

Transformation leadership style and performance of the hotel sector in Uganda: a cross-sectional survey

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Abstract

The purpose of the study was to establish the effect of transformational style on the performance of SMEs in Uganda. In particular the study sought to find out the contribution of each of the dimensions of transformational style of leadership that included charismatic, intellectual stimulation and individualized consideration aspect of leadership on the performance of SMEs. In order to attain this purpose, a cross-sectional explanatory-quantitative survey design was used to collect data and a sample size of 140 hotels in Eastern part of Uganda were selected. Whereas the response rate was 80%, retained organizations for analysis accounted for 68.6% of the sample selected. The study included both managers and employees as units of inquiry while unit of analysis were the hotels. The findings revealed that transformational style of leadership did not significantly influence performance of SMEs in Uganda. In terms of its constructs, the hierarchical analysis revealed that only charismatic style associated significantly with performance at β=0.248, ρ<0.05). Intellectual stimulation (β=-0.037, ρ>0.05) and individualized consideration (β= -0.019, ρ>0.05) had close to zero contribution towards performance of SMEs respectively. The results imply that organizations need to focus more on cultivating charismatic style of leadership in order to improve their performance. It should be noted that SMEs continue playing significant economic role in various economies especially for developing countries. However, their failure rates continue to be an issue of global concern. Whereas leadership contribution to the sustainability and performance of SMEs has been studies especially as regards transformational style of leadership, few studies have detailed the contribution of each of its dimension. Yet, the different dimensions of transformational style reflect different traits or characteristic of a leader that can be harnessed differently to improve SMEs performance. This study therefore sought to address this gap by analyzing individual contribution of the dimensions of transformational style on SMEs performance.

Key words: *Transformational leadership style, charismatic, intellectual stimulation, individualized consideration, SMEs and Performance*

Introduction

Small and Mediums Enterprises (SMEs) performance has been an area of concern for both scholars and practitioners. The performance of SMEs has broader goals not only for the governments, but also business sector and individuals. As observed by Schumpeter (2003) growth of the businesses tend to implicitly reflect the growth of a nation's economic development. Despite the importance

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attached to growth and performance of SMEs, their continued poor performance and high failure rates are not only a concern for the practitioners (OECD, 2004; Financing for Development, 2015; Global Entrepreneurship Monitor (GEM), 2004) but also scholars (Neneh, 2012; Kze, Thiam & Seng, 2013; Orobia, 2013; Eyaa and Ntayi, 2010). As noted by a number of scholars and reports, SMEs contribution in terms of being engines of growth is best seen by their contribution in terms of provision of employment to over 70 percent within private sector in emerging economies (Ankunda, 2010; Nugi, 2012; Ernst & Young, 2011). In Uganda in particular, SMEs, make up 90 per cent of the private sector (Eyaa & Ntayi, 2010), while employing over 90 per cent (Badagawa, 2011) with an employment growth rate of 20 per cent per annum (Ernst & Young, 2011). In terms of SMEs' contribution towards GDP, this is approximated to over 70 per cent of GDP (Ankunda, 2010; and Eyaa & Ntayi, 2010). However, failure rates of SMEs in Uganda continue to be on the high side with many not being able to celebrate their first birth day (Ernst and Young, 2011), as reflected by over 50% closing annually (Badagawa, 2011).

In a bid to understand and explain factors that account for business success or failure, a number of studies have been undertaken (Pesanen, 2003). One of the factors that has been identified to contribute to and influence the performance of SMEs includes leadership styles (Seyal & Rahman, 2014; Ozer & Tinaztepe, 2014). Leadership styles has argued by Yasir et al. (2016), l can either make or break the organization especially within a dynamic environment with intense competition for minimal resources. This may be very critical especially with SMEs which must find ways of survival in an environment dominated by large companies especially has relates to the development of unique intangible resources like leadership (Menon &Mohanty, 2008; Barney, 2001). In Uganda, whereas a number of factors have been identified that contribute to SMEs performance (Orobia, 2013; Eyaa & Ntayi, 2010; Nangoli et al., 2014 among others), dearth studies have focused on contribution of transformational style and especially the contributory effect of its dimensions as measured by charismatic style, intellectual stimulation and individualized consideration. This study sought to assess the contribution of transformational styles as reflected through its dimensions of charismatic style, intellectual stimulation and individualize consideration on the performance of SMEs located in hotel sectors in Uganda; with an aim of making recommendation as to their use as an intangible unique resources as commended by resources based-view theory (Barney, 2001)

The Problem

In Uganda SMEs make up 90 per cent of the private sector (Eyaa & Ntayi, 2010), while employing over 90 per cent (Badagawa, 2011) with an employment growth rate of 20 per cent per annum (Ernst & Young, 2011). In terms of SMEs' contribution towards GDP, this is approximated to over 70 per cent of GDP (Ankunda, 2010; and Eyaa & Ntayi, 2010). These statistics signifies importance of SMEs in Uganda as not only engines of economic growth but also as a possible solution to reduction of unemployment rates. In recognition of SMEs contribution, the Government of Uganda has instituted a number of intervention and initiatives that include among others business development service that is meant to address constraints associated with low level of skills, weak management, financial accounts, and marketing and Micro Finance outreaches, among others (Ernst& Young, 2011; Uganda Investment Authority, 2008; Turyahebwa et al., 2013). All these efforts aimed at increasing SMEs survival rates and improving their performance. Despite the support services, a number of studies indicate SMEs continue to face high failure rates, as reflected by the numbers that close annually in Uganda (Nangoli et al., 2013; Eyaa & Ntayi, 2010; Ernst & Young, 2011). Some reports approximate the rate of collapse to be above 50 per cent annually (UIA, 2008; Badagawa, 2011), with low levels of profits, sales growth and employee growth (Owonda, Okello & Okello, 2013; Turyahebwa et al., 2013). Different factors have been identified and suggested to lead to collapse and poor performance of SMEs in Uganda. Some of these include entrepreneurial and managerial incompetence in terms of skills, knowledge and experience, low levels of business management as well as poor supervision by managers of their

