

Analysis of the Relationship between Market Orientation and Leadership Style in Hungarian SMEs

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Abstract

SMEs' relation towards marketing and their marketing practices are as yet unexplored research areas in Hungary. This study focuses on the market orientation of Hungarian small and medium-sized companies, with a special focus on the interrelation between market orientation and leadership style. Since previous research (e.g.: Blankson et al., 2006, Smart and Conant, 1994) has shown a significant, positive correlation between market orientation and marketing competencies, we have also examined which internal factors influence the level of market orientation of Hungarian SMEs.

Quantitative research¹ was conducted with the participation of 200 SMEs using the Kohli-Jaworski (1990) scale. The results confirmed previous international studies that market orientation is significantly and positively related to financial performance. This means that the SME leader should pay closer attention to collect information and create market intelligence pertaining to current and future customer needs, to disseminate this intelligence across departments and to respond to it organization-wide.

Leadership style was determined based on the Harris and Ogbonna (2001) scale. Our results indicated that a participating and supportive management style leads to higher market orientation. In the case of Hungarian SMEs, there are three factors significantly associated with leadership styles: the industry, the size of the business, and the location of the company.

Keywords

SMEs, marketing, market orientation, management, leadership style, revenue, Hungary

Citation

Hofmeister-Tóth , Agnes; Kopfer-Rácz , Kinga; Sas, Dóra, (2015); Analysis of the Relationship between Market Orientation and Leadership Style in Hungarian SMEs; Journal of Social Sciences (COES&RJ-JSS), Vol. 4, No. 2, pp:812-827.
<http://dx.doi.org/10.17632/trygyfbvsj.1>

¹ The research was supported by grants from OTKA project Nr. 78655.

1. Introduction

The attitude of small and medium sized companies towards marketing has attracted a significant amount of academic interest. The published articles have filled a significant gap as previously marketing literature focused rather on large companies. Due to the inherent limitations of SMEs such as lack of resources and proper marketing knowledge, they struggle to follow the conventional marketing practices which in fact are not really applicable in their case Gilmore et al., 2001).

It is, thus, a key question which methods and approaches could be useful for small-and medium-sized companies. Gilmore et al. (1999) argued that SMEs can also benefit from their size which allows them to have a flexible and customer-driven operation. Utilizing and supporting these advantages with high quality services would create unique added value.

Blankson et al. (2006) emphasises that SMEs have great customer services, market intelligence and they usually pay more attention to the well-being and motivation of their employees. The performance of a company can be increased with entrepreneurial proclivity which consists of three main elements: risk taking, innovativeness and competitive behaviour (Zahra-Covin, 1995). Besides these factors, Smart and Conant (1994) determined four other components of entrepreneurial orientation: involvement in strategic planning, recognition of consumer needs and market opportunities and capability of realizing the vision of the firm. They have also verified a significant positive relation between entrepreneurial orientation and marketing capabilities. Hills et al. (2008) claimed that experience, meditation and intuition play a relevant role in the marketing practices of SMEs as they usually follow adaptive marketing strategy and concentrate on promotion and sales.

Regarding the utility of marketing activity, considerable evidence exists to suggest that market orientation has a relevant effect on revenue (Blankson et al., 2006) which confirms the relevance of market orientation also in the SMEs context.

To summarize, many studies have identified that the success of small and medium-sized companies can be significantly influenced by the level of market orientation which in turn is affected by entrepreneurial proclivity. While management studies have alluded to the importance of the personality of the leader, such research is scarce in the market orientation related literature. Our present study also aims to reveal the effect of personality on market orientation. Following the theoretical background, the findings of the quantitative research are presented.

2. Market Orientation

Market orientation can be considered to be a corporate culture which contributes largely to the value creation capability of an organization (Becherer et al., 2001). Market orientation is a relevant question both in the large company and in the SME context. While there is a large body of literature dedicated to studying the market orientation of large companies, it is still a relatively novel research field in the case of small and medium sized companies. While it has attracted considerable attention in the international literature (e.g.: Becherer et al., 2001; Matsuno et al., 2002; Blankson-Cheng, 2005; Kara et al., 2005; Rojas-Méndez et al., 2006; Venkatesan-Soutar, 2000) it remains to be untapped field of research in Hungary.

Market orientation and the related concepts have been examined by various disciplines and different scales have been developed for its measurement (Churchill, 1979; Deshpandé, 1993; Wrenn et al. 1994). The most acknowledged scales are Kohli and Jaworski's intelligence behaviour market orientation scale (1990) and Narver and Slater's (1990) corporate cultural market orientation scale.

Narver and Slater (1990) defined market orientation as a mix of three dimensions of cultural behaviour (customer orientation, competitor orientation, and interfunctional coordination) and two decision-making criteria (long-term focus and profit focus). The framework of Kohli and Jaworski (1990) offers a process-focused approach and is considered to be an organization wide generation of market intelligence where three areas can be distinguished: 1) market intelligence pertaining to current and future customer needs 2) dissemination of the intelligence across departments 3) organization-wide responsiveness to this intelligence (Kara, Spillan and DeShields, 2005, p. 107).

Before discussing our findings, we provide some arguments to support our choice to use the scale developed by Kohli and Jaworski (1990):

1) Narver and Slater (1990) developed their theories based on large companies where the main emphasis was placed on coordination between the various functions. Since our research was conducted amongst small organizations, this approach is less relevant to us. The Kohli and Jaworski scale (1990) is a rather process-oriented concept that is better suited to our sample. Previous interviews and case studies have proven that SMEs are more characterized by this process-based approach.

2) We believe that the market orientation theory of Kohli-Jaworski fits better to SMEs both as regards information possession and knowledge. Typically, in the case of small and medium-sized enterprises - especially amongst those that operate in the B2B markets – market roles (such as customers, competitors, suppliers, etc.) are not well defined. Since the information cannot be classified into any neat categories (e.g. where they come from, who they talk about), it is much easier to speak in general terms about the acquired information, knowledge and their allocation.

3) Furthermore, the Kohli-Jaworski scale is an internationally recognized and widely used framework (e.g.: Doyle and Wong, 1998, Baker and Sinkula, 1999, Homburg and Pflesser, 2000, Soehadi et al., 2001) which has also been validated in the small business environment (e.g.: Kara et al., 2005; Rojas-Méndez et al., 2006; Spillan et al., 2009).

3. The Hungarian research

1.1. The methodology of the research

A quantitative data collection methodology was applied in the frame of which 200 small and medium-sized enterprise leaders were contacted via telephone. The sample consisted of 30 micro-, 70 small- and 100 medium-sized enterprises that represented Eastern-, Central- and Western-Hungary, as well. The survey took place in January 2011.

There were 20 questions in our survey using the five-point Likert items. Some slight modifications were made to the original scale and were tested in the course of 10 trial

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interviews with 10 SME leaders. Based on the results of these trial interviews we decided to leave out the large company specific items.

An additional item was omitted during the data analysis. In our dataset, the Cronbach's alpha was 0,748 for the original 20-item scale. However, dropping question number 3, 6 or 12 seemed to have a positive impact on the reliability of the scale. We decided to omit the twelfth question² as it resulted in the highest Cronbach's (0.754) and as its relevance for the examined population is arguable. The demographic data showed that almost 60% of the participating firms have no more than three department, 32.2 % have more than 3m and 7.8% of them did not respond to this question as their company does not have individual departments and thus the question was irrelevant. As a result, in the case of SMEs, leaving this question out of the market orientation scale does not results in significant information loss.

One more issue regarding methodology remains to be discussed. In the original scale, two respondent subgroups were distinguished: detection and enforcement, while other studies have merged these two groups (Matsuno et al., 2002). We also decided to merge the subgroups of the respondents not only because it resulted in higher Cronbach's alpha but also, because the subgrouping would have been difficult to achieve in the case of SMEs.

