

Leadership and leaders in successful small and medium enterprises

Ainura Kocherbaeva

Department of management
Kyrgyz Russian-Slavic University
Chui Avenue 6, 720022 Bishkek
Kyrgyz Republic
e-mail: ainura_koch@mail.ru

Zeynegul Samaibekova

Institute of Economics and Management
Kyrgyz State University of Construction, Transport and Architecture named after N. Isanov
Maldybaev str. 34b, 720020 Bishkek
Kyrgyz Republic
e-mail: samaibekova@mail.ru

Kerezkan Isabaeva

Department of Economics and Enterprise Management
Kyrgyz State University of Construction, Transport and Architecture named after N. Isanov
Maldybaev str. 34b, 720020 Bishkek
Kyrgyz Republic
e-mail: ikerab@mail.ru

Abstract This paper discusses the issue of leadership in small and medium enterprises (SMEs). We contemplate about the notion that successful companies and often leaders in their respective fields of business when it comes to innovations, novelty, business courage, openness to the new ideas, or intentions to learn new things. In addition, we focus on the role of the SMEs owners and managers as leaders who pave the way for their companies' success and growth.

Our results show that typical leadership qualities are usually the same across various fields of business and company types. Moreover, we demonstrate that there is a clear connection between leadership and success in doing business. In addition, we show that enterprise led by the managers or owners who clearly depict leadership traits (e.g. are not afraid of taking some healthy risk) tend to be more successful and to seize the larger portions of the market.

1 Introduction

There are many different styles of leadership, but the basic skills that make up a good leader remain the same (Morrison 2000). The same can be said about the entrepreneurs who can be distinguished as someone surpassing regular businessmen (i.e. people who do business without any innovations or inventions, merely by pursuing the same type of activities that most of their competitors are engaged into).

One would probably agree with the saying that the best leadership qualities for entrepreneurs are the ability to inspire others and develop a vision, set clear goals and stay focused, communicate well, give and receive feedback, strengths as well as weakness (Karmarkar et al. 2014). Knowing oneself and your teammates, knowing when to ask for help from the outside, being approachable, being honest and committed, and knowing how to successfully implement a strategy. Any of these skills can lead to some kind of success, but one needs all these skills to run a business effectively (Koudelkova and Svobodova 2014).

Developing leadership skills is critical to the success of an employee who wants to gain influence and become an integral part of his business (Bialowas 2018; Litau 2018). With regard to that, Garfinkle (2011) provides helpful tips on how to stand out and be visible at work and position oneself as the leader in the ultimate success of one's career. It appears that with the right tactics, dedication, patience and education, one can successfully influence others in the respective area and become a reliable source of insights and information.

As a notable expert in a particular company, industry, or society, a thought leader is one who provides guidance and insight to his fellow human beings. In other words, a thought leader has the positive reputation of helping others with their knowledge and insights. Examples of great leadership also provide important insights

into the governance of one's organization, department, or team. Being an exceptional leader is a necessary element for your professional growth.

Growth through mergers and acquisitions, for example, requires the top team to have a range of thought-leadership and leadership skills, while organic growth requires a stronger emphasis on the skills of individuals and organizations.

The leadership excellence research has shown that a small group of excellent executives is not enough to drive an ambitious business. This fact is particularly relevant for companies that have grown rapidly. A critical mass of excellent leadership is required to drive and sustain business growth.

However, the biggest obstacle to his pursuit and continued growth was the lack of future leaders who had the necessary skills (Rosli et al. 2018). Overall, it has been estimated that it needed several hundred new executives to perform important business functions within 5 to 10 years. In view of the emerging potential crisis, senior management has given top management priority (Preble 1977).

This paper focuses on the issues of leadership and the leaders (e.g. managers or owners) in successful small and medium enterprises (SMEs). It can be shown that SMEs constitute a backbone of any economy and remain the engine of economic growth and development. In many countries, for example Southern Europe (e.g Italy or Spain), the share of SMEs in the national economies is very high (Holzl 2009).

