Comparison of the leadership styles practiced by Romanian and Dutch SME owners

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**Abstract**

This study represents a comparative research of the particularities of leadership styles among the owners of small or medium enterprises from Romania and the Netherlands. The three styles used in the present research are autocratic, democratic, and Laissez-faire. The main research instrument of the study was the survey, based on which the researcher determined the dominant leadership style for each respondent. This survey has been applied on a sample of 50 small or medium business owners from Romania and 128 small or medium business owners from the Netherlands. According to the final results, the dominant leadership style in both cases has been the democratic one. Moreover, a series of factors such as the company’s age and owner’s sex which significantly influence the practiced style have identified.

**Keywords:** Leadership Styles, Romania, the Netherlands, Small and Medium Enterprises

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Most of the theories approached leadership as a general concept within project teams or large companies, while leadership in small and medium enterprises was not a topic of much interest to researchers. Therefore, the concept of leadership has become a topic of interest both to the academic environment, which aims to understand it from a theoretical point of view and to the business environment that seeks an efficient way to apply leadership in the framework of the organizations (Boykins, 2012; Clarke, 2012). The basic approach of the research was to explain and understand the social influence of leadership (Nave, 2005).

Compared to a large company, the most important difference was related to how leadership is perceived and applied within a small or medium enterprise (SME). This is due to the direct
influence of the owner on his/her employees (Mihai, 2015 a, b). In a large enterprise, leadership is layered in multiple hierarchical levels. We consider that CEO’s leadership behaviour cannot directly affect the employees from the bottom of the hierarchical pyramid. In a SME, the owner (who is usually the manager) has direct and personal influence on his or her employees (Bass, 1981). This influence is the result of him/her being actively involved in the daily operations (Durham, Knight, & Locke, 1997; Hambrick & Mason, 1984; Hunt, 1991; Yukl, 1998). Moreover, the leadership styles used by the SME’s owners indicate how likely they are to develop certain behaviours that are to be considered as an essential ingredient of success (Bass, 1990; Tharenou & Lyndon, 1990; Willard, Krueger & Feeser, 1992). Chaganti, Cook, and Smelts (2002) considered that in order for a company to be successful, the business strategies and the management practices should be aligned to the owner’s leadership style. Certain types of business strategies are more appropriate than others to certain leadership styles and the success is more likely to happen when there is such an internal consistency.

The styles that are frequently used and discussed in literature include the autocratic style (derived from the transactional style), the democratic style (derived from the transformational style), and the Laissez-faire style (Gastil, 1994). Taking into account this approach, these three styles came into use in the present research. It was considered that the influence of SMEs owners’ leadership styles on the organizational environment is very important and we seek to comparatively analyse the characteristics of the leadership styles applied by the SMEs owners in two countries (Romania and the Netherlands).

The Changing Paradigm of the Leadership
Kotter (1999) stated that the leadership is the process of guiding a group to act in a certain direction. Efficient leadership produces movements whose purpose consists of the long-term interests of the group. Etzioni (1965) claimed that leadership is a special type of power involving skills based on the leader’s personal qualities, whose purpose is to obtain willful subordination concerning a wide range of activities. Leadership determines the employee or the subordinate who wants to work more than they are formally obliged to. This concept involves persuading individuals, innovating ideas, and a high capacity of decision-making (Mendez, Vera Munoz, & Vera Munoz, 2013).

In the context of SME, the only owner is often the leader who proposed the initial vision (Nave, 2005). However, in order the business grow and develop, the owners should be able to transmit that vision to their own employees. Gray, Densten, and Sarros (2003) mentioned that in order for the business to grow beyond its initial phase, the founding leader should communicate his or her vision on that company and should seek people who are able to implement that particular vision.