employees (Nangoli et al, 2013; Ernst & Young 2011). Whereas leadership is considered key in ensuring the coordination of all other resources and especially influencing employees towards the attainment of organizational goals (Aziz, et al., 2013), dearth studies have been undertaken to see its contribution towards SMEs performance within less developed economies including Uganda (Obiwuru et al., 2011). It is therefore important to explore how transformational leadership, a unique resources as posited by resources based-view theory (Barney, 2011) can contribute to SMEs performance which is vital in addressing the challenge of their continued poor performance, a gap that this study sought to address. The study was guided by three research objectives namely: to find out the effect of charismatic style on performance of SMEs; to assess the level of association between intellectual stimulation and performance of SMEs; and establish the extent to which individualized consideration influence performance of SMEs in Uganda.

Literature Review, Hypothesis development and conceptual framework

The Concepts of SME and Organizational Performance

SMEs definitions vary from one country to the other (OECD, 2004). In Uganda, SMEs are considered to be those organization that employ between 5-100 employees.. In particular small enterprises are those that has 5-50 employees 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 are those that have a workforce of 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 (Ministry of Finance, Planning and Economic Development, 2008; Ernst & Young, 2011). However, SMEs definition vary across the world. For instance, within the context of developed countries SMES are considered as firms that employee between less than 250 and 500 employees (OECD, 2004) depending on the country. 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 & Opondo, 2003; Ernst & Young, 2011).

The performance of SMEs continue to attract a lot of attention not only from the scholars but also from the practitioners. This is attributed to the fact that they are considered to be engines of growth for all economies; especially in emerging economies where they account for over 70 per cent of employment in the private sector (Ankunda, 2010; Nugi, 2012; Ernst & Young, 2011). In terms of SMEs' contribution to GDP across the globe its approximated to range between 30-60 percent for the developed economies (Wang, Walter & Redmond, 2007; Anggadwita & Mustafid, 2014); between 20-70% for African countries (Neneh & Zyl, 2012; Abor & Quartey, 2010; and Ankunda, 2010; Nkwe, 2012). SMEs contribution to the economy is also reflected by the employment levels especially within the private sector. They account for over 50% employment in various countries across the globe (Ebiringa, 2011; Abor & Quartey, 2010; Ernst & Young, 2011). In Uganda as earlier noted, SMEs make up 90 per cent of the private sector (Eyaa & Ntayi, 2010), while employing over 90 per cent (Badagawa, 2011) with an employment growth rate of 20 per cent per annum (Ernst & Young, 2011). In terms of SMEs' contribution towards GDP, this is approximated to over 70 per cent of GDP (Ankunda, 2010; and Eyaa & Ntayi, 2010). In addition according to OECD (2004), SMEs account for more than 95 per cent of all firms outside the primary agriculture sector.

As earlier noted, SMEs performance continued to decline not only within Uganda but across various economies. As posited by Gekonge (2005) organizational performance is manifested by its ability to achieve its desired goals through the efficient and effective use of resources at their disposal. Herath and Rosli (2013) further add that performance of an organization is also the

comparison of the value created by the firm against expected value to be received by the owners as a result of investment undertaken. As postulated by Esuh (2012) in order to effectively assess SMEs performance, there is need for performance measures that act as parameters against which success or failure can be assessed. This means setting clear indicators against which to assess success or failure which can either be financial or non-financial in nature. As argued by Abu-Jared et al. (2010) financial measure for instance profitability tend to provide more objective measures, however as posited O'Regan and Ghobadian (2007), incorporating non-financial measures with financial measures facilitate the surveying of performance in several areas simultaneously. Thus the inability of the SMEs to create value in terms of profits, is not only a cause for concern but also puts their survival at risk. A number of studies have identified factors that explain and influence the performance of SMEs that include leadership styles (Seyal & Rahman, 2014; Ozer & Tinaztepe, 2014) among others.

Leadership styles

Leadership is considered as a critical element in influencing organizational performance (Leon, 2010; Abu-jared et al., 2008; Omojola & Siddiq, 2013). This has argued by Yasir et al. (2016), within a dynamic environment with intense competition for minimal resources, leadership can either make or break the organization in terms of how it is able to rally the members of the organization to attain the set objectives. This may be very critical especially with SMEs which must find ways of survival in an environment dominated by large companies. The influence of leadership on organizational performance has been studied from the lens of resources based-view theory by a number of scholars (among others Ogbonna & Harris, 2000; Ambrosini et al., 2009). Resources based view, postulates that an organization is able to achieve sustained competitive advantage once it possesses valuable, rare, non-imitable and non-substitutable resources (Barney, 1991). These resources can either be physical or intangible. However, as posited by Barney (1991) intangible resources that include leadership tends to possess the unique attributes of the resources that can be used to attain competitive advantage compared to physical assets. This as he argues is premised on the fact that it is hard to imitate or even substitute intangible assets that are inherent in individuals compared to physical assets. Wright et al. (1993) further adds that the complexity created by organizational process and human interactions gives the human and organizational capital the ability to attain the requirement of being valuable, rare, non-imitable and non-substitutable. This assertion is premised on the fact that even if one was to poach one individual from an organization to facilitate transferability of the resource from one firm to another, this can never be perfectly achieved especially with resources like leadership skills.

