

LEADERSHIP STYLE PREFERENCES IN BANGLADESH'S SMES: A STUDY ON TRANSFORMATIONAL, TRANSACTIONAL, AND LAISSEZ-FAIRE LEADERSHIP

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Article History:

- received 15 September 2023
- accepted 27 May 2024

Abstract. *Purpose* – over the years, small and medium enterprises (SMEs) have grappled with the challenge of adopting appropriate leadership styles domestically and globally. This study, thus, seeks to identify the prevalent leadership styles in Bangladesh's SME sector, with a specific emphasis on transformational, transactional, and laissez-faire leadership.

Research methodology – a positivist research approach was employed to collect and analyse a dataset of 410 samples collected through a self-administered questionnaire survey to different SME owners and managers in Bangladesh. Descriptive statistics were employed for data analyses.

Findings – the results revealed that generally SMEs are not recognised with universally accepted leadership style in practice in Bangladesh. Instead, leaders tend to employ all three styles based on individual preferences. Additionally, transformational leadership emerged as the most commonly practiced style, followed by transactional and laissez-faire leadership.

Research limitations – the study's applicability is limited to SME owners and managers, specifically those in urban SMEs within a specific region. Thus, the generalisability of the results to employees and SMEs in rural contexts in Bangladesh presents a challenge.

Practical implications – the research insights may be used as valuable guidelines for SME owners and managers in conceptualising leadership styles and their practices, especially in Bangladesh's SME sector.

Originality/Value – the originality of this research lies in addressing a critical issue where many struggle to apply suitable leadership approaches in varying situations.

Keywords: transformational leadership, transactional leadership, laissez-faire leadership, SME, Bangladesh.

JEL Classification: L14, L26, M12.

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1. Introduction

In the contemporary era, the concept of leadership has garnered significant focus as an essential topic of study in the field of management and organizational behaviour. It is a key determinant of the success or failure of any organization irrespective of its existence in the business or non-business domains (Khan & Adnan, 2014; Ur Rehman et al., 2019). Thus, literature has unveiled the ubiquity of leadership across various domains; however, the business sector stands out as arguably the finest sector to realize its utmost potential (Franco & Matos, 2015). This notion is especially true in small and medium-sized enterprises (SMEs), where the owner or manager is seen as the highest echelon of organizational leadership and holds full

control over decision-making authority. Koryak et al. (2015) also reached a similar conclusion, indicating that leaders in SMEs tend to have greater autonomy compared to their counterparts in well-established companies. As a result, the influence of leadership is expected to exert a more significant effect on the behaviours and results of these firms (Arham, 2014; Delaney, 2020; Jackson, 2021).

While multiple conceptual definitions of leadership exist in academic literature (Northouse, 2016), this study delineates it as a process through which individuals are guided to comprehensively grasp and willingly align on the most effective methods for carrying out necessary tasks. This multifaceted concept actually embodies the recognition of objectives, the guidance of individuals, and the provision of encouragement and motivation to collectively attain negotiated goals. However, there is a range of different leadership styles leaders can adopt. But, in the context of SMEs, transformational, transactional, and laissez-faire leadership styles have received the utmost attention due to their exceptional value to the leaders of these enterprises (Abernethy & Dahlberg, 2018; Franco & Matos, 2015).

Actually, the adoption of leadership styles within SMEs largely depends on how individuals in authoritative positions apply them. Hossin et al. (2023a) underscore this idea by emphasizing that an appropriate leadership style can play a vital role in inspiring employees to excel and make significant contributions to the organization's success, while an inappropriate leadership style can lead to decreased motivation and hinder initiative, resulting in reduced output. These studies actually highlight the significant impact that leadership styles have on the dynamics and outcomes within SMEs. Two other studies (e.g., Ghosh et al., 2001; Hung et al., 2011) have also been conducted within the context of leading SMEs in Singapore and Malaysia. Both investigations arrived at a shared conclusion that the presence of an appropriate leadership style stands as the primary determinant of SME success.

Meanwhile, in the context of Bangladesh as a developing country, SMEs are considered as a fast-growing economic sector (Islam & Hossain, 2018). Because, this sector has contributed significantly in various areas including Gross Domestic Product (GDP), employment generation, poverty alleviation, women empowerment, foreign exchange earnings, industrialization, and overall economic growth (Hossin et al., 2023b; Islam & Hossain, 2018). However, despite these positive contributions, the overall impact of SMEs is hampered by their slow growth and performance, with many closing down within the first five years of their operations (Khalily et al., 2020). Among the various factors affecting this situation, a crucial one is the SME owners' and managers' insufficient understanding about appropriate leadership styles (Hossin et al., 2023a). In this situation, especially in the geographical context of Bangladesh, a deeper understanding of leadership style practices in SMEs is essential.

Nevertheless, there is an insufficiency in understanding the diverse leadership styles adopted by SME owners and managers, especially in Bangladesh, to effectively guide and motivate their workforce. Thus, with the aforementioned gap in mind, this study aims to address the identified gap by examining the prevalent leadership styles within the SME landscape of Bangladesh. It specifically focuses on understanding the preferences of SME leaders in applying transformational, transactional, and laissez-faire leadership styles within the SME sector of Bangladesh.

