

**ASSESSING THE INFLUENCE OF LEADERSHIP STYLES ON FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: A CASE OF
TOURISM ENTERPRISES IN ARUSHA DISTRICT COUNCIL**

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Master of Business Administration in Leadership and Governance

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BY

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**A Dissertation Submitted in Partial Fulfillment of the Requirements for the
Award of Masters of Business Administration in Leadership and
Governance of Institute of Accountancy Arusha
December, 2022**

CERTIFICATION

I, the undersigned, certify that we have read and hereby recommend for acceptance by the Institute of accountancy Arusha, a dissertation report entitled "Assessing the Influence of Leadership Styles on Small and Medium Enterprises Financial Performance: A case study of Tourism Enterprises in Arusha District Council" in partial fulfillment of the requirements for award of Master of Business Administration in Leadership and Governance.

(Dr. David Wanani)

Supervisor

DECLARATION

I, **Catherine Kibiki**, declare that this research report is my own original work and that it has not been presented and will not be presented to any other University for a similar purpose.

Signature _____

Date _____

LIST OF ACRONYMS

ATOTAs	Arusha Tours Operators and Tourism Agents
AVE	Average Variance Explained
CEOs	Chief Executive Officers
CR	Composite Reliability
CRD	Contingent Rewards
FGD	Focused Group Discussion
GDP	Gross Domestic Product
ICN	Individualized Considerations
IIF	Idealized Influence
IRLP	Institutional Research on Leadership Practices
JICA	Japan International Cooperation Agency
KMO	Kaiser-Meyer-Olkin
MEA	Management-by-Exception Active
MEP	Management-by-Exception Passive
MTI	Ministry of Trade and Industry
NSOP	National Survey of Organizational Performance
SMEs	Small-Medium Enterprises
WB	World Bank

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ABSTRACT

The purpose of this research was to assess the Influence of Leadership Styles on Financial Performance of Small and Medium Enterprises in Tanzania. To acknowledge the existence of so many leadership styles the study has underscored the dimensions of autocratic, laissez-faire, democratic, transformational and transactional leadership styles. The independent variables within the framework are aforementioned leadership styles and the dependent variable is financial performance. The research in assessing the perceptions of employees on dimensions of leadership styles to manage financial performance used descriptive-correlation study and regression analysis designs with quantitative approach. A non-probability sampling technique with purposive sampling procedure was used in selecting respondents (employees of SMEs in Arusha District). The main data collection instrument was questionnaire and was distributed to 141 respondents. All 133 usable responses were obtained for analysis through SPSS 23 version and E-view 10.0 version. The empirical results showed that transformational and transactional leadership styles influence financial performance of SMEs through individualized considerations, inspirational motivations, and management-by-exception active and contingent reward system. Following the findings and conclusion made, it was recommended that recruiting managers with transactional and transformational abilities of leadership and training supervisors on transactional and transformational leadership can improve more the financial performance. In conclusion, generalizing these findings for all SMEs may require further investigation.

Key words: Leadership, Leadership styles, Small and medium enterprises, Tourism enterprises, Financial performance.

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CHAPTER ONE

INTRODUCTION

1.0 Chapter Overview

This chapter comprises the background of the study, statement of the problem, research objectives, research questions, and scope of the study, significance of the study limitation of the study and organization of the research report.

1.1 Background to the Study

In many nations, small and medium businesses have a considerable economic impact (Anyango, 2015). Small and medium businesses account for a large share of output and employment in many countries (Tewari et al., 2013). For example, statistics reported that in the United Kingdom in the fourth quarter of 2021, 53% of the small and medium enterprises (SMEs) had made a profit in the previous 12 months, compared with 7% that broke even and 18% that made a loss. Due to this fact, SMEs in the United Kingdom have been contributing greatly to the GDP of the country (Gilmore, 2013). Moreover, a study made in India in 2019 has indicated that the SMEs in the country employ about 111 million people, contribute to about 29% of GDP, and account for almost 45% of India's exports (Anon, 2019). Therefore, SMEs, specifically tourism enterprises, play an important role in the social and economic growth of various nations globally.

Africa is the second-largest continent on the planet, with plenty of wealth in terms of natural resources (Khumalo, 2015). Despite this, many countries in Africa continue to be impoverished and underdeveloped (World Bank, 2013). These poor and developing countries are emerging from economic doldrums and rising to the challenge of becoming future economic powerhouses as a result of globalization (Douglas, 2013). Potential indigenous individuals have been able to start micro, small, medium, and large businesses as a result of this positive motivation. African

countries, and are thus targeted for poverty reduction (Mahmudova & Kovas, 2018). According to Dougla (2013), small and medium-sized businesses (SMEs) in Africa account for an estimated 80% of all jobs on the continent. Therefore, it is a significant source of economic growth. There are 44 million micro, small, and medium businesses in Sub-Saharan Africa alone (Dougla, 2013). Therefore, effective leadership is required for these enterprises to thrive, create more jobs, and promote economic growth.

Tanzania became a lower middle-income country in July 2020, following a long period of sustained income growth and macroeconomic stability. In the last two decades, GDP growth averaged 6.5 percent annually, inflation remained low, and fiscal and current-account deficits remained manageable (Huaxia, 2020). Tanzania's development vision 2025 emphasized the importance of small and medium-sized businesses in the country's long-term development (Mwombeki, 2017). Tanzania's SME sector is projected to include over 3 million businesses, contributing 27 percent of the country's total GDP (MTI, 2012; JICA, 2017). Over the last two decades, Tanzania has seen a remarkable expansion in the number of SMEs (Tamor, 2019). However, most SMEs in Tanzania are informal and, consequently, unregistered for a variety of reasons. A simple view shows that the majority of small and medium businesses are preoccupied with operational issues (Maziku et al. 2014). Hence, it seems effective leadership has an impact on organizational performance in general, and the most typical outcome metric for evaluating an effective leader is to look at the repercussions of a leader's actions.

The seemingly poor leadership of Chief Executive Officers (CEOs) is one of the most important hurdles to the growth and sustainability of SMEs in Tanzania, owing to a lack of desire, exposure, leadership skills, and experience (Khamis, 2013). Therefore, this study was intended to assess the influence of leadership styles on financial performance in SMEs in Tanzania, focusing on business ownership among tourism enterprises in Arusha district council. The study

has confined itself to the selected limited companies. The study has specifically paid more attention to how the leadership styles of the managers in small and medium enterprises can influence the business financial performance of the enterprise, going beyond the previous studies by evaluating leadership styles and their influence on organizational financial performance and focusing on the tourism industry.

1.2 Statement of the Problem

Despite the importance of small and medium businesses in Tanzania's economy, research has shown that they are financially underperforming due to a range of problems such as poor business development services and inadequate business training (Mwombeki, 2017). As mentioned in the background, there are major constraints that have yet to be fully identified; the full potential of SMEs has yet to be realized. Other issues include an anti-entrepreneurial mentality, poor product quality, bureaucratic processes, limited capital, and fragmented and uncoordinated institutions (Khamis, 2013; Maziku et al., 2014; Sitorus, 2017). However, it is believed that depending on the leadership style utilized by small and medium business owners or managers, these limits can be effectively addressed (Mwakajila & Nyello, 2021). This is to say that, in most organizations, leadership roles and financial performance are not well linked. Therefore, this study is intended to assess the influence of leadership styles on financial performance in small and medium enterprises in Tanzania, focusing on the selected tourism enterprises in Arusha district council. It can help these enterprises see how they can strengthen leadership in relation to business characteristics to ensure effective business performance. Failure to conduct this study could result in continued financial underperformance for Tanzanian SMEs, which would not benefit individual incomes or the national economy.

1.3 Research objectives

This study was carried out to achieve the following general and specific objectives

1.3.1 General objective

To assess the influence of leadership styles on financial performance in small and medium enterprises in Tanzania focusing on the selected tourism enterprises in Arusha district council.

1.3.2 Specific objectives

This research was guided by the following specific research questions

- i. To identify the common leadership styles used by tourism enterprises in Arusha district council.
- ii. To examine the influence of each of the leadership styles on financial performance of tourism enterprises in Arusha district council.
- iii. To establish a leadership style model on financial performance of tourism enterprises in Arusha district council.

1.4 Research Questions

This research was intended to address the following research questions

- i. What are the common leadership styles used by tourism enterprises in Arusha district council?
- ii. What is the influence of each of the leadership styles on financial performance of tourism enterprises in Arusha district council?
- iii. Which leadership style model can explain financial performance of tourism enterprises in Arusha district council?

1.5 Scope of the Study

The present study focused on the assessment of the influence of leadership styles on financial performance in small and medium enterprises, specifically tourism enterprises in Arusha district

council. The study was done by a tourism-limited company. Specifically, it is based on the business ownership category of the businesses. Furthermore, the study was limited to the selected limited companies in the Arusha district council. The respondents included the SMEs' employees.

1.6 Significance of the Study

This research may help policymakers develop appropriate policies to improve the performance of Tanzania's small and medium businesses through leadership. Moreover, this research will provide information to prospective and current small and medium business owners and managers on how to lead effectively in order to improve their company's performance. Furthermore, the research can be used by students and other academics to undertake various studies on small and medium businesses, and it contributes to the current literature on leadership styles and business financial performance. Furthermore, the study has a significant impact on the performance of the organization by strengthening its leadership. This study is also valuable to the researcher since it expands his knowledge of the relationship between leadership styles and business financial performance.

1.7 Limitations of the Study

The researcher experienced sample bias, which was mitigated by employing appropriate sampling techniques. Moreover, some of the participants refused to cooperate in supplying the correct and sufficient information required for the study; however, the researcher addressed this problem by assuring ethical consideration.

There were other various constraints that the researcher had to encounter, such as the unavailability of some respondents at the required time. Some respondents were occupied at the time the researcher wanted them to fill out and return the questionnaire. In addition to that,

some other respondents were not ready to provide full participation and cooperation to the researcher due to their tight schedules. Hence, this could affect the process of collecting data. The researcher had to overcome the limitations by working extra hours and requesting leave at the work station, and some respondents were accessed on weekends, all while encouraging respondents to cooperate in the data collection exercise and guaranteeing them confidentiality and information protection in an ethical manner.

Furthermore, the limitation of time and funds necessitated that the researcher use only one tool for data collection, which was a semi-structured questionnaire. These limitations were addressed by the researcher, who worked nights and days to save time and reach the respondents.

1.8 Organization of the Study

The research is organized into five chapters, namely: Chapter One covers the clear background to the study, the statement of the problem, the research objectives, as well as the scope, significance, and limitations of the study. In the second chapter, the researcher presents both a detailed review of the related literature and the theoretical, empirical, and conceptual underpinnings of the study.

Some of the notable theories include the contingency and situational leadership theories, the path-goal theory, the trait model of leadership, and the behavioral model of leadership. The chapter discusses the relationship between leadership styles and organizational financial performance by demonstrating the key variables of organizational financial performance activity that have a direct connection with leadership behavior and practices. The chapter ends by detailing the empirical literature review in relation to the study and clearly showing the research gap. Whereas, in the third chapter, the researcher introduces the chapter and presents the methodologies to be adopted in carrying out the study, which include the study area, target

population, research design and approach, sample size and sampling techniques, data collection methods, variables and their measurements, and data analysis methods. Also in the chapter, the author presents the validity and reliability of research instruments. The chapter ends with ethical considerations and a conclusion.

Chapter 4 gives a detailed presentation of the results and discusses the findings. It also discusses the study sample characteristics, descriptive analysis, and major findings of the research. SPSS and E-Views software were used for the assessment of the questionnaire feedback and to determine the validity and reliability of all the data collection instruments. The same tools were used for the analysis of data according to the objectives of this study.

Last but not least, chapter five summarizes the entire dissertation and presents the conclusions and recommendations. This is followed by the references and the relevant attached appendices.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to review the literature relevant to the study. The review addresses the theoretical and empirical review of the relevant literature, the conceptual framework, and the research gap. This chapter discusses various propositions put forward by various researchers and scholars, starting with the conceptualization of leadership styles and the financial performance of organizations, then presenting the theoretical and conceptual framework. Then, the empirical as well as the theoretical literature reviews are discussed.

2.2 Theoretical Literature Review

2.2.1 Definitions of Key Concepts

2.2.1.1 The Concept of Leadership

Leadership is defined as a process by which an individual uses his knowledge, skills, and competence to influence a group of others under his command to achieve a common goal (Ahmad & Zakaria, 2012). Furthermore, according to Amstrong (2012), leadership is the ability to persuade others to willingly behave differently; influencing others causes them to perform their best in order to reach a desired goal; he also emphasized that leading people entails inspiring, guiding, and influencing them in the pursuit of these objectives. This is to say that leadership creates and conveys a future vision while also motivating others by ensuring their participation.

2.2.1.2 The Concept of Leadership Styles

According to Jeremy, Melinde, and Ciller (2012), "leadership style" is the way a leader directs, implements plans, and motivates subordinates to reach their goals and targets. An organization's leadership style is one of the important aspects in determining whether or not

members are interested and committed. As a result, a "leadership style" can be defined as a method of leading people that an individual prefers to utilize. Laissez-faire, authoritarian, democratic, transformational, and transactional leadership styles are among those investigated in this study.