The views of Barney (1991) and Wright et al. (1993) are by Ambrosini et al. (2009), who specifically note that, the uniqueness of leadership styles lies in the fact that they are internally built and not bought in the market unlike physical assets. The assertion of these scholars makes the importance of leadership within the context of SMEs even more critical considering that one of the challenges of SMEs is the ability to access some of the physical unique resources especially as faced by the resources constraints and competition from larger organization. This therefore makes focus on building on their intangible resource critical towards the attainment of their organizational success and ensuring survival. However, suffice to note is that resources based view has been faulted for its inability to explain the processes involved in transforming the resource advantage into competitive advantage. Which may explain why in some instances leadership style is found to significantly influence performance (Obiwuru et al., 2011; Aziz et al., 2013) while in some instance it did not have significant effect on performance (Ogbonna & Harris, 2000).

The study of leadership is acknowledged to have spanned over 100 years as reflected by the first works of Galton (1869) on hereditary genius (McCleskey, 2014, p.117). This shows the importance of leadership and the various definitions provided by different scholars, though with a number

of similarities. Scholars like Winston and Patterson (2006) noted that there are over 26,000 articles that had used the term leadership by 2003 and, as argued by Batmanghlich (2015), leadership being such a fluid concept, has attracted diverse definitions depending on the paradigm as discussed. House et al. (2004, p. 13) defined leadership as "the ability of an individual to influence, motivate and enable others contribute towards the effectiveness and success of the organization of which they are members." On the other hand, Dessler (2002) posited that leadership is influencing others to work willingly towards the attainment of set goals and objectives. This is attained through crystallizing direction for subordinates and then tapping into all authority, charisma, and traits that the leader can muster to make the subordinates want to follow the leader in achieving the organizational goals. He further argues that the distinction between the leader and the follower is the level of influence that a leader exerts and followers' willingness to respond to the direction and guidance provided by the leader in the attainment of specific goals and objectives. Daft (2003) and Luthans (2005) add that leadership includes aligning people towards the attainment of organizational goals; and empowering them to take actions. This can be attained through motivation, training and coaching, among others.

Whereas a number of scholars (House et al., 2004; Jing & Avery, 2008 and Batmanghlich, 2015), observes that but common agreed concept is that leadership is the ability to influence, inspire and motivate the subordinates towards attainment of organizational and individual goals. The ability may be best reflected through different leadership styles. As noted by Dubrin (2005), leadership is seen through ones' capacity to inspire confidence and support among the people on whose competence and commitment the performance of the organization relies. Various scholars observed that the capacity can best be understood through classification. According to Batmanghlich (2015), the classification of the capacity or ability of leadership has gone from classical to modern view of leadership behaviors, which depended on either the process of inherent traits perspective. Whereas the first phase included trait studies which assumed that successful leaders are born with certain inherent qualities as postulated by Galton (1989), the difficulty that was associated with categorizing and validating the characteristics associated with trait led to the emergence of style and behavioural approaches to leadership (McCleskey, 2014; Ogbonna & Harris, 2000). Ogbonna and Harris (2000) notes style approaches advocated for one best way of leadership that saw the introduction of transformational and transactional styles of leadership as put forth by Burns (1978).

Transformational and transactional style of leadership were further developed by scholars like Bass (1999) and has since been widely used and studied by a number of scholars and studies (for example McCleskey, 2014; Judge and Piccolo, 2004; Bass, 1999). In undertaking this study therefore, one of the new style, transformational leadership as proposed by Bass (1999) was adopted. Jing and Avery (2008) posits that the interest in the specific style adopted is important in the attainment of organizational goals and objectives. This argument is in line with prepositions of resource based view theory that a resource including leadership style adopted, needs to have certain unique attributes in order to provide competitive advantage to the firm. It is therefore important to assess to what extent can transformational leadership which is considered to be visionary and inspirational in nature can influence SMEs performance as discussed further in the subsequent section.

Transformational Leadership and performance

Transformational leadership is considered to be one of the return to best leadership approach as proposed by Burns (1978) and further developed by Bass (1999) as noted by Ogbonna and Harris (2000); McCleskey, 2014. According to Boedker et al., (2011) transformational style of leadership was based on the works of human relations and behavioural science of the likes of Elton Mayo. Boedker et al. (2011) further adds that, Elton Mayo noted from his research that showing concern for workers' needs could provide alternative better ways of improving organizational performance than scientific management approach. This was based on the recognition that leaders are not all-knowing and require input from followers to maximize decision effectiveness.