Additionally, the study also seeks to identify the most dominant leadership style practiced in the SME sector of Bangladesh.

2. Literature review

2.1. Conceptualization of leadership

The term "leadership" is shaped by a multitude of viewpoints and factors over time, until it eventually arrives at a distinct definition, or possibly a multiple definition. For instance, some scholars perceive leadership as the act of exerting influence over others (Northouse, 2016), while others consider it as a dynamic process (Bass, 1985). Alternatively, some experts focus on a person's inherent traits and qualities as indicative of leadership (Biggerstaff, 2012). Despite these varied viewpoints, some definitions of leadership are also narrowly defined, while others adopt a more comprehensive approach (Arham, 2014).

In a widely recognized leadership textbook, Yukl and Gardner (2020) defines it as the capacity of an individual to influence, inspire, and empower others, thereby contributing to the effectiveness and accomplishments of an organization. Bass (1990) characterizes leadership as a relationship among group members, involving the arrangement or rearrangement of the group's dynamics, perceptions, and expectations. In the study conducted by Alblooshi et al. (2021), leadership is conceptualized as the dynamic process in which an individual guides a group of individual toward the collaborative pursuit of organizational goals harmoniously and cohesively. According to Nazarian et al. (2017), leadership is characterized as a dynamic and mutually influential procedure in which a manager guides one or multiple employees toward achieving a goal. Actually, leadership is all about the act of attentively heeding individuals, providing assistance, fostering motivation, exerting influence, and actively engaging them in the spheres of decision-making and addressing challenges, with the overarching aim of attaining ultimate goals and building organizational cohesion.

2.2. Leadership style

Essentially, the notion of leadership style focuses on the distinct behavioural patterns or approaches employed by a leader in a given situation to successfully attain group and organizational goals. It is a multifaceted concept that encompasses a range of behavioural, communicative, and decision-making patterns employed by leaders. Matira and Awolusi (2020) contribute to this understanding by describing leadership style as encompassing both explicit and implicit actions that leaders take to guide, inspire, motivate, and persuade employees in the successful execution of organizational plans. Mwesigwa et al. (2020), on the other hand, present an alternative view and define leadership style as the consistent pattern of behaviour that leaders exhibit when interacting with others and guiding them in their professional endeavours. Adding to the discourse, Aboramadan and Dahleez (2020) contribute insights from their recent study, characterizing leadership style as the unique behaviours or patterns that leaders exhibit when assuming responsibility for leading, directing, and managing a group of individuals to inspire.

Theoretical literature reveals that there is no universal leadership style, rather, several types of leadership styles are available in the situational context of an organization, and each style has its pros and cons. The most prevalent styles identified by the research are autocratic, democratic, bureaucratic, laissez-faire, servant, behavioural, situational, participative, shared, transformational, transactional, and so on. (Bass & Riggio, 2012; Madanchian & Taherdoost, 2017) Given the objective of investigating leadership styles, specifically transformational, transactional, and laissez-faire leadership, as adopted by SME owners or managers in Bangladesh, the following sections provide a comprehensive breakdown of the particulars associated with each of these different leadership styles.

2.2.1. Transformational leadership

In 1973, Downton came up with the term “transformational leadership,” and then in 1978, a political sociologist named James MacGregor Burns made it more widely understood and practical (Moragolle, 2022). Burns explained this paradigm as a reciprocal relationship in which leaders and followers synergistically enhance each other’s ethics and motivational tendencies (Burns, 1978). Building on Burn’s concept, Bass and his colleagues further expanded the notion of transformational leadership and offered an extended framework that posited the potential to inspire employees to exceed their initial performance expectations (Bass & Avolio, 1994).

At its core, transformational leadership is about skilfully inducing profound shifts in the mind sets of followers while fostering an unwavering commitment to the common goal (Yukl & Gardner, 2020). A differentiated view also emerges from the interpretation of Oyelade and Akpa (2022), where transformational leadership is regarded as a dynamic process that involves conscious efforts to change employees’ cognitive attitudes and beliefs toward the common goals of the organization. The study by Buil et al. (2019) emphasizes transformational leadership as a key to stimulating the motivation of both individual and collective adherents to a shared vision, thus revealing their maximum potential. In fact, the transformational leadership style is often referred to as visionary leadership because it involves inspiring and motivating team members to go beyond expectations (Khan et al., 2014). It creates an appropriate work environment for employees who seek innovative work behaviours, particularly behaviours that are complicated by the uncertainty of success.

