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Research Paper

Transformational leadership on business intelligence: The case of Small and Medium Enterprises in Mashonaland West Province, Zimbabwe and South East Region, Botswana

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ABSTRACT

The rise of entrepreneurial activities seems to be the sole panacea to the problems be-devilling most growing economies. Zimbabwe`s battered economy has fuelled a massive growth in SMES in every sector. However, in terms of the strategic management of the SMEs, business intelligence systems have not been implemented. Although the informal sector has burgeoned, the lack of appropriate leadership techniques seems to be short-changing business. Most of the owners lack the leadership qualities that will spearhead these businesses to fruition. Through using Business Intelligence (BI) systems for strategic planning, customer relationship management and monitoring profitability of products becomes easier as noted by Negash and Gray (2008). The study concedes that entrepreneurial and management aspects of business are lacking, mostly as a result of lack of knowhow and skill. Zimbabwe has one of the highest literacy rates in Africa yet the knowledge is inadequately used. The findings of the study revealed that businesses in the Small and Medium Enterprises (SMEs) sector were failing to make BI solutions to transform their businesses and the main reasons for failure were inability to adopt new software packages, lack of training, inadequate information on technology adoption, lack of resources and resistance to change. The paper recommends proper education and training on transformational leadership with great emphasis on the use of business intelligence to streamline businesses in order to capacitate the small enterprises in Zimbabwe and Botswana.

Key words: Business intelligence, entrepreneur, small and medium enterprises, transformational leadership.

INTRODUCTION

In 1996 the Zimbabwean Government enacted policies that promoted entrepreneurs since they are regarded as engines of economic growth and creators of employment. Institutions like Small Enterprise Development Corporation (SEDCO), Africa Project Development Fund (APDF) and the Venture Capital Company of Zimbabwe (VCCZ) were formed to promote entrepreneurs in SMEs. The Government of Botswana introduced the Small, Medium and Micro- Enterprises (SMMMEs) of 1999, Policy on industrial development (1998), Financial Assistance Policy of 1982 and the Citizen Entrepreneurial Development Agency (CEDA). All these efforts were done to promote entrepreneurs in SMEs. Rodrigues in Pinheiri (2014) notes the increasing complexity of the environment in which organisations operate in, creating new demands and business opportunities. Pinheiri (2014) further observes

that entrepreneurs have to increase their level of innovation and adapt their business models continuously. GEMINI (1998) cited by Kondo and Pimbidzai (2006) estimated the number of SMEs in Zimbabwe to be approximately 860 000 employing 1600 000 persons whilst in Botswana SMEs were estimated to be 56000 (Small Business Promotion Agency, 2003).

Burns (1978) notes that entrepreneurs should take the transformational leadership approach which takes a leader as being visionary or change agent who motivates his or her subordinates to make use of BI, a tool being used by big corporations like Wal Mart, and IBM. Setswato (2015) notes the importance of sending personalised short messages (sms) to clients hence filling the gap in the market for such innovation. Davenport (2010) notes the contribution of BI in making better decisions as supported by Wixon and Watson (2010). Scholz (2010) observes that when leaders fail to notice critical available information in their environments, catastrophic outcomes occur hence the need for small businesses to make use of BI systems in decision making. Some studies on SMEs note that most of them are still lagging behind in making use of BI in their business operations since ICT may give them a competitive advantage.

Research objectives

The study sought to examine the relationship between transformational leadership and business intelligence in SMEs in Zimbabwe and Botswana. The following research objectives were formulated to fulfil the main purpose of the study:

(i) To examine the relationship between transformational leadership and business intelligence in SMEs.
(ii) To assess the impact of business intelligence on entrepreneurial development.
(iii) To suggest strategies that enhance the use of software packages to improve entrepreneurial business.

LITERATURE REVIEW

This section of the paper reviews a lot of related literature on the relationship between transformational leadership and business intelligence in SMEs. Neumann (2006) stated the purpose of literature review is to ensure that there is no duplication of effort by giving insight into the already done work.

