

An Empirical Study on the Relationship between Leadership Style and Business Performance of Chinese SMEs

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Abstract: In today's enterprise management model, leadