



## Organizational Citizenship Behaviors In Small And Medium Enterprises In The Context Of Leadership Behavior

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### **ABSTRACT**

The purpose of this paper is to find out “What is the effect of different types of leadership behavior on organizational citizenship behavior shown by employees within small and medium enterprises”

Past literature research in the field of small and medium enterprises shows that SMEs research is related to the human research management. Most of past research about leadership behavior has been done on large organization. A little level of research about leadership behavior has been done on small and medium level enterprises. The question arises that leadership behavior on large organizational are same as in small and medium enterprises or different. Due to the personal and close relationship, short communication, informality and hierarchy structure cause the leader to behave in different way within small and medium size enterprises. These factors have a different effect by the leader toward their employees which is helpful to motivate the employees to perform beyond the requirement.

It is expected that transformational leaders have a strong and positive effect on organizational citizenship behavior shown by employees as transformational leader encourage the employees

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in order to perform beyond the requirement. It is also expected that contingent rewarding leadership behavior have positive effect on employees to show organizational citizenship behavior because after getting reward upon their performance, they feel more motivated to perform more than the requirement. Management by exception has two categories which are active behavior and passive behavior. It is expected that management by exception active have a positive effect because he works in an active way. He can find mistakes, failure and errors before its effect and try to solve these mistakes, failure and error as soon as possible. It is expected that management by exception passive have negative behavior because passive leader waiting for mistakes, failures and errors. Trust is also an important factor between leadership behavior and employees. It is accepted that some certain degree of trust motive the employees to show organizational citizenship behavior. Next to this it also help the employees to perform beyond the requirement.

The data were collected from the past researcher in order to find out results. Past research shows that when firm face serious problems or mistake, errors or any failure leader should be there in order to solve problems, mistakes, failure and error. Leader in small and medium enterprise are required to give the authority to the employees in order to solve problems themselves. Leader should also create certain level of trust which is encouraging the employees to show organizational citizenship behavior.

Most of leader in small and medium enterprises do not know about their effect on employees. This research is based on past research. This research make aware the leader, how to influence the employees to show organizational citizenship behavior.

**KEYWORDS:** leadership behavior, leadership, leadership in SME

## **INTRODUCTION:**

The Importance and need of the leader is increasing day by day due to the high level of competition as well as the technology and societies are becoming more advance. Changing business environment with the passage of time has cultivate the demand for the effective leader who has the ability to run and better functioning the organization in complex competitive environment specially in small and medium enterprises. In an organization a leader is the person who has a group of people under its leadership, and the people on whom he/she exerts their influence are known as subordinates. Thus, directors, executives, administrators, managers and bosses can be leaders; the action carried out to influence on others is what we know as leadership. According to Kotter (1999), leadership is the process of moving a group in a certain direction by, usually non-coercive means. Effective leadership is the one that produces movements aimed at the long term interests of the group. Leadership is a special form of power that involves skill, based on the personal qualities of a leader, to obtain the voluntary subordination by his/her followers in a wide range of issues. He distinguishes leadership from that of the power concept, in which leadership's influence resides, i.e., a preference shift, while power only implies that the preferences of subordinates are put aside.

The effective leader is that who have a positive influence on individual's performance that culminates the performance of the organization or that helpful to achieve the organizational goal (R. Sharkie 2009). (James Scouller 2011) define the leadership in his book called the three level of leadership, "Leadership is a process that involved setting the purpose and direction which inspire people to combine and work towards willingness; paying attention to the means, pace and quality of progress towards the aim; and upholding group unity and individual effectiveness throughout."

During the past years research in human resources management (HRM) within small and medium enterprises; researchers develop a great interest (Heneman et al., 2000; Cardon & Stevens, 2004). In small and medium enterprises HR and leadership is seem closely related. Most of leadership researches have conducted in large organization while a very little research on leadership within SMEs has been done. In Pakistan there are 3.2 million economic

establishment out of which 99% enterprises are small and medium size enterprises which make the main pillar as well as the largest employer of the Pakistan economy (P. Bianchi and M.D. Parrilli 2002). According to small and medium development authority of Pakistan, small enterprises should possess ten to thirty five employees with two to twenty million rupees capital intact in equity and medium size enterprises should possess thirty six to ninety nine employees with twenty to forty million capital intact in equity. According to the European Union criteria, small and medium size enterprises have less than 250 employees. It is clear that focus in small and medium enterprises is very important in order to reduce the unemployment rate of any country. Small and medium enterprises are the major part of the economy (Eikebrokk and Olsen, 2007; Robles Estrada and Gomez, 2007). Small and medium size enterprises are seen as the economic growth, innovation and employment growth, increase the revenue and make the advance technology (Khurram, Bhutta, Rana and Asad 2008). Specially in Pakistan the main economy are standing on the basis of small and medium enterprises Most of SMEs enterprises do not give the importance to management of their personnel which is peculiar because human resource play a very important role for the success or of these firms (Wilkinson, 1999).

However, the human resources management topic is very vast topic with in small and medium enterprises. One topic which is very important topic with in small and medium enterprises is effect of leadership behavior, because the leadership behavior has a greater influence in employee's performance and indirectly of small and medium enterprises. The workers behavior in an organization is related to the behavior of the leaders which means that leader have a great impact on employee's performance and indirectly on organization performance. Leadership behavior in small and medium enterprises is changed due to a number of reasons. First of all if we compare SMEs with large organization then we can find that SMEs have a different characteristics and larger organizational have different characteristics. SMEs enterprises usually flat organizational structure with limited workforce. The owners in SMEs have the main authority and he is the person who decided the direction of the organization as well as he has a great impact on the organization. In the most of small and medium enterprises, owner and supervisor are not well educated and they have not any special

education in management. The qualities of leadership have developed during job started as an employee and these people were appointed to a leadership position and just grew into that role (Koch and de Kok, 1999). Secondly, by comparing small organization with large organization then we can also find that small organization have different objectives. In small firms the owner is involved in day to day activities, he creates a good personal relation and degree of respect between workers so these relation and respect value have seen often more important than increasing the profit. Leader in SMEs enterprises knows the value of their employees and he also knows that effective employees can lead the organization at highest level. In SMEs due to the owner impact, the leaders do not have a right degree of freedom to make a decision.

According to the above mentioned information it is expected that leadership behavior have a different effect in small and medium enterprises. In small and medium enterprises, the employees should perform their duties beyond the contractual requirement and the influence of leadership behavior based on organizational citizenship behavior will be studied in this research.

### **LEADERSHIP BEHAVIOR AND ITS EFFECT ON ORGANIZATIONAL CITIZENSHIP BEHAVIOR**

Leadership behavior is high importance to influence organizational citizenship behavior (Podsakodd et al., 2000). Leader have a great effect on organizational performance as he motivates the employees to perform beyond the requirement as well as leadership behavior could also enhance, neutralize or decrease the degree of organizational citizenship behavior (Podsakoff et al., 2000). In small and medium enterprises, it is very important to have employees who behave flexibility and work beyond the requirement. Effective leadership behavior is helpful to achieve or increase the willingness of the employees to show organizational citizenship behavior. The Organizational citizenship behavior origin is started from the Ohio state university with the development of the path goal theory (House, 1996). According to the path goal theory the leadership is defined as ‘will be effective to the extent that leaders complement the environment in which their subordinates work by providing the necessary cognitive clarifications to ensure that subordinates expect that they can attain work

goals' (House, 1996). Three main things that influence the workers, firstly the leaders are complementing the environment, Secondly leaders provide the clarification in order to direct the employees to their work. Thirdly leaders always motivate the workers in order to achieve the organizational objective. Effective leader always try to motivate and inspire the workers to keep in right direction.

### **Direct Effects**

The most notable finding is that the direct effect model did not show most of projected and important relation. The result only shows the major inverse effect of laissez faire leadership behavior on organizational citizenship behavior shown by employee in small and medium enterprises. Laissez faire leadership behavior has a strong negative and important relationship to the organizational citizenship behavior. According to the literature, a leader who is completely absent cannot motivate the employees to do more than the requirement. Laissez faire leadership behavior is one of the factors who decrease the level of sportsmanship shown by the employees. According to the past research it is found that leader did not involve much in laissez faire leadership behavior. However the past research shows a negative strong correlation even within these lower levels of laissez faire leadership behavior, especially concerning production oriented small and medium size enterprises, employees immediately decrease the level organizational citizenship behavior when they are ignored by their leader and also not guided and controlled and when they also feels that their leader does not have interest in them.

Management by exception passive shows a positive but weak relationship with organizational citizenship behavior. However this relationship was irrelevant, it was amazing because of positive effect came. It was expected that management by exception passive have negative effect because of the leader always focus on mistakes, failures and error (Bass and Riggio 2006).

Management by exception passive always waiting until problems become serious as this act expected to lower the organizational citizenship behavior but it is not a case in the past

research. It is also found that Management by exception passive in small and medium enterprises are not highly passive but as per research a level of passive in small and medium enterprises has a positive effect on organizational citizenship behavior as shown by employees. With the sense of controlling employees and controlling work process of management by exception in passive behavior, employee's shows more conscientious, altruistic and courtesy behavior. So management by exception passive have a weak positive influence on organizational citizenship behavior as per the research done by past researcher.

Management by exception active has inverse relationship with organizational citizenship behavior. During research done by past research it is expected to have a positive relation but surprisingly found negative relation with organizational citizenship behavior. Management by exception active leaders always works accurately, actively and following the working process and carefully monitors the workers while keeping tracks of all mistakes (Bass and Riggio 2006). Management by exception active leaders also focus the errors and mistakes and give their feedback and they are also stopping the problems before it become serious which is expected to have positive effects (Brass and Avolio 2004). However past research shows that this had a negative effect on the level of organizational citizenship behavior shown by employees. May be workers know that their leader checking them and make their attention on mistakes and failure again and again which make the employees to understand that their leader only focus on mistakes, errors and failures rather than the things went right. Leader gives the feedback on mistakes, errors and failure which are not motivating the employees because the feedback focuses only on mistakes, errors and failures.

According to Steelman the feedback should be in a positive manner for the purpose of motivating the employees work (Steeleman et al., 2004). Checking the employees in an active way and focusing the feedback on mistakes may arise the negative effect on organizational citizenship behavior. Next to this employees did not have a chance to solve problems themselves due the interfering leader when problem arise. This act will decrease the level of organizational citizenship behavior. Management by exception active also has negative effects on the dimension of organizational citizenship behavior which includes sportsmanship and

altruism. It means employees show less helping behavior towards management by exception active leader because management by exception active leader focus more on negative things rather than positive things. It is also found that management by exception active leader has weak positive effects on the conscientiousness and courtesy of their employees which means that employees work a little above the average and to small extent stopping problems for colleagues from occurring when leader is active in management by exception. However management by exception active has a negative relation on organizational citizenship behavior.

According to the (Podsakoff et al. 1990) research transactional leadership behaviors is directly related to the organizational citizenship behavior, Podsakoff research did not find the effect on the dimensions of transactional leadership behavior. It is expected that transformational rewarding leadership behavior showed strong positive and direct relationship with organizational citizenship behavior but in the past research it is found that this relationship was weak and insignificant. Past research shows that transformational leadership behavior and contingent rewarding behavior were highly correlated which result problem. When new factor analysis contingent rewarding behavior turned out to be loading on the same factor as transformational leadership behavior which means that employees in small and medium companies could not make difference between those concepts. Due this transformational leadership behavior and contingent rewarding were combined into new factor and called as transformational rewarding leadership. This kind of leadership behavior were expected to have a strong and positive relationship on organizational citizenship behavior shown by employees and it is also expected that employees would feel confident and motivated and also show the conscientiousness and helping behavior because their leader give them the opportunity to develop and establish themselves.