Small and medium enterprises

Pambidzai and Kondo (2006) define a SME based on the number of employees, their assets and legal structure. This is supported by Longenecker (2006) who agree that a SME should be determined by the number of employees, sales volumes and value of assets. Price (1997) defines SMEs in terms of permanent employees engaged, value of fixed assets and annual turnover. This is supported by Nyoni (2002) who defines SMEs based on the number of employees, total assets and the legal structure of an organisation. In contrast to Nyoni's definition, Gilmore et al. (2006) defined SMEs as business ventures that have limited resources such as finance, time and market knowledge and lack of specialised expertise. This shows that there is no agreed definition of a SME. However, this study defines SMEs as those companies which employ less than 100 employees, have an operating licence and a certificate of incorporation.

Alter (2004) defines an entrepreneur as a person who organises, manages and assumes the risks of business development. The Global Entrepreneurship Monitor (2008) defines the same term as a process through which individuals identify opportunities, allocate resources and create value. It also involves the capacity and willingness to develop, organise and manage a business venture along with any risks in order to make profit (Business Dictionary, 2013). This concurs with Longnecker et al. (2006) definition of an entrepreneur as a person who organises a business undertaking assuming the risk for the purpose of making profit.

BI has been defined by Presthus and Bygshd (2012) as the process of turning data into actionable information using an assortment of tools, techniques and applications. Skalska (2015) adds that BI systems provide users with information analysis to better support tactical and strategic business decision processes, which are of paramount importance to entrepreneurs who adopt a transformational leadership approach in their business operations.

Mamimine in Mugaviri (2014) defines intelligence as the ability to recognise connection or connectivity between remotely connected things or phenomena. Mamimine in Mugaviri (2014) added that failure to see things coming has proved disaster in most parts of the world. Random house (2013) defines intelligence as the ability to acquire and apply knowledge and skills which can only be possible if entrepreneurs make use of BI to gain a competitive edge over their rivals. He added that intelligence is also the set of cognitive abilities which allow a person to acquire knowledge, learn and solve problems which are characteristics of a transformational leader. Failure to acquire necessary information through the use of soft ware packages might be one of the reasons why most entrepreneurs are failing to survive in this sector in Botswana and Zimbabwe. Alter (2004) explains that technology and its features are now collected in the new frame termed BI decision support environment.

According to Network management and monitoring (2015),

BI is a data analysis process aimed at boosting business performance by helping corporate executives and other end users make more informed decisions. They also add that BI is a technology driven process which encompasses a variety of tools, applications and methodologies that allow organisations to collect data. This data when processed might assist entrepreneurs to manage information about their products, clients, their current position in the market and any other information needed to maintain their market share or to remain leaders in the industry hence the need to carry out this research.

Skalska (2015) added that BI systems provide users with useful information for tactical and strategic decision making levels. Mohammad and Mahachi (2013) gave the key components of BI systems as illustrated in Figure 1.

As displayed by BI components in Figure 1, Mohammed and Mahachi (2013) advise that it is imperative for entrepreneurs to apply these components in decision making just like the transformational leader who scans the environment especially the technological environment, to be ahead of rivals in the industry by making use of latest software packages. Adequate information is a strong tool if one wants to be successful in business without which entrepreneurs might make losses through producing unwanted goods. This is supported by the Industrial Development Corporation (IDC, 2009) which emphasises that e-skills are needed to drive innovation in business.

Transformational leadership approach

Several studies have examined different processes through which transformational leadership effects are realized in terms of performance outcomes for example: followers' formation of commitment, identification, perceived fairness and satisfaction. Job characteristics such as variety, identity, significance, autonomy and feedback, trust in the leader (Wang et al., 2012), and followers` own feelings in terms of efficacy, potency and cohesion (Avolio et al., 2009). As opposed to some leadership theories, transformational leadership focuses on what is in the best interest of the group as a whole rather than what only serves the individual (Whiltshire, 2012). This shows that this leadership approach in business will motivate subordinates to harness latest technologies to be ahead of their competitors. Transformational leadership "is concerned with emotions, values, ethics, standards, and long-term goals" (Northouse, 2010). Avolio et al. (2009) view Transformational leadership as "leader behaviours that transform and inspire followers to perform beyond expectations while transcending self interest for the good of the organisation" which also applies to entrepreneurs in SMEs.