The paper is structured as follows: Section 2 briefly describes the concept of leadership in business and the role of leaders in this process. Section 3 analyses the leadership potential of SMEs and the driving force of the majority of economies. Section 4 contemplates on the self-realisation and risk-taking motives of the small business leaders. Finally, section 5 concludes with some brief outcomes and policy implications.

2 Leaders in business

Leaders are present everywhere, but business is perhaps the best sphere where one can realise her or his own potentials. It is ideologically-free, straight and blunt, often brutal (just to remember what can be done to get rid of the competition), but very effective. No wonder that many business leaders, after achieving certain degree of success and amassing considerable wealth, might consider going into politics which is often met with a varying degree of success.

It also should be stressed that the gender aspect in business leadership still remains the hot and debated topic. Therefore, it should come as no surprise that several studies have found that women in the business world prefer to reconcile work and family life, which in some cases may delay their growth as business leaders. Given this profile and the gender gap in traditional companies, it seems clear that the cooperative formula is better suited to female executives. In addition, the cooperative movement is better aligned with the goals and strategies of joint growth and the fight against social inequality.

The leadership model helps identify archetypes that would most effectively advance a business. Each leader archetype has advantages in a particular area, such as: operation, business development or integration of mergers and acquisitions. The mixture of archetypes in a leadership model influences the highlighted behaviour and can be critical to the success of a transformation effort. The company developed a leadership model that focused on core values such as integrity and fairness, teamwork and spirit, and pride in the organization and its work.

When the team member can judge his or her own performance and identify areas of success and opportunity, the maximum benefit is achieved. Engaging the team member in the performance development discussions makes the coaching conversation more robust. In this case, the leader can create a trusting and cooperative environment.

One of the challenges of security management is the isolation that can creep into the job. The other sees the potential of his employees and takes responsibility for their further development. It is not always easy for senior executives, board directors, or HR managers to know exactly which camp best describes a particular manager. Some people spend time organizing themselves, giving the impression that they are thoughtful leaders when they largely ignore the people who work for them. However, there is a clear measure of whether a leader builds leadership: his or her track record.

A leader who develops leaders is probably also someone who can keep and develop individuals whose perspectives differ from their own. The people promoted by a leader are an indicator of the ability (or the lack of it) to create diversity. In order to win on multiple fronts in a complex world, executives need to build leadership. Responding to the feelings of one's subordinates is the quality of a true leader. Therefore, if one tends to blame everyone for some mistakes, she or he should try to hold oneself accountable. Conflicts in the working environment occur daily. As a leader, one has the task of helping as a mediator in conflict resolution if she or he wants to improve leadership.

Leadership and management experience are like education a signal for the skills and knowledge of the owners. SME owners with more management experience may be aware of growth strategies, foreign markets or other factors that could increase their export likelihood. SME owners with a considerable amount of experience

(which is often defined as 10 or more years of management experience) are more likely to export and to grow their companies (see e.g. Lee et al. 2015).

Thus, leaders represent the key feature of any business. Without them, companies, large and small, would never succeed. It can be very well seen on the example of the state-run companies (e.g. municipal services in many cities worldwide) – while state-run companies are expensive and ineffective, private companies that take over after them increase the quality and the output.

3 Leadership potential in SMEs

Based on the conceptualizations from previous studies, this study finds that business performance and organizational performance are interchangeable, as they all mean the same thing (Litau 2017). This may be due to too much trust in the methods and models used there, as the importance of conceptualizing organizational performance is ignored (Ponomarev and Petrov 2019).

Just as many studies stacked in the economic tradition, stressing the importance of external market factors in determining organizational performance, while others have built on the behaviour and sociological paradigm.

First of all, let us define the subject of our research. SMEs is a sub-section of a large family of enterprises, yet the most popular one in most countries. It is smaller and easier to manage, but not to small not to expand and to gain new portions of the market. Table 1 that follows provides classification criteria of enterprises according to size, per the recommendation of the EU Commission as of May 2003 (2003/361/EC) for legal and administrative purposes.