Considering that the early proponents of transformational style were Burns (1978) and Bass (1985), Dmitry (2007) in his study that contrast the views of Burns and Bass on the transformational and transactional styles, observed that Burns (1978) viewed transformational leadership as mutual creative relationship between the leader and the follower (political perspective). On the other hand Bass (1985) proposed that transformational leadership is about leaders providing direction through charisma, individualized consideration and intellectual simulation of the follower towards the attainment of organizational goals (military orientation). This is reflected in the Bass (1999) definition that is commonly used by a number of scholars, in which he 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. Bass (1999, p.11) argues that this type of leadership "elevates the followers' level of maturity and ideals as well as concern for achievement, self-actualization and the well-being of others, the organization and the society". It is characterized by idealized influence and inspirational leadership that are displayed when the leader envisions a desirable future, articulates how it can be reached, sets an example to be followed, sets high standards of performance and shows determination and confidence. Dimtry (2007, p.7) further postulates that transformational relationship provides room for both the leader and the follower to dynamically influence each other's perceptions and behaviour. Further to the above submissions, Obiwuru et al. (2011) add that transformational leaders raise followers' consciousness levels about the importance and value of designated outcomes and ways if achieving them, 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. These views are supported by Boedker et al. (2011) who posits that transformational leaders tend to be proactive and endeavor to maximize individual, group and organizational development beyond ordinary. They ensure that employees are empowered and not only feel compelled but also become dedicated to assist in accomplishing the goals and objectives of the organization. The support for transformational style in terms of enhancing organizational performance is also premised on the assumption that the majority of the followers would really want to associate with leaders who inspire them, exude charisma but at the same time be in position to recognize the individual differences that exist among his/her followers (Bass, 1999). This has reported by McCleskey (2014), more than 200 studies spanning a period of over 30 years have undertaken a number of studies focusing on transformational style of leadership, thus reflecting its importance within the leadership studies and probably as a unique resource that is used to leverage organizational performance (Barney, 1991).

Bass (1999) in defining transformational leadership identified three dimensions that constitute transformational leaders. This include charismatic style, intellectual stimulation, and individualized consideration. In terms of charismatic style, Judge and Piccolo (2004) notes that this is the extent to which a leader's behaviour leads to admiration by the followers which in turn makes the follower desire to emulate and be associated with the leader. As postulated by Judge, Woolf, Hurst and Livingston (2006), the advent of charismatic leadership was associated by Max Weber in 1957 who believed that one of the form of authority that people would accept was charismatic authority. They further add that Weber believed that a charismatic leader was one that had exceptional supernatural abilities that set them apart from ordinary people and thus others would accept their guidance and direction as a leader. Judge et al. (2006) note that subsequent works observed that charismatic leader was as a result of attributes that followers would link to a leader that included ability to articulate vision, take risks to achieve the vision, be sensitive to followers needs while demonstrating a novel behaviour. Bass (1999) postulated that since charismatic leaders are able to inspire and make their followers believe that they can attain greater heights with extra effort, this would translate into superior performance, thus making it a unique resources critical for the attainment of organization success. We therefore hypothesize that **H1: charismatic leadership has a positive relationship with performance of SMEs in Uganda**

On the other hand intellectual stimulation is defined by Bass (2000, p. 26) as "to bring forth the expert knowledge of the members of the organization, stimulating thinking at all levels about

the organization's objectives and the means to meet them." Judge and Piccolo (2004) adds that it is the extent to which the extent to which the leader challenges the assumptions and takes risks while soliciting followers ideas. This implies that leaders with this type of trait will stimulate and encourage creativity in their follower. McCleskey (2014) argues that this type of leadership allows leaders to increase followers efforts at innovation by questioning assumptions, reframing known problems through application of new frameworks and perspective to old models of executing, and implementing organization's objectives. It can thus be said that intellectual stimulation is the ability of the leaders to help followers challenge the status quo, desire to explore new and innovative ways of achieving their tasks. All these with the aim of improving organizational performance. However, as argued by McCleskey (2014) intellectual stimulation leadership requires openness on the part of the leader without fear of criticism and increased levels of confidence in problem solving situation. This will increase the self- efficacy of the followers which leads to increased effectiveness. We therefore hypothesize that **H2: intellectual stimulation has a positive relationship with performance of SMEs in Uganda.**

In terms of individualized consideration this has been posited to be the degree to which the leader attends to each followers needs, acts as a mentor and a coach to the followers and being able to listen to followers concerns and needs (McCleskey, 2014; Bass, 2000). As postulated by as been found to be an important aspect of leadership in work place. This is premised on the role it plays in terms of identifying development needs and paying individualized attention to each of the workers (Rafferty & Griffin, 2006). They further add that individualized consideration allows leaders to become familiar with their follows in addition to improving both communication and information sharing. The ability to enhance individual development needs and identifying their strengths with an aiming of improving individual performance is believed will translate in better organizational performance. We therefore hypothesis that **H3: individualized consideration has a positive relationship with performance of SMEs in Uganda.**

In terms of the likely effect of each of the traits of transformational style, some scholars note that they may have different effect depending on the context. This can be analyzed using empirical studies as presented in the following section.

Empirical studies on Transformational Leadership and Organizational Performance

A number of studies have examined the effect of transformational leadership on organizational performance and employees' effectiveness among others. Ogbonna and Harris (2000) note that a number of researchers theorize that transformational leadership is linked to performance compared to transactional, as they tend to motivate followers to deliver superior performance. This assertion is supported by Boedker et al. (2011) who posit that transformational leadership may lead to high organizational performance due to supportive, delegative, participative and collaborative leader- follower relationship. Transformational leaders will thus result in high level of cohesion, commitment, trust and motivation that leads to performance in new organizational environment (Obiwuru et al., 2011). They also note that when organizations seek for new ways of outperforming their competitors, then the focus is shifted to leadership to provide that kind of direction and motivation to organizational members. A number of empirical studies have been undertaken to assess the relationship between transformational style and performance of organizations and these have yielded mixed results and inconclusive findings.