At the beginning of the 20th century, research was based on identifying the best characteristics of leaders. This approach was especially based on establishing the personal characteristics differentiating leaders from non-leaders (Bryman, 1986). These theories on characteristics (Bowden, 1927) focused on determining the attributes and the qualities of a good leader.
After the Second World War, the research direction in the leaders’ characteristics was oriented towards the leader’s skills, characteristics, and qualities which are determined by the circumstances (Stogdill & Shartle, 1948). Stogdill and Shartle (1948) and Yukl (2006) stated that a person cannot become a leader by simply having a certain combination of traits and concluded that these traits should be related to the subordinates’ characteristics, activities, and desires. Gibb (1947) noticed that the characteristic set of social circumstances existing at that time determined the personality attributes offered by the leader status.

From the end of the 1940s to the beginning of the 1960s, a new change in the paradigm of leadership researches came out; the researches went from studying traits to studying styles and behaviours. The researchers believe that leaders had a series of inborn qualities changed and they got the idea that once researchers identified a certain behaviour specific to leaders, anyone could be trained to adopt this behaviour and thus, become a better leader (Blake & Mouton, 1969; Likert, 1961; McClelland, 1961; Nave, 2005).

Behavioral Leadership Styles: The Autocratic, Democratic, and Laissez-faire

The behaviour theories of leadership styles focus on the persons and analyse the way they act during the managerial activity. While the theory of traits explains the leadership concept starting with what being a leader means, the behaviour theory explains what a leader does. The variables taking into account by this theory for the classification of the leadership styles are how leaders exert their authority, how the communication is achieved between the leader and the working group, how leaders make decisions and ask the others to make decisions, and the degree of autonomy and empowerment leaders offer to their subordinates without considering the inherent characteristics. This theory suggests three styles, namely the autocratic style, the democratic style, and the laissez-faire (liberal) style (Krieger, 2001).

The autocratic leadership derives from the first two levels of Likert’s leadership systems (1961) including the exploitative/authoritative one and the benevolent/authoritative one. In addition, there are similarities between the autocratic leader and the transactional leader, concerning reaching the goals and the events contributing to the efficient completion of tasks. The transactional leaders are concerned with power and position, and policies and advantages that allow them to do their job and to earn their living. This style is characterized by the excessive control of the leaders, a centralized process of decision-making, unilateral communication, and little importance given to the employees’ wealth. Shankar, Ansari, and Saxena (1994) mentioned that the leaders of an authoritative environment focus on position and power, asking their subordinates for blind submission and personal loyalty.

As a first analyse, this leadership style seems to have low practical utility and there are certain advantages considering the current economical context. It is usually successful when leaders are familiar with the actions that are to be taken in order to reach a goal, while the subordinates have no experience (Boykins, 2012). However, this leadership style is ideal for a young team without experience, which needs to be guided by their leader. Moreover, when facing unpredicted situation or crisis, employees need guidance from their leader. In this situation a competent autocratic leader helps the followers to bring the company back to the right path. These advantages are transformed in weaknesses if these style characteristics are
used abusively by the leader and will lead to a high degree of micro-management. The conflicts between the followers and their leader are visible weaknesses with negative impact on the organizational performance (Mihai, 2015a).

Democratic leadership comes out from the last two levels of Likert’s leadership systems (1961), namely the consultative system and the participative system. This leadership style can be correlated with the transformational leadership style, which is characterised by inspiring loyalty to the subordinates, producing visionary changes within the organization (Nave, 2005). The democratic leaders directly involve the followers in the decision-making process and the communication process become creative and bidirectional (Burlea Schiopoiu & Rainey, 2013). This leadership style is efficiently used within a growing company where the employees are mature enough to get a certain degree of autonomy and freedom to act, but they still need guidance and orientation from their leader (Mihai, 2015a). The disadvantage of this leadership style is due to the involvement of the followers in the decision-making process. This process might be hard and time consuming, postponing the implementation of the decision with the negative impact on the entire decision-making process. Moreover, if the followers are not competent and mature, their involvement in the decision-making process will damage the quality of the decision (Krieger, 2001). The Laissez-faire (liberal) style derives from the democratic (participative) leadership style and the leader’s involvement in the subordinates’ activity is minimal. The followers make decisions governing their activities and they solve problems without significant guidance from their leaders (Krieger, 2001). This leadership style is inefficient for the followers who cannot work without guidance because they are not able to manage their time. Moreover, followers tend to imitate their leaders’ behaviour (especially within SME). The leaders’ lack of involvement leads to decrease in the followers’ interest.