Table 1. Classification of small and medium, and large enterprises according to size

Enterprises	Year	No. of employees (headcount)	Annual turnover in mln. EUR	Annual balance sheet total in mln. EUR	Independence
Micro	1996	1-9	No	No	< 25% of capital or share of the other enterprise (i.e. in stock papers)
	2003	1-9	< 2	< 2	
Small	1996	10-49	< 7	< 5	
	2003	10-49	< 10	< 10	
Middle	1996	50-249	< 40	< 27	
	2003	50-249	< 50	< 43	
Large	1996	> 250	> 40	> 27	
	2003	> 250	> 50	> 43	

Source: Eurostat (2004)

Moreover, it appears very interesting to see how the SMEs are distributed by countries and regions. Eurostat (2015) has a very comprehensive statistics compendium on the SMEs in various European Union countries (see Figure 1 that follows).

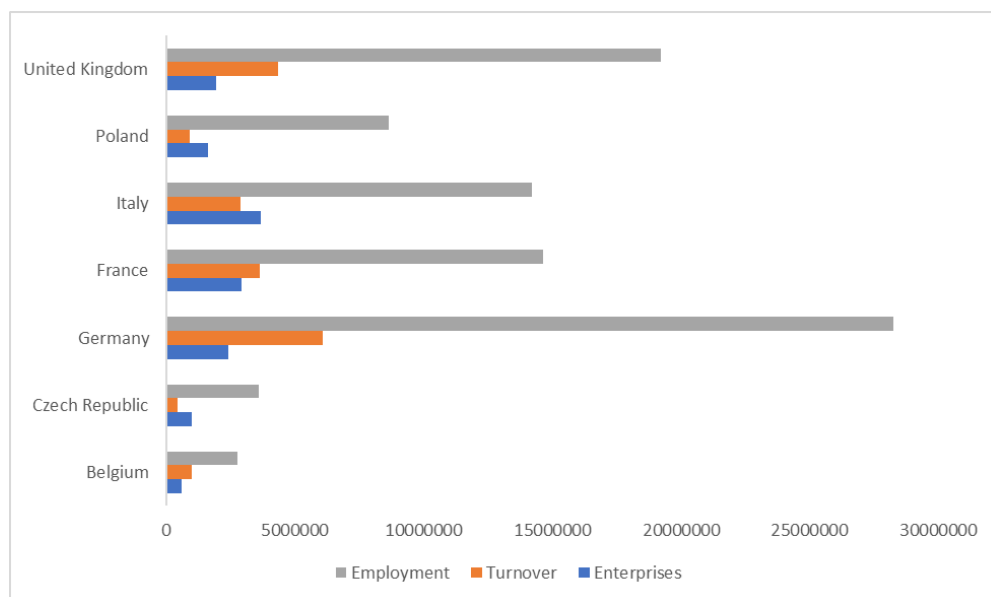


Fig. 1. Number of enterprises, turnover, and employment in European SMEs in 2015
Source: Eurostat (2015)

In Figure 1 that is shown above, turnover is presented in millions of EUR, and the number of enterprises (those with less 250 persons employed, thence SMEs) and the number of people employed is presented in plain numbers.

One can immediately see the differences between various countries, notably between the UK, France, Germany, and Italy. The model of leadership and success in the enterprises can also be influenced by their geographical location which is happening due to the national entrepreneurial and management culture.

Those studying leadership potential in companies have developed theories that include features, situational interaction, function, behaviour, power, vision and values, charisma, and intelligence (Jepson 2009). In the past, some researchers have argued that the actual influence of senior executives on organizational outcomes is overstated and romanticized by biased attributions of senior executives (Blight et al. 2011). It has been shown that the ability to acquire these unique powers enables leadership to influence subordinates and peers through the control of organizational resources.

Leaders need to know how and when they can best enforce, change, or stop approaches, tools, and processes that can deliver results. Senior executives in SMEs need to be aware that their actions are designed to help them and the organization to enhance their skills, knowledge and experience. While it's easier to talk or write on how to balance the role of a leader and a boss in an SME, in practice tasks do not always fall into such orderly departments.

Leadership in SMEs is also about having a fluid and adaptable way of dealing with work processes and strategies in designing the development of companies and agents (Abraham et al. 2015). A leader must know how and when he can best formulate, change, or terminate the methods, devices, and shapes that are suggested to achieve the results. Executives in SMEs must deliberately ensure that their activities are geared towards helping them and the association evolve in terms of expertise, learning and experience (Dimitratos et al. 2016).