2.2.2. Transactional leadership

Transactional leadership, originally conceptualized by Max Weber in 1947, traces its origins to the seminal work on “Leadership” authored by James MacGregor Burns in 1978 (Moragolle, 2022). Burns delineated transactional leadership as a dynamic exchange relationship between leaders and followers, wherein the leader establishes precise objectives, monitors progress, and identifies forthcoming rewards upon goal attainment. Later, in 1985, Bass built upon Burns’s initial framework and proposed that transactional leadership is characterized by the exchange or reciprocal interaction that occurs between leaders and followers. This interaction is founded upon the discourse between leaders and followers regarding the prerequisites and rewards that followers will receive upon fulfilling those prerequisites (Bass & Avolio, 1994).

Actually, transactional leadership involves leaders openly communicating their expectations for an exchange-based relationship with followers, where clear goals are set, and rewards or penalties are administered based on goal achievement (Pauliené, 2012). In their work, Hannah et al. (2020) emphasized the foundation of transactional leadership as an economic exchange between leaders and followers, wherein the leader delineates the aims and ambitions for the follower to realize. Moreover, this style of leadership embodies a pragmatic, self-reliant, and authoritative approach due to its inclination towards immediate outcomes and a fixed workflow schedule. It is a canvas where leaders deftly employ the brushstrokes of reward and punishment to orchestrate a symphony of task execution and enhanced output (Alavi et al., 2021).

2.2.3. Laissez-faire leadership

Originally introduced by Lewin et al. (1939), laissez-faire leadership is conceptualized as a leadership style wherein leaders deliberately refrain from assuming and delegating organizational responsibilities (Robert, 2021). It embodies a leadership demeanour wherein leaders grant considerable autonomy to employees, enabling independent decision-making. Actually, laissez-faire leadership, in essence, is characterized by leaders declining to make decisions, being unavailable when required, and opting to evade responsibility for their leadership shortcomings (Biggerstaff, 2012). Bass and Avolio (2004) characterize laissez-faire leadership as a passive-avoidant approach where leaders systematically evade all forms of responsibility, neglect to follow up on employee tasks, and conspicuously lack any form of effective leadership over their subordinates.

Consistent with Bass and Avolio's viewpoint, Lundmark et al. (2022) also assert that laissez-faire leadership style is often seen as a lack of leadership, where leaders take a "hands-off" stance, refrain from assuming responsibility, delay making decisions, and offer minimal feedback to employees. In fact, laissez-faire leaders abstain from taking positions on matters, abstain from decision-making, invest minimal effort in motivating and nurturing their personnel, and overlook their employees' needs and satisfaction (Hu et al., 2023). They work without giving any kind of suggestions or criticism and set the goals of the organization only when required.

3. Leadership in SMEs

Inevitably, leadership within SMEs is intrinsically linked to the leadership styles exhibited by one or several individuals occupying top management positions within the organizational hierarchy. This link can be traced back to the founder's pivotal role in the enterprise's inception and senior leaders' responsibility in articulating the team's overarching vision (Paudel, 2020). However, it is essential to acknowledge that leaders within SMEs execute distinct leadership functions, thereby adhering to diverse leadership styles from the spectrum of available methodologies. Earlier research indicates that transformational and transactional leadership paradigms predominantly prevail as the guiding leadership styles within SMEs, primarily owing to the dynamic and ever-evolving nature of the contemporary business landscape (Cui et al., 2022; Mwakajila & Nyello, 2021; Paudel, 2020).

In situations, when SMEs encounter an uncertain marketplace, where their offerings navigate the stages of inception, growth, and potential discontinuation within a brief span, the application of transformational leadership is advocated as a strategic approach that merits promotion across all organizational echelons (Jabeen, 2022). Conversely, in situations where SMEs necessitate the establishment of structured protocols, delineation of roles and responsibilities, cultivation of reciprocal relationships, and deployment of incentive systems to motivate followers, transactional leadership emerges as the optimal choice for SME proprietors or managers (Arham, 2014).

However, several studies focused on identifying the effective leadership style within SMEs, yielding varying conclusions where some findings endorse the transformational leadership paradigm as most suitable for SME management, while others advocate for the adoption of the transactional leadership paradigm. For instance, Rasheed et al. (2021) substantiated that transformational leadership is particularly pertinent within the SME context, as leaders exert a substantial influence on enterprise operations. Thanh et al. (2022) also extended this notion, contending that transformational leadership plays a pivotal role in SME management, given its capacity to inspire employees and foster a culture of mutual learning and knowledge exchange. Correspondingly, a study conducted by Abernethy and Dahlberg (2018) posited that transformational leadership stands as the most frequently observed leadership style among SME managers, providing insights into managerial behaviors and outcomes.

To support the notion that transactional leadership is appropriate for SMEs, the study of Arsawan et al. (2017) can be mentioned, which found that it increases commitment and enhances organizational performance through its exchange-based nature. Likewise, Oyelade et al. (2022) presented a similar viewpoint within leadership research, emphasizing the importance of transactional leadership style in the context of SMEs' survival and sustainable market growth. This style's focus on maintaining the existing state of affairs to enhance company revenue and overall market share aligns with the specific needs of SMEs.