The Particularities of the Leadership Styles in Small and Medium Enterprises (SME)
SME have leadership advantage due to the low number of the employees, reduced overhead, and lower volume of activity (Nave, 2005). The differences between SMEs and large enterprises concern the number of hierarchical levels and the degree of delegating authority. Large enterprises have a great number of hierarchical levels that involve many decisional actors with different degrees of responsibility. In SME, the decision-making process is centralized to one or two decisional actors and they are directly responsible for final decisions.

In the SME, the lean shape of the hierarchical pyramid facilitates the relationship between the leader and the followers who directly feel the influence and the consequences of his/her decisions. Chaganti, Cook, & Smeltz (2002) mention how the owner of SME has both responsibilities specific to a managing director and responsibilities specific to a director of operations. The leader controls activities, including the relationships with clients, suppliers, employees, the long-term development plans, the financial control, and accounting systems. As a result, the leadership style is an important sign of the leader predisposition to certain managerial behaviours and actions and an essential provider of success.

Research Questions
The following research questions guided the study:
- What are the differences and the similarities between the owners’ sex and the distribution of the leadership style within the SMEs in two countries?
- What is the influence of the SME’s maturity on the distribution of the leadership styles used by the SMEs owners in Romania and Netherlands?
- What are the characteristics of the distribution of the leadership styles used by the SMEs owners in Romania and in The Netherlands?

**Method**

This study is a development and a different approach of two previous researches concerning the particularities of the leadership styles in Romanian SME’s (Mihai, 2015a) and the particularities of the leadership styles in Dutch SMEs (Mihai, 2015b). The research objectives involved identifying the differences between the dominant leadership styles of the SME owners in Romania and the Netherlands and analysing the influence of different factors upon the leadership styles of the SME owners from Romania and the Netherlands.

In order to study these aspects, we used two surveys, which were applied on a sample of 50 Romanian SME owners and 128 Dutch SME owners (Mihai, 2015a,b). To identify the dominant leadership style for each respondent, the score for each style was calculated and the leadership style having the highest score as the dominant one was considered. When two styles got equal scores, the following evaluation rules came into use. According to the first evaluation rule, if the autocratic style and the democratic style had equal scores, it was considered that the respondent was in transition between the two styles and the autocratic style was chosen as the dominant one. This happens because of the natural transition among these three styles (based on the maturity and experience of both the firm and the owner: autocratic - democratic - laissez-faire) and it was considered that the respondent had applied the autocratic style for a longer time and that it was about to enter his or her democratic phase. Considering the second evaluation rule, if the democratic style and the laissez-faire style got equal scores, the democratic style was chosen as the dominant one. Regarding the third evaluation rule, if the autocratic style and the laissez-faire style got equal scores or if all three styles got equal scores, the answer was considered inconclusive and result was ignored.

In order to analyse and discuss the results, the data were adapted and processed by means of Microsoft Excel for Mac 2016 and IBM SPSS Statistics 22. The Autocratic Style was measured by five items, including intensive control, performance standards set by the management, constant supervision, management’s responsibility for success or failure, and high bureaucracy. These five items had a reliability coefficient of .81. The Democratic Style was measured by five items, namely high degree of autonomy, mutually agreed performance standards, building employee responsibility, management’s responsibility for the employees’ well-being, and mutually agreed solutions to problems. These five items had a reliability coefficient of .84. The Laissez-Faire Style was measured by five items such as lack of the management’s involvement, employees’ self evaluation, high degree of employees’ responsibility, employees’ ability to make their own decisions, and employees’ ability to solve problems on their own. These five items had a reliability coefficient of .82. A questionnaire was applied to a sample of 50 owners of Romanian SMEs (27 males and 23 females) and 128 owners of Dutch SMEs (60 males and
68 females). The SMEs were chosen randomly. The main criterion was the status of a SME according to the European Commission’s definition (less than 250 employees, a turnover of less than 50 million Euro and total assets of less than 43 million Euro).