Within the SMEs sectors, a number of studied have established that transformational style of leadership had positive and significant relationship with performance. For instance, Rejas et al. (2006) in a study of 96 small firms in Chile found that transformational had a significant positive effect on performance. Similarly, a study undertaken by Yang (2008) in Taiwan in 406 SMEs and also by Aziz et al. (2013) in 375 SMEs within service sector in Malaysia also found that transformational leadership was significantly positively related to total business performance

However, a study undertaken by Obiwuru et al. (2011) in 10 small businesses in Nigeria indicated that whie transformational had a positive relationship to performance but this was not significant. In particular both charismatic leadership and individualized consideration had positive effect on performance of small business while intellectual stimulation had a negative effect. In Kenya, a study undertaken by Koech and Namusonge (2012) on the effect of leadership styles on organizational performance in 30 state-owned corporations found transformational transformational had a higher correlation with performance.

From the above submission we note that whereas majority of the scholars agree that transformational style positively influence the performance of organizations, few of the scholars have presented detailed analysis on the effect of each of the dimensions of transformational style on SMEs performance. As observed from the findings of Obiwuru et al. (2011) the different traits of transformational style had different findings. In order to validate the findings on dimensions of transformational style, additional empirical studies need to be carried out, a gap this study seeks to address. As argued by Kesting, Ulhoi, Song and Niu (2015), the advent of transformational style was to further advance the charismatic leadership style by broadening its aspects in terms of additional traits that a leader needs to exhibit to cause transformation within the organization. It is therefore important that studies provide comprehensive analysis on each of the aspects of transformational style's effect on SMEs performance. This may help SMEs identify which specific aspect of transformational style can be given more attention taking into account resources constraints faced by SMEs. Just as noted by Jing and Avery (2008), there is no one best style of leadership but rather the effect of style on performance will be contingent on the context of within which the style is applied. In addition has observed by Dimtry (2007), it is too universalistic to assume that transformational leadership applies to all culture and organization and therefore, need to examine the context on the choice of transformational style. In addition as reported by Rafferty and Griffin (2006) some of the dimensions of transformational style have been found to have mixed association with performance.

Methods and Techniques

The research design for this study was explanatory cross-sectional survey design. As posited 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. The study adopted the quantitative approach which as stipulated by Nueman (2007), relies on positivist approach that follows a linear research path as well as placing emphasize on precisely measuring variables and testing hypothesis.

The study targeted 184 SMEs in the Hotel sector from seven selected districts in Eastern Uganda. The lists of the hotels were obtained from the Tourist/Commercial Officers from the various districts having obtained an introduction letter from the University and also guidance from the Hotel Owners Association. Using Krejcie and Morgan (1970) table of sample determination a sample of 123 hotels was selected. However to cater for non-response rates as recommended by Andy (2012) an additional 10% was selected giving a total sample size of 140 hotels. Stratified sampling technique was used to select the hotels from the seven districts. Whereas the unit of analysis was the hotels, the units of inquiry were the managers and employees. Managers were selected purposively owing to the role they play in the organization (Neuman, 2007) while, employees were selected randomly having obtained list of employees from the managers of the sampled hotels. The inclusion of employees unlike previous studies was to avoid common method bias associated with single respondents (Ogbonna & Harris, 2000; Yilmaz & Ergun, 2008). Purposive sampling technique was used to select the managers of the various SMEs while simple random sampling was used to select the employees having obtained the list from the managers. A minimum of two employees and a maximum of five employees were selected from each of the organizations (Yilmaz & Ergun, 2008). Questionnaires from 112 organizations were received, indicating a response rate 80%. After data cleaning which included checking for and removing outliers, 96 hotels were retained for data analysis.

In terms of measurement, the measures of transformational style were modified from Multifactor Leadership Questionnaire (MLQ) developed by Avolio et al. (1991). This instrument has been used by a number of scholars (Obiwuru et al., 2011; Rejas et al., 2006; Aziz et al., 2013). Transformational leadership was treated as charismatic, intellectual simulation , and individualized consideration and items are anchored on five-point Likert scale with anchors strongly disagree (=1) to strongly agree (=5). Charismatic trait was measured by 11 items. This was because a number of scholars that include Bass (1999) note that it includes both charisma and inspirational motivation, the cronbach' α coefficient was 0.889 . In terms of intellectual stimulation this was measured by 4 items and the cronbach' α coefficient was 0.682, while individualized consideration was measured by 4 items and the cronbach' α coefficient was 0.797. The instrument was considered reliable and as noted by Andy (2012); Vogt (2007); a reliability above 0.7 is considered to be good enough, but also as argued by Andy (2012) while dealing with psychological measure Cronbach's below α= 0.7 can be expected owing to diversity of construct measure. This is also supported by Nakyeyune, Tauringana, Ntayi and Nkundabanyaga (2016) who note that reliability between 0.6 and 0.7 is acceptable and this can be said to be true for the measures used for intellectual stimulation. From the reliability results we can note that the existence of internal consistency which implies that all the measures consistently represent the same constructs.