1.2. The results of the research

One of the main goals of our research was to prove that Kohli-Jaworski's scale (1990) is a reliable framework for measuring the market orientation of Hungarian SMEs. Similarly to other international SME studies (e.g.: Kara and Spill, 2002, Kara et al, 2005.), the reliability index (CA=0,754) is sufficiently high to accept this hypothesis and consider it as a validated scale for the Hungarian sample, as well.

The results of the Hungarian survey confirmed the conclusion of previous studies conducted mainly amongst large companies, i.e. that market orientation is positively related to the financial performance of companies (Narver-Slater, 1990; Slater-Narver, 1994; Bhuian, 1998; Doyle-Wong, 1998; Dawes, 2000; Homburg-Pflessner, 2000; Matsuno et al., 2002; Aggarwal et al, 2003; Green Jr. et al, 2005; Dwairi et al, 2007; Low et al, 2007; Blankson et al., 2006). Our results also show a positive correlation between market orientation and revenue.



Figure 1: Market orientation and its main relations found in our study

As can be seen in Figure 1.,we have examined the wider context of market orientation in order to assess which factors have a significant impact on it. Many previous researchers studied the external environmental factors (e.g.: Ottesen-Grønhaug, 2004; Gaur et al,

2011; Didonet et al., 2012), and more recently, the internal factors have been also studied (e.g.: Becherer et al., 2001; Gebhardt et al., 2006; Bradshaw et al., 2008, Martin et al., 2009). The significant added value of our research is that we have involved internal environmental factors and our results have supported the importance of these factors in market orientation. During our research we included company specific (e.g.: size, customer base, whether the company operates in a B2B or B2C market) and entrepreneur specific factors (e.g.: entrepreneurial proclivity, personality, and demographic data). The results are presented in the following sections.

4. The influence of the internal factors on the market orientation: the role of leadership style

The relationship between effectiveness, market orientation, corporate culture and leadership style has been proven repeatedly by many authors (eg, Felton, 1959; Howell and Avolio, 1993; Jaworski, Kohli, 1993; Deal and Kennedy, 1982; Pascale and Athos, 1981, Peters and Waterman, 1982; Kotter and Heskett, 1992; Schink, 1992, Harris, 1998; Aggarwal, 2003;. Wong et al, 1989; Kara et al, 2005;. Becherer, Halstead-Haynes, 2001; Matsuno et al, 2002;. Rojas-Kara-spill 2006, Harris-Piercy, 1999-Horng Chen, 1998, Harris-Ogbonna, 2001, Barrett Weinstein, 1998). Based on previous research results, our goals were to explore the different leadership styles amongst Hungarian entrepreneurs, and to find the factors that influence the development of the management attitude types. The first part of this chapter sets out the theoretical part and provides an overview of some of the results of market orientation literature highlighting the importance of leadership related to corporate profitability. Furthermore, entrepreneur related researches conducted by of the representatives of management sciences are also aggregated, as are some available results of earlier research studies on leadership and the factors influencing it. In the second part of the paper expounds the results of this study. We discuss the validation of the Harris-Ogbonna scale and the conclusions drawn from it amongst domestic entrepreneurs.

1.3. The interrelation of the leadership style and corporate profitability

Researchers, who examine the effectiveness of SMEs, including market orientation issues, are paying increasing attention to internal cultural factors. Leadership style, the manager's behaviour and personality are naturally included in these cultural factors. Most studies of market orientation view leadership style as a critical factor influencing the level of market orientation. They suggest the lack of leadership skills (eg. Felton, 1959) as a common problem, however, the management's attitude can also influence market orientation in a negative way (eg. Wong et al., 1989). More specifically, loyalty and excessive risk aversion may lead to lower corporate performance (e.g. Kohli, Jaworski, 1993; Harris, 1998; Aggarwal, 2003). An empirical study supported the hypotheses that leadership style is a major determinant of the level of market orientation (Harris Ogbonna, 2001). A different conclusion was reached by Horng and Chen (1998), who suggest that leadership style may have very different impacts on the various components of market orientation.