It is imperative to acknowledge that a *laissez-faire* leadership approach is also advanced by certain scholars in the SME context. For instance, Malachy et al. (2019) and Bernhard and O'Driscoll (2011) advocate in their respective studies that SMEs should consider embracing the *laissez-faire* leadership style, as it is shown to exert a distinct influence among the diverse styles scrutinized.

Based on the above discussion, it is evident that there is no universally accepted leadership style in the context of SMEs. Generally, SME owners and managers frequently adopt all three leadership styles in different situational contexts, as each style provides unique advantages. For instance, transformational leadership inspires creativity and innovation through shared vision, transactional leadership maintains order with clear expectations and rewards, and *laissez-faire* leadership promotes autonomy and ownership in proficient employees. Despite this broad recognition, literature revealed that individual preferences vary, with some favouring the adoption of transformational leadership, some leaning towards transactional leadership, and some others choosing to embrace *laissez-faire* leadership. This diversity in choosing leadership styles is influenced by a range of situational factors, including the preferences of SME leaders themselves. Nevertheless, prior research has yet to identify SME leaders' preferences

for any particular leadership style among transformational, transactional, and laissez-faire leadership in developing country contexts like Bangladesh. Consequently, to discern the inclinations of SME owners' and managers' preferences in applying these leadership styles, this study developed the following hypotheses:

H₀: There is no difference in SME leaders' preferences in applying transformational, transactional, and laissez-faire leadership styles in Bangladesh.

H₁: There is a significant difference in SME leaders' preferences in applying transformational, transactional, and laissez-faire leadership styles in Bangladesh.

4. Research methodology

4.1. Sampling

Grounding on the positivist research paradigm, this study employs a quantitative research method to assess leadership style preferences among SME owners and managers in Bangladesh. It focuses on respondents from SMEs in the Dhaka, Chattogram, and Rajshahi Divisions due to the higher concentration of such enterprises (Begum et al., 2022; Small and Medium Enterprises Foundation, 2023). The participants were either owners or top-level managers with specialized knowledge of their establishments. According to the SME Foundation database (Small and Medium Enterprises Foundation, 2023), the total number of SMEs in Bangladesh is 8,66,424. But it is quite impossible to collect data from the entire population. Thus, the formula proposed by Yamane (1967) has been employed to determine and compute the suitable sample size for this study:

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

$$n = \frac{8,66,424}{1 + 8,66,424(0.05)^2},$$

$$n = 399.82$$

$$n = 400$$

where,

Sample size (n)=?

Total population size (N)= 8,66,424;

Sampling of error (E)= 0.05.

Moreover, adopting Krejcie and Morgan's (1970) simplified model of sampling also appears to be the more suitable approach to determining the required sample size for the study. According to their proposed table, this study necessitated a sample size of 384 to represent the entire study population effectively. However, to ensure a robust statistical analysis, a total of 410 respondents, representing diverse subsectors within the Bangladeshi SME landscape, were randomly chosen for participation in the study. According to Hair et al. (2010), this sample size is deemed adequate for estimation.

4.2. Survey instrument

A 20-item self-administered questionnaire was developed and employed to evaluate leadership styles. These items were sourced from a number of seminal papers. More clearly, items for transformational leadership were adapted from Carless et al. (2000), transactional leadership from Podsakoff et al. (1984), and items for laissez-faire leadership were adapted from the works of Northhouse (2016) and Donald Clark (1997). The survey instruments were rated on a five-point Likert scale (1 = Strongly Disagree, to 5 = Strongly Agree). Descriptive statistics were employed for data analyses. Items' reliability was examined by the computed value of Cronbach's alpha. The pilot study results showed a Cronbach's alpha of .797 which exceeds the recommended threshold value of Cronbach's alpha of .70, as recommended by Hair et al. (2010). This result indicates the questionnaire's validity and reliability for robust data analysis and interpretation.

4.3. Data analyses

The study employed descriptive statistics to assess SME owners' and managers' leadership style preferences. To test the hypotheses, the Friedman Rank test, developed by Milton Friedman in 1937, was used. Because this test is generally used for its robustness in analysing the potential differences in mean scores among three or more groups (Friedman, 1937). Therefore, within the scope of this research, the Friedman Rank Test may produce a valuable outcome in ranking SME leaders' preferences of leadership styles in Bangladesh's SME management context.

According to the Friedman Rank Test, the initial step involves computing the mean rank for each leadership style by averaging the ranks provided by participants. Following this, the Friedman test statistic (χ^2) is derived from the calculation. In this regard, the following formula proposed by Friedman (1937) has been used to calculate the test statistic

$$(\chi^2) = \frac{12}{N(k+1)} \left[\sum R_j^2 - \frac{k(k+1)^2}{4} \right],$$

where: N – Total number of observations (participants \times conditions); k – Number of conditions or treatments; R_j – Sum of ranks for the j th condition or treatment.