Transformational leadership differs from most other theories of leadership because rather than addressing the exchange or transaction that occurs between leaders and followers, it focuses on the growth and development of both (Whiltshire, 2012). This leadership approach also makes sure all employees receive digital entrepreneurship training to achieve organisational mission and vision. Transformational leadership became the first positive leadership theory developed (Northouse, 2010) which makes this approach positive when adopting new technologies in the industry. Some studies found out that moderating variables (for example reward) affects the direction and/ or strength of the relationship between leader and follower in a transformational leadership environment (Avolio et al., 2009) hence the government should give rewards to entrepreneurs applying techno-entrepreneurship.

Transformational leadership addresses the modern generation work groups who are mainly motivated and feel empowered to succeed in times of uncertainty (Whiltshire, 2012). Charismatic/transformational leadership theory suggests that leaders raise followers' aspirations and activate their higher order values for example altruism (Avolio et al., 2009). Grant (2012) proposes that beneficiary contact strengthens the effects of transformational leadership on followers' performance by enhancing followers' perceptions of pro-social impact. Grant (2012) suggests that the behavioural integrity, that is a connection between a transformational leader's words and deeds, can be established by beneficiary contact, which has the potential to forge a vivid, credible link between the rhetoric of pro-social impact and the reality of meaningful consequences for clients, or customers. In contributing to global leadership under charismatic/transformational leadership, it has been observed that followers identify with the leader and his or her mission or vision, feel better about their work, and then work to perform beyond simple transaction (Avolio et al., 2009).

Meta-analytic studies have shown that Charismatic/transformational leadership was positively associated with leadership effectiveness and a number of important organisational outcomes across many different types of organisations, situations, levels of analysis and cultures such as productivity and turnover (Avolio et al., 2009). Bass 1985 in Whiltshire (2012) observed that transformational leaders encourage followers to think beyond themselves to higher-order considerations through clear articulation of expectations and justifications of those expectations and by serving as role models of what they expect from followers and subordinates. Grant (2012) argues that a central purpose of transformational leadership is to articulate a vision that focuses employees' attention on their contributions to others.

There is team spirit and camaraderie among groups that are guided by transformational leadership (Whiltshire, 2012). Over and above the fact that followers will develop a positive work attitude and are properly compensated for

Figure 1. BI components. Source: Mohammad and Mahachi (2013).

their contributions; transformational leaders make every effort for followers to feel that they are valued members of the organisation. The idea that followers are more than just employees should be instilled in the employees` minds (Whiltshire, 2012). From a leadership substitute's perspective, one might expect beneficiary contact to serve a compensatory function, fostering perceptions of pro-social impact when transformational leadership is lacking (Simmonds and Tsui, 2010). However, Grant (2012), introduces a fresh understanding of how transformational leadership can shape performance by influencing how employees judge their relationships with recipients of their products and services, not only their relationships with leaders and employees inside their work groups.

Three stimulation strategies that are commonly used by transformational leaders are: inspiration through charisma, displaying consideration for followers as individuals, and providing intellectual stimulation (Whiltshire, 2012). Transformational leadership is more likely to appear in organisations where the task requires co-operative efforts among subordinates (Whiltshire, 2012). Transformational leaders appeal to their followers' intrinsic motivations so that followers will bypass their own self-interest for the good of the organisation (Engelen et al., 2014). Transformational leaders transform or change the basic values, beliefs and attitudes of followers so that they are willing to perform beyond the minimum levels specified by the organisation (Engelen et al., 2014). Transformational leadership is comprised of six leader behaviours: articulating a vision, providing an appropriate model, accepting group goals, having high performance expectations, providing individualized support, and providing intellectual stimulation (Engelen et al., 2014). Also Whiltshire (2012) mentioned that transformational leaders accomplish goals by sharing power with organisational members to achieve mutual goals, rather than operating through a hierarchical top-down leadership. One of the transformational leader`s desire, is to develop followers into the next generation of leaders (Whiltshire 2012). Gao et al. (2011) identified four aspects of transformational leadership as:

a) The Transformational model of leadership is seen as complex, but with a specific set of behaviors.
b) By including the transactional perspective it integrates views on discipline and control.
c) Emphasis of transformational leadership on stimulating higher-order needs echoes the moral dimensions of paternalistic leadership, and
d) The charismatic aspect of transformational leadership contains the elements of the Chinese paternalistic leaders.

Approaches to foster digital entrepreneurship

Deloitte (2013) listed the factors in Figure 2 to improve digital entrepreneurship. Deloitte (2013) goes further to advice that in order to do business in the digital age, it requires a specific and scarce set of skills, talent centred on science and technology which is a missing link within our entrepreneurs. Digital transformation is one characteristic within transformational leaders who are treated as change agents.