Transformational leader working as a role model treating employees as separately and trying to understand their needs and wants and capability and he is also helping to develop each employees strength and motivate them to think creative and innovative way (Bass and Riggio 2006). This all point expected to have strong effect on organizational citizenship behavior.

However from the past research the result was totally different, the leader with in small and medium companies shows a moderate level of transformational rewarding leadership behavior and research shows that the effect on organizational citizenship behavior were very week. The reason is that in small and medium enterprises the employees have a lot of responsibility to perform different task and they have not decision making rights. The owners in small and medium enterprises hardly delegate the power authority to their employees. This could be problems that transformational rewarding leadership behavior has a less effect on organizational citizenship behavior.

It is clear that laissez faire leadership having the least positive effect and transformational leadership have most positive effects. It is also found that management by exception passive has more positive effect than management by exception active. Transformational rewarding leadership have the positive effect, however these effects were weak and lay close to the effect of management by exception passive.

### **Effect of Trust**

According to the previous research done by (Podsakoff et al. 1990) and (Pillai et al. 1999) no direct relation were found between transformational leadership and organizational citizenship behavior but they found that these effect influenced by the trust. In small and medium enterprises, due to the small level of workforce it is expected that trust in high level already exist and these trust could be influence by leadership behavior and also could be influenced the relationship between leadership behavior and organizational citizenship behavior. However, past research shows that the variance in organizational citizenship behavior did not change through the influence of trust. Concerning the management by exception active it is found that the influence of trust is hardly changes anything concerning its effect on organizational citizenship behavior.

The reason is that management by exception active leader develops deterrence based trust as employees in an organization are expected to fulfill their job requirement because of sanctions that will appear otherwise (Rousseau et., 1998). When the employees duties are well structure

and the process are mentioned in a good and accurate way, so controlling of employees in this way creating is trusty relationship.

In compare, the regression of Management by exception passive and transformational rewarding leadership change in a direction and the laissez fair leadership regression changed unsatisfactory. On a research it is found that trust has a great influence between different style of leadership behavior and organizational citizenship behavior.

According to the (Podsakoff et al. 1990) research explained that transformational leadership behavior had no direct effects on organizational citizenship behavior but trust play a very important role in order to influence transformational leadership behavior toward organizational citizenship behavior. So due to this effect it is found that transformational rewarding leadership behavior has a positive and strong effect on the level of trust. Especially in small and medium enterprises trust is very important in order to maintain personal relation and strong organizational culture and this help them to relay personally on each other (Rousseau et al., 1998). These levels of trust are determined to have a positive, strong effect on organization citizenship behavior. Although no direct effect between organizational citizenship behavior and transformational rewarding leadership behavior were found.

The indirect effect between transformational rewarding leadership behavior and organizational citizenship behavior is that it is not sure whether organizational citizenship behavior is effect by transformational rewarding leadership behavior or other things that influenced trust (Preacher and Hayes, 2004). Transformational leadership behavior is influenced by trust and trust influences organizational citizenship behavior. However it is not proved that organizational citizenship behavior was influenced by transformational rewarding leadership behavior.

Trust also affects the relationship between laissez faire leadership behavior and organizational citizenship behavior. In the past research it is found that trust is mediating the relationship between laissez faire leadership behavior and organizational citizenship behavior. It is also found the direct important relationship between laissez faire leadership and organizational

citizenship behavior, there is also a direct and important relationship between trust and laissez faire leadership, there is also important and direct relationship between organization citizenship behavior and trust

### **Effect of In Role Behavior**

Past research by job performance and through job analysis shows us that organizational citizenship behavior and in role behavior was differentiated. The coefficient of in role behavior hardly changed next to this, the variance of organizational citizenship behavior latterly decreases. So no important effect of in role was found. This is due to broadly describe the job requirements and informality with in small and medium enterprises. It was expected that organizational citizenship behavior some time helpful for organizational citizenship behavior but it was not a case. However employees in small and medium enterprises shows little level of in-role behavior and the correlation between in-role behavior and organizational citizenship behavior were found only moderate.