We found some thought-provoking results regarding leadership style while examining the wide scale of literature on market orientation. Market orientation has a negative impact if the management style is too formal, conflict-ridden or influenced by political motivations (Harris and Piercy, 1999). Participative and supportive leadership styles affect the level of market orientation positively, while the consultative and highly formalized management styles have an opposite effect (Harris Ogbonna, 2001). These results are particularly

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important as some of the internal variables - such as the entrepreneurial proclivity - may have a greater impact than the external factors (e.g., industry factors), as they are much controllable than the latter (Barrett and Weinstein, 1998). As a result of the above, we believe that research questions focusing on the leadership style and their influencing factors are extremely important especially in the case of small and medium sized enterprises.

1.4. Previous studies of the factors affecting leadership styles

In case of SMEs it is presumed that the entrepreneur's individual characteristics have a significant priority because, as an individual, the person is naturally and inherently intertwined with his business: professional and business decisions are inseparable and incomprehensible without knowledge of the leader's motivations, skills and personality. Thus, it is not only the characteristics of the enterprise that have to be examined, but also the entrepreneur himself.

Some current leadership researches on SMEs examine the factors that influence leadership style and the decision-making processes. One of the crucial factors is the size of the enterprise. Hart and Banbury (1994)'s results show that the size of the company is at least as important in the effectiveness of decision-making, as are the industry factors.

A large body of management research deals with internal factors especially related to the leader as a person, although relatively few of these focus on the SME sector. One of the most studied areas is the diversity of decision-making process and management style arising from the leaders' gender. Park (1996), for example, showed that gender and leadership style are related. Oakley (2000) explored the characteristics of women's leadership, touching also on the relationship of women's company life and career. Eagly and Johnson (1990)'s meta-analysis from a psychological point of view, partially supported and partially rejected the stereotypical theories about differences between men and women as regards management style.

Byers and Slack (2001) suggest that in addition to time, the leader's personal need for control is also a major limiting factor in decision making. One of the greatest achievements of entrepreneurship-related research is consistent with this: the main feature of an entrepreneur is that he is trying hard to control his environment and decisions in order to reduce the high level of perceived risk (e.g. Hills, Hultman Miles, 2008). The success of this intent depends, however, largely on the individual characteristics of the person: how detailed his plans are for the future, the extent to which he tries to shape the environment to his own ideas, and how capable is he in adapting flexibly while continuing to keep his goals in mind.

1.5. Measuring the leadership style - the results of the Hungarian study

4.3.1. The scale and the results of the validation

A number of scales are available in the international literature, which examine leadership styles (e.g. LABS, Leadership Attitudes and Beliefs Scale, Wielkiewicz, 2000); however, these focus on large companies. While we did not find a measuring device specially developed specifically for SMEs in the literature, we did find studies where – as in our case – it was important to keep the company's market orientation in mind. As Harris and Ogbonna (2001) had operated with such scale, we decided to use their measurement tools in our research for the following reasons:

- 1) Its items seemed to be applicable to small entrepreneurs based both on our previous experiences and on the other international examples we found (e.g. Pedraja Rejas et al., 2006).
- 2) We assumed that leadership styles defined by the scale would also be relevant to Hungarian SMEs.
- 3) The authors have successfully used the scale of market orientation in their research - although originally for large companies, where corporate efficiency, effectiveness were studied, and this fitted well to our approach.

The scale was pre-tested before use in the study and the Hungarian translation was finalized based on this pre-test. The items became part of a multi-block questionnaire that also included questions on demographic data and personality, which will be discussed in more detail below. Due to the characteristics of our questionnaire, the measuring device used by Harris and Ogbonna was changed from a 7-point Likert scale to a 5-point Likert scale in order to harmonize it with the other scales we applied, thereby eliminating some response problems. This, however, was not perceived as a significant difference, as the originally developed questionnaire was also a 5-point Likert scale (Harris and Ogbonna, 2001, pg. 750).