2.2.1.3 The Concept of Financial Performance

The ability of a firm to adopt optimal organization with the goal of producing a product or service that fulfills the expectations of consumers and customers determines its business performance. Generally, it is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability (Khamis, 2013). In assessing financial performance, there are several elements to be considered, including profitability, decrease of expenses, sales growth, share price, and earnings per share (Haat et al., 2021). Therefore, businesses require effective performance management. It assists firms in aligning their employees' resources and systems to fulfill their strategic objectives through both formal and informal approaches.

Business financial performance entails the efficient use of all resources available to the company in order to maximize profits and ensure the company's future growth (Khan & Adnan, 2014). An organization's performance is related to its profitability in terms of long-term and short-term growth and earnings (Khan, 2014). An organization's survival is not solely dependent on its resources; leadership is also required to guarantee that resources are used effectively in order to improve company performance (Khan, 2014). As a result, under the leadership of a good leader, an organization embraces growth and efficiency methods that are critical for commercial success.

2.2.1.4 Small and Medium Enterprises

Small and medium-sized enterprises (SMEs), also called small and medium-sized businesses, are businesses that fall below certain revenue, asset, or employee thresholds (Saasongu, 2015). These limits vary between countries, with professional and government agencies determining the thresholds in each country or region. In Tanzania, small enterprises comprise four to forty-nine people, while medium-sized enterprises comprise fifty to ninety-nine people (World Bank, 2017). Therefore, small and medium enterprises are very important to the economy of any country.

2.2.2 Considerable Leadership Theories

2.2.2.1 Contingency and Situational Leadership Theory

The theory holds that what determines the effectiveness of a particular leader is based on the factors at the particular organization (Tamor, 2019). According to Fiedler, performance is related to leadership style and the degree to which the situation provides the leader with an opportunity to exercise influence (Tamor, 2019). Therefore, there is no single best way of managing organizations since each organization faces its own unique sets of internal and external constraints.

The current investigation will be guided by contingency and situational theories, as well as the path-goal theory. Vidal et al. (2017) describe Contingency Leadership Theory as the theory whose fundamental underpinning is that there is no one best or unique style of leadership that transcends across all situations (Hossain & Saleh, 2016; Blanchard, 2008; Hersey and Blanchard, 1982). What is effective in some situations could have no effect or even dysfunctional effects in others. Those theories argue that the best type of leadership depends on situational variables and that no one style of leadership pertains to or should be followed in all given workplace situations. For this reason, effective leaders can adapt their leadership style based

on the nature of the group, the situation, and the objectives to be achieved (Kuchynkova, 2016; Blanchard, 1982; Robbins and Judge, 2017; Fiedler, 1967). According to the theory, the characteristics that determine a leader's effectiveness are determined by the factors present in the organization (Tamor, 2019). Contingency Theory was proposed by Fiedler, who believes that leadership style and the degree to which the environment allows the leader to exercise influence are related to performance (Tamor, 2019). Hence, because each business has its own collection of internal and external restrictions, there is no single optimal strategy to manage them.

In 1974, Hersey and Blanchard defined situational leadership theory as an extended contingency theory that explains four different leadership styles used by leaders: directing, coaching, supporting, and delegating, depending on the situation in terms of subordinates' developmental levels and their own competence and commitment (Amstrong, 2012). Scholars seem to agree that leadership involves a process of influence in order to achieve goals. De Waal & Sivro, 2012; Blanchard, 2008; Hersey and Blanchard, 1982; Robbins and Judge, 2017; Fiedler, 1967; Barnett, 2006; Yuki, 1989). That is why the success or failure of an organization in achieving the goals for which it was created is connected, in most cases, with the kind of leadership that operates in the organization (Berg & Karlsen, 2016; Gachingiri, 2015).

Leaders set the course for their followers to follow in developing a vision of the future and are concerned with the ideas that their followers can bring to align and inspire them to achieve it; this involves a more intuitive and sympathetic relationship with people evolving with the situation to inspire others to achieve what they would not otherwise achieve on their own (Hossain & Saleh, 2016; Kuchynkova, 2016; Bhargavi, and Yaseen, 2016). Therefore, this theory is important since it insists that leaders should apply a certain leadership style depending on the situation at hand; therefore, it is useful to ensure business financial performance. As a result,

this theory will guide the first research objective, which will be to identify the common leadership styles employed by tourism enterprises in the Arusha district.

2.2.2.2 The Path-Goal Theory

The path-goal theory claims that leaders are chosen to determine the path that their teams, subordinates, and organization take in order to attain their objectives (Douglas, 2013). He went on to say that a leader's primary responsibility is to provide direction and assistance to team members in choosing the best paths to achieve their own and the group's objectives. Subordinates tolerate the leader's actions when they see them as a source of gratification (Ford, 2010). This is to say that leaders have the responsibility to assist the team members in achieving the goals of an organization. This theory will guide the second and third research objectives in examining the influence of leadership styles used by tourism enterprises on financial performance; it will also guide the study in determining the appropriate leadership styles to be used by tourism enterprises for enhancing financial performance.

2.2.2.3 The Traits Model of Leadership

Various researchers have discovered that effective leaders share the following characteristics: intelligence, emotional maturity, achievement-drivenness, honesty and integrity, self-confidence, motivation, problem-solving skills, energy, taking initiative, high communication skills, and knowledge. Even though the traits model was well known in the late 1940s, the following are some of the reasons why it was found to be inadequate: To begin with, there is no consistent pattern between the specific traits and leadership effectiveness, and it differs from one organization to another and from a situation to another. Again, leadership is a complex phenomenon that cannot be measured by the traits and characteristics of a person alone. Similarly, in deriving the relationship between financial performance and leadership traits,

according to Basit et al. (2017), the suggested relationship between transformational leadership style (X) and the financial performance of an organization (Y) could be written as follows:

$$Y = \alpha_0 + \alpha_1 X + e_1 \dots\dots\dots (1)$$

Where;

α_0 is a Constant or intercept term,

α_1 is the coefficient showing the effect of transformational leadership style on financial performance Murad and Gill, (2016).

e_1 is the residual variance.

According to this model the relationship between transactional leadership style (Z) and financial performance (Y) is represented by equation (2)

$$Y = \beta_0 + \beta_1 Z + e_2 \dots\dots\dots (2)$$

Where;

β_0 is a Constant or intercept term

β_1 is the coefficient showing the effect of transactional leadership style on financial performance

e_2 is the residual variance.

Successful traits or a leader is subjective. Also, the traits model could not list unified key traits which could be accepted and agreed upon by everyone. Further, the identification of the traits that differentiate leaders from non-leaders (followers) does not guarantee the success of the organization or leadership and the last but not least the trait theory ignored the importance of the situational and environmental factors in determining leadership, since the varying situations dictate different set of traits (Hossain & Saleh, 2016; Kuchynkova, 2016).

2.2.2.4 The Behavioral Model of Leadership

The inability to define effective leadership based only on traits led to the development of the behavioral model of leadership. As the name suggests, the behavioral model focuses on the behaviors of the leader and how they can contribute to success or failure in leadership. Any leader can adopt the correct behavior with appropriate training. There are two basic leadership behaviors that have been identified. These are task-oriented behavior and people-oriented behavior. The following are some of the studies and research conducted in the field of leadership behaviors.

In the 1940s, Stogdill had conducted and examined one-twenty traits studied by scholars, and he found that there was no consistent, unified, conclusive pattern or list of effective leadership traits that are common in successful leaders. According to Fielder, there is more to effective leadership than the personality or characteristics of a person, and leadership effectiveness largely depends on the skills that the leader brings to the job and also on the situation in which the leader functions.

McGregor originated two opposing management theories linked to the behaviors adopted by the leader, namely, theory X and theory Y. In theory X, the manager assumes that his subordinates are so lazy to the point that they are not willing to do their work or be responsible but are just interested in the pay. Followers of this caliber need to be supervised and motivated in order to accomplish their tasks; on the contrary, theory Y stipulates that the workers are highly motivated to perform their job, they enjoy doing it, and they are willing to contribute positively and innovatively to the organization if they were given the chance (Hossain & Saleh, 2016; Kuchynkova, 2016).

The Ohio State University surveyed leaders to study hundreds of dimensions of leader behavior, and they identified two major behaviors, namely, consideration and initiating structures.

Consideration falls in the category of people-oriented behavior and the extent to which the leader is mindful of subordinates, respects their ideas and feelings, and establishes mutual trust. Considerate leaders are friendly, provide open communication, develop teamwork, and are focused on the welfare of their subordinates. The importance of the Ohio studies was to establish that effective leadership is not necessarily an inborn trait and that it can be taught and learned.

Even though other studies and research have confirmed the results of the Ohio State University study on leadership, their two main findings could not distinguish successful leaders from unsuccessful ones since both effective and ineffective leaders can be considerate and structure-oriented. According to the behavioral model, it would be logical to combine the two leadership styles, transformational (X1) and transactional (X2), in the same new model equation (De Waal and Sivro, 2012; Gachingiri, 2015) of the form:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + e_3 \dots\dots\dots (3)$$

Equation 3 is a representation of how financial performance can be predicted by both transformational and transactional leadership styles β_1 and β_2 are partial regression coefficients, and where one of the regression coefficients is the effect of the independent variable on the dependent variable whilst controlling the effect of other independent variables.

Where;

β_1 is the effect of transformational leadership style on financial performance

β_2 coefficient is the effect of transactional leadership style on financial performance, controlling for transactional leadership style.

This analysis follows the theories outlined and the approach adopted by studies in regard to relationship between leadership styles and organizational performance as guidance from other related studies, for example Robbins, and Judge, (2017); and Sitorus, (2017). However, in

addition to transformational and transactional leadership styles which are suggested by management theory, other leadership styles that influence the financial performance included as suggested by the empirical literature review. The leadership styles-financial performance function (3) is modified by adding the democratic, autocratic and laissez-fair leadership styles to obtain the following statistical model of leadership styles-financial performance,

$$Y = \alpha_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e_4 \dots\dots\dots (4)$$

Where;

β_3 is the coefficient of X_3 , measuring the effect of democratic leadership style on financial performance controlling the effects of other factors

β_4 coefficient is the effect of laissez-fair leadership style on financial performance, controlling the effects of other factors.

β_5 coefficient is the effect of autocratic leadership style on financial performance, controlling the effects of other factors, the expected values of $\alpha \geq 0$; $0 \leq \beta_s \leq 1$.

2.3 Empirical Literature Review

2.3.1 To Identify the Common Leadership Styles Used By Tourism Enterprises in Arusha District Council

To analyze the way in which leadership influences tourism enterprises' performance, Valente (2017) conducted a study in Brazil. The research was on leadership in regional tourism governance. A case study design with a questionnaire method of data collection was applied to 316 respondents, and the results showed that 64.5% of the respondents claimed that leaders often use transformational leadership attributes during the performance of their activities, while 25.1% of respondents stated that the leaders rarely use these attributes. As for transactional leadership, 46.6% claimed that leaders often use the attributes related to this style; however, 31.8% rarely use such attributes.

Beakana (2017), in his study on the effects of leadership styles on organizational financial performance in Ghana, suggested that the most prevalent leadership style having a favorable impact on organizational financial performance was transformational leadership. Organizations can use a variety of leadership styles, according to the study, because leadership is situational and circumstantial. Therefore, there is no single leadership style that applies to all situations.

2.3.2 To Examine the Influence of Each of the Leadership Styles on Financial Performance of Tourism Enterprises in Arusha District Council

Khan (2019) conducted a study in France on the influence of transformational and transactional leadership on the performance of cultural tourism. The research used a descriptive-correlation design, and the results showed that 74.8% of the respondents claimed that transformational leaders often are successful in the financial performance of cultural tourism because they use transformational leadership attributes during the performance of their activities, while 15.1% of the respondents stated that the leaders rarely use these attributes. As for transactional leadership, 16.6% claimed that leaders often use the attributes related to this style; however, 18% rarely use such attributes.

Furthermore, Saowalux and Peng (2007), in their study of the impact of leadership style on financial performance in Thailand, explain transactional leadership as an ordinary leadership style that focuses on followers' compliance and expected rewards. Due to this fact, transactional leadership only considers the monetary relationship between the employer and employee and is therefore not suitable for business financial performance.

Khumalo (2015) reported that, in South Africa, democratic and transformational leadership styles have a positive and practical impact on organizations because they foster healthy relationships between top management and management employees, resulting in a link

between leadership and organizational commitment. Hence, democratic and transformational leadership styles, when combined, result in improved financial performance.

Furthermore, Dzomonda (2017) argued in his South African study that when a business encounters new problems, effective leadership behavior improves all types of performance. Weak leaders may not be able to attain the specified role of leadership behavior in organizational performance in general. This is to say that, for any business to achieve its objectives, it requires a strong leader.

Rose and Mamabolo (2019) claimed in their study that transformational leadership has a substantial impact on the success of small and medium businesses in emerging markets because transformational leadership helps the organization achieve its existing goals more effectively. Hence, transformational leadership positively influences business financial performance.

2.3.3 To Establish a Leadership Style Model On Financial Performance of Tourism Enterprises in Arusha District Council

Murad (2016) studied the relationship between leadership style and institutional performance in Pakistan using correlation analysis on 379 employees of public sector universities with quantitative data. In his research on the influence of leadership styles on the institutional performance of public sector universities in Pakistan, charismatic leadership, visionary leadership, and trustworthy leadership had a positive influence on the institution's financial performance; therefore, leaders in institutional sectors can choose any of the styles or use them interchangeably.