On other hand, firm performance was measured by asking the managers to assess their firms' average performance for the last 3 years on each performance criterion. A total of seven items were included, with the first six aspects capturing different aspects of performance (net profit, volume of sales, number of employees, market share, number of customers, and return on investment) while the seventh item inquired about the overall profitability (Chong, 2008; Abu-Jared et al., 2010; Sadik, 2012). All the items were anchored on the five-point scale in terms of greatly reduced (1) to greatly improved (5). Cronbach' α coefficient was 0.92. In order to assess the convergent validity, principal component analysis using varimax rotation method was used. The communalities results indicated that all factors were 0.5 and above, thus not necessitating elimination of some measure. In addition KMO values were above the recommended minimum of 0.5 (Andy, 2012; Nakyeyune et al., 2016). The summary of the reliability coefficient is provided in Table 1 below.

Table 1: Validity and reliability of the instruments

Variables	Barlette's Test of Sphericity				No. of	Variance explained	Alpha
	KMO	Approx.	Df	Sig.			
Charismatic	0.874	519.45	55	0.000	11	62%	0.889
Intellectual stimulation	0.726	66.954	6	0.000	4	54%	0.682
Individualized consideration	0.750	93.125	6	0.000	4	59%	0.797

Findings and Discussion

Descriptive statistics

The descriptive statistics indicated thall SMEs agree that charismatic style was prevalent (mean = 4.079, SD = 0.455) the same applied to intellectual stimulation trait of leadership(mean=4.066, SD=0.399), and individualized consideration (mean =4.081, SD= 0.405). This in general indicates that transformational style (mean=4.049, SD=0.429) of leadership is prevalent in SMEs in Uganda. On the other hand performance of SMEs was found to be moderate (mean=3.621, SD=0.815). The summary of descriptive statistic is as shown in Table 2.

Table 2: Descriptive Statistics

	No of observation	Minimum	Maximum	Mean	Std. Deviation
charismatic mean	96	2.73	5.00	4.0788	.45549
intellectual stimulation	96	3.17	5.00	4.0657	.39972
ID mean	96	3.00	5.00	4.0810	.40450
Transformational	96	2.53	4.95	4.0488	.42946
Performance	96	1.86	5.00	3.6210	.81582

Correlational results

The correlation analysis was undertaken to assess the level and strength of association between the various variables under study as presented in Table 3. A one tailed test was used since directional hypotheses were set for this study (Andy, 2012). The findings indicate that there is a significant positive relationship between charismatic leadership (CH) and performance ($r= 0.247$, $\rho<0.01$). A positive significant relationship was also established between transformational leadership (TRANS) and performance ($r=0.189$, $\rho<0.05$). On the other hand intellectual stimulation while having a positive relationship with performance ($r=0.127$, $\rho>0.05$), the relationship was not significant. The relationship between individualized consideration (IC) and performance was found to be positive but also not significant ($r=0.154$, $\rho>0.05$). In terms of the control variable, both size of the business ($r= -0.057$, $\rho>0.05$) and age of the business ($r=0.012$, $\rho>0.05$) and relationship with performance was found to be non-significant respectively. This indicates that the relationship between the independent variables and performance may not be contingent on size or age of SMEs in Uganda.

Table 3: Pearson correlations between dependent variable and independent variables

Variables	Perf	CH	IS	IC	Trans	Size	Age
PERF.	1.000						
CH	.247**	1.000					
IS	.127	.617**	1.000				
IC	.154	.694**	.680**	1.000			
TRANS	.189*	.839**	.881**	.916**	1.000		
SIZE	-.057	.017	.046	.019	.032	1.000	
AGE	.012	.068	-.035	.026	.016	.201*	1.000

Note n=96. *,**. Correlation is significant at the 0.05 and 0.01 level (1-tailed), respectively

Inferential statistics

The study used simple and hierarchical regression analysis which as postulated by Andy, 2012; Nakyeyune et al. (2016) is important in terms of evaluating the contribution of each predictor in the model as well as facilitating examination of incremental validity. Table 7 shows the findings of the hierarchical regression. In running the analysis size and business age were treated as control variables, it should be observed that it was established that the control variables did not exert significant influence on the relationship between the various dimensions of transformational style and performance of SMEs even as reflected in Table 4. The findings on the objectives and hypotheses are as presented.

The first objective was to establish the effect of charismatic style on performance of SMEs (Table 4). The findings revealed that charismatic style was positive and significantly associated to performance of SMEs ($R^2=6.5\%$, $\beta=0.248$, t-value= 2.452, $\rho\leq0.05$) thus failing to reject alternative hypothesis. This implies that charismatic styles not only accounts for 6.5% variation in SMEs performance, but also positive changes in charismatic style of leadership will lead to significant positive changes in performance of SMEs.

Table 4: Regression coefficients for charismatic style

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.749	.357		10.499	.000		
	No of employees	-.164	.281	-.062	-.585	.560	.959	1.042
	business age	.021	.091	.025	.233	.816	.959	1.042
2	(Constant)	3.768	.348		10.830	.000		
	Size	-.167	.273	-.063	-.610	.543	.959	1.042
	business age	.007	.089	.008	.077	.938	.955	1.047
	Charismatic	.354	.144	.248	2.453	.016	.995	1.005

a. Dependent Variable: Performance

The second objective was to establish the effect of intellectual stimulation on the performance of SMEs in Uganda. The findings (Table 5) show that intellectual stimulation has non-significant positive effect and association with performance of SMEs (R^2=2.1%, β=0.132, t-value= 1.272, ρ>0.05) thus rejecting the alternative hypothesis. This implies that while positive changes in intellectual stimulation will lead to positive changes in performance of SMEs, the changes in performance will not be significant.