Recent leadership quality research has shown that successful modern leaders are not only intelligent, adaptable and assertive, but should also provide positive impetus and develop followers to help the small business develop as this cannot be done by one person alone.

There are a wide variety of tools that enable executives to expand their expertise and develop the organization in the right way. Think about how these tools can improve your leadership and drive your small business to new heights. Many factors, among them useful information, skills and knowledge might help small and medium-sized enterprises to increase their workforce and thus their organization (Janda et al. 2013). Interaction is one of them. The more one talks to customers, the more obvious it becomes that the following five topics affect most of these organizations. Those for whom we get the highest interest are not highly technical advanced skills.

The demand our economy has for these five topics shows that employers have to face this reality: they need to develop their employees not just in terms of their business, but also in terms of skills that could be considered given. These five topics include personal branding, reducing stress levels at work, conducting effective meetings, presenting and influencing abilities.

By providing information about suppliers at various stages over time, the assessment can help understand how information affects small business network capital and how it impacts their businesses' performance. The Impact Assessment aims to understand how information affects small business network capital, how it impacts their businesses, and whether buyers select suppliers based on personal characteristics (such as gender). The Impact Assessment led to a dialogue with the government, the funding banks and other stakeholders.

Business development involves a series of tasks and processes that generally aim to develop and implement growth opportunities within and between organizations. The goals include branding, expansion into markets, attracting new users and awareness. However, the main function of business development is to use partners to sell to the right customers.

4 Self-realisation and risk-taking in business

The preliminary work has also shown that training to become an entrepreneur must be of high quality, in accessible places and at appropriate times, in order to attract busy female entrepreneurs. According to Nieman and Nieuwenhuizen (2014), growth and the desire for growth should be embedded in the mindset of the person who founds or starts a new business.

In general, entrepreneurs' intrinsic motivational factors have a considerable impact on SMEs growth. Such entrepreneurs are able to control the results and their actions determine the achievement of rewards. Nevertheless, valuation patterns across the different statements might vary according to the type and level of education. For example, fewer system outages and fewer email scams would increase awareness of security threats and better detection of social phishing attempts. Performance assessments and behaviour tracking can be used to determine if the security awareness program has been successfully established or not. Setting up a sophisticated security awareness program reduces the risk of small businesses gaining unauthorized access and stealing business information from their opponents.

When mentioning risk-taking in business in today's globalised world, cybersecurity should also be mentioned. Cyber risk is the risk of financial loss, disruption or reputational damage to a business due to a failure of its IT systems. At the same time, companies are collecting more personal information from their customers. The best advice for any new business owner is to formalize risk management right from the start. Good risk management protects the company's reputation and helps in planning contingent liabilities. Small business owners and leaders must be aware of the new rules, as this can result in severe penalties and reputational damage. There must be a clear option for consumers to refuse or revoke the previously given consent. Given the possible penalties and penalties, the right company insurance can make the difference between a fold or a continuation of trading.

Thence, risk-takers in business are often the leaders who are pursuing self-realisation at all costs. However, they need to be extra careful in modern conditions when digitalisation is penetrating all forms of business and possible data leaks and cybersecurity issues might hamper any successful company's growth on the market.

5 Conclusions and discussions

All in all, what is the successful small and medium enterprise? Is that the one that makes some net profit, or the one that is capable of staying on the market longer than a couple of years? If the latter would be the case, then it might have been very difficult to study the success of SMEs since all of those available for a study would be there on the market and thence would represent the most successful ones.

It appears that the best way to describe and to measure the success of the small and medium enterprise is to focus on its leader – its creator, manager, or owner. Enterprise leaders are best distinguished at SMEs which constitute a considerable part of many economies, most notably at the South of Europe. It appears much easier to track down single successful SMEs and to assess whether their success can be attributed to some luck or the hard work of their manager. In addition, it might be much easier to measure the SMEs manager's value-added to her or his company since it would be harder for her or for him to hide behind the others' backs as in the case of large multinational corporations.

