

# Leadership Style and Performance of Selected Manufacturing Companies in Uganda

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## Abstract

Aiming at establishing a relationship between transformational leadership style and performance in sales of selected manufacturing industries in Uganda; the researcher used a co-relational survey design among all 110 employees (i.e. operational and administrative staff) of Oscar industries, Uganda Batteries Ltd (UBL) and Mukwano industries in Uganda that have worked with these industries for at least two years. Findings show that transformational leadership style has a remarkable influence on the performance in sales; hence recommending that manufacturing companies should: train their employees towards managing inventory properly in order to avoid frauds, delay of production; communicate the policies and procedures of the selected manufacturing companies; emphasize and practice the policies and procedures of physical segregation and proper accounting control merchandise on hand that is not the property of the entity; and build a formal sales process that each one in the organization follows.

**Keyword:** Leadership, performance, sales

## 1. Introduction

Business have existed since time immemorial and targeted sales and returns on investment (i.e. revenue generation), but manufacturing companies have been raised famously in the age of industrial revolution, and they became more popular in the age of revolution (Douglas, 2005).

The manufacturing companies have an uphill task of inventory management such as raw material, work in process and finished goods. Lack of inventory management results in lots of profit, sales or costly production delays which may tie up capital and space. Such a tie-up of capital can lead to excessive borrowing, unnecessary interest expense, and inability to purchase other more necessary items (Morris, 1996).

Many manufacturing companies in Uganda have problems of the management of their inventories. This problem arises on many key points, like leadership styles, delays in adoption of technologies, material control, work in process control, and finished goods control. For the lack of sufficient management of inventory causes these companies not to sell their products well and also causes frauds, product obsolete and so on. ICT has of late assumed a driver's role in realizing most industrial processes of which inventory management is part. ICT involves designing, development and implementation of software applications that users can apply to monitor and direct business processes. William (2005) asserts that inventory is a quantity or store of goods that are held for some purpose or use (the term may also be used as a verb, meaning to take inventory or to count all goods held in inventory). Inventory may be kept "in-house," meaning on the premises or nearby for immediate use; or it may be held in a distant warehouse or distribution center for future use (William, 2005). According to Brinlee (2009) Stock management is basically a series of processes for keeping up with rotating stock. This includes tracking, shipments, handling of goods, and ordering to resupply the current levels of inventory". Successful stock management can make or break a company. If not implemented correctly, a company can waste a lot of money on excess inventory. Sales mean an exchange of goods, services, or another property for money (Schiffman, 1994).

It has been observed that inventories are sometimes neglected, which causes losses and lack of cost evaluation; while some inventories have become out of date or un-useful because of mismanagement of inventory as a result of non compliance with the law (Michael, 2010). Among the factors that can influence this is leadership. They are various types but this study was concerned with transformational leadership style. Such leaders inspire followers to pursue collective values and aspirations--values and aspirations that transcend their egocentric needs and goals. These transformational leaders also invoke and regulate emotions--rather than merely apply rational

processes--to motivate other individuals. A manufacturing company aims at realizing revenue so sales executives need to be handled with care so that they own the business which consequently boost revenue generation.

## 2. Literature Review

### *Transformational Leadership Style*

Bass (1985) distinguishes transformational leaders, who elevate the goals and promote the morality of followers, from transactional leaders, who offer incentives to encourage individuals to realize their existing goals. He assumed that transformational and transactional leadership is not mutually exclusive. According to the Multifactor leadership questionnaire (MLQ) transformational leadership, in which followers are invited to elevate rather than merely fulfill their goals, entails four key facets. First, these leaders invite followers to challenge conventional practices and reflect upon issues from a novel perspective, called intellectual stimulation. Second, rather than follow these traditional customs and conventions, transformational leaders promulgate an inspiring, challenging, and shared vision of the future, called inspirational motivation. Third, to enable followers to adopt and embrace this vision, these leaders strive to understand and accommodate the unique preferences, concerns, perspective, motives, and qualities of each individual, offering coaching and support, called individualized consideration. Finally, these leaders demonstrate the vision and values they convey; they show respect towards followers, called idealized influence (attributes), and maintain exemplary conduct, called idealized influence or behavior (Avolio & Bass, 2004)