For the Friedman test, the degree of freedom (df) is calculated as $(k-1)$, where k is the number of conditions or treatments. When interpreting the results, it is essential to compare the computed χ^2 value with the critical value from the Friedman Chi-squared distribution table, typically at a significance level of 0.05. This comparison, while considering the relevant degrees of freedom, is essential to establish the statistical significance of the findings. However, as per the Chi-squared distribution table, the critical value for (df = 2) at a 0.05 significant level is found at approximately 5.991. If the calculated χ^2 statistic exceeds 5.991, the null hypothesis would be rejected, indicating statistically significant differences in preferences for leadership styles among the SME owners and Managers in Bangladesh. To ensure accuracy in executing the Friedman test and interpreting its outcomes, statistical software (SPSS version 25) is used to acquire the χ^2 value and conduct the necessary calculations.

5. Results

5.1. Practices of transformational leadership style

Participants, comprising SME owners or managers, were requested to evaluate their adherence to the seven transformational leadership items on a frequency scale. Subsequently, the mean scores and standard deviation for each item were computed, facilitating an evaluation of their perceived significance to transformational leadership. Refer to Table 1 for a concise overview of the descriptive statistical data on transformational leadership.

Table 1. Descriptive statistics of transformational leadership style

Variables	N	Mean	Std. Deviation
Foster a sense of pride and respect	410	4.79	.532
Lead by example and stay consistent with values and practices	410	4.81	.491
Communicate a clear and positive future vision	410	4.63	.651
Provides encouragement and recognition	410	4.53	.700
Assist in personal and professional growth	410	4.54	.678
Inspire innovative thinking and assumptions	410	4.45	.832
Promote trust, collaboration, and cooperation	410	4.65	.659
Transformational leadership	410	4.63	.507

From the findings presented in Table 1, it is observed that the majority of the surveyed SME leaders indicated a concurrence in their propensity to lead by example and to exhibit unwavering adherence to clarify the values, principles, and practices (Mean = 4.81, SD = .491). The relatively small standard deviation of .491 indicates a narrowly constrained deviation in the respondents' perspectives from the mean value. This outcome confirms that these leaders indeed tend to lead by example and stay consistent with their established values. Furthermore, it is discernible that the respondents similarly converged in their assertion that they foster a sense of pride and respect for their subordinates (Mean = 4.79, SD = .532). The marginal standard deviation of .532 also underscores a narrow divergence in respondents' viewpoints from the computed mean. This implies that these leaders effectively nurture a climate of self-regard and admiration among their subordinates.

On the other hand, there was a relatively reduced level of agreement emerged in relation to the statement of stimulating innovative thinking and questioning assumptions in addressing problems (Mean = 4.45, SD = .832). This was followed by the aspects of providing encouragement and recognition towards staff members (Mean = 4.53, SD = .700), as well as aiding in employees' personal and professional development (M = 4.54, SD = .678). Despite the narrow deviations indicated by the standard deviations (.832, .700, and .678), these findings underscore a leader's tendency to seek a range of viewpoints in the process of problem-solving and to promote a comprehensive growth and recognition of the team members.

Overall, the cumulative mean score for transformational leadership, as discerned from the responses of 410 participants, amounted to 4.63, accompanied by a standard deviation of .507. This surpasses the recommended threshold of 3.0 or higher for various transformational leadership attributes, as posited by Bass and Avolio (2004). The marginal standard deviation

(.507) reflects a coherent consensus among respondents, attesting to their steadfast alignment with the tenets of transformational leadership. This actually implies that leaders of Bangladesh's SMEs exhibited a transformational leadership style in their organizations.

5.2. Practices of transactional leadership style

To assess transactional leadership preferences, SME owners and managers were requested to evaluate their frequency of engagement with seven transactional leadership traits. Mean response scores and standard deviations were then computed to quantify the influence of these attributes on the transactional leadership paradigm. Table 2 provides a concise summary of the descriptive statistical analysis for transactional leadership.

Table 2. Descriptive statistics of transactional leadership style

Variables	N	Mean	Std. Deviation
Highlights rewards and punishments	410	4.70	.619
Praise for outstanding work	410	4.68	.660
Offer special rewards for excel performance	410	4.58	.766
Give personal compliments for better performance	410	4.55	.844
Express disapproval or displeasure for poor performance	410	4.54	.824
Impose fines or reprimands for subpar work	410	4.45	.892
Practices unjust discrimination	410	4.25	.890
Transactional leadership	410	4.53	.593

From Table 2, it becomes evident from the computed mean that a significant majority of participants concurred in pointing out the provision of rewards and punishment that staff members can expect based on their performance (Mean = 4.70, SD = .619). With a standard deviation of .619, it is clear that respondents' responses closely align with the mean score, emphasizing leaders' tangible practice of highlighting rewards and consequences for employee performance. Likewise, respondents expressed agreement with the leader's tendency to show praise for team members when they excel in their work (Mean = 4.68, SD = .660). The agreement is also evident concerning the provision of offering special rewards to employees who exceed anticipated performance (Mean = 4.58, SD = .766), as well as the provision of giving personal compliments to the employees for their outstanding work (Mean = 4.55, SD = .844). These findings are characterized by narrow standard deviations (0.660, 0.766, and 0.844), underscoring a focused alignment of responses around the respective means.