**Results and Discussion**

Q1: What are the differences and the similarities between the owners’ sex and the distribution of the leadership style within the SMEs in the two countries?

Figure 1 displays the distribution of the leadership styles depending on the respondents’ sex in Romania and in Netherlands.

![Distribution of the leadership styles depending on the respondents’ sex in Romania and in Netherlands](source: Mihai, 2015a,b)

**Figure 1.** Distribution of the leadership styles depending on the respondents’ sex in Romania and in Netherlands

The distribution of the leadership styles depending on the respondents’ sex is basically the same in Romania as in Netherlands. For the male respondents in Romania, the prevalent style is autocratic (12 respondents out of 27) was followed by the laissez-faire style (10 respondents out of 27) and then by the democratic style (5 respondents out of 27), while in Netherlands, an
equal number of respondents (20 out of 46) applied the autocratic and democratic style, thus the laissez-faire style occupied the last position (6 respondents out of 46). For the female respondents, the democratic style prevailed both in Romania and in Netherlands (17 respondents out of 23, respectively 24 respondents out of 54). There was still a difference concerning the laissez-faire style which was much better represented by the female respondents in Netherlands (20 respondents out of 54) than the ones in Romania (2 respondents out of 23) which was outmatched by the autocratic style (4 respondents out of 23).

One of the factors influencing the way an individual perceives a certain situation is sex or, more specifically, the way society expects an individual of a certain sex to react in a given situation. Thus, we may say that the sex of an individual dictates somehow the way they behave both in society and in the organizational activity.

Table 1 shows the one-way ANOVA (Dependent Variable: Sex).

Table 1
One-Way ANOVA (Dependent Variable: Sex)

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between (Combined)</td>
<td>0.585</td>
<td>2</td>
<td>0.293</td>
<td>1.197</td>
</tr>
<tr>
<td>Groups Linear Unweighted</td>
<td>0.583</td>
<td>1</td>
<td>0.583</td>
<td>2.385</td>
</tr>
<tr>
<td>Term Weighted</td>
<td>0.583</td>
<td>1</td>
<td>0.583</td>
<td>2.385</td>
</tr>
<tr>
<td>Deviation</td>
<td>0.002</td>
<td>1</td>
<td>0.002</td>
<td>0.009</td>
</tr>
<tr>
<td>Within Groups</td>
<td>35.955</td>
<td>147</td>
<td>0.245</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>36.540</td>
<td>149</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In national cultures, including Netherlands and Romania, society expects men to be authoritative and competitive to have a somehow dominant position both at home and at work; as for the women, society expects them to be maternal and take care of social relationships and interactions. These theories are also confirmed by the results of the current study where we may see a clear predisposition of the male respondents in Romania to the autocratic style and of the female respondents in both of the countries to the democratic style. However, for the male respondents in Netherlands, there is no clear difference between the autocratic style and the democratic one; the reason is probably the short distance from the power in Netherlands which will not allow an autocratic leader to work efficiently for too long.

Q2: What is the influence of the SME’s maturity on the distribution of the leadership styles used by the SMEs owners in Romania and in The Netherlands?