Furthermore, in their study of transformational leadership style and business financial performance in Malaysia, Arshad and Zain (2016) argue that transformational leadership

significantly and positively influences the business financial performance of Malaysian technology-based SME's. However, Hartog and Belshack (2012) attest that a transformational leadership style only promotes improved financial performance in a dynamic atmosphere, whereas in a context of little dynamism, this type of leadership style is not appropriate. This is to say that transformational leadership is good but not applicable in every situation.

Similarly, Hag and Kunchinke (2016) argued that transactional leadership styles in Pakistan had a significant positive influence on business financial performance and were not likely to generate enthusiasm. Therefore, transactional leadership styles may negatively influence business financial performance.

A study conducted in Kenya on the impact of leadership styles on organizational financial performance argued that transactional leadership style has a good impact on corporate financial performance; yet, in today's competitive business environment, when creativity and innovation are critical, transactional leadership style may not have a favorable impact on financial performance (Asiimwe et al., 2016). This is to say that a transactional leadership style is not conducive to improving financial performance.

A report by Khamis (2013) in Zanzibar revealed that, because of its dimensions, transactional leadership style had a significant relationship with organizational financial performance. Transactional leadership style is more important in the soft drinks industry because it is required for effective organization management, performance identification, standards, and the classification of job expectations. Therefore, transactional leadership is not suitable for all organizations; it best fits industrial organizations.

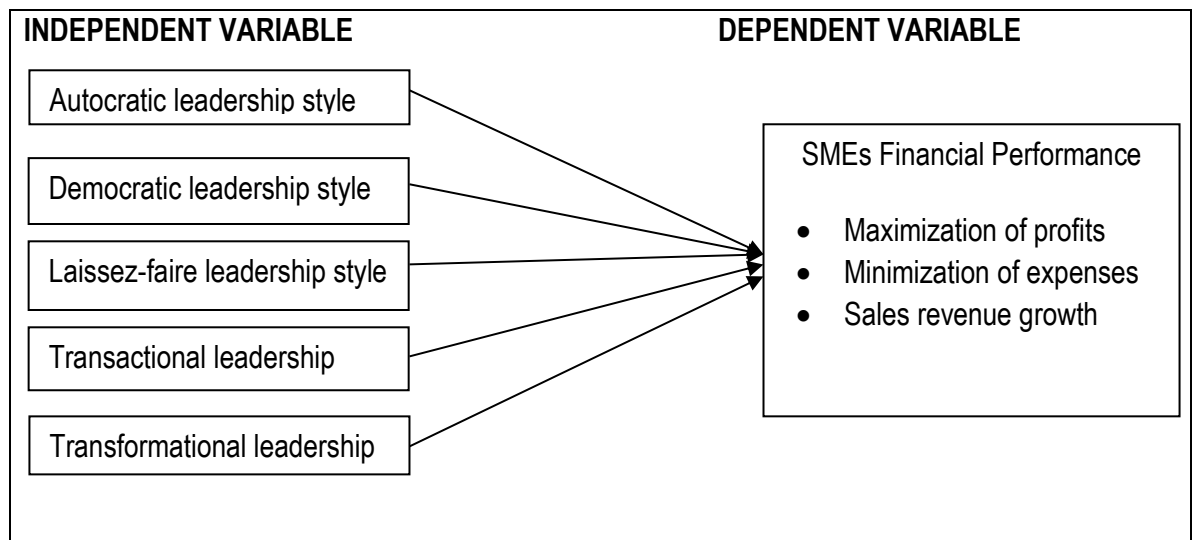
Moreover, Mwombeki (2017) conducted a study and revealed that the adoption of laissez-faire and authoritarian leadership styles, for example, had a negative impact on business success. However, from a contingency standpoint, there is no one-size-fits-all leadership. Small- and

medium-sized business leaders can use a variety of leadership styles within the same organization (Mwombeki, 2017). This is to say that transactional leadership ensures the best results in the organization by adhering to the established standards, whereas transformational leadership increases employee commitment to goal achievement. Therefore, the combined transactional and transformational leadership styles positively influence business financial performance.

2.4 Conceptual Framework

The conceptual framework contains two variables. The dependent variable of business financial performance in three dimensions (maximization of profits, minimization of expenses, and sales revenue growth) is the one that is influenced by the independent variable (leadership styles). This study from a theoretical review identified five leadership styles, namely, autocratic, democratic, laissez-faire, transactional, and transformational.

Figure 2.1 Conceptual framework



Source: Developed by Researcher, (2022)

The management are broadly recognized as central mechanism for monitoring, leading and observing the performance of organization's working team in the organization and protecting the shareholders' interests and thereby considered to be an important component for

leadership. For good leadership system, the management is expected to involve directly in the overseeing and leading the operational activities of an organization among others thereby influencing financial performance. A lack of appropriate leadership styles from management would result in low commitment, low involvement, poor participation, a lack of achievement-oriented performance, a lack of team-based decisions, low motivation, fraud, and a lack of transparency, which all lead to poor financial performance. Leadership styles can be autocratic, laissez-faire, democratic, transformational, or transactional. These five forms of leadership styles identified from the literature survey operate through dimensions whose final effect is to influence financial performance by raising or maximizing sales revenue and profits and by minimizing the operating expenses in the organization.

2.5 Relationship among the Study Constructs

According to Blanchard, (2008), leadership is defined in many ways, however, all definitions have the following in common; the fact that leadership is a process that influences individuals and groups, concerns with facilitating the performance of tasks of the organizations and focuses on setting and achieving goals (Bhargavi and Yaseen, 2016).

(Kuchynkova, 2016), have studied the impact of organization leader and his/her leadership style on organizational performance. In the expression of Kuchynkova, (2016), “the literature on organizational performance factors has largely ignored the impact of the organizational role of manager, and his/her leadership style and competence on finance performance”. This may be because most of the studies asked the organization managers their opinions and the respondents have not given due recognition to their own impact on financial performance. Or, it may be because the studies have not measured the impact of the organizational manager and, thus, not recorded it. Or, it may be because the organizational manager has no impact. However, that last conclusion is in direct contrast to the general management literature, which

postulates that the leadership style and competence of the manager has a direct and measurable impact on the performance of an organization or business. Thus, the author have been commissioned by the higher learning Institute to study whether the leadership style of the management is an influencing factor on financial performance and whether different styles are appropriate on different types of performance dimensions of organizations.

Mwombeki, (2017); Robbins, and Judge, (2017); Sitorus, (2017) asserted that a competent leader in an organization is frequently regarded as having impact on overall organization performance. Researchers have also shown that effective management of people ensures financial performance is successful which covers more than technical variables (Robbins, and Judge, 2017).

According to a research carried out by Kuchynkova, (2016), transformational leadership has a direct link to financial performance. To Mwakajila & Nyello, (2021), the transformational leadership style of being a positive role model for a team, integrity, honesty and individual consideration is directly linked to the financial stability through reduction of operational costs of an organization. (Gachingiri, 2015; Hossain and Saleh, 2016; Mwakajila & Nyello, 2021) also discovered that transformational leaders who inspire and motivate their team members by providing meaning and challenge to their follower's work have a high probability of bringing financial growth to the organization.

According to Berg and Karlsen, (2016), transactional leadership style leads to the arousing of the team's productivity spirit and financial growth while "enthusiasm and optimism are displayed to produce financial stability". It could then be deduced that there is a high relationship between transactional leadership and financial performance. Similarly, it has been discovered that team building has a relationship with transformational and transactional leadership as well as sales

revenue growth and profit maximization (Hossain and Saleh, 2016; Kuchynkova, 2016; Mwakajila & Nyello, 2021).

2.6 Research Gap

Numerous previous studies have revealed how leadership styles influence business financial performance (Berg and Karlsen, 2016; Bhargavi and Yaseen, 2016; Blanchard, 2008; De Waal and Sivro, 2012; Gachingiri, 2015; Hossain and Saleh, 2016; Kuchynkova, 2016; Mwakajila & Nyello, 2021; Mwombeki, 2017; Robbins and Judge, 2017; Sitorus, 2017). However, only certain types of leadership styles have been consistently measured, especially the transformational and transactional leadership styles, while other types have been included in very few studies, including democratic, laissez-faire, and autocratic leadership styles (Miller, 2020; Mirumbe, 2020; Nyanyembe, 2016; Swid, 2014). Based on the review of the empirical studies above, there is insufficient literature based on other styles of leadership different from transformational and transactional leadership styles that influence financial performance. Also, less attention is given to other SMEs, such as tourism enterprises, which are limited companies. Hence, the study covers the gap by assessing the influence of leadership styles on financial performance in small and medium enterprises in Tanzania, focusing on the selected tourism enterprises in Arusha district council.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview

This chapter describes the methodological aspects to be used in the study. The methods include research design, research approach, location of the study, study population, sample size and sampling techniques, data collection methods, data analysis methods, validity and reliability of the study, and research ethics.

3.2 Research Design

This research has used a descriptive-exploratory design to describe and explore the leadership styles relevant to the financial performance of SMEs. A descriptive design was used to address research question one because data was collected through surveys in a natural setting rather than derived data (Kumar, 2015); because the research question is descriptive, the goal of using a descriptive design is to dig deep in order to offer descriptions and gain understanding of the common leadership styles used in tourism enterprises through a multiple data source in order to extend or test theories. A descriptive study is ideal for looking at a research question that is closely related to its context or situation, which is especially appealing in the management and leadership disciplines.

In Chapter two, the exploratory design with survey method in correlation and regression design was used to estimate the specified model equation (4) to address research questions two and three. Correlation design deals with finding out the relationship between two or more variables (Fraenkel and Wallen, 2009; and Creswell, 2012). These authors describe that correlation design aims to determine the tendency or pattern for two (or more) variables or sets of data to vary consistently. The correlation design assisted the researcher in using Pearson correlation to test the hypothesis of whether or not leadership styles influence the financial performance of

tourism enterprises in Arusha district council. For regression analysis, equation four was estimated to understand the effects of leadership style in its five dimensions on the financial performance of SMEs and tourism enterprises. However, the author only estimated the leadership styles model (Kumar and Krishnaraj, 2018), which could be identified to be applied in SMEs' tourism enterprises. For the sake of noting the statistical model estimated,

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon \dots\dots\dots (4)$$

Where;

β_3 is the coefficient of X_3 , measuring the effect of democratic leadership style on financial performance while controlling the effects of other factors.

β_4 is the effect of laissez-faire leadership style on financial performance while controlling the effects of other factors.

β_5 is the effect of autocratic leadership style on financial performance while controlling the effects of other factors, the expected values of 0; 0s1

The design proposed enables both primary and secondary data to be collected at a single point in time, providing a snapshot of ideas, opinions, and information. The case study design is also favorable because it is less expensive, which enables the researcher to cope with the few resources present (Kothari, 2007). Moreover, the case study design enables the researcher to conduct the study in the limited time available. Also, it allows the researcher to use one or more methods of data collection depending on the prevailing situation and the nature of the research topic.

3.3 Research Approach

The researcher used a quantitative research approach to the study and considered that understanding the influence of leadership styles on financial performance requires the formulation of constructs that will be organized into nominal, ordinal, interval, and ratio scales

of measurement with differences in their precision to make the best use of the level, direction, and strength of the constructs (Kumar, 2015). Questions on questionnaires were asked in such a way that they could be easily understood by the respondents and be appropriately quantified. For the scores on questions to reliably reflect the actual scores and induce a high confidence level, the multiple-item measurement scales will be used. The scales were grouped based on ratings (to assess a situation at a particular time period in a category) and attitudes (the participant's state of mind toward the phenomenon), as recommended by Kumari (2015).

3.4 Location of the Study

This research was conducted in the Arusha district council and selected small and medium enterprises in the Arusha region. Arusha Urban District is one of the seven districts that make up the Arusha Region of Tanzania. Arusha Rural District borders it on the south, west, and north, while Meru District borders it on the east. The population of the Arusha Urban District is estimated to be 818,853 people in 2021, according to the Tanzanian National Census. Arusha district is selected as the location where the study is to be conducted because there are many SMEs (about 65) conducting tourism activities; hence, it will help the researcher make a selection of the sample and consequently obtain sufficient data and draw effective conclusions.

3.5 Study Population

Given that the main purpose of this study is to measure the extent to which leadership styles influence financial performance, the appropriate target population was the owners, managers, and employees of selected tourism enterprises in Arusha district council, Tanzania. The choice of Arusha district council as a research site is prompted by the fact that it has the majority of the operating tourism enterprises (Arusha Tour Operators and Travel Agents, 2020). Besides, Arusha District Council is the unique district that serves as tourism administration and harbors the office of the Ministry of Tourism and Natural Resources in Tanzania. In the wake of

increased promotion of the tourism sector in Tanzania, the Royal Tour Film Initiative was inaugurated in the United States of America by the current president of the United Republic of Tanzania. Through a marketing platform for public viewing, the film aims to strengthen ties between the country's tourism hotspots and the rest of the world.

Tanzania has a total of more than 633 SMEs dealing with tourism activities all over the country (Ministry of Natural Resources and Tourism, 2018). The Arusha region itself has over 85 registered limited tourism companies listed as tour operators (Arusha Tour Operators and Travel Agents, 2020). The Arusha district council employs over 500 people from these tourism businesses. Arusha district council has about 45 tourism enterprises, and 35 of them have an operation period of over five years, which qualifies them to be included in the study (ATOTAs, 2022).

