms of number of competitors, changes in customers tastes and preferences, technology and innovations changes, and existences of substitute products as control variables. The items will use Likert five-point scales anchored at strongly disagree (=1) to strongly agree (=5).

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Questionnaire

Dear Respondent

We are undertaking a research study to find out the effect of organizational culture and leadership styles on organizational performance. Our focus is on SMEs in Manufacturing and, Accommodation and Food Service sectors. Your responses are important in enabling us to obtain full understanding of this topical issue.

Your responses will be treated highly confidential. As you will notice we do not require you to include your name or address anywhere on the questionnaire. This questionnaire will take you approximately 20 minutes to fill. If you would like to know the results of our findings we will gladly share it with you upon completion of the study.

Thank you for accepting to participate in this study and giving in your valuable time to make it a success.

Everline Anyango Aketch

Mbarara University of Science and Technology

SECTION ONE: DEMOGRAPHIC DATA

For each of the following questions, please tick what applies to you

a) Respondents Bio-data

1. Gender

Male Female

2. Age: How old are you?

below 30 years 30- 39 years 40-49 years 50-59 years 60 years and above

3. Level of education

'O' Level A' Level Certificate Diploma Bachelor Master Others (specify)

4. What is your position in the organization?

Owner Manager Assistant Manager Supervisor Employee Others (specify)

5. Number of year you have worked with the organization

Less than 3 years 3-5 years 6-10 years 11- 15 years above 15 years

b) Business Profile

1. Please estimate the number of employees in the firm

5-10 11-20 21-40 41-60 61-100

2. For how long has your business been in existence

less than 3 years 3years -7years 7years-15 years more than 15 years

3. In which sector does your organization operate in

Manufacturing Accommodation and Food Service

SECTION TWO: ORGANIZATIONAL CULTURE

Here are some of the indicators of organizational culture. Kindly indicate to what extent you agree with the following statements concerning your organization's shared views, values and practices. (Five-point scales ranging from 1= 'strongly disagree (SD)'; 2= 'disagree (D)'; 3= 'neither disagree nor agree (NDA)'; 4= 'agree (A)'; and 5= 'strongly agree'(SA).

In this organization, our shared views, values and practices are such that:	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
Involvement:					
Empowerment:					
1) Most employees are highly involved in their work	1	2	3	4	5
2) Decision is usually made at the level where the best information is available	1	2	3	4	5
3) Information is widely shared so that everyone can get information he or she needs when it is needed	1	2	3	4	5
4) Everyone believe that he/she can have a positive impact	1	2	3	4	5
5) Business planning is ongoing and involves everyone in the process to some degree	1	2	3	4	5
Team Orientation:					
1) Cooperation across different parts of the organization is actively encouraged	1	2	3	4	5
2) People work like they are part of a team	1	2	3	4	5
3) Teamwork is used to get work done, rather than hierarchy	1	2	3	4	5
4) Teams are our primary building blocks	1	2	3	4	5
5) Work is organized so that each person can see the relationship between his or her job and the goals of the organization	1	2	3	4	5
Capability Development:					
1) Authority is delegated so that people can act on their own	1	2	3	4	5
2) The "bench strength" (capability of people) is constantly improving	1	2	3	4	5
3) There is a continuous investment in the skills of employees	1	2	3	4	5
4) The capabilities of people are viewed as an important source of competitive advantage	1	2	3	4	5