Table 5: Regression coefficients for intellectual stimulation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.749	.357		10.499	.000		
	No of employees	-.164	.281	-.062	-.585	.560	.959	1.042
	business age	.021	.091	.025	.233	.816	.959	1.042
2	(Constant)	3.747	.356		10.530	.000		
	Size	-.184	.280	-.069	-.656	.514	.957	1.045
	business age	.026	.090	.031	.291	.771	.957	1.044
	intellectual simulation	.130	.102	.132	1.272	.206	.996	1.004

a. Dependent Variable: Performance

The Third Objective was to establish the extent to which individualized consideration influenced performance of SMEs in Uganda. The finding revealed that individualized consideration had a non-significant positive association with performance of SMEs (R^2=2.8%, β=0.155, t-value= 1.505, ρ>0.05), thus rejecting the alternative hypothesis. The findings indicate that positive changes in individualized consideration will lead to non- significant positive changes in performance of SMEs

Table 6: Regression coefficient for Individualized consideration

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.749	.357		10.499	.000		
	No of employees	-.164	.281	-.062	-.585	.560	.959	1.042
	business age	.021	.091	.025	.233	.816	.959	1.042
2	(Constant)	3.755	.355		10.586	.000		
	Size	-.170	.279	-.064	-.610	.544	.959	1.042
	business age	.018	.090	.021	.200	.842	.959	1.043
	Individual consideration	.138	.092	.155	1.505	.136	.999	1.001

a. Dependent Variable: Performance

In order to establish the overall effect of transformational style and the contribution of each of its dimension hierarchical regression analysis was undertaken and the findings are as presented in Table 7.

Table 7: Multiple regression results

Variables	Model 1	Model 2	Model 3	Model 4	VIF
Age	-0.062(-0.585)	-0.063(-0.610)	-0.061(-0.586)	-0.061(-0.589)	1.047
Size	0.025(0.233)	0.008(0.077)	0.005(0.045)	0.005(0.047)	1.060
CH		0.248(2.453)**	0.271(2.008)**	0.279(1.887)***	2.107
IS			-0.037(-0.285)	-0.029(-0.202)	2.041
IC				-0.019(-0.177)	2.406
F	0.178	2.131	1.602	1.271	
R2	0.004	0.065**	0.066	0.066	
Adjusted R2	-0.018	0.034**	0.025	0.014	
R2 change	0.004	0.061**	0.001	0.000	
D-W				2.248	
F change	0.178	6.017	0.081	0.014	
S.E.	0.823	0.802	0.806	0.810	
df					
Regression	2	3	4	5	
Residual	93	92	91	90	
Total	96	96	96	96	

Dependent variable is performance, t-test values in parenthesis (); *,**,*** statistically significant at 1%, 5% and 10% respectively. D-W (Durbin Watson)

Model 1 in Table 7 shows the contribution of control variables of size and age of the business to performance of SMEs. The findings indicate that both age (β= -0.062, ρ>0.05, t=-0.585) and size (β=0.025, ρ>0.05, t=0.233) are not significant contributors to performance of SMEs in Uganda. This implies that the results of the study are not confounded by the control variables. The results in model 2 in Table 4 shows that charismatic style explains 6.8% of the variances in performance of SMEs significantly (β=0.248, ρ<0.05, t=2.453). This finding further supports our hypothesis that states that there is a positive relationship between charismatic leadership and performance of SMEs in Uganda. Results of Model 3 in table 7, show that intellectual stimulation accounts for 0% of variations in performance of SMEs (β=-0.037, ρ>0.05, t=-0.285), thus further rejecting our hypothesis of a positive relationship between intellectual stimulation and performance of SMEs in Uganda. The results of model 4 in table 4 show that individualized consideration also accounts for 0% of variance in performance of SMEs (β=-0.019, ρ>0.05, t=-0.117), thus also further rejecting our hypothesis of a positive relationship between individualized consideration and performance of SMEs in Uganda. The overall model in table 4 explains 0% of performance of SMEs in Uganda. This implies that transformational style leadership does not significantly account for performance of SMEs. However, in terms of relative importance of dimension of transformational style, the results indicate that only charismatic style is the most important in terms of explaining variance in performance of SMEs in Uganda when the three dimensions are combined.

Discussion

This paper sought to establish the effect of transformational style on performance of SMEs with additional aim of establishing contribution of each of its dimensions that include charismatic, intellectual stimulation and individualized consideration on performance of SMEs in Uganda. A

number of studies have always assessed the effect of transformational leadership on performance of organizations, however, majority of the studies have not discussed in details the contribution of each of its dimensions, a gap this study sought to address. The first objective was to establish the effect of charismatic style on performance of SMEs. The findings of this study show that charismatic style is not only had a positively and significantly predict performance of SMEs in Uganda but also the only dimension of transformational style that had significant association with performance when all the dimensions are combined in a hierarchical analysis. This findings are in line with findings of Obiwuru et al. (2010) within Nigeria which found that charismatic style was a significant predictor of small business. The results further validate the findings by Wang et al. (2010) that found that charismatic leadership positively and significantly relates to performance of an organization. As argued by Judge et al. (2006), charismatic leadership can be used for the good of the organization in terms of helping to attain better performance. As postulated by resources based view theory, the charisma exuded by the leader may become a unique resources used to attain competitive advantage for the firm (Barney, 1991). This is further supported by Bass (1990) who posited that since charismatic leaders are able to inspire and make their followers believe that they can attain greater heights with extra effort, this would translate into superior performance.