### **CONCLUSION**

Analysis the previous research and results, it is clear that the leadership behavior in total explained a quarter of the variance in organizational citizenship behavior which is its self is a considerable amount. However, the different leadership behavior have different effect.

It is clear that Management by exception passive have a direct effect on organizational citizenship behavior which means that employees shows more organizational citizenship behavior within small and medium enterprises when leader behave passively in monitoring the working process and facilitates the mistakes. Employees in small and medium enterprises like the working responsibilities and try to solve the problems by themselves. With compare to the management by exception passive, management by exception active has an opposite effect. Which means that management by exception active leader always focus on mistakes and failures and point out the employee's attention towards these problems which less employees shows the organizational citizenship behavior. Employees in small and medium

enterprises are working independently and they don't want to be check by their leader when problem arise because they want to solve these problem by themselves.

Transformational rewarding leadership behavior in small and medium enterprises showed positive but weak relationship with the organizational citizenship behavior which means transformational rewarding leadership behavior do not have big influence towards organizational citizenship behavior shown by employees in SMEs. Leaders who take care of all individual needs and wants and who emphases on employees to work as creative mind and who work only for the organizational purpose, these leader can influence small extend of employees organizational citizenship behavior. Only laissez faire leadership has significant level of effect on organizational citizenship behavior. Laissez faire leader are not present when needed and most of time they avoid getting involved in problems solution and their employees are showing less organizational citizenship behavior.

When we consider the effect of trust, we find some amazing effects. Management by exception passive leadership behavior, management by exception active leadership behavior with relationship to the organizational citizenship behavior has not much change. Trust had a small level of influence between management by exception passive leadership behavior, management by exception active leadership behavior and organizational citizenship behavior which are not enough. Although trust had an important effect on transformational rewarding leadership behavior which increase the level of organizational citizenship behavior because employees show the trust in their leadership. However no direct effect was found between transformational rewarding leadership behavior and organizational citizenship behavior. Only indirect effect were found between them. It is also observed in past research that trust influence the relation between laissez faire leadership behavior and organizational citizenship behavior. However laissez faire leadership behavior has an important negative effect on organizational citizenship behavior and also have important negative effect on trust level. Although trust importantly influence the organizational citizenship behavior. There is a direct negative effect were found between organizational citizenship behavior and laissez faire

leadership behavior and these negative effect are very strong because laissez faire leaders decrease the level of employees trust.

To summarize the result in short and agreeing with the present paper, laissez faire leadership showed important opposite relationship to the organizational citizenship behavior. Transformational leadership had strong and important connection with the levels of trust which is helpful to increase the organizational citizenship behavior shown by employees in a small and medium enterprises. Thus, agreeing with the current paper whereas strong direct negative effect showed by laissez faire leader towards organizational citizenship behavior, transformational leader showed indirect but strong effects. Although, as per the previous research transformational rewarding leadership behavior did not showed large enough effect on organizational citizenship behavior. Transformational rewarding leadership behavior showed only direct positive but weak relationship towards the organizational citizenship behavior. It clear that employees like to work beyond the job requirement when leader work and monitor by using management by exception passive behavior.

### **Recommendation**

These results are based on production oriented small and medium companies. According to the above mentioned result the leader in small and medium enterprises required to be involved in management by exception passive behavior and transformational rewarding leadership behavior for the purpose to get positive result on employee's organizational citizenship behavior. Leaders who have a confident view about future and who works like a role model, who encourage their employees to think in an innovative way, who are considering the individual capability of employees into consideration, who always full fill the employees needs and want, those leader make the employees to perform beyond the requirement. Leader should always consider their decision either these decision are according to the moral ethic that makes the employees confident and feel trusted.

Next to this employees should use their capability and strength in order to make the company well. It is also very important for the employees to know about their responsibility and what

the company expected from them. Nevertheless, employees should have certain level of freedom from these responsibility and expectation to make a decision and solve problems themselves. Employees in small and medium enterprises don not like if their leader always focus on mistakes and failures, so it is necessary for the leader to give the chance to the employees to solve problems themselves. Employees should also need to understand that they have some degree of responsibility and also have a trust by their leader.