In this organization, our shared views, values and practices are such that:	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
5) Problems often arise because we do not have the skills necessary to do the job	1	2	3	4	5
Consistency					
Core Values					
1) The leaders and managers “practice what they preach”	1	2	3	4	5
2) There is a characteristic management style and a distinct set of management practices	1	2	3	4	5
3) There is a clear and consistent set of values that governs the way we do business	1	2	3	4	5
4) Ignoring core values will get you in trouble	1				
5) There is an ethical code that guides our behavior and tells us right from wrong	1	2	3	4	5
Agreement:					
1) When disagreements occur, we work hard to achieve “win-win” solutions	1	2	3	4	5
2) There is a “strong” culture	1	2	3	4	5
3) It is easy to reach consensus even on difficult issues	1	2	3	4	5
4) We often have trouble reaching agreement on key issues	1	2	3	4	5
5) There is a clear agreement about the right way and the wrong way to do things	1	2	3	4	5
Coordination and Integration:					
1) Our approach in doing business is very consistent and approachable	1	2	3	4	5
2) People from different part of the organization share a common perspective	1	2	3	4	5
3) It is easy to coordinate projects across different parts of the company	1	2	3	4	5
4) Working with someone from another part of the organization is like working with someone from a different organization	1	2	3	4	5
5) There is a good alignment of goals across levels	1	2	3	4	5
Adaptability					
Creating Change:					
1) The way things are done here is very flexible	1	2	3	4	5
2) We respond well to competitors and other changes in the business environment	1	2	3	4	5
3) New and improved ways to do work are continually adopted	1	2	3	4	5
4) Attempts to create change usually meet with resistance	1	2	3	4	5
5) Different parts of the often cooperate to create change	1	2	3	4	5

In this organization, our shared views, values and practices are such that:	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
Customer Focus:					
1) Customers comments and recommendations often lead to changes	1	2	3	4	5
2) Customer input directly influence our decisions	1	2	3	4	5
3) All members have a deep understanding of customer wants and needs	1	2	3	4	5
4) The interests of the customer often get ignored in our decisions	1	2	3	4	5
5) We encourage direct contact with customers by our people	1	2	3	4	5
Organizational Learning					
1) We view failure as an opportunity for learning and improvement	1	2	3	4	5
2) Innovation and risk taking are encouraged and rewarded	1	2	3	4	5
3) Lots of things “fall between the cracks”	1	2	3	4	5
4) Learning is an important objective in our day-to-day work	1	2	3	4	5
5) We make certain that the “right hand knows what the left hand is doing”	1	2	3	4	5
Mission:					
Strategic Direction and Intent					
1) There is a long term purpose and direction	1	2	3	4	5
2) Our strategy leads other organizations to change the way they compete in the industry	1	2	3	4	5
3) There is a clear mission that gives meaning and direction to our work	1	2	3	4	5
4) There is a clear strategy for the future	1	2	3	4	5
5) Our strategic direction is unclear	1	2	3	4	5
Goals and Objectives					
1) There is a wide spread agreement about goals	1	2	3	4	5
2) Leaders set goals that are ambitious, but realistic	1	2	3	4	5
3) The leadership has a “gone on record” about the objectives we are trying to meet	1	2	3	4	5
4) We continuously track our progress against our stated goals	1	2	3	4	5
5) People understand what needs to be done for us to succeed in the long run	1	2	3	4	5
Vision					
1) We have a shared vision of what the organization will be like in the future	1	2	3	4	5
2) Leaders have a long-term viewpoint	1	2	3	4	5
3) Short-term thinking often compromises our long-term vision	1	2	3	4	5

In this organization, our shared views, values and practices are such that:	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
4) Our vision creates excitement and motivation for our employees	1	2	3	4	5
5) We are able to meet short-term demands without compromising our long-term vision	1	2	3	4	5

Section Three: Leadership Styles

Here are some of the indicators of leadership styles. Kindly indicate to what extent you agree with the following statements concerning leadership styles existing in your organization. (Five-point scales ranging from 1= 'strongly disagree'; 2= 'disagree'; 3= 'not sure'; 4= 'agree'; and 5= 'strongly agree').