Leadership styles that influence financial performance are researchable since they are inherent in enterprises and are both measurable and observable. In this regard, survey research tools were administered to participants and respondents to answer questions on the extent to which leadership styles influence the financial performance of tourism enterprises. Besides, standardized categories of financial performance were taken as measures of financial performance, and managers' and employees' experience with and acquired traits in leadership styles were taken as measures of leadership styles.

The Arusha district council has 21 small enterprises and 24 medium enterprises operating in tourism activities. All 35 out of 45 were purposefully selected because they have experience of more than five years in operation; of the 21 small enterprises, 16 were selected, and of the 24 medium enterprises, 19 were selected; the rest, 10 enterprises, have less than five years. The target population, as obtained from the registration office, is as follows: 500 employees in small and medium enterprises.

Table 3.1 Study population

Enterprise category	Number of enterprises	Number of employee
Small enterprises	21	320
Medium enterprises	24	180
Total	45	500

Source: Arusha District Council, 2021

3.6 Sampling Techniques

The sampling techniques are the methods to be used in selecting respondents (Kothari, 2007). Specifically, this study used probability sampling techniques that involve stratified convenience procedures. A properly sampled population is required for a well-designed research project (Gall, 2005; and Xinrong, 2010). Probability sampling was used to select the employees to participate in the study through stratified and convenience procedures. The participants were selected based on their availability and willingness to take part. Therefore, only the respondents who were easy to reach were taken as a sample. This method is used to select the employees of tourism enterprises to constitute the questionnaire respondent team from the population.

3.7 Sample Size

The sampling process involves selecting a small part of the identified population; the sample chosen must be representative of the population from which it is drawn. However, how representative a sample is can be determined by the sample size, sampling frame, and procedures used for selection of the sample. The sample size is influenced by several factors, which include access, funding, the overall size of the population, and the number of variables (Kumar, 2015). where n is the sample size, N is the population size, and e is the marginal error, say at a 90% level of confidence. From the Yaro Yamane formula (Kumar, 2016), the sample size for employees, managers, and owners in all 35 enterprises is calculated as follows:

$$n = N / \{1 + N (e)^2\}$$

where: n, is the sample size,

N, target population,

“e” marginal error (which in social sciences is used either 0.1 or 0.05)

$$\text{Sample size for employees in small enterprises} = 307 / \{1 + 307 (0.1)^2\} = 75$$

$$\text{Sample size for employees in medium enterprises} = 193 / \{1 + 193 (0.1)^2\} = 66$$

A stratified sampling procedure from the probability sampling technique was used to divide the sample size into two strata, or the small and medium tourism enterprises in the study. The purpose of using sampling procedures is to ensure that employees from all 35 businesses are adequately represented in the sample (Ame, 2009; and Kumar, 2015). Within each stratum or size of tourism enterprises, convenience sampling was used to select the survey respondents. Employment numbers were obtained from relevant register records of the human resources office in each stratum. These numbers are arranged in ascending order and then coded in each stratum for employees. The employees were issued the questionnaires to fill out and submit voluntarily.

3.8 Data Collection Methods

Information was collected from both primary and secondary sources. where primary data was collected through questionnaires. A review of different documents was conducted for the purpose of acquiring secondary data.

In that case, three sets of questionnaires were formulated: one for employees, another for managers, and the third for owners. The operating items in the questionnaire were extracted and modified from the National Survey of Organizational Performance (NSOP) and the Institutional Research on Leadership Practices (IRLP). The NSOP and IRLP instruments assess the extent to which leaders engage in organizational practices that prior research has linked to

valued enterprise outcomes (Daisy, 2020). Specifically, NSOP assesses organizations' experiences in areas such as finance activities, amount of profit generation, revenue changes, and share price and dividend growth. (IRLP) assesses the quality of leaders' relationships with their employees and other stakeholders and provides background information, among other aspects of enterprise activities.

The questions in the questionnaire consist of both structured and open-ended items that give respondents freedom of response. The questions are nominal, ordinal, and interval in nature. Nominal items seek demographic information, while interval questions require respondents to state the duration of time in hours per week they spend on certain activities. Many items are on an ordinal scale that uses a 4-point Likert scale, as indicated in Table 3.1. A 4-point Likert scale is the optimal number of alternatives. Likert scales with less than 4 points decrease reliability and validity, while those with more than 7 points scarcely increase the psychometric properties of the scale (Lee & Paek, 2014). Furthermore, an even scale (4, 6, etc.) forces respondents to go in one direction, thereby minimizing the effects of an odd scale (5, 7, etc.), where respondents who are not sure of what to answer prefer to sit in the middle of the scale (Revilla, Saris, & Krosnick, 2013), as demonstrated here under.

Table 3.2: Likert Scale

Response	Positive statement	Negative statement
Strongly disagree/ very unsatisfied/never/poor	5	1
Disagree/ unsatisfied/sometimes/average	4	2
Neutral/indifferent/undecided	3	3
Agree/Satisfied/Often/Good	2	4
Strongly agree/Very satisfied/very often/very good	1	5

In a quantitative research, documents are source of secondary data. Xinrong (2010) and Gall (2005) state that there are three categories of documents namely: personal documents prepared by individuals for private use, official document arranged by institution employees for keeping records and information dissemination, and the popular documents which are mainly for commercial, entertainment, persuasion, and enlighten the public purposes (Gall, 2005; Zinrong 2010). This method involved reading such different sources and analyzing the intended information so as to attain pertinent theoretical and empirical bases for the present study from other related works. The documents that the researcher reviewed includes official document arranged by institution employees for keeping records and information dissemination.

3.9 Data Analysis Methods

Statistical analysis was used to analyze the quantitative data collected. For questionnaire data to identify the leadership styles and their effects on the financial performance of organizations, quantitative data analysis used both descriptive and inferential statistics. Data analysis was done on software, namely IBM SPSS version 23 and E-View 10.0. Frequencies, measurements of central tendencies (mean scores), and percentages were used to interpret the demographic characteristics of respondents. For hypothesis testing, correlation analysis was performed in IBM SPSS version 23, and the interpretation of results is as demonstrated in Table 3.3.

Table 3.3: Pearson Correlation Coefficient Interpretation

Positive Correlation	Interpretation	Negative Correlation	Interpretation
1	Perfect Correlation	-1	Perfect Correlation
0.7 to 0.9	Strong Positive Correlation	-0.7 to -0.9	Strong Negative Correlation
0.4 to 0.6	Moderate Positive Correlation	-0.4 to -0.6	Moderate Negative Correlation
0.1 to 0.3	Weak Positive Correlation	-0.1 to -0.3	Weak Negative Correlation
0	None	0	None

Source: Dancey and Reidy (2007)

To address research questions two and three, the cross-sectional time horizon was used with the survey method in correlation and regression design to estimate the specified model equation (4) in chapter 2. Correlation design deals with finding out the relationship between two or more variables (Fraenkel and Wallen, 2009; and Creswell, 2012). These authors describe that correlation design aims to determine the tendency or pattern for two (or more) variables or sets of data to vary consistently. The correlation design assisted the researcher in using Pearson correlation to test the hypothesis of whether or not leadership styles influence the financial performance of tourism enterprises in Arusha district council. For regression analysis, equation 4 was estimated to understand the effects of leadership style in its five dimensions on the financial performance of SMEs and tourism enterprises. However, after answering research question one qualitatively, the author only estimated the leadership styles model (Kumar and Krishnaraj, 2018) that were identified to be used in SMEs tourism enterprises. For the sake of noting the statistical model to be estimated, it is:

$$Y = \alpha_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon \dots\dots\dots (4)$$

Where;

β_3 is the coefficient of X_3 , measuring the effect of democratic leadership style on financial performance controlling the effects of other factors.

β_4 coefficient is the effect of laissez-fair leadership style on financial performance, controlling the effects of other factors.

β_5 coefficient is the effect of autocratic leadership style on financial performance, controlling the effects of other factors, the expected values of $\alpha \geq 0$; $0 \leq \beta_s \leq 1$.

3.10 Validity and Reliability of the Study

3.10.1 Validity of Data

This refers to the degree to which a research instrument is accurate, correct, true, meaningful, and correct. For the purpose of quality and to minimize bias, the study data collection instrument was refined through comments from the research supervisor to the researcher to ensure that the instruments focused on the purpose of the study. Further, the Kaiser-Meyer-Olkin (KMO) was used as an indicator of data content validity, with a cut-off point recommended for validity of 0.6 or above (Kumar, 2015), whereby all measures of the variables used in the study had a KMO above 0.6.

3.10.2 Reliability of Data

This is the extent to which the results are consistent over time and an accurate representation of the total population. To ensure data reliability, the same and uniform research instruments will be administered to all respondents, as well as a pilot study.

The validity and reliability test results are shown in Table 3.3. The elements of analysis were students' engagement and student satisfaction in evaluating their academic performance. The

Cronbach's alpha, which stands for Kaiser-Meyer-Olkin (KMO), average variance explained (AVE), and composite reliability (CR) were used to evaluate the validity and reliability of the items of study. Cronbach's alpha, denoted by " α ," tested how well the questions of a questionnaire measured the item of study (i.e., the consistency of the questions). KMO and AVE are measures of sampling adequacy. The rule of thumb for reliability and validity is that Cronbach's alpha (α) and KMO statistic should be equal to or greater than 0.7, while the average variance explained (AVE) and composite reliability (CR) should be equal to or greater than 0.5 (Malechwenzi, 2016). Based on the above arguments, all items involved in this study satisfy the conditions of reliability and validity (Magigi, 2015).

Table 3.4: Cronbach's alpha, KMO, AVE, and CR

Variables	No. of items	CA (α)	KMO	AVE	CR
Autocratic leadership	6	0.772	0.764	0.525	0.868
Laissez-faire leadership	5	0.764	0.725	0.517	0.842
Democratic leadership	5	0.738	0.767	0.527	0.847
Transformational leadership	7	0.826	0.879	0.581	0.905
Transactional leadership	9	0.871	0.828	0.572	0.847
Financial performance	4	0.770	0.753	0.595	0.854

Source: Research Computation, 2022

3.11 Research Ethics

This study adhered to the principles of ethical social sciences research to safeguard the rights of the participants. The study was conducted by ensuring voluntary participation, informed consent, and confidentiality. Oral informed consent was obtained from all key informants who

participated in the study during the field work, and they were informed of their right to withdraw from the study at any time.

3.12 Conclusion

Chapter three describes the entire study procedure, including how participants are chosen and data is collected and analyzed. In a broader perspective, the quantitative research approach was employed. The descriptive-correlation design was fundamental to this study's achievement of the first two research objectives. The details of what was done, how it was done, where it was done, and of course, to whom it was done, have been outlined step by step. Generally, the methodological part of the study helps a researcher keep the study on track by guiding the research on key issues that may significantly impact the validity and reliability of the data and the findings.

CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the research analysis of the data gathered through questionnaires and then discusses the findings. The first section describes the basic information derived from the analysis of each variable, covering the demographic information through descriptive and statistical analysis of the collected data. It involves an analysis of the demographic data obtained from the field work in Arusha District Council. The second section presents the results of the data analysis using objective correlation analysis.

4.2 Data Preparation and Response Rate

This section describes the data collected on the gender, age, work experiences, and educational level of respondents. In sum, out of the 141 questionnaires distributed to 141 respondents, 139 were returned and two were not returned. After the data quality checks, 6 responses were found to be incomplete and not suitable for use in the analysis. Eventually, a total of 133 responses, or a response rate of 94%, were deemed good and usable; hence, the 133 responses were exported into SPSS version 23. According to Kumar (2015), a response rate of 94% $(133/141)*100$ is good and acceptable for analysis.

Table 4.1: Response Rate

Item	Number	Percentage%
Questionnaires distributed	141	100
No response	2	1.4
Incomplete	6	4.6
Total usable response	133	94

4.3 Demographic Characteristics of the Respondents

There are 23.2 percent more male respondents in this survey than female respondents (see Table 4.2). Only 40 percent of the respondents work in small enterprises. Since there is no significant difference in the importance of respondents' career goals to organizations, the researcher ignored this demographic factor in the following cross-analysis in order to avoid unnecessary biases in the study. The survey respondents are composed primarily of the youth age group between the ages of 18 and 39, which accounts for 60.9 percent of the respondents. This age group barely qualifies for the employment-preferring population and comprises the youngest subsection at which senior tourism enterprise owners direct their marketing efforts to ensure financial success. In terms of education, 37.6 percent of respondents are college degree graduates, 35.4 percent are college certificate and diploma graduates, 24.8 percent are secondary educated, and 2.3 percent have primary education. Employees in small businesses make up the majority of the samples, accounting for 53.4 percent of all respondents.

More than half of the respondents have work experience of fifteen years or more (see Table 4.2), which indicates that these respondents have relatively more experience with leadership behavior and practices in enterprises compared to the rest. Those who have five to seven years of working experience account for 4 percent of the sample population, and those who have eight to nine years of working experience account for 7 percent. Indeed, the sample population is well-educated and experienced, making them excellent potential prospects for the provision of adequate information about the research.

Furthermore, the majority of respondents recommend the organization to family members and colleagues with a strong agreement, accounting for 53%; 22% agree; 18% are neutral; and those who do not recommend it with a disagree or strongly disagree attitude account for 5% and 2% of the total sample population, respectively.