Many of the questions relate to transformational leadership, in particular intellectual stimulation (e.g., "Seeks different perspectives when solving problems"), inspirational motivation (e.g., "Talks optimistically about the future"), individualized consideration (e.g., "Treats me as an individual rather than just as a member of a group"), and idealized influence (e.g., "Goes beyond self-interest for the good of the group"). Transactional leadership refers to the extent to which the leader invokes recognition, reward, and other tangible incentives to incite desirable behavior (e.g., "Provides me with assistance in exchange for my efforts"), monitors followers closely and actively to unearth deficiencies or shortfalls (e.g., "Keeps track of all mistakes"), and interferes only when problems or errors emerge (e.g., "Fails to interfere until problems become serious"). Laissez-faire leadership represents the extent to which the leader is detached and indifferent rather than active and involved (e.g. "Is absent when needed").

Relative to more conventional styles of transactional management, in which incentives, rewards, and penalties are applied to motivate employees, transformational leadership elicits a series of benefits. First, transformational leadership improves the affective or cognitive state of followers. Job satisfaction improves and commitment to the organization also escalates. Furthermore, these individuals are more likely to experience intrinsic motivation, characterized by a sense of enjoyment or challenge. In addition, when leaders are transformational, followers tends to be more creative. Second, transformational leadership translates into improvements in objective measures, such as sales performance as well as financial indices in general.

Dumdum, Lowe, and Avolio (2003) conducted a meta-analysis and found that all the other facets of transformational leadership, as well as contingent rewards, generated high positive relationships with follower satisfaction, ranging from  $r = .73$  to  $r = .90$ . Management by exception passive and laissez-faire leadership were negatively related to follower satisfaction, ranging from  $r = -.46$  to  $r = -.53$ . Management by exception active was negligibly related to satisfaction with the leader. Podsakoff, MacKenzie, Moorman, and Fetter (1990) and Podsakoff, MacKenzie, and Bommer (1996) developed a measure of transformational leadership encompassing six key facets of behavior: articulating a vision, providing a role model, communicating high performance expectations, providing individualized support, fostering acceptance of group goals, and intellectual stimulation. Rafferty and Griffin (2004) wanted to assess five clusters of behaviors that transformational leaders often demonstrate where confirmatory factor analysis confirmed these five facets--which include vision, inspirational communication, intellectual stimulation, supportive leadership and personal recognition. Their findings were corroborated with Huber, Maas, McCloskey, Scherb, Goode, & Watson (2000) and Wang & Howell (2010) to the effect that leadership behaviors are directed towards facilitating individuals and the team. Behaviors directed at individuals are intended to empower employees as well as to enhance their skills, abilities, and confidence. These leaders attempt to understand individuals and offer personal advice, mentoring, and coaching. Behaviors directed at teams are intended to emphasize the importance of unified objectives, to foster shared beliefs, and to inspire a united effort.

As Berson and Avolio (2004) showed, transformational leaders might be able to implement strategies more effectively. These leaders seem to communicate effectively: The subordinates of these individuals are more cognizant of the goals and objectives of the organization. Although many studies have substantiated the benefits of transformational leadership, almost all of this research have been correlational in design. Conceivably,

positive states, such as work engagement or wellbeing could bias evaluations of transformational leadership. Consistent with this possibility, Schyns and Sanders (2004) showed that priming positive mood states in participants did indeed elicit more favorable perceptions of leaders. Favorable work outcomes, therefore, might then translate to perceptions the leader is transformational rather than vice versa. Lyons and Schneider (2009) attempted to redress this shortfall by participants completing a mathematics task, in which they were instructed to count backwards from 7, beginning with a four digit number.