Based on the results of our research, the scale seems to be reliable and useful in the case of Hungarian SMEs as well, just like in the original survey (Harris Ogbonna, 2001), and in case of other countries' small enterprises (e.g. Pedraja-Rejas et al., 2006). When examining the reliability and validity thoroughly, however, we found that some further adjustments to the scale were required to fit it more accurately to our sample.

Table 1. The results of the factor analysis in case of the 10-item scale (edited by the authors)

Rotated Component Matrix ^a			
	Component		
	1	2	3
III_21	,079	,847	-,092
III_22	,079	,855	-,054
III_23	,737	,389	-,032
III_24	,725	,259	,028
III_25	,701	-,022	-,190
III_26	,503	-,017	,248
III_27	,518	,033	,456
III_28	,003	-,099	,787
III_29	,271	,391	,266
III_30	-,017	,033	,833
Extraction Method: Principal Component Analysis.			
Rotation	Method:	Varimax	with Kaiser-
Normalization.			
a. Rotation converged in 5 iterations.			

In the factor analysis, we gained very similar components to the original three-factor Harris-Ogbonna scale results; however, one of the items does not seem to fit well into either dimension. As the confidence indicators have also improved by the omission of this item, it has not been used in the analysis. In addition, in order to improve the fit of the scale and also the content of the items, it seemed reasonable to consider the scale's validity as if we had had 4 factors. The results of the new factor analysis are shown in Table 2.

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Table 2. The results of the factor analysis in case of the modified scale (edited by the authors)

Rotated Component Matrix ^a				
	Component			
	1	2	3	4
III_21	,097	,848	-,111	,079
III_22	,132	,879	-,018	,023
III_23	,788	,360	,058	,146
III_24	,799	,176	,105	,088
III_25	,735	-,113	-,164	,105
III_26	,082	,033	-,032	,896
III_28	,012	-,108	,842	,053
III_30	-,035	-,016	,822	,118
III_27	,213	,087	,303	,718
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 4 iterations.				

Factor analysis clearly indicates a better fit with four factors, and Cronbach's alpha indicators also improved for each component as compared to the original one (see Table 3), and can be accepted also for the entire scale when considering the pattern novelty.

Table 3. Cronbach Alfa values for the two variants of the Harris-Ogbonna scale

	CA with 3 factors	CA with 4 factors
Total scale	0.613	0.613
Participative	0.730	0.730
Supportive	0.596	0.668
Consultative	-	0.562
Instrumental	0.581	0.628

Based on the findings as detailed above, we found it more appropriate to discriminate four leadership styles in the case of Hungarian micro, small and medium enterprises. After a thorough interpretation of the claims and in addition to taking into account the original scale and the literature (e.g., House, 1999, Bass 1981, 1997; Pearce et al, 2000; Dobák-Antal, 2010), the four factors set out were as follows: participative, supportive, instrumental and consultative leadership style. The original (Harris Ogbonna, 2001 pg. 752-3) definitions, and the specifications of the individual dimensions of our research are presented in the next section.

1.6. The individual characteristics of leadership styles

In the case of participant type behaviour, the leader prepares and makes decisions together with the employees. By asking their opinion, he encourages them to participate in the decision-making. He consults with subordinates regularly when problems arise. For the supportive leader it is important to create the right conditions in order to ensure that the employees provide the best possible performance. In this case, the leader is likeable, friendly and always takes into consideration the needs of his subordinates. The instrumental leader has a clear vision on exactly what the tasks are and how they should be performed, and he requires that employees provide this performance by using a variety of tools (e.g. performance indicators). The instrumental leader strictly monitors not only the effectiveness of the work, but also the processes. We talk about consultative leadership

when the leader treats subordinates as partners, and when he gives advice on how the tasks should be performed but does not show a strong need to control.