My Leader/Manager(s)	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
CH1 Makes us proud of him/her	1	2	3	4	5
CH2 Goes beyond self-interest for the good of the group	1	2	3	4	5
CH3 Has our respect due to the way he/she conducts him/herself	1	2	3	4	5
CH4 Displays and exudes power and confidence while making decisions	1	2	3	4	5
CH5 Constantly talks and reminds us about organizational values and beliefs	1	2	3	4	5
CH6 Is a role model of ethical standards	1	2	3	4	5
CH7 Considers the moral/ethical aspects of our work	1	2	3	4	5
CH8 emphasizes the collective mission of the organization and	1	2	3	4	5
CH9 Always talks optimistically about the Organization's future	1	2	3	4	5
CH10 expresses confidence while talking to subordinates	1	2	3	4	5
CH12 Arouses awareness about important issues in the organization	1	2	3	4	5
IS1 encourages members to re-examines assumptions that guide the operations	1	2	3	4	5
IS2 Is open to different views from the subordinates	1	2	3	4	5
IS3 Tends to suggest new ways of doing things in the organization	1	2	3	4	5
IS4 Got me to look at the task from many different angle	1	2	3	4	5
IC1 Pays individual attention to each of the subordinates	1	2	3	4	5
IC2 helps team members to develop their strength	1	2	3	4	5
IC3 we take him/her as a teacher and a coach due to his supportive nature to the subordinates	1	2	3	4	5
IC4 is sensitized to the individual uniqueness of the subordinates	1	2	3	4	5
CR1 makes it clear what I will receive if my performance meets expected standard	1	2	3	4	5
CR2 Provides me with assistance based on effort I put at work	1	2	3	4	5
CR3 Makes sure we are rewarded for achieving performance targets	1	2	3	4	5
CR4 Commends me when I do a better job than the average	1	2	3	4	5
MA1 Focuses on your mistakes rather than on what I have done right	1	2	3	4	5
MA2 things have to go wrong before he/she takes action (only puts	1	2	3	4	5

My Leader/Manager(s)	SD (1)	D(2)	NDA (3)	A (4)	SA (5)
out fire)	1	2	3	4	5
MA3 continuously reminds me of my past mistakes	1	2	3	4	5
MA4 focuses more on failures than achievements recorded by workers	1	2	3	4	5
P/A1 Fails to intervene until problems become serious	1	2	3	4	5
P/A2 waits for a failure to meet task/objective for him/her to take action	1	2	3	4	5
P/A3 shows he is a firm believer of “if not broke, don’t fix it’	1	2	3	4	5
P/A4 waits for problems to become chronic before he/she takes action	1	2	3	4	5
P/A5 avoids getting involved when important issues arise	1	2	3	4	5
P/A6 is always absent when needed	1	2	3	4	5
P/A7 avoids making decisions on important issues	1	2	3	4	5
P/A8 delays responding to urgent questions	1	2	3	4	5

SECTION FOUR: ORGANIZATIONAL PERFORMANCE

Here are some of the indicators of organization performance. Kindly rate how your organization has on average performed against these indicators in the last three years compared to other years. (five point scale ranging from 1= ‘greatly reduced; 2= ‘reduced’; 3= ‘neither reduced nor improved’; 4= ‘improved’; and 5= ‘greatly improved ’)

Performance indicator	Greatly Reduced (1)	Reduced (2)	Neither reduced or improved (3)	Improved (4)	Greatly improved(5)
Profit levels (net profit)	1	2	3	4	5
Sales growth	1	2	3	4	5
Number of Employees	1	2	3	4	5
Overall profitability of the firm	1	2	3	4	5

SECTION FIVE: INDUSTRIAL EFFECTS

Here are some of the indicators of industrial effects that impact on your organization’s performance. Please indicate to extend to which you agree with the following statements concerning the industrial factors within which your business operates. (Five-point scales ranging from 1= ‘strongly disagree (SD)’; 2= ‘disagree (D)’; 3= ‘neither disagree nor agree sure (NDA)’; 4= ‘agree’ (A); and 5= ‘strongly agree’(SA).

Industrial factors	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
There are number of competitors in this sector	1	2	3	4	5
There is stiff rivalry among firms operating in this sector	1	2	3	4	5
Our customers taste and preferences keeps on changing	1	2	3	4	5
There is rapid changes in innovations and technologies used within	1	2	3	4	5

Industrial factors	SD (1)	D (2)	NDA (3)	A (4)	SA (5)
this sector that affects our operations					
There are a number of substitute products/services within the industry	1	2	3	4	5
Large number of competitors has affected our profit levels	1	2	3	4	5
Rivalry within the sectors leads to price changes in our products/services	1	2	3	4	5
Changes in customer taste and preferences affects our operations	1	2	3	4	5
We have to keep on investing money in acquiring new technologies and making innovations to be profitable	1	2	3	4	5

Thank you very much for participating in this study, we do hope that the outcome will help us suggest ways of improving performance of SMEs in Uganda.