Transformational leadership does indeed improve performance and confidence in the task, at least relative to management by exception. The transformational leader was also perceived as more supportive than were the other leaders. In addition, if exposed to a transformational rather than transactional leader--either contingent reward or management by exception--participants are less inclined to perceive the task as a threat and instead felt they could manage the demands; nevertheless, positive affect did not differ significantly across the conditions. Transformational leadership was assumed to elevate the self efficacy of employees. That is, employees are more inclined to feel their efforts will translate into improvements or changes in performance.

### 3. Methodology

The study used a co-relational survey design among all 110 employees (i.e. operational and administrative staff) of Oscar industries, Uganda Batteries Ltd (UBL) and Mukwano industries in Uganda that have worked with these industries for at least two years; and stratified and random sampling techniques were deployed. A non standardized tool of construct validity of 0.77 and Cronbach Coefficient of 0.85 was used.

### 4. Findings

#### *Transformational Leadership Style*

Results indicated that the respondents assessed transformational leadership as being fair (2.35). This seems to suggest that visionary leadership in the selected manufacturing industries was lacking. Employees do work because they are not inspired to but as a matter of compliance and fear for retrenchment; instead respondents assessed the existing leadership style as being transactional than the former. This proposition is confirmed by a mean of 2.97. This means that employees work in fear of being reprimanded for non compliance. It was further revealed that the sales people of the selected manufacturing companies are like order and account managers instead of proactive as the mean 2.70 indicated it was found the findings, and majority of the respondents agreed that in their companies their sales people more like order instead of proactive while the minority agreed that the sales people more like proactive instead of order takers, this point the selected manufacturing companies are neither strong nor weak because the mean indicated to be good. The findings point out that the mean 2.51 represented that the majority of the respondents agreed that the manufacturing companies have a formal boarding process that prepares each salesperson for success of your company, at this position the company is neither strong nor weak the mean indicated good.

Table 1

Relationship Between Leadership style and Performance  
 n=110

		Leadership	Performance
Leadership	Pearson Correlation	1	.56**
	Sig. (2-tailed)		.001
	N	110	110
Performance	Pearson Correlation	.56**	1
	Sig. (2-tailed)	.001	
	N	110	110

Table 1 revealed that there is a relationship between leadership and performance in selected manufacturing companies. The relationship between the two variables was relatively strong positively correlated. The level of

significance was computed at 0.001 which is below the standard correlation level of 0.05; thus a significant relationship. Pearson correlations coefficient at 0.56 is an indicator of averagely strong positive relationship. In view of this output the null hypothesis was rejected.

Table 2  
 Regression Analysis between the Dependent and Independent Variables

Variables Regressed	Computed F-Value	r <sup>2</sup>	Interpretation	Decision on Ho
Performance (sales) Leadership Style	2.165	.557	Good	Accepted

From table 2, it is clear that this model has good correlation as the r-value is good (r=.558) and only 55.8% of the variation in sales was explained by leadership style. The model was significant (F=2.165, P=0.000). The researcher concluded that there is sufficient evidence at the 0.05 level of significance, that the leadership style affect performance in sales.

### 5. Discussion

The finding corroborate with Aguilera (2007); Brinlee (2000) and Douglas (2005) to the effect that leadership has a positive correlation with the output or performance. It has been insinuated that when an organisation has good leaders; who can listen, encourage and promote individual interests they inculcate a spirit of ownership; hence increase sales and revenues. As for Hilton (2001); Luanne (2011); Michael (2010) agree to the same aspect, they found outstanding influence leadership has on any organisational performance. On the contrary, O'Farrell (2004); Schenk (2007); and Stephan (1994) seem to reveal that leadership has no significant influence on performance, sighting that other infrastructural impediments. Furthermore, Sucky (2003) and Stevenson (2005) found no significant effect at all. They alluded this to lack of necessary competences and government policy intervention.

### 6. Conclusion

Leadership styles have a remarkable influence on the performance in sales of manufacturing companies in Uganda; hence recommending that manufacturing companies should: train their employees towards managing inventory properly in order to avoid frauds, delay of production; communicate the policies and procedures of the selected manufacturing companies; emphasize and practice the policies and procedures of physical segregation and proper accounting control merchandise on hand that is not the property of the entity; and build a formal sales process that each one in the organization follows

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