Next to this, there is a very important reason to involve in Management by exception passive leadership behavior and transformational rewarding leadership behavior, these type of leadership behavior have a positive effect on employees and also employees feel trust towards their leader. Management by exception leadership behavior and transformational rewarding leadership behavior has close and positive connection with trust more than the organizational citizenship behavior and trust have a close relationship with organizational citizenship behavior. So it is clear that employees show more organizational citizenship when they have trust on their leader. When leader achieve high level of trust then employees become more willing to help to their colleagues and also to their leader to solve problems and mistakes and also fell happy to perform beyond the requirements.

What kind of activity the leader should not do in small and medium enterprises. He should not behave like management by exception active or laissez faire leader. These types of leader behavior are decreasing the level of trust which employees have on their leader. So it is clear that leader should monitor the employees in an active way. He should not always focus on mistakes, error and failure. When leader make the attention of the employees to words mistakes, error and failure and inform the employees in threat way to not to make mistake next time, this will decrease the level of organizational citizenship behavior of the employees. However in small and medium enterprises the leader should be passive in case when he find mistakes, failure and mistakes and leader should give the chance to the employees to solve problems themselves. Leader should always present when needed because in some cases important problems or decision cannot be postpone. Leader should avoid laissez faire

behavior in order get good result on organizational citizenship behavior shown by employees in small and medium enterprises.

### **Limitation**

There is several limitation of this research that can affect the result. First limitation of this research is the psychometric properties of the research instrument have problems. Transformational leadership behavior and its four dimension did not load on the intended factors which show transformational leadership behavior as a one factor can be easily understand rather than its four modules. It became clear that transformational leadership behavior is connected with contingent rewarding behavior. This could be multicollinearity problem and by uniting these two factors into one factor, we can solve problem and this uniting factor called transformational rewarding leadership. It is not possible to find out discrete effect on, inspirational motivation, intellectual stimulation, idealized influence, contingent reward and individualized consideration without combining these two factors. According to the past research a courtesy factor exposed that inspirational motivation, idealized influence and individualized consideration had a positive effect on organizational citizenship behavior. On the other hand contingent reward and intellectual stimulation had negative effect. So it is clear that these dimension had different effect.

Second limitation, past research used small number of people with in SMEs enterprises. It means total numbers of people who are involved are not high. This could be a reason may be employees don't not give the answer of the questionnaire because it could disturb or effect the relationship with the supervisor.

Third limitation of this study is the contradiction of definition of SMEs in different countries and studies. Due to that contradiction result cannot be generated. Last limitation of this study is the limited analysis of data. The distributions of the questionnaire sheet to the supervisors shows unequal result and this unequal result problem were solved by weighting the result so that each supervisor have an equal portion of the outcome.

## **DIRECTION OF THE FUTURE RESEARCH**

Consider this research as effect of leadership behavior in small and medium enterprises, interesting future research can be occurred to the effect of leadership behavior.

First of all, this research focused on technical and production oriented small and medium enterprises. It would be good and nice if we focus this research on other sectors like construction firms, advisory firms, accounting firms or whole sales firms in order to find out either these effect and interaction are same or different from technical or production oriented firms.

Secondly, it is useful to find out how trust is developed with in production oriented firms. These firm have a high level of trust and it is useful to find out that what things increase the high level trust. Did the leader influence can increase the trust or there are other factors that effect this high level trust. It is also very useful to know what factor or what things influence the leader in order to achieve high level of trust.

Finally it would be useful to find out individual effect of the separate dimension (intellectual stimulation, inspirational motivation, individualized consideration, idealized influence and contingent reward) on organizational citizenship behavior. According to previous research it is clear that these individual dimensions have different effect on organizational citizenship behavior and it is useful to find out what kind of effect these dimension have on organizational citizenship behavior.

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