Policymakers and stakeholders of all kinds should realise that SMEs were and would be the source of innovations and that their leaders should be promoted and nourished. Regardless of the national priorities for supporting small business, those potential business leaders should be supported, both in financial terms, and through various courses, workshops, apps, and the like.

References

- Abraham J, Strielkowski W, Vošta M, Šlajs J (2015) Factors that influence the competitiveness of Czech rural SMEs. *Agricultural Economics-Zemедelska Ekonomika* 61(10):450-460. doi: 10.17221/63/2015-AGRICECON
- Białowas P (2018) Enterprise restructuring: a quality management paradigm. *Czech Journal of Social Sciences, Business and Economics* 7(1):24-28. doi: 10.24984/cjssbe.2018.7.1.3
- Bligh MC, Kohles JC, Pillai R (2011) Romancing leadership: Past, present, and future. *The Leadership Quarterly* 22(6):1058-1077. doi: 10.1016/j.leaqua.2011.09.003
- Dimitratos P, Johnson JE, Plakoyiannaki E, Young S (2016) SME internationalization: How does the opportunity-based international entrepreneurial culture matter? *International Business Review* 25(6):1211-1222. doi: 10.1016/j.ibusrev.2016.03.006
- Eurostat (2004) SME Statistics. <https://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme> Accessed on 20 September 2019
- Eurostat (2015). Eurostat Statistics Explained. <https://ec.europa.eu/eurostat/statistics-explained>. Accessed on 19 September 2019
- Garfinkle JA, *Getting ahead: three steps to take your career to the next level*, 1st edn. (John Wiley & Sons, London, 2011), 288 p.
- Janda K, Rausser G, Strielkowski W (2013) Determinants of profitability of Polish rural micro-enterprises at the time of EU Accession. *Eastern European Countryside* 19:177-217. doi: 10.2478/eec-2013-0009
- Jepson D (2009) Studying leadership at cross-country level: A critical analysis. *Leadership* 5(1):61-80. doi: 10.1177/1742715008098310
- Karmarkar Y, Chabra M, Deshpande A (2014) Entrepreneurial leadership style (s): A taxonomic review. *Annual Research Journal of Symbiosis Centre for Management Studies* 2(1):156-189

- Koudelkova P, Svobodova P (2014) Knowledge creation & sharing as essential determinants of SMEs innovation. *International Economics Letters* 3(1): 12-20. doi: 10.24984/iel.2014.3.1.3
- Lee M, Yin X, Lee S, Weng DH, Peng M (2015) The impact of home country institutions on new venture export: examining new ventures in transition economies. *International Entrepreneurship and Management Journal* 11(4):823-848. doi: 10.1007/s11365-014-0316-5
- Litau E (2017) 'Evolution of species' in business: From mice to elephants. The question of small enterprise development. *Journal of Advanced Research in Law and Economics* 8(6):1812–1824. doi: 10.14505/jarle.v8.6(28).16
- Litau E (2018) Entrepreneurship and economic growth: A look from the perspective of cognitive economics. In *ACM International Conference Proceeding Series*, pp. 143–147. doi: 10.1145/3271972.3271978
- Morrison AJ (2000) Developing a global leadership model. *Human resource management* 39(2-3):117-131. doi: 10.1002/1099-050X(200022/23)39:2/3<117::AID-HRM3>3.0.CO;2-1
- Nieman G, Nieuwenhuizen C, *Entrepreneurship a South African perspective: A model for entrepreneurial development*, 3rd edn. (Van Schaik Publishers, Pretoria, 2014), 557 p.
- Ponomarev VA, Petrov MV (2019) Territorial interaction is the basis for the development of a small innovative enterprise and other territorial enterprises. *Radio industry (Russia)* 29(1): 61–66. doi: 10.21778/2413-9599-2019-29-1-61-66
- Preble JF (1997) Integrating the crisis management perspective into the strategic management process. *Journal of Management Studies* 34(5):769-791. doi: 10.1111/1467-6486.00071
- Rosli A, De Silva M, Rossi F, Yip N (2018) The long-term impact of engaged scholarship: how do SMEs capitalise on their engagement with academics to explore new opportunities? *International Small Business Journal* 36(4):400-428. doi: 10.1177/0266242617749885