Our results show that the typical behaviours among the leaders of the Hungarian SMEs are as given in Table 4. The supportive and instrumental behaviours are moderately frequent; furthermore the standard deviation for the supporting style is quite low. However, the participant and the consultative character can be found more frequently amongst SME leaders.

	Average	Standard deviation
participative	4,1	0,90
supportive	3,5	0,45
consultative	4,0	0,83
instrumental	3,7	0,85

Table 4. The frequency of the four leadership styles in the sample

1.7. Correlations between leadership styles and entrepreneurial skills

One of the basic questions of our research was: Which factors influence the evolution of management styles in the case of Hungarian SMEs? As we inherently examined the relationship between the managerial behaviour and the enterprise's success, it was particularly interesting to study how the corporate characteristics and the entrepreneur's personality traits shape the leadership styles. To this end, two main groups of data were tested. First, we collected descriptive characteristics of the enterprise, such as: number of employees, locations, main sectors, major customer type (B2C, B2B, state), company age, and the demographic data of the entrepreneur (e.g. age, gender, education). As we reported in the literature review, others' studies have also dealt with the effects of these factors.

From a wide variety of recordings, we found six factors that influence the leader's behaviour. The relationships between descriptive characteristics and leadership styles are illustrated in Figure 2. All indicated relationship was significant; the degree of significance is given below.



Figure 2. The impact of descriptive data of the enterprise and the entrepreneur on the leadership style

The participative leadership style is linked to the company's size and the age of the leader. We found interesting result regarding the size of the companies: participative leadership was least frequent amongst micro-enterprises, its frequency amongst medium-size enterprises is slightly higher, and it is present most often in the case of small businesses. This confirms our expectations. We assumed that the small businesses operate as a family,

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where the leader is involved in the employee's life and cooperates with subordinates, while medium-sized enterprises are closer to the big companies from an organizational point of view, and so the hierarchy is more articulated, and often we can find specific management qualifications amongst functional or territorial leaders. Interestingly, the older the leader, the more typical that his leadership style is a participative one, which is probably related to ease and wisdom. In the case of young entrepreneur-managers, the burden of proof and of self-expression are more likely to have an important role, very similar to what Erikson observed amongst young adults (Erikson, 1950). At the same time previous researches (Becherer - Halstead - Haynes, 2001) have found that the entrepreneurs showed the highest level of market orientation, were those who had previously already started up two to three companies. They experienced sufficient success and frustration to develop an appropriate leadership style. Presumably this, too, is associated with age.

In our study the supportive leadership style correlated with the region, the sector and the gender of the leader. If the company is located in the eastern part of Hungary, the least typical leadership style will be the supportive one. The rate of supportive leadership is higher in the western parts of Hungary, but it is highest in Central Hungary – practically in Budapest. Taking into consideration the Hungarian regional economic characteristics, it is easy to understand these relationships. The eastern part of the country is the least developed and least-growing region. Eastern Hungary faces a lack of resources, the enterprises are mostly traditional, family-based organizations and international relations are less frequent – and those that do have international relations usually tend to target less developed regions. In contrast, in the west or substantially in Budapest, firms are mostly more developed and more influenced by the advanced international business environment than their rivals in the east, thus they soon meet typical corporate management methods. The proportion of education of the leaders in the three regions is, however, slightly different: Budapest and its surroundings definitely has the largest proportion of highly educated leaders. In western Hungary this proportion is slightly less, while in eastern Hungary it is the lowest (see Table 5). This variance is also an alternative explanation for the differing presence of the supportive leadership styles in the three regions.