RESEARCH METHODOLOGY

A mixed methodology approach was adopted in this study. This was a combination of qualitative and quantitative research paradigms. Vigorous literature review was done on entrepreneurship and BI. The study looked at books, journal articles, published and unpublished dissertations, and observations to assess the extent to which BI is being applied in business operations of Small and Medium Enterprises in Botswana and Zimbabwe. The study used SMEs in the retail sector which was registered with the

Figure 2. Approaches to foster digital entrepreneurship.

Ministry of Small and Medium Enterprises and Co-operative Development. Purposive sampling technique was used to choose respondents who had in-depth knowledge about what was happening in SMEs in the retail sectors of Botswana and Zimbabwe. The study made use of questionnaires and semi-structured interviews as data collection tools. The researchers self-administered the questionnaires so as to increase the response rate. Closed-ended questions helped the researchers to control the respondents in order to focus on the research objectives. The researchers made an appointment with officials from ministries of small and medium enterprises. This was done so that the officials had time to prepare for the interviews and look for necessary documents in order to give correct information during interviews.

Interviews were carried out with officials from ministries of small and medium enterprises in order to get a general overview of how SMEs were adopting BI in their Business operations and suggestions on strategies on strategies to increase the adoption of BI in business transactions.

FINDINGS

Relationship between transformational leadership and business intelligence in SMEs

Results of the study indicated that the style of leadership has a strong impact on the innovations and performance of a business. It is now prudent to strategically analyse the business acumen and work towards business growth. Transformational leadership encompasses leadership with a vision and carrying through that vision, thus business intelligence, married with it will result in great progress. It has a positive impact on the improvement and profitability of a firm.

Impact of business intelligence on entrepreneurial development

Results showed that transformational leadership is an appropriate approach for the management of SMEs. Organisational innovation has been considered to be a powerful tool to gain competitive advantage and provides high value to customers. Most SMEs were failing to survive as a result of making uninformed decisions hence the need to promote Research and Development. Business intelligence has a lot of modern tactics that add value to organisations even in terms of systems used and employee welfare. The study also established that BI supports the institutionalisation of ethics in an organisation.

Strategies that enhance the use of software packages to improve entrepreneurial business

Results showed that transformational leadership has direct influence on product and process innovation and employees` day to day involvement in the knowledge

management process search. This includes acquiring, fostering and applying knowledge which has positive associations with product and process innovation. Findings also indicated knowledge transfer and application partially mediated the transfer of transformational leadership thus product innovation, knowledge and acquisition of applied software packages can enhance the relationship between SMEs and use of business intelligence.

DISCUSSION AND RECOMMENDATIONS

The study recommended that digital entrepreneurship should be promoted and encouraged since businesses are now operating in the digital age. The two governments should avail some financial support to train entrepreneurs to make use of the available technology to run their businesses so as to take changes in the industry in a positive manner just like the transformational leader. Universities of technology should play a pivotal role in promoting digital entrepreneurship hence planting an entrepreneurial spirit within their students which is the missing link within universities education business (Tukuta et al., 2014). Institutions of higher learning should inform policy so that an environment friendly atmosphere is created for entrepreneurs to adopt BI in their business transactions.

The study also proposed a framework that allows SMEs to take advantage of the information available to adopt a set of measures adopted by business intelligence because information processing is the basis for achieving competitive advantage.

The study also recommended the inclusion of SMEs with other large corporates for better networking through business exchange such that the SMEs use better business methods in managing their organisations. Besides the hand-to–mouth type of living, a lot of investment needs to be put into the businesses so as to remain competitive.

Conclusion

Transformational leadership is a vital aspect of the economy and business intelligence is a major contributory factor. It gives a sense of direction and purpose and can lead to great advancements in leadership abilities. Business intelligence coupled with the latest technology will result in strategised and meaningful contributions that will spearhead the growth of SMEs in Zimbabwe. It is of paramount importance that leaders with the right qualities be involved in the management of businesses and the leadership style used is very vital.

SMEs seem to be mostly concerned about putting up a business and making some profit but the leadership style used and other supporting software adds more benefits to how these SMEs are run.

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