Relatively, participants demonstrated less concurrence with the practice of discriminatory treatment toward subordinates without apparent reasons (Mean = 4.25, SD = .890), and infrequent use of reprimands or fines for substandard work (Mean = 4.45, SD = .892). Notably, these attributes exhibit broader standard deviations (.890 and .892), suggesting greater variability in responses away from the means. This pattern highlights the inclination of SME leaders to employ punishments as a motivational strategy to attain organizational objectives.

However, it is worth noting that the computed average mean score for most transactional leadership aspects (e.g., Mean = 4.53, SD = .593) surpasses the suggested threshold of 2.0, as proposed by Bass and Avolio (2004), underscoring the prevalence of transactional leadership attributes. The minimal standard deviation of .593 indicates the close alignment of participant responses with the mean, signifying a distinct perception of SME leaders as transactional leaders who deploy a combination of incentives and corrective actions to steer performance based on achieved outcomes.

5.3. Practices of laissez-faire leadership style

In assessing their leadership style, the SME owners and managers rated their adherence to the six laissez-faire leadership items. Mean response scores and standard deviations were further calculated to assess their influence on laissez-faire leadership. Table 3 provides a summary of transformational leadership descriptive statistics.

Table 3. Descriptive statistics of laissez-faire leadership style

Variables	N	Mean	Std. Deviation
Allow full autonomy for problem-solving	410	3.40	1.218
Support interference-free job execution	410	3.76	1.208
Encourage self-reliant issue-handling	410	3.46	1.125
Empower diverse decision-making	410	3.67	1.222
Delegate tasks for new process implementation	410	3.57	.987
Enable self-effective subordinates	410	3.60	.995
Laissez-faire leadership	410	3.57	.915

Referring to Table 3 presented above, an examination of the mean reveals that a portion of the respondents concurred with the notion of permitting subordinates to manage their tasks devoid of interference within the context of SMEs (Mean = 3.76, SD = 1.208). The standard deviation of 1.208 denotes a wide extent of deviation in the leaders' responses from the mean, indicating a tendency towards a preference for allowing subordinates to independently oversee their responsibilities. In a comparative context, within the spectrum of laissez-faire leadership attributes, the statement "allowing full autonomy to the subordinates in problem-solving" garnered the lowest level of consensus among respondents (Mean = 3.40, SD = 1.218). The standard deviation of 1.218 for this item underscores the substantial deviation of respondents' answers from the mean, thereby suggesting a propensity among leaders to allow autonomy for addressing problems.

This investigation reveals that the laissez-faire leadership style yielded a mean score of 3.57 and a standard deviation of .915, a magnitude inferior to that of the transformational and transactional leadership styles. However, this mean score exceeded the recommended threshold of laissez-faire leadership, which stands at 0.0 as advocated by Bass and Avolio (2004). This outcome implies that respondents' perceived behaviors are aligned with laissez-faire leadership, characterized by tendencies to abstain from decision-making, provide responses to urgent inquiries, and refrain from active involvement in critical matters.

5.4. Leadership style preferences

A comprehensive overview of leadership styles within the context of Bangladesh's SMEs is presented in Table 4. This summarized statistic is based on the amalgamation of scores across the individual components of the leadership questionnaire. Through these analyses with the highest cumulative mean score and standard deviation, it becomes possible to identify whether there is a difference in SME leaders' preferences in applying transformational, transactional, and laissez-faire leadership styles in Bangladesh. Because this analytical approach provides significant insights into the preferences of leadership styles within this sector.

Table 4. Descriptive statistics of leadership styles preferences

Leadership Styles	N	Mean	Std. Deviation
Transformational Leadership	410	4.63	.507
Transactional Leadership	410	4.53	.593
Laissez-faire Leadership	410	3.57	.915

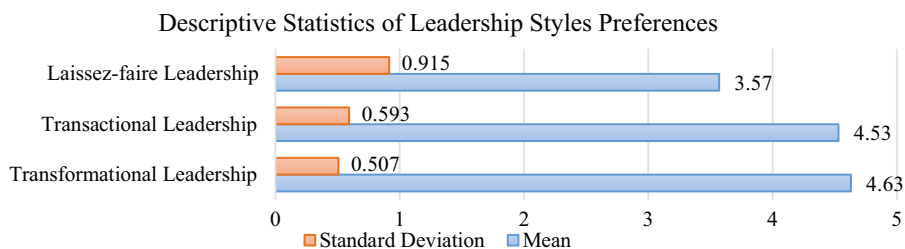


Figure 1. Descriptive statistics of leadership styles preferences

As depicted in the aforementioned Table 4 and in Figure 1, the mean score of transformational leadership is 4.63 (SD = 0.507). In parallel, transactional leadership and laissez-faire leadership yielded a mean score of 4.53 (SD = .593) and 3.57 (SD = .915) respectively. This suggests that participants generally viewed themselves as slightly more inclined towards transformational leadership compared to transactional and laissez-faire styles, although the differences in mean scores were minor.