Table 4.2: Demographic Information of Respondents

Category	Choices	N	Valid (%)*	Accumul.
Gender	Male	82	61.6	61.6
	Female	51	38.4	100
	Total	133	100	
Age	18-30 years	30	22.6	22.6
	31-40 years	51	38.3	60.9
	41-50 years	25	18.8	79.7
	51-65 years	14	10.5	90.2
	Above 65 years	13	9.8	100
	Total	133	100	
Education level	Primary education	3	2.2	2.2
	Secondary education	33	24.8	27
	College certification	19	14.3	41.3
	College Diploma	28	21.1	62.4
	Degree education	50	37.6	100
	Total	133	100	

*Due to missing values, not all returned cases are valid. This column reports the percentage of valid cases

Source: Field data, 2022

Table 4.3: Demographic Information of Respondents (cont'd...)

Category	Choices	N	Valid (%)*	Accumul.
Work experience	5-7 year	6	4	4
	8-9 years	8	7	11
	10-12 years	13	12	23
	13-14 years	34	25	48
	15 and above years	72	52	100
	Total		133	100
Enterprise type	Small enterprise	71	53.4	53.4
	Medium enterprise	62	46.6	100
	Total		133	100

*Due to missing values, not all returned cases are valid. This column reports the percentage of valid cases

Source: Field data, 2022

As mentioned earlier in the findings, since 133 (94%) responses were returned, this implies that the majority of the respondents assessed the leadership style of their managers or leaders. Employees evaluated their leaders' leadership styles in terms of the tourism SME's financial performance. Furthermore, the vast experiences of the majority of respondents, as revealed by the results (see table 4.2), imply that there is substantial practical knowledge of financial performance in the study sample, and it is worthwhile to respond to the questions.

Table 4.4: The relationship between age of respondents and the importance of respondents' carrier goals to the enterprise

Age (Years old)	Carrier goals		
	Yes	No	Total
18-30	16 (12.03%)	11 (8.27%)	27 (20.30%)
31-43	33 (24.81%)	20 (15.04%)	53 (39.85%)
44-56	28 (21.05%)	8 (6.06%)	36 (27.07%)
57-69	8 (6.06%)	1 (0.75%)	9 (6.77%)
Above 69	6 (4.51%)	2 (1.50%)	8 (6.06%)

Source: Field data, 2022

The relationship between the age of the respondents and their preference on whether to place the importance of the carrier goal in the enterprise is impressive, according to the survey conducted on 133 respondents, as illustrated in the age group (table 4.3). Under the age of 57 years, the majority of the respondents' place importance on maintaining their career goals in the specific organization to which they belong. This could be because labor mobility factors are stronger in the tourism labor market, or because management factors are unique to certain SMEs.

4.4 Presentation of results according to objectives

4.4.1 To identify the common leadership styles used by tourism enterprises in Arusha district council.

In a descriptive format, this section presents the means and standard deviations of the dimensions of the constructs of leadership styles used in the study. The dimensions of the main constructs—autocratic leadership style, democratic leadership style, laissez-faire leadership style, transformational leadership style, transactional leadership style, and financial

performance—were analyzed to identify the items that largely contribute to the measurement construct and are worth considering by leaders, managers, and researchers who may be using them in the field of work or academia.

4.4.1.1 Autocratic Leadership Style

As used here, autocratic leadership refers to a leadership style in which power and authority are concentrated in the hands of a single person in charge of planning and directing organizational activities. It should be noted that organization activities demand decisions, teamwork, and ideas inputs, empowerment, knowledge sharing, customer satisfaction, and meeting the requirements of stakeholders or clients in this area. The influence of good leadership style on financial performance may be accessed through diverse measures, and the notable ones in the literature include: one person or few making decisions on organization activities; lack of employee engagement; low participation; "one man show"; narrow range of performance; one direction of information flow; overlooking issues of organization; and class building in the organization.

Table 4.5: Autocratic Leadership style

Autocratic Leadership Style items	Mean	Std. Dev.
Leaders make almost all decisions on financial activities (DMP)	2.29	0.54
Involvement of subordinates (IOS)	1.85	0.10
Ideas and Inputs (IIP)	1.77	0.02
Motivating factor to employees (MFE)	1.53	0.22
Participation and Skill sharing (PSS)	1.46	0.29
Work with employees (WWE)	1.58	0.17

*Mean value of the autocratic leadership style is 1.75, computed from the average of the total mean values of the individual items.

The respondents were asked to rate the items within each of the dimensions of autocratic leadership style as they applied to their leader or manager. The items were measured using a 5-point Likert scale ranging from 1 = not at all, 2 = once in a while, 3 = sometimes, 4 = fairly often, and 5 = frequently if not. The respondents rated the decision-making process as the most likely influence of an autocratic leadership style ($M = 2.29$, $SD = 0.54$), followed by participation and skill sharing (PSS), which has a mean value of 1.46 and a standard deviation of 0.29, and working with employees (WWE) ($M = 1.58$, $SD = 0.17$). Among the six dimensions, respondents rated involvement of subordinates as the least likely dimension to influence an autocratic leadership style ($M = 1.85$, $SD = 0.10$). This is an indication that the decision-making process and participation and skill sharing in particular are very important dimensions that leaders have to pay attention to when using an autocratic leadership style (see Table 4.4).

4.4.1.2 Democratic Leadership Style

In table 4.5, among the constructs of democratic leadership style, the participants rated that the motivating factor (MOF) of employee participation and empowerment is highly likely to contribute largely to democratic leadership ($M = 1.28$, $DS = 0.22$). This was followed by working with employees (WWE), with $M = 1.42$, $SD = 0.08$, and ideas and inputs (IAI), which contributed less than the other two dimensions ($M = 2.37$, $SD = 0.87$). This means that leaders who use a democratic leadership style should work with their employees on the motivating factor aspects of their leadership style because behaviors like giving employees responsibilities and opportunities in the organization create a sense of value, respect, and a desire to see their contribution to the SMEs in Arusha District Council.

Table 4.6: Democratic Leadership style

Democratic Leadership Style items	Mean	Std. Dev.
Organization workers fully engage in almost all decisions on finance (DMP)	1.28	0.22
Involvement of subordinates (IOS)	1.26	0.24
Ideas and Inputs (IIP)	2.37	0.87
Motivating factor to employees (MFE)	1.53	0.03
Participation and Skill sharing (PSS)	1.46	0.04
Work with employees (WWE)	1.42	0.08

*Mean value of the democratic leadership style is 1.50, computed from the average of the total mean values of the individual items.

The majority of the respondents revealed that a democratic leadership style exists to a higher and satisfactory degree in the tourism SMEs operating in Arusha District Council, as demonstrated by the mean value of 1.50. In terms of numbers, four items (DMP, MFE, PSS, and WWE) were rated strongly agreeable by 68% of the respondents in the study sample, while only 32% rated agreeable on the aforementioned items. 12% of the respondents strongly agreed that the two items describing democratic leadership style (IOS and IIP) exist in the SMEs operating in Arusha District, 49% disagreed, and only 15% agreed that the two items exist to a satisfactory degree.

4.4.1.3 Laissez-Faire Leadership Style

Laissez-faire leadership style represents the "free to choose" kind of leadership that gives subordinates full freedom to exercise their choices and decisions on various aspects of work performance, and in this study, four dimensions were selected to conceptualize laissez-faire behavior and conduct of leaders in SMEs. One is for leaders to avoid making decisions for employees, allowing employees to spend time as they wish, and letting employees have their

own ways of creating work-related goals. The avoidance of making decisions by employees was highly rated by the respondents (M = 2.56, SD = 0.63), followed by full freedom of spending time (M = 1.59, SD = 0.34), and last was the employees' own ways of creating work-related goals (M = 1.64, SD = 0.29); see table 4.6.

Table 4.7: Laissez-faire Leadership style

Laissez-faire Leadership Style items	Mean	Std. Dev.
avoidance to make decisions of employees (AMD)	2.56	0.63
Full freedom of spending time (FFT)	1.59	0.34
Employees have own ways of creating work-related goals (CWG)	1.64	0.29

*Mean value of the democratic leadership style is 1.93, computed from the average of the total mean values of the individual items.

The majority of the respondents revealed that a laissez-faire leadership style exists to a lesser degree in the tourism SMEs operating in Arusha District Council, as demonstrated by the mean value of 1.93. In terms of numbers, the three items (AMD, FFT, and CWG) were rated as strongly agreeable by 29% of the respondents in the study sample, while only 32% rated agreeable on the aforementioned items. 22% of the respondents strongly agreed that the items describing laissez-faire leadership style exist in the SMEs operating in Arusha District, and 69% disagreed, while only 15% agreed that the three items exist to a higher and satisfactory degree.

4.4.1.4 Transformational Leadership Style

The respondents were asked to rate the items within each of the dimensions of transformational leadership style as they applied to their leader or manager. The items were measured using a 5-point Likert scale. The respondents rated inspirational motivation (IM) as the most likely influence of transformational leadership, which has a mean value of (M = 4.68, SD = 0.85),

followed by individualized consideration (ICN), which has a mean value of (M = 4.58, SD = 0.75), and idealized influence (IIF), which has a mean value of (M = 4.16, SD = 0.33). Among the four dimensions, the respondents rated intellectual stimulation (IS), which has a mean value of (M = 1.92, SD = 1.91). The dimension of intellectual stimulation is the least-rated dimension of transformational leadership style. This is an indication that inspirational motivation and individualized consideration in particular are very important dimensions that leaders have to pay attention to when using a transformational leadership style (see Table 4.7).

Table 4.8: Transformational Leadership style

Transformational Leadership Style items	Mean	Std. Dev.
Idealized influence (IIF)	4.16	0.32
Intellectual stimulation (IS)	1.92	1.92
Individualized consideration (IC)	4.58	0.74
Inspirational Motivation (IM)	4.68	0.84

*Mean value of the transformational leadership style is 3.84, computed from the average of the total mean values of the individual items.

Majority of the respondents revealed that a transformational leadership style exists on average degree in the tourism SMEs operating in Arusha District Council as demonstrated by mean value of 3.84. In terms of numbers the four items (II, IS, IC, IM) were rated with agree by 69% of the respondents in the study sample, only 32% rated were neutral on the aforementioned items. 12% of the respondents disagreed that the items describing transformational leadership style exists in the SMEs operating in Arusha District, and 9% strongly disagreed that the four items exists to higher and satisfactory degree.

4.4.1.5 Transactional leadership style

In table 4.8, among the dimensions of transactional leadership style, the participants rated management-by-exception active (MEA) as highly likely to contribute largely to transactional leadership (M = 4.39, SD = 0.81). This was followed by management-by-exception passive (MEP) with (M = 2.20, SD = 1.38) and contingent reward (CR) contributing to lesser than the other two dimensions (M = 4.15, SD = 0.57). This means that leaders employing transactional leadership style should work on the active aspects of their leadership style because such behaviors sometimes exhibited in some organizations whereby managers waits for things to go wrong before taking action is not acceptable and efficient style to adopt within the SMEs operating in the tourism sector of Tanzania see Table 4.8.

Table 4.9: Transactional Leadership style

Transactional Leadership Style items	Mean	Std. Dev.
Management-by-exception active (MEA)	4.39	0.81
Management-by-exception passive (MEP)	2.20	1.38
Contingent Reward (CR)	4.15	0.57

*Mean value of the transactional leadership style is 3.58, computed from the average of the total mean values of the individual items.

Majority of the respondents revealed that a transactional leadership style exists on high degree in the tourism SMEs operating in Arusha District Council as demonstrated by mean value of 3.58. In terms of numbers the three items (MEA, MEP and CR) were rated with strongly agree by 64% of the respondents in the study sample, only 22% rated agree on the aforementioned items. 14% of the respondents were neutral that the items describing transactional leadership

style exist in the SMEs operating in Arusha District, and none of the respondents disagreed that the four items exist to higher and satisfactory degree.

4.4.1.6 Financial Performance

"Financial performance," as used here, refers to the enterprise meeting the demands of effectiveness and efficiency. There are diverse measures of financial performance when evaluating leadership practices, and the notable ones in the literature include the specified financial objectives in a particular company, organizational operating according to budget, financial results (like returns, profits, and costs), use of financial reports by clients, clients' satisfaction with financial processing, and decision-making on financial resource use and earning as indicated in the definition of performance in this research. The items measuring financial performance were rated using a scale of 1 (strongly disagree) to 5 (strongly agree). In this study, the respondents were asked to tick () one of the responses to determine the probability that the financial performance in the organization that they have worked for within the last five years is a performance that can be explained by leadership style.

Among the items, the participants rated "financial objectives are made clear by leadership" (M = 4.34, SD = 1.38), "SMEs' leadership practices operate according to budget" (M = 4.72, SD = 1.76), "financial reports are used by its intended clients" (M = 4.16, SD = 1.20), and "I'm satisfied with the financing process of this enterprise" (M = 3.88, SD = 0.92), as items that largely measured financial performance. This is in agreement with existing literature that states that financial performance is measured by elements like objectives, results, reports, and client satisfaction, among others. The items "financed activities of this enterprise seem to be the best choice among alternatives" (M = 2.86, SD = 1.10), "financial performance comes directly from effective decision making" (M = 1.15, SD = 1.81), and "results of enterprise activities represent

a definite improvement in financial performance" (M = 1.28, SD = 1.68), were rated the least among the observable constructs explaining financial performance (see Table 4.9).