Table 5. The educational level of entrepreneurs by region

	Budapest	Eastern HU	Western HU
elementary	2%	1%	0%
secondary	14%	24%	21%
higher education	84%	75%	79%

The sector as a factor also develops an interesting relationship with leadership styles: the manufacturing industries - where the company processes are more determined and where employees are more easily replaced - supportive leadership style was found the least. The service companies where the front office has a significant role in customer relationship development, and where the tasks are less precisely definable and predictable because of personal contacts, it is more common to find a supportive leadership behaviour, which also focuses on the establishment of workers' well-existence. Understandably enough, the trading enterprises - where the performance of individual employees is the most directly linked to corporate performance – showed the highest rate of supportive leadership style. In the latter case it is especially easy to understand this attitude, because the employees add value to the company not only with their current performance, but also through their

business networks, giving the leader a clear interest in keeping the subordinates - and their networks – in the long-term by creating good working conditions.

As regards gender we can state that the supportive leadership style is more typical for female leaders than for men, due presumably to the classic female roles, and the toolbar designed for this role.

These results coincide with detailed comparative studies of Eagly and Johnson, who also found that due to the presence of stronger interpersonal relationships, women are more likely to work with democratic, model stating (transformative) leadership style than men (Eagly, Johnson, 1990, Eagly et al, 2003). Others (Mandell-Pherwani, 2003) suggest that the relationship between gender and leadership styles depends on the degree of emotional intelligence, which is basically consistent with the above mentioned interpersonal skills.

Instrumental leadership style is significantly associated with the entrepreneur's level of education. Only two leaders in our sample had elementary level education. When comparing managers with secondary- and those with higher education, it seems – as we had expected – that the former group represents more the instrumental type leadership style. This result coincides perfectly with the results of Ekaterini when examining the relationships of the leadership style and endowments of the leader (Ekaterini, 2010). Similarly - though not specifically for corporate environments - others (e.g., Avolio, Bass, 2004; Greimel et al, 2007) concluded that managers with higher education are more willing to give up a well-defined, regular operational framework and so to give greater freedom and space for their employees, as a consequence of which creative, innovative solutions to problems may be more welcome.

The above described results are particularly interesting as our research shows that in case of Hungarian SMEs the participating and supportive leadership style leads to higher market orientation, thus to (even) financially better business. Based on our results we can state that these are the two main leadership styles, which are strongly affected by some internal factors of the enterprise and the entrepreneur. Thus while on one hand the results of previous studies (Barrett Weinstein, 1998) are confirmed, on the other hand, is very good news for practitioner SME managers that they are able to influence the management style and thus the whole enterprise performance along some well-controlled features.

5. Conclusions

Management studies often use distinctive dimensions of leadership behaviour amongst large corporate managers. According to our research results, we can conclude that these dimensions are easily distinguished amongst entrepreneurs, as well, and seem to coincide with the leadership styles of highly skilled managers. The scale of Harris-Ogbonna used amongst top managers was reliably tested on our sample. In our study, four types of leadership styles were distinguished: participative, supportive, consultative and instrumental. We found that amongst Hungarian entrepreneurs the participative and consultative leadership styles are more typical than the supportive and instrumental ones.

In the previous studies the leadership styles were clearly associated with corporate success rate. Some researchers have also realized that in the case of small and medium-sized enterprises the internal characteristics of the enterprise and the entrepreneur have an important influencing role due to their well-controllable character. In some cases, some

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specific factors were found that have an evidenced impact on performance (e.g. the size of the business, the gender and controlling demand of the leader). In the present study we expanded the scale of these factors. In the case of Hungarian SMEs there are three factors significantly associated with leadership styles: the size of the business, the enterprise's location and the sector. Regarding the entrepreneur himself, we also found three descriptive variables that affect the leadership style substantially: the entrepreneur's gender, age and education.

The results of our research were based on a sample of 200 Hungarian SME leaders. The scale we used is recommended to be re-validated on at least a similar sample size, regarding the changes that we have made based on the analysis. Similarly it may be useful to evaluate the established leadership style categories with more Hungarian entrepreneurs and perhaps supplement it with qualitative methods to obtain a clearer picture of the leadership behaviour.

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