However, to ascertain a more comprehensive analysis in the context of SME leaders' preference in choosing leadership style, the mean ranks of the three leadership styles are subject to meticulous analysis. The study, thus, employs the Friedman Test to rank the styles based on their perceived significance, and the ensuing outcomes are delineated as follows. Table 5 provides a summary of the mean rank of leadership styles.

Table 5. Mean rank of leadership styles

Leadership Styles	Mean Rank
Transformational Leadership	2.41
Transactional Leadership	2.28
Laissez-faire Leadership	1.31

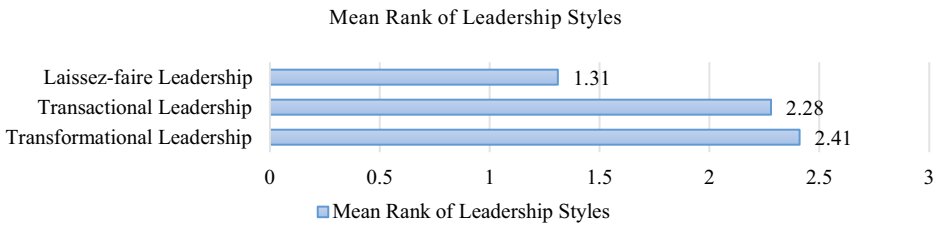


Figure 2. Mean rank of leadership styles

The outcomes, as unveiled in the aforementioned Table 5 and Figure 2, underscore the transformational leadership style as the most preferred leadership style within Bangladesh's SME landscape, exhibiting the highest mean rank (2.41). Following closely is the transactional leadership style, designated as the second most preferred leadership style within SMEs, with a mean rank of 2.28. Notably, the laissez-faire leadership style emerges as the least pervasive among SMEs, substantiated by a mean rank of 1.31.

In order to validate the statistical significance of these observed disparities, the researcher invokes the Friedman procedure test. The resultant SPSS output for the Friedman Test Statistics concerning the three distinct leadership styles is presented in Table 6.

Table 6. Friedman test statistics

Test Statistics ^a	
N	410
Chi-Square (χ^2)	312.704
Df	2
Asymp. Sig.	.000

Note: ^a Friedman Test

The findings, as delineated in the above table, highlight a computed Friedman Chi-square test statistic of (χ^2) 312.704, corresponding to degrees of freedom (df) = 2. This yields an Asymptotic p-value of 0.000, underscoring its significance value (e.g., $p < 0.05$). Friedman Chi-square test statistic (χ^2) result reveals that it exceeds the critical value in this respect (e.g., $312.704 > 5.991$). Consequently, the implications drawn from the Friedman rank test statistics affirm statistical significance ($p = 0.000$, $X^2 = 312.704$, $df = 2$). Hence, it is inferred that the null hypothesis of the study has been rejected, and, as a result, the alternative hypothesis has been accepted, indicating that is a significant difference in SME leaders' preferences in applying transformational, transactional, and laissez-faire leadership styles in Bangladesh.

Moreover, as this flow of findings elucidates a descending progression of mean ranks across leadership styles, signifying a pronounced gradient from transformational to laissez-faire. The outcomes of the Friedman test unequivocally demonstrate a statistically significant distinction among the three leadership styles ($2.41 > 2.28 > 1.31$). This indicates that SME leaders in Bangladesh showed diverse preferences in applying transformational, transactional, and laissez-faire leadership styles. Actually, the hierarchy of leadership styles

within the SME landscape in Bangladesh is characterized by the prioritization of transformational leadership, followed by transactional leadership, and finally, laissez-faire leadership in the least dominant role.

6. Discussion

The fundamental objective of this study is to discern prevailing leadership styles, specifically highlighting the SME leaders' preferences in applying transformational, transactional, and laissez-faire leadership styles in Bangladesh. In line with this objective, the study formulated a set of hypotheses and substantiated them through subjective data analysis. The empirical findings of this study revealed a significant difference in SME leaders' preferences in applying leadership styles. They usually prefer transformational leadership as the most prevalent leadership style in Bangladesh's SME sector. This finding aligns with the perspectives presented by Abernethy and Dahlberg (2018), Cui et al. (2022), Malik et al. (2020), Moragolle (2022), Mwakajila and Nyello (2021), Paudel (2020), Rasheed et al. (2021), and Thanh et al. (2022) who similarly suggests that transformational leadership stands as one of the most favored leadership styles in SMEs. The study observations indicate that leaders who exhibit transformational leadership attributes within SMEs recognize that such attributes possess the potential to motivate and enhance performance outcomes. Transformational leadership, as delineated by Bass (1985), empowers leaders to inspire followers to surpass initial expectations by impacting their morale, ideals, interests, and values. The assertion of Khan et al. (2014) concurs with this interpretation, elucidating that this particular leadership approach involves motivating and influencing staff to exceed expectations through articulating a compelling future vision and provision of motivation.