Table 4.10: Financial Performance

Financial Performance items	Mean	Std. Dev.
Financial objective of maximizing profits made clear by the leadership	4.34	1.38
SMEs leadership practices operate acc to approved expenses in budget	4.72	1.76
Financed activities of SMEs seem to increase sales revenue growth	2.86	1.10
Results of SMEs activities represent improve in financial performance	1.28	1.68
Financial reports of the enterprise are used by the intended clients	4.16	1.20
I'm satisfied with the financing process of this enterprise	3.88	0.92
The leadership uses efficiently the scarce available financial resource	1.29	1.67
Financial performance comes directly from effective decision making	1.15	1.81

*Mean value of the financial performance is 2.96 computed from the average of the total mean values of the individual items.

Majority of the respondents revealed that financial performance exist to higher and satisfactory degree in the tourism SMEs operating in Arusha District Council as demonstrated by mean value of 2.96. In terms of numbers five items whose results were rated with mean values above 2.0 were also rated strongly agree by 62% of the respondents in the study sample, only 28% rated agree on the aforementioned items. 3% of the respondents strongly disagreed that the five items financial performance exist in the SMEs operating in Arusha District, and 3% were neutral while only 4% disagreed that the five items exist to higher and satisfactory degree.

4.4.2 To examine the influence of each of the leadership styles on financial performance of tourism enterprises in Arusha district council.

For this research objective data were first analysed descriptively into five leadership styles namely; autocratic leadership, laissez-faire leadership, democratic leadership, transformational and transactional leadership styles in influencing financial performance as follows:

Table 4.11: Leadership styles influence on financial performance

Autocratic Leadership	N	Mean	Interpretation
The financial objective of maximizing the enterprise profits is influenced by autocratic leadership style	133	2.01	Neutral
Budgeted expenses operate efficiently in the enterprise due to autocratic leadership style	133	1.92	Disagree
Financing the enterprise activities increases sales revenue growth due to autocratic leadership style	133	1.35	Disagree
Valid N (listwise)	133		
Laissez-faire Leadership	N	Mean	Interpretation
The financial objective of maximizing the enterprise profits is influenced by laissez-faire leadership style	133	1.05	Disagree
Budgeted expenses operate efficiently in the enterprise due to laissez-faire leadership style	133	1.19	Disagree
Financing the enterprise activities increases sales revenue growth due to laissez-faire leadership style	133	2.35	Agree
Democratic Leadership	N	Mean	Interpretation
The financial objective of maximizing the enterprise profits is influenced by democratic leadership style	133	1.30	Disagree
Budgeted expenses operate efficiently in the enterprise due to democratic leadership style	133	2.19	Agree
Financing the enterprise activities increases sales revenue growth due to democratic leadership style	133	1.35	Disagree
Valid N (listwise)	133		
Transformational Leadership	N	Mean	Interpretation
The financial objective of maximizing the enterprise profits is influenced by transformational leadership style	133	3.30	Strongly Agree
Budgeted expenses operate efficiently in the enterprise due to transformational leadership style	133	2.19	Agree
Financing the enterprise activities increases sales revenue growth due to transformational leadership style	133	4.35	Strongly Agree
Valid N (listwise)	133		
Transactional Leadership	N	Mean	Interpretation
The financial objective of maximizing the enterprise profits is influenced by transactional leadership style	133	3.30	Strongly Agree
Budgeted expenses operate efficiently in the enterprise due to transactional leadership style	133	4.08	Strongly Agree
Financing the enterprise activities increases sales revenue growth due to transactional leadership style	133	4.22	Strongly Agree
Valid N (listwise)	133		

Table 4.11 summarizes the findings on the influence of leadership styles on the financial performance of SMEs. According to the findings, the respondents strongly agree, agree, neutralize, disagree, or strongly disagree with the statements outlined. The mean scores and standard deviations were computed and tabulated as shown in Table 4.10. The table reveals that respondents were almost neutral on the view that financial performance is influenced by autocratic, laissez-faire, and democratic leadership styles; the computed average mean values are 1.76, 1.53, and 1.61, respectively. Transformational and transactional leadership styles were rated highest by the respondents, with average mean values of 3.28 and 3.84, respectively.

These findings conform to the studies of Arshad and Zain (2016) in Malaysia and Beakana (2017) in Ghana, who revealed in their empirical works that transformational leadership influences business financial performance. Furthermore, Saowalux & Peng (2007) in Thailand observed that transactional leadership influenced the financial performance of organizations through contingent rewards for employees. However, the results contradict the findings of Asimwe et al. (2016) in Kenya, who observed that transactional leadership does not improve the financial performance of an organization.

The second part of the research objective two analysis was to use data correlation analysis. Using SPSS, the relationship between two leadership styles (transformational and transactional) and financial performance was computed, and the results came up with targeted variables with labels for transformational and transactional leadership dimensions and the dimensions of financial performance. After that, the Pearson's correlation test was run to come up with the following results shown under Table 4.11.

Table 4.12 Transformational Leadership styles influencing financial performance of SMEs

		Transformational	Profits	Expenses	Revenue
Transformational	Pearson Correlation	1	.634**	.745**	.515*
	Sig. (2-tailed)		.009	.000	.036
	N	133	133	133	133
Profits	Pearson Correlation	.634**	1	.027	.318*
	Sig. (2-tailed)	.009		.839	.013
	N	133	133	133	133
Expenses	Pearson Correlation	.745**	.027	1	.289*
	Sig. (2-tailed)	.000	.839		.025
	N	133	133	133	133
Revenue	Pearson Correlation	.515*	.318*	.289*	1
	Sig. (2-tailed)	.036	.013	.025	
	N	133	133	133	133

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Field data, 2022

With a Pearson correlation coefficient of .634 (sig. of .009), there is a strong and positive correlation between transformational leadership style and financial performance in the aspect of maximization of profits. Therefore, transformational leadership positively influences the financial performance of tourism-based SMEs. Furthermore, with a Pearson correlation of .745 (sig. of .000), there is a strong and positive correlation between transformational leadership style and the aspect of financial performance related to the minimization of expenses in tourism-based SMEs. Finally, there is a moderate yet positive correlation between transformational leadership style and financial performance of tourism-based SMEs in terms of sales revenue

maximization, with a Pearson correlation of .515 (sig. of .036). Therefore, transformational leadership style is an influencing factor for financial performance.

Table 4.12: Transactional Leadership styles influencing financial performance of SMEs

		Transactional	Profits	Expenses	Revenue
Transactional	Pearson Correlation	1	.561**	.525**	.485*
	Sig. (2-tailed)		.009	.013	.036
	N	133	133	133	133
Profits	Pearson Correlation	.561**	1	.027	.318*
	Sig. (2-tailed)	.009		.839	.013
	N	133	133	133	133
Expenses	Pearson Correlation	.525**	.027	1	.289*
	Sig. (2-tailed)	.013	.839		.025
	N	133	133	60	133
Revenue	Pearson Correlation	.485*	.318*	.289*	1
	Sig. (2-tailed)	.036	.013	.025	
	N	133	133	133	133

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Field data, 2022

With a Pearson Correlation of .561 (Sig. of .009), there is a moderate yet positive correlation between transactional leadership style and financial performance of tourism based SMEs in the aspect of profits maximization. Furthermore, with a Pearson Correlation of .525 (Sig. of .013), there is a moderate yet positive correlation between transactional leadership style and financial performance of tourism based SMEs in the aspect of expenses minimization. Therefore, transactional leadership style influences moderately the financial performance. Lastly, with a Person Correlation of .485 (Sig. of .036), there is a weak yet positive correlation between transactional leadership style and financial performance in the aspect of sales revenue

maximization. Therefore, transactional leadership style is an important factor for effective financial performance of tourism based SMEs.

4.4.3 To establish a leadership style model on financial performance of tourism enterprises in Arusha district council.

For this research objective data were first analysed to check the bivariate correlation matrix to show the intercorrelations among the broader factors or dimensions of transformational and transactional leadership styles that is idealized influence (IIF), Individualized Considerations (ICN), and inspirational motivations (IMT), Management-by-exception active (MEA), Management-by-exception passive (MEP) and Contingent Rewards (CRD) in explaining the model of leadership style on financial performance. The correlation matrix table 4.13 reveals that idealized influence was highly positive correlated and statistically significant with financial performance (0.853; p-value <0.01 as shown in table 4.13).

Table 4.13: Bivariate Correlation Matrix between the Major Construct Variables (N = 141)

	IMT	ICN	IIF	MEA	MEP	CRD	FPM
IMT	1						
ICN	.464**	1					
IIF	.842**	.884**	1				
MEA	.864**	.772**	.756**	1			
MEP	.811**	.853**	.837**	.921**	1		
CRD	.912**	.729**	.926**	.739**	.826**	1	
FPM	.453**	.683**	.932**	.783**	.410**	.853**	1

Note: IIF = idealized influence, ICN = Individualized Considerations, IMT = inspirational motivations, MEA = Management-by-exception active, MEP = Management-by-exception

passive and CRD = Contingent Rewards, FPM = Financial Performance, ** Correlation is significant at the 0.01 level (2-tailed).

For the sake of noting in the methodology we demonstrated that the statistical model to be estimated for regression analysis was

$$Y = \alpha_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e_4 \dots\dots\dots (4)$$

Where;

β_3 is the coefficient of X_3 , measuring the effect of democratic leadership style on financial performance controlling the effects of other factors

β_4 coefficient is the effect of laissez-fair leadership style on financial performance, controlling the effects of other factors.

β_5 coefficient is the effect of autocratic leadership style on financial performance, controlling the effects of other factors, the expected values of $\alpha \geq 0$; $0 \leq \beta_s \leq 1$.

Since in the descriptive and correlation analysis the leadership styles which have revealed a close statistical relationship with financial performance is transformational and transactional leadership styles, we therefore proceed with regressing the dimensions of transformational and transactional leadership as independent variables against financial performance as dependent variable, a new model will be to adjust the proposed model of equation (4) and have

$$FPM = \alpha_0 + \beta_1IIF + \beta_2ICN + \beta_3IMT + \beta_4MEA + \beta_5MEP + \beta_6CRD + e_4 \dots\dots\dots (5)$$

Where; for the transformational leadership dimensions

β_1 is the coefficient of idealized influence (IIF), measuring the effect of transformational leadership style on financial performance controlling the effects of other factors.

β_2 is the coefficient of individualized considerations (ICN), measuring the effect of transformational leadership style on financial performance controlling the effects of other factors.

β_3 is the coefficient of Inspirational Motivations (IMT), measuring the effect of transformational leadership style on financial performance controlling the effects of other factors β_1 is the coefficient of idealized influence (IIF), measuring the effect of transformational leadership style on financial performance controlling the effects of other factors.

For the transactional leadership style dimensions;

β_4 is the coefficient of management-by- exception active (MEA) measuring the effect of transactional leadership style on financial performance controlling the effects of other factors.

β_5 is the coefficient of management-by- exception passive (MEP) measuring the effect of transactional leadership style on financial performance controlling the effects of other factors.

β_6 is the coefficient of contingent rewards (CRD) measuring the effect of transactional leadership style on financial performance, controlling the effects of other factors, and “ α ” is the constant term, and the expected values of $\alpha > 0$, and $\beta > 0$.

E-view 10.0 was used to conduct the regression analysis 1 shown in table 4.12 which revealed that the coefficient of idealized influence on financial performance was positive and statistically significant ($\beta_1 = 0.6109$, $P < 0.001$). The F-statistic was 128.0319 greater than the F-critical of 2.78 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value. Furthermore, regression analysis also revealed that the coefficient of the individualized consideration on financial performance was positive and statistically significant ($\beta_2 = 0.2109$, $P < 0.001$). The F-statistic was 18.526 greater than the F-critical of 12.88 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value. Moreover, regression analysis also revealed that the coefficient of inspirational motivation on financial performance was positive and statistically significant ($\beta_3 = 0.8281$, $P < 0.001$). The F-statistic was 19.926 greater than the F-critical of 7.932 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value.