Figure 2 presents the distribution of the leadership styles depending on the company maturity in Romania and in Netherlands.
Figure 2. Distribution of the leadership styles depending on the company maturity in Romania and in Netherlands (Source: Mihai, 2015a,b)

Figure 2 shows that for both Romania and Netherlands, the dominant leadership style changes depending on the company maturity (Mihai, 2015a,b). Therefore, for the companies having less than 5 years of activity in Romania, the prevalent style is autocratic (12 respondents out of 24), followed by the democratic style and by the laissez-faire style (both having 6 respondents out of the total 24), and for the companies having more than 5 years of activity, there is a significant difference between the dominant democratic style (16 respondents out of 26) and the laissez-faire style (6 respondents out of 24) and the autocratic style (4 respondents out of the total 24). The situation is similar for Netherlands where there is the following distribution (Mihai, 2015a,b): For the companies having less than three years of activity, the autocratic style is dominant (12 respondents out of 21), followed by the democratic style (7 respondents out of 21) and by the laissez-faire style (2 respondents out of 21); for the companies having 3-5 years of activity, the autocratic style is still dominant (10 respondents out of 22), but the domination is not as clear as in the previous case, since it is closely followed by the democratic style (9 respondents out of 22) and by the laissez-faire style (3 respondents out of 22); for the companies having 5-10 years of activity, the dominant style is no longer autocratic, but democratic (15 respondents out of 26), followed by the laissez-faire style (7
respondents out of 26) and by the autocratic style (4 out of 26 respondents); and for the companies having more than 10 years of activity, the dominant style is laissez-faire (14 respondents out of 31), closely followed by the democratic style (13 respondents out of 31) and then by the autocratic style (4 respondents out of 31).

This succession of the leadership styles is natural in both of the countries because as the company ages, the employees gain more experience and more skills, the owners find their employees more trustworthy, and the exceptional situations in organizational life tends to be more exception than the rule. Considering these arguments, as a company grows old, it is normal for its owner to delegate more and more of his/her tasks to involve the employees in the decision-making process and to offer them more autonomy and responsibility. These are confirmed by the results of the previous studies, where it can be noticed as a predisposition towards the autocratic style among the owners of young companies, towards the democratic style among the owners of medium-aged companies, and towards the laissez-faire styles among the owners of mature companies (Mihai, 2015a,b).

Table 2 represents the one-way ANOVA (Dependent variable: Company Age).

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between (Combined)</td>
<td>2.681</td>
<td>2</td>
<td>1.340</td>
<td>1.072</td>
</tr>
<tr>
<td>Groups Linear Term Unweighted</td>
<td>2.679</td>
<td>1</td>
<td>2.679</td>
<td>2.142</td>
</tr>
<tr>
<td>Weighted</td>
<td>2.679</td>
<td>1</td>
<td>2.679</td>
<td>2.142</td>
</tr>
<tr>
<td>Deviation</td>
<td>0.002</td>
<td>1</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>Within Groups</td>
<td>183.859</td>
<td>147</td>
<td>1.251</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>186.540</td>
<td>149</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The only difference between the succession of the leadership styles among the owners of SMEs in Romania and in Netherlands appears in case of the mature companies in Romania, where the prevalent style is democratic not laissez-faire as it is in Netherlands. This is probably the influence of the power distance mentioned at Q1 since the owners of SMEs in Romania, even though they generally adopt a democratic style, are not yet prepared to offer their employees full freedom of action and responsibility, so they would rather keep a certain degree of control and authority on their employees.

Q3: What are the characteristics of the distribution of the leadership styles used by the SMEs owners in Romania and in the Netherlands?

Figure 3 exhibits the distributions of the leadership styles in Romania and in Netherlands.
It was concluded that both the Romanian and the Dutch owners prefer the democratic leadership style, as in both cases, 44% of the respondents apply a democratic style. For Netherlands, this may be explained by the low power distance (38/100) that is characteristic to this culture. However, this prevalence of the democratic style among the Romanian enterprises cannot be explained through the same dimension, because the power distance is very high in Romania (90/100), meaning that people respect the hierarchy within a company and the position on this hierarchical scale is very important. Thus, according to this dimension, the employees respect position and power rather than the individual having them, decisions are made in a centralized manner, and the subordinates expect their superiors to tell them what to do.