The research additionally unveils that transactional leadership assumes the position of the secondary dominant leadership style in the context of Bangladesh's SMEs. This signifies that certain SME leaders favor transactional leadership, deeming it more suitable for nurturing commitment and organizational performance due to its reciprocal nature. This outcome resonates with the studies by Arsawan et al. (2017), Kihara et al. (2016), and Saeed and Mughal (2019), and Tran et al. (2020), who posit that transactional leadership may yield optimal leadership outcomes in the context of SMEs. Indeed, the transactional leader emphasizes task completion and employee adherence, relying extensively on organizational rewards and penalties to influence employee performance (Burns, 1978), which can be particularly pertinent to the specific attributes of SMEs. Conversely, the laissez-faire leadership style emerges as the least prevalent leadership style within Bangladesh's SME context. This philosophy resonates with Bernhard and O'Driscoll (2011) explanation, emphasizing the significant autonomy given to subordinates to independently do their tasks. Malachy et al. (2019) also share this perspective, positing that the laissez-faire style can be effective in environments where employees are skilled, proficient, and self-motivated.

However, the study result, thus, reveals that there is no universal leadership style that is appropriate in Bangladesh's SME sector, rather varies with situational context. In practice, SME leaders are often aligned more closely with specific leadership styles and show less affinity towards others.

7. Implications

The findings of the study showed that, among the three leadership styles, transformational leadership is the most prominently practiced style in the management of SMEs in Bangladesh. This is followed by transactional leadership and then laissez-faire leadership, in order of importance. These findings carry several implications, both in terms of theoretical and practical application.

Theoretically, the findings of this study add knowledge to the management literature by enhancing the comprehension of leadership practices within the SME sector. This enhanced understanding can provide valuable insights to scholars, researchers, academicians, and practitioners engaged in the study of leadership and management theories. Moreover, while earlier investigations into leadership styles have predominantly taken place in various global regions, this study contributes to a broader comprehension of the adoption and application of leadership styles within diverse cultural and economic environments specifically within Bangladesh.

The practical implications of this study are significant for SME owners and managers. By applying the insights of the study, these individuals can enhance their decision-making process concerning the selection of a suitable leadership style. Moreover, as transformational leadership is recognized as the most dominant style in the Bangladeshi SME context, this study result can guide managers in developing strategies that align with this preferred style.

8. Conclusions

Small and medium enterprises are considered as the incubator of the country's economic development as SMEs play significant roles in the economic landscape of Bangladesh by ensuring substantial contributions to employment, innovation, and overall economic growth. The changing pattern of Bangladesh's economic development, from an agricultural economy to a manufacturing and service industry-based economy prompts the recent development of the country's economy and government's policy and priorities to focus on employment generation and entrepreneurship. Within this context, the SME leaders' leadership styles have a pronounced influence on how these enterprises function, manage their workforce, and adapt to the dynamic challenges inherent in the business environment. Similar to this argument, the study identified that the majority of SME leaders in Bangladesh tend to prioritize transformational leadership as the dominant style in recognizing its efficacy and usefulness. Additionally, the transactional leadership style emerges as the second most commonly adopted approach, whereas the laissez-faire style is notably the least preferred among SME owners and managers in Bangladesh.

These preferences reflect in the desire for a balanced leadership approach in SMEs, one that harmonizes visionary inspiration with structured guidance, unlocking the collective potential of both the workforce and the organization as a whole. Furthermore, as SMEs continue to navigate the ever-evolving market dynamics, this calibrated leadership amalgamation serves as the cornerstone for sustainable growth, adaptability, and long-term success in the competitive business arena. The study has also come up with a general view that SMEs in Bangladesh are not recognised with any universally accepted leadership styles in practice which is a unique contribution of this study as it identifies special characteristics of Bangla-

desi SME leaderships that apply a blend of varied leadership styles. It may be argued that there remains a significant variability in the nature and operating procedures adopted by numerous SME units although they are conceptually fallen into a common group. Infrastructure, government vigilance, legal services, availability of resources, availability of labourers, diversity of education and skills of labourers, and nature of the markets may influence SME leaders to apply a composite leadership style for achieving organisational goals.

Although this study produces significant outcomes to conceptualise leadership styles practiced in SMEs in Bangladesh, it has its own set of limitations. This study inquires leadership preferences of SMEs that are located in a few urban areas, therefore, further research is needed to examine leadership styles among SME owners across the country by collecting data from a diverse group of SME owners, managers, and employees in urban and rural areas. The study should employ various data collection methods and analysis techniques to provide valuable insights and research implications.

Author contributions

Every author played a significant role in this study. Dr. Shah Azam conceived the research idea, while Md. Manir Hossin conducted the literature search, prepared materials, collected data, analyzed collected data, and drafted the manuscript. Dr. Md. Shamim Hossain subsequently revised the draft manuscript. Finally, all authors reviewed and approved the manuscript for its ultimate submission.

Disclosure statement

The authors declare that they have no competing financial, professional, or personal interests with any other parties.

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