With regard to dimensions of transactional leadership style, the regression analysis revealed that the coefficient of management-by-exception active on financial performance was positive and statistically significant ($\beta_4 = 0.3962$, $P < 0.001$). The F-statistic was 8.3821 greater than the F-critical of 1.578 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value. Regression analysis also revealed that the coefficient of management-by-exception passive on financial performance was positive and statistically significant ($\beta_5 = 0.682$, $P < 0.001$). The F-statistic was 11.0519 greater than the F-critical of 3.888 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value. Lastly, the regression analysis also revealed that the coefficient of contingent reward on financial performance was positive and statistically significant ($\beta_6 = 0.293$, $P < 0.001$). The F-statistic was 13.0519 greater than the F-critical of 8.593 at a P-value < 0.001 and the R-square value was greater than the adjusted R-square value as shown in table 4.14. Regression Analysis of the model specified equation of financial performance (FPM) as a dependent variable $FPM = \alpha_0 + \beta_1IIF + \beta_2ICN + \beta_3IMT + \beta_4MEA + \beta_5MEP + \beta_6CRD + e_4$

Table 4.14: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
A	2.287081	0.176587	12.95162	0.0000
IIF	0.472083	0.248350	1.900880	0.0642
ICN	0.910952	0.159437	5.713554	0.0021
IMT	0.828137	0.185475	4.464952	0.0053
MEA	0.396289	0.165433	2.396465	0.0018
MEP	0.069638	0.043768	1.591070	0.0515
CRD	0.293965	0.054931	5.35153	0.0281
R-squared	0.663874	Mean dependent var		3.256110
Adjusted R-squared	0.658107	S.D. dependent var		0.520707
S.E. of regression	0.505352	Akaike info criterion		1.480992
Sum squared resid	124.3706	Schwarz criterion		1.515179

Log likelihood	-359.5835	Hannan-Quinn criter.	1.494417
F-statistic	11.07637	Durbin-Watson stat	2.015473
Prob(F-statistic)	0.000000		

Therefore regression equation model was therefore found to be: $FPM = 2.287 + 0.472IIF + 0.911ICN + 0.828IMT + 0.396MEA + 0.0.07MEP + 0.293965CRD + e_4$

Two variables in the estimated equation are not statistically significant which are idealized influence for transformational leadership style and management-by-exception passive for transactional leadership style. The finding corroborates with the correlation analysis results, which revealed a weak relationship between the mentioned dimensions of leadership styles with financial performance.

The resultant regression equation has established that taking (idealized influence, individualized considerations, and inspirational motivations, management-by-exception active and management-by-exception passive and contingent rewards), the change in financial performance in the SMEs will be 2.278. The findings presented also show that increase in the individualized considerations leads to 0.4720 increases in the score of change in financial performance in the SMEs if all other variables are held constant. Nevertheless, this variable was not significant since $p=0.064$ is greater than 0.05. The findings agrees with the findings of Bhargavi and Yaseen (2016) who note that idealized influence are not clearly observed in promoting the organization's financial growth.

Further, it was found that if individualized considerations increase, there is a 0.91 increase in unit score of financial performance in the SMEs. This variable was significant since $p=0.0021$ is less than 0.05. The findings relate to Ghachingiri (2015) who posits that an organization should encourage employees' involvement and use of their capabilities in core development across the organization for better financial performance of the organization.

Further, the findings show that a unit increase in the scores of inspirational motivations would lead to 0.828 increases in the scores of financial performance of SMEs. This variable was significant since $p=0.0053$ is less than 0.05. These findings conform with the findings of Hossain and Saleh (2016) who assert that organizational inspirational motivations excellent in instilling to employees the set of shared philosophies, assumptions, values, expectations, attitudes and norms which bind an organization together and helps a company to implement financial strategies effectively.

The study also found that a unit increase in the scores of developing management-by exception active would lead to a 0.396 increase in the scores of financial performance in the SMEs. This variable was significant since $p=0.0018$ is less than 0.05. This is just as Northouse (2018) states that developing management style of transaction leadership particularly management-by-exception active mobilizes collectively the skills, knowledge, or other intangible assets of individuals that can be used to create economic value for the company.

Further, the findings show that a unit increase in the scores of management-by-exception passive would lead to 0.069 increases in the scores of financial performance of SMEs. This variable was not significant since $p=0.0515$ is greater than 0.05. These findings are in concurrence with the findings of Khamis (2013) who observed less power of the management-by-exception passive in the organizations which were implementing transactional leadership style.

The study also found that a unit increase in the scores of developing contingent rewards would lead to a 0.294 increase in the scores of financial performance in the SMEs. This variable was significant since $p=0.0281$ is less than 0.05. This is just as Khan and Adnan (2014) states that developing contingent rewards of transaction leadership style motivates employee's commitment and performance consequently leading to better financial performance.

The researcher again performed a multiple regression analysis in E-view 10.0 to test the existing relationship between the dependent and independent variables (which are financial performance, against the dimensions of transformational leadership and transactional leadership styles). This showed how the dependent variable is influenced by the independent variables, and the generated results are shown in the model summary table 4.15.

Table 4.15: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	0.748	0.66387	0.65810	0.5207

From the findings of the overall model, the independent variables (IIF, ICN, IMT, MEA, MEP, CRD) are statistically significant in predicting the variations of the dependent variable. The adjusted R-square is 0.65810 implying that 65.8% in the variations of the financial performance of SMEs in the sample are explained by idealized influence, individualized considerations, inspirational motivations, management-by-exception active, management by exception passive and contingent reward. Other SMEs operating factors that influence financial performance which were not covered by this study account for 34.2% which form the basis for further study.

Table 4.16 Analysis of Variance (ANOVA)

Model	Sum of squares	df	Mean squares	F.	Sig.
Regression	173.112	7	49.780	48.238	.000
Residual	58.651	126	0.722		
Total	231.763	133			

From the ANOVA Table, p-value is 0.000 and F-calculated was 48.238. Since p-value was less than 0.05 and the F-calculated was greater than F-critical (2.4472), then the regression relationship was significant in determining how idealized influence, individualized consideration,

inspirational motivation, management-by-exception active, management-by-exception passive and contingent rewards influenced the changes in financial performance in the SMEs.

4.5 Summary of findings

The results for the model of goodness of fit indices (shown in Table 4.12) were within acceptable limits thus supporting a good fit of the variables to the measured model. Moreover, the regression coefficients were positive and so is correlation matrix between dependent and independent variables. Most of the square multiple correlations were quite high; for example, coefficients of transactional leadership styles with inspirational motivation (IMT) is 0.932. This implies that a unit score of change in inspirational motivation indicated variability in financial performance in the SMEs by 0.932 score. It be noted that only one dimension of transactional leadership style had no statistical significant relationship with financial performance. Furthermore, the dimensions of transactional leadership style were powerful in explaining the variability in financial performance of SMEs except for the dimension of management-by-exception passive. Again in the model summary only 34% showed variability in the financial performance was captured by the error term e_4 . Therefore, if e_4 was to represent measurement error only, then the estimated reliabilities for transactional and transformational leadership styles would be 0.66.

This research started by giving an overview of research that studied financial performance in tourism based SMEs and leadership styles point of view, based on this over view the previous studies are limited in the sense that they do not provide a comprehensive overview of the dimensions of leadership styles which tourism based SMEs can use to promote financial performance in their enterprises, do not explain which leadership styles among the autocratic, laissez-faire, democratic, transformational and transactional influence financial performance and how the varied dimensions of leadership are used to influence financial performance, and

have thus far neglected the employees evaluation scores practices of SMEs to measure financial performance. Hence several aspects of SMEs financial performance and SMEs practices have been left unassessed.

This research, therefore, contributes to a deeper understanding of the relationship between SMEs practices that engage leadership styles and dimensions on financial performance. Three major arguments stood out across the previous researchers: The organizations use of leadership style to influence financial performance, the sector-based leadership styles deployed to ensure the organizations apply resources and opportunities for success in financial performance.

Although transformational and transactional leadership styles are regarded as effective tools of promoting SMEs financial performance, still the two leadership styles contain a package of dimensions whose implementation by a particular enterprise cannot be determined at once, there are dimensions that influence the financial performance which call leadership to spend a substantial amount of effort to keep up with the global enterprise development.

For tourism based SMEs, since 2017 transactional and transformational leadership are promoting confidence in financial performance, whereby leaders are identifying utilizing various employees abilities for organizational development. There is also a growing impetus for setting of clear financial objectives, operating according to approved budget and definite improvement in financial performance, intended use of financial reports and satisfaction of employees in dealing with financial services as a result of transformational and transactional leadership styles.

4.4 Discussion of Findings

The aim of this study is to assess the influence of leadership styles (autocratic, laissez-faire, democratic, transformational, and transactional leadership) on the financial performance of SMEs. Pertinent literature has been reviewed to ascertain the research gaps and outline the

research objectives and questions. Consequently, a conceptual framework has been developed for further examination. The findings of this research have both theoretical and practical implications for leadership and financial performance, particularly within the discipline of entrepreneurship.

4.5.1 To Identify the Common Leadership Styles Used By Tourism Enterprises in Arusha District Council

In the words of Rose and Mamabolo (2019), leadership is context-specific. Due to the fact that there are numerous leadership styles and each one is appropriate within a particular enterprise environment. The leadership styles used in the regression analysis were chosen using descriptive and correlational analysis. The result revealed two main leadership styles, notably transformational and transactional leadership, within the tourism industry, as revealed by the assessments of employees in the enterprises under study. This result is supported by a study by Saowalux and Peng (2007) in Thailand, who found that transformational and transactional leadership were the highest contributors to organizational performance. It must be emphasized that there are other useful leadership styles used; however, the goal of this analysis is to identify the most powerful leadership styles and design an appropriate model for influencing financial performance.

4.5.2 To Examine the Influence of Each of the Leadership Styles on Financial Performance of Tourism Enterprises in Arusha District Council

The examined correlation matrix leads to the conclusion that all dimensions of leadership are within acceptable ranges and that the data is sufficiently good to conduct any further advanced statistical analysis; the data also fit the model very well.

The regression model reveals that transformational leadership has a positive and significant effect on financial performance. Two of the dimensions of transformational leadership, namely,

individual consideration and inspirational motivation, have a positive and significant effect on financial performance, with idealized influence having a positive but insignificant influence on financial performance. The findings in this research agree with some of the results of Arshad and Zain's (2016) study in Malaysia, Beakan's (2017) study in Ghana, and Rose and Mamabolo's (2019) study in Uganda. Unlike the findings of these scholars, this research found idealized influence as a positive but insignificant contributor to financial performance, even though transformational leadership style as a whole is seen to be a positive and significant contributor to financial performance. This shows that leaders (managers) in SMEs in Tanzania should pay more attention to these leadership dimensions to increase the possibility of better financial performance.

Again, two of the dimensions of transactional leadership, namely, management-by-exception active and contingent rewards, have a positive and significant effect on financial performance, with management-by-exception passive having a positive but insignificant influence on financial performance. The findings in this research agree with some of the results of Saowalux and Peng (2007) of Thailand, Bhargavi and Yaseen (2019), and Berg and Karlsen (2016). Unlike the findings of these scholars, this research found management-by-exception passive to be a positive but insignificant contributor to financial performance, even though transactional leadership style as a whole is seen to be a positive and significant contributor to financial performance. This shows that leaders (managers) in SMEs in Tanzania should pay more attention to these leadership dimensions to increase the possibility of better financial performance.

4.5.2.1 Transformational and Financial Performance

The descriptive analysis shows that individualized considerations and inspirational motivations contribute largely to transformational leadership styles when the mean and standard deviation

values are examined. Also, a clear demonstration of financial objectives, including maximizing sales revenue, profits, and minimization of expenses, as well as a definite improvement in financial performance and the use of financial reports by intended clients, were seen to be among the top determinants of financial performance. Therefore, SMEs' leaders and managers are required to pay much attention to individualized considerations and inspirational motivations when using transformational leadership styles to ensure financial performance. In general, transformational leadership contributes significantly more to financial performance than transactional leadership among tourism SMEs.

Many employees join these enterprises with high expectations of financial rewards. They know that they have to work with high commitment so that the enterprise can succeed. Even though much of their experience matches the leadership's expectations, they often face the challenge of balancing their understanding of how the tourism enterprise should work with the management's idealized influence. This resulted in under preparedness for tasks assigned and a shift of blame to management for providing insufficient coaching and training to ensure that what management has in mind is reflected in the duties performed by employees. Managers and supervisors should therefore stimulate workers' minds and thinking so that they can be prepared to capture the ideas of leadership style to ensure more financial success in the way they achieve the desired outcomes.

These results show the central controversies surrounding much research on leadership style and organizational performance. While many studies have linked leadership styles with organizational performance under conditions of resources, coaching, and technology (Basit et al., 2017), much more needs to be established. Conversely, in an influential series of papers, Berg and Karlsen (2016) concluded that there is no strong or consistent relationship between the idealized influence dimension of transactional leadership style and financial performance,

which is possibly true because many times such conditions of training have been under-deployed by managers and supervisors. This is to say that exposing employees to management practices may not be effective without ensuring coaching and training processes are implemented.

4.5.2.2 Transactional and Financial Performance

According to the descriptive analysis, management-by-exception and active and contingent rewards play a significant role in transactional leadership style. Also, a clear demonstration of financial objectives, including maximizing sales revenue, profits, and minimization of expenses, and a definite improvement in financial performance were seen to be associated with the transactional leadership style dimensions of financial performance. Therefore, SMEs' leaders and managers are required to pay much attention to the management-by-exception active and contingent rewards dimensions when using transactional leadership styles to ensure financial performance within the tourism sector.

The findings on management-by-exception active were not unique; Berg and Karlsen (2016) and Basit et al. (2017) studied the effects of leadership styles on employee performance and also discovered that management-by-exception active was statistically significant in explaining organizational performance. Therefore, the results of management-by-exception suggest that additional leadership management beyond that of leaving all matters in the hands of the employees will automatically improve financial practices in SMEs. In fact, most managers and supervisors who administer tourism enterprises are normally keen on ensuring financial transactions follow proper procedures, which have also been recommended by many audit firms (ATOTAs, 2020).