On the other hand the findings on the effect of intellectual stimulation on performance of SMEs was found to be positive but non-significant, and when combined with charismatic and individualized consideration it was negatively associated with performance of SMEs. This finding was although in agreement with the findings of Obiwuru et al. (2010) that established a negative relationship between intellectual stimulation and performance of small businesses. This indicates that that within SMEs, any effort to challenge the employees to find new ways of undertaking a task will not motivate the workers to higher performance contrary to what is postulated by various scholars (Avolio & Bass, 2000; Judge et al., 2006). The findings of non-significant association between intellectual stimulation and SMEs performance may be attributed to the setting especially within hotel sector where the nature of tasks undertaken that do not require a lot of intellectual work. For example, being a service sector whose focus is on customer satisfaction, a certain culture of handing clients will be established to provide consistency and uniformity among the various followers. This may stifle innovation and blur the need for individual employee treatment. Importantly also may be the argument fronted by Jing and Avery (2008) that sometimes in the presence of a charismatic leadership, followers will tend to stop being innovative through actions of intellectual stimulation

In terms of the extent to which individualized consideration influence performance of SMEs, this was also found to be positive and non-significant when considered alone, but negative if combined with charismatic and intellectual stimulation. The findings are contrary to the findings of Obiwuru et al. (2010) who found that individualized consideration had a significant positive relationship with performance. According to Dimtry (2007), sometimes transformational leadership may promote competition among subordinates, play off groups of subordinates against each one another as well as still rivalry especially as it relates to individualized consideration. This may lead to negative performance as reflected by individualized consideration.

On the other hand transformational style's effect on performance as reflected by the hierarchical analysis in the final model was found to be non-significant. The findings of the inability of transformational style to translate to better performance within SMEs in this study are in line with findings within small business in Nigeria by Obiwuru et al. (2011). However, this contradicts a number of findings that have asserted that transformational style of leadership positively and significantly relates to performance (Ponce et al., 2006; Yang, 2008; Aziz et al., 2013; Odemuru & Ifeanyi, 2013). In addition the finding also contradicts the observation of Judge et al. (2006) who argues that these three traits ought to augment each other. As they put forward, an individual who scores highly in charismatic trait will tend to also score highly on both intellectual stimulation and

individualized consideration. These findings therefore contribute to assertion of previous scholars who noted that even though transformational style is dominant in SMEs, it does not significantly contribute to changes in their performance, which is in agreement with the findings of Obiwuru et al. (2011). The findings may be attributed to the set-up and ownership of the majority of the hotels in Uganda. As observed by UBOS (2011), the majority of hotels are owned by individuals. This means that even if a manager is transformational leader, this may not lead to significant improvement of performance, as his or her authority to do certain things including individualized consideration will be limited by the owner of the business. In addition as observed by Dimtry (2007), sometimes it is too universalistic to assume that transformational leadership applies to all culture and organizations without taking into account the context, thus bringing in the argument of contingency theory of leadership. In addition the results may imply that being visionary and having the ability to intellectually stimulate your followers while taking into account individual needs and uniqueness may not in themselves be adequate to ensure organizational success. This means that transformational leadership must be complemented with other factors that will make its effort pay off dividends.

In terms of control variable the findings show that the performance of SMEs will neither be contingent on the size of the business in terms of either being small or medium, nor on the number of years the business has been in existence. These findings are consistent with a number of studies that have established non-significant relationship between age and performance (Majumdar, 1997; Loderer &Waelchli, 2010) and also the size of the business and performance (Majumdar, 1997; Pervan &Visic, 2012).

Conclusions and policy implications

The aim of this paper was to assess the contribution on each of the dimensions of transformational style that included charismatic, intellectual stimulation and individualized consideration as well as the overall effect of transformational style on performance of SMEs in Uganda. The results indicate that not all the construct of transformational style are important predictor of performance and only charismatic style plays a critical role in providing positive performance with SMEs in Uganda. It is therefore important for managers within SMEs to exercise caution in terms of intellectual stimulation and consideration of individual needs and uniqueness as a means for improving performance. In addition managers should strive more to develop the charismatic leadership traits in terms of articulating the vision of the organization to the members while playing as a role model to the followers in terms of undertaking assigned responsibilities. For policy makers it is vital that training are organized for the leaders of various SMEs to undertake training on developing leaderships skills especially charismatic/ inspirational motivation leadership traits. In terms of theoretical implication more studies need to be undertake to better understand how the three traits of transformational style interplay in enhancing organizational performance. There is also need to assess theoretical if charismatic style of leadership should be separated as distinct style of leadership and not a construct measure for transformational style of leadership. This study has some limitation, first the study was cross sectional in nature thus not being in position to capture changes in attitudes overtime, thus longitudinal studies are recommended in the future. Secondly the study focused only on one sector, in order to endure external validity other studies should be undertaken in other sectors and also ensure wider geographical coverage. Future studies should also consider introduction of either mediator or moderators in the study of the relationship between leadership styles and performance like owners attitude.

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