Even though we cannot explain this distribution of the leadership styles by means of Hofstede’s cultural sizes, we should consider the fact that since Romania accessed the European Union, the western influence (which had already started to appear immediately after 1990) has become more and more present in everyday life especially in organizational life. There are more and more foreign capital companies and the Romanian ones have more and
more business relationships and partnerships with foreign companies, while managers have started to adopt their partners’ practices and they try to implement them to their own business. Moreover, this result may be caused by one of the main limitations of this study, which is the fact that the respondents were asked to self-assess their leadership style. This fact might have led to the respondents answering the questions in a way that they felt to be socially acceptable or that may make them look good, which may not always reflect the truth (e.g. the respondents might have avoided to chose an answer that made them look autocratic, because they might have thought that this style will make them look like a bad manager).

There is a significant difference concerning the hierarchy of the three leadership styles applied by the owners of SMEs in Romania and in Netherlands. While in Netherlands the prevalent democratic style is followed by the autocratic one (30% of the respondents) and then by the laissez-faire one (26% of the respondents), in Romania the situation is different since the prevalent democratic style is followed by the laissez-faire one (32% of the respondents) and then by the autocratic one (24% of the respondents). It is worth mentioning that the respondents’ answers might have been influenced by social expectations and thus, there might be a chance that they have chosen the answers that they considered as socially acceptable and that do not always reflect the real situation.

Conclusion
This study aimed to highlight the differences and the similarities between the leadership styles of the SME owners from Romania and the Netherlands, as well as between how the sex of the respondents and the maturity of their company influence their leadership style and behaviour. The results of the study showed that the democratic leadership style prevailed in both cases and the differences appeared for the other two styles: for the Romanians, the second prevailing style was the laissez-faire style (32%) followed by the autocratic style (24%), while for the Dutch it was the opposite, the second prevailing style was the autocratic style (30%) followed by the laissez-faire style (26%).

For the distribution of the leadership styles depending on the company maturity, the young companies are characterised in both cases by using a prevailing autocratic style. There is a tendency to decentralize the decision-making process and to offer higher degrees of autonomy and responsibility to the employees as the company grows. In Netherlands, for the mature company, we may notice that the laissez-faire style prevails while in Romania, the owners of SMEs are not yet prepared to offer that much autonomy (as it happens for the laissez-faire style) and prefer adopting a democratic style even for mature companies.

For the distribution of the leadership styles depending on the respondents’ sex, there is a predisposition of the female respondents to the democratic style (17 respondents out of 23 in Romania, 24 respondents out of 54 in Netherlands). For the male respondents, the ones in Romania are more likely to adopt an autocratic style (12 respondents out of 27), than the ones in Netherlands where the proportion is identical for the democratic and autocratic styles (20 de respondents out of 46).

As it was mentioned earlier, the present study is a development of our previous research in which we have analysed the leadership style of the owner’s of SMEs from Romania and the
Netherlands. The results of these previous studies which were used as the basis of this comparative research were based on the respondent’s own perception of their leadership styles and behaviour and it may be affected by subjectivity. The respondents might have tried to answer the questions in the way that they thought to be socially acceptable and this may not always reflect the reality. At the same time, there might be cases in which the employees perceive a certain approach in a different way than their superiors: for example, a manager might consider a certain approach to be democratic, while their employees might consider it to be autocratic.

In order to address this limitation, it is suggested to extend this research with a study of how the employees perceive their managers’ leadership behaviour, both in Romania and in Netherlands, by using the same three styles, namely autocratic, democratic and laissez-faire. Therefore, starting from the results of this study, we will be able to make a comparison between how the owners of SMEs in Netherlands and Romania perceive themselves in terms of the leadership style and behaviour and how their employees perceive them.

References