The dimension of contingent reward was found to be significant in relation to financial performance. The result was in agreement with many other studies, such as those on the

transactional leadership dimension influencing the financial performance of enterprises (Bhargavi and Yaseen, 2016). Based on this finding, the study concluded that contingent rewards were more frequently given to employees who met their assigned goals. Several studies that attempted to link contingent rewards with employee performance aspects that promote financial success revealed that leaders who prefer to motivate workers on their tasks set incentives of rewards as an independent factor of increasing productivity (Murad and Gill, 2016; Mwombeki, 2017; and Mirumbe, 2020). However, the study did not find a relationship between management's (exceptionally passive) behavior and financial performance. This is due to the fact that the mentioned factor was found to be insignificant in predicting the financial performance of SMEs, a finding shared by Murad and Gill (2016) using correlation analysis and Berg and Karlsen (2016) using regression analysis.

4.5.3 To Establish a Leadership Style Model On Financial Performance of Tourism Enterprises in Arusha District Council

The study has come up with the two highly ranked leadership styles using the ability to meet organizational activities related to financial goals such as profit maximization, sales revenue maximization, and minimization of expenses. Following this preliminary research, the regression analysis was conducted using transformational and transactional leadership styles and financial performance as selected by the descriptive and correlation results. The implication is that other studies can make use of the model in making decisions where there are several alternatives to leadership styles. This will help the decision-maker come up with an informed and better choice or decision.

Among all the methods of data analysis used, the regression method was seen to be suitable for this research in the sense that it measured the dimensions with rigor and dealt with the measurement error, tested the overall model, and handled the dataset accurately.

4.6 Chapter Summary

The chapter presents the data collection process, descriptive statistics, and inferential statistics to address the research objectives and answer research questions. Correlation analysis using the Pearson Correlation Matrix is used to analyze the relationship between the variables under study; the relevant leadership styles were identified. This was followed by a regression analysis to determine the relevant dimensions of the identified leadership styles and develop the appropriate model of leadership style on financial performance; the regression model demonstrated a good fit.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter consists of the conclusion, recommendations, and future research directions. It highlights the major findings of the study, which were obtained from the data analysis. It also presents academic, managerial, and policy recommendations. There are some questions and objectives that this study addresses. The achievement of those objectives culminated in the policy implications that have been presented. The study makes some recommendations to guide future work in this subject area.

5.1 Summary of Findings

With regard to the objective, which demanded to identify the common leadership styles used by tourism enterprises in Arusha district council. Based on the findings obtained, the research found that the leadership styles mainly employed by managers and directors to administer and execute various activities of the enterprises, including financial activities, are two: transformational and transactional leadership styles.

With regard to objective 2, examine the influence of each of the leadership styles on the financial performance of tourism enterprises in Arusha district council. The study has observed that transformational leadership style is stronger than transactional leadership style, even if both styles have a strong, positive, and significant influence on the financial performance of SMEs.

Furthermore, with respect to research objective 3, which requires establishing a leadership style model on the financial performance of tourism enterprises in Arusha district council, the study on regression analysis has revealed that four dimensions of transformational and transactional leadership styles are particularly important when it comes to promoting the financial success of SMEs, namely individualized considerations, intellectual motivations, management-by-

exception active, and contingent reward. A model of financial performance captures 65.8 percent of the variations in financial performance in the tourism enterprises and can be enhanced more if the two dimensions of idealized considerations and management-by-exception are improved as well.

5.2 Conclusion

5.2.1 Conclusion on the Common Leadership Styles Used By Tourism Enterprises in Arusha District Council

This research made use of the regression model to choose two leadership styles (transformational and transactional) and assessed the influence of these leadership styles on SMEs' financial performance in Tanzania, specifically in the context of the tourism industry. The styles were selected using a combination of descriptive analysis, correlation analysis, and regression analysis. Based on literature, references were gathered from books, publications in relevant international journals, and the internet. The data analysis and results revealed that transformational leadership has a significant positive influence on the financial performance of SMEs. Also, it is realized that the influence of transformational leadership on project success can be improved when dealing with idealized influence to make it an effective dimension of the leadership style as well.

Contrary to many of the earlier studies, transactional leadership has a positive effect on the financial performance of SMEs; however, the influence was only statistically significant on management-by-exception active and contingent rewards, even though all dimensions had a positive influence on financial performance in SMEs. This means that when SMEs' leaders use a transactional leadership style, the emphasis should be on clarifying the targets and goals to

the employees in the organization so that the probability of success in the financial performance score is increased.

5.2.2 Conclusion on the Influence of Each of the Leadership Styles On Financial Performance of Tourism Enterprises in Arusha District Council

With regard to SMEs' financial performance, this research discovered that all the constructs had a strong impact on transformational and transactional leadership styles, but the majority of the respondents rated transformational leadership styles higher in comparison to transactional leadership styles. With all the dimensions of transformational leadership styles discussed, individualized constructs and inspirational motivation are the two main dimensions that largely contribute to the effects of leadership styles on financial performance. It was further noticed that the idealized influence of leaders on employees' practices remains a challenge to overcome. Also, transactional leadership styles greatly influenced the financial performance of Tanzanian SMEs. As long as management-by-exceptional-passive was not statistically significant, this implies that the traditional leadership barrier has not been broken between employees and enterprise activities, remaining a challenge to overcome.

5.2.3 Conclusion on the Leadership Style Model That Can Explain Financial Performance of Tourism Enterprises in Arusha District Council

The study reviewed fundamental theories like social exchange, leader-member follower relationships, path-goal theories, and traits and behavioral theories of leadership and their application in a Tanzanian context. The study contributed to the management and leadership literature by developing an integrated conceptual model based on the influence of transformational and transactional leadership on financial performance.

Empirically, the influence of each dimension of transformational and transactional leadership styles on financial performance has not been adequately studied within the Tanzanian context such as Arusha District; thus, this research assessed the influence of each dimension of transformational and transactional leadership styles on financial performance, adding original knowledge to existing literature on the contributions of each dimension of leadership style.

The results from the measurement and regression equation model add to the existing knowledge on leadership as it applies to the tourism-based SMEs in Arusha District. The connectedness and influence of the constructs and their dimensions on financial performance were shown. There is empirical evidence on the influence of transformational and transactional leadership styles on the financial performance of tourism-based SMEs.

5.3 Recommendations

Based on the above conclusions of the study, the researcher gives the following recommendations with regard to the effective influence of leadership style on the financial performance of tourism-based SMEs in Arusha District:

Because transformational and transactional leadership dominate SMEs in Arusha District more than other styles of leadership, there is a need to encourage enterprise leaders and managers to pay more attention to the nature of the employees they work with and the environment in which they operate, and to switch between transformational and transactional leadership styles as needed to ensure financial success. Besides, tourism companies should create an environment where transformational leadership trainings in particular would be given to management so that this type of behavior would spread across the structure of tourism sector entities in the country.

It is also evident from the study that SMEs' leaders need to adopt a leadership style based on the nature of the team members and the environment; however, transformational and

transactional leadership styles may be of paramount importance in most tourism sector environments in Tanzania and Arusha in particular. Management should focus on hiring financial managers and other leaders with transformational leadership qualities so that the probability of success in financial performance can be enhanced.

5.4 Areas for Further Research

Finally, the study focuses on the relationship between leadership styles and financial performance of SMEs in the tourism industry. This can be reproduced in other disciplines and sectors where the proposed model can be further validated under different environmental conditions.

The study did not deeply investigate the relationship between demographic information like education, age, and gender and financial performance within the tourism sector; hence, future research can explore whether the demographic information has any influence on financial performance.

It is possible that additional dimensions not identified in this research as effective on SMEs' financial performance may potentially develop in the future as the tourism sector and SMEs become more affluent and comfortable with various facilities and services on tourism delivery methods and the global network becomes more extensive on enterprise performance.

5.5 Critical evaluation of the study

While there is historical data pertaining to assessment and evaluation specifically of SMEs in every district, there is a lack of data and consistent measures of leadership practices within SMEs. It can then be speculated that the reason for this is that the SMEs are focusing on the traditional financial system (accounting tools) at this point rather than using broader measuring tools to evaluate the effectiveness of their enterprise activities. The development of measures

to assess the performance of the dimensions of transformational and transactional leadership is a topic for future research.

The complexity of the topic for the employees was evident by the variety of conditions within the tourism sector. These conditions created barriers for the research. For example, there is a widespread, inconsistent use of dimensions of intellectual stimulation throughout SMEs in ensuring comprehensive employer-employee financial practices in organizations. Furthermore, during the seminar on filling out the questionnaire instruments, employees expressed a need for further guidance with regards to relating a specific leadership dimension to a particular activity of the enterprise.

Furthermore, future research can explore the leadership style that is appropriate within each phase of the SME growth stage and financial performance within the tourism sector of Tanzania or other countries using a mixed method rather than a quantitative approach alone. Finally, due to time constraints, cross-sectional data were used in the study, and the effect estimates in the regression model are based on respondents' ratings and opinions. Such results are subject to biases due to a lack of quantifiable measures that may have influenced our model estimates. A longitudinal approach can be used in future research to strengthen the findings by observing differences over time.

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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR EMPLOYEES

Dear Respondent,

Congratulations on your progress during your working in this enterprise. We are very interested in your experience as a candidate employee. Please note that your responses will be used for academic research purposes only and will be strictly confidential. Your response to the questionnaire indicates your consent to participate in the study. Thank you for your help with this important project.

This questionnaire contains four parts; A, B, C, and D. Kindly complete and submit the survey by placing a tick (✓) on the multiple-choice items which may take about 20 minutes of your time

INSTRUCTIONS: fill the blanks with the correct answer from the choices provided in each question below.

PART A: Demographic information

1. Gender of the Respondent.

(1) Male (2) Female ()

2. In which Age category do you belong?

(1) 18 to 30 years (2) 31 to 40 years (3) 41 to 50 years (4) 51 to 65 (5) over 65 years ()

3. What is your highest level of education?

(1) Primary education (2) Secondary education (3) College certificate education (4) Degree education ()

4. For how long have you worked in this Enterprise?

(1) 5-7 years (2) 8-9 years (3) 10-12 years (4) 13-14 years (5) 15 years and above ()

5. Is this a small or a medium enterprise?

(1) Yes (2) No

6. Do you recommend this organization to your family and colleagues?

(1) Agree (2) strongly agree (3) Neutral (4) disagree (5) strongly disagree ()

7. Are you glad that you chose to work for this organization?

(1) Yes (2) No

8. Do you understand how you contribute to the organization's goals?

(1) Yes (2) No

9. Are your career goals important to your organization?

(1) Yes (2) No

PART B: Leadership style

4) This is a practiced leadership style at this enterprise: Autocratic [] Democratic [] Laissez-faire [] Transformational [] Transactional []

5) I like the leadership style of this enterprise: Very little [] somehow [] quite a bit [] Very much []

6) Given a chance, on leadership style will you opt for quitting a job? Never [] somehow [] quite a bit [] Very much []

7) If asked, I will recommend this leadership style to other leaders: Never [] somehow [] quite a bit [] Very much []

8) Indicate your opinion about the following items

Items	Never	Sometime	Often	V.much
Vision of leadership to team members is clear	[]	[]	[]	[]
Leaders in the entity is a role model to followers	[]	[]	[]	[]
Leaders build employees morale in the enterprise	[]	[]	[]	[]
Leaders discuss ideas on entity activities with employees	[]	[]	[]	[]

Leaders receive and give feedback on financial performance [] [] [] []

Leaders have direct concern on financial activities of the entity [] [] [] []

Leaders contribute to sales maximization of the enterprise [] [] [] []

Leaders contribute to Sales revenue growth of the enterprise [] [] [] []

Leadership contributes to expenses minimization in the entity [] [] [] []

Leadership contributes to profits maximization of the entity [] [] [] []

[]

10. To what extent does the top management listen to your needs or concern and provides support?

(1) Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

11. To what extent does the top management support you in developing and demonstrating your skills and talents?

(1) Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

12. Rate the statement "Top Management is interested in motivating the employees"?

(1) Strongly Agree (2) Agree (3) Neutral (4) Disagree (5) Strong Disagree

13. Does the top management collaborate with you in trying new approaches and developing innovative ideas in dealing with organizational issues?

(1) Yes (2) No

14. To what extent does the top Management involve you in decision making which is connected to your department?

(1)Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

15. To what extent does your leader supervise you when you are performing your functions?

(1) Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

16. What level does your leader innovate change?

(1) Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

17. What is the level of your engagement in the organizational issues?

(1) Low (0-50%) (2) Moderate (51%-70%) (3) High (71%-100%). ()

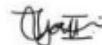
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ARUSHA.
10th December, 2022.

To whom it may concern,

EVIDENCE FOR ENGLISH LANGUAGE EDITING

This is to provide evidence that I have proofread and edited a dissertation of Ms. Catherine Kibiki, titled "**Assessing the Influence of Leadership Styles on Small and Medium Enterprises Financial Performance: A case study of Tourism Enterprises in Arusha District Council.**" This was meant to ensure language accuracy before it is passed for the award of the said degree. In editing, I have addressed issues that could arise about spelling, tenses, cohesion, coherence, and the general organization of the dissertation. I hereby recommend that the candidate submit the dissertation document for further scrutiny and determination for the award of the degree of Master of Business Administration in Leadership and Governance as per the jurisdiction and discretion of the concerned board of examiners and the Institute of Accountancy Arusha.

Yours faithfully,



Jackline Edson.

ASSESSING THE INFLUENCE OF LEADERSHIP STYLES ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: A CASE OF TOURISM ENTERPRISES IN ARUSHA DISTRICT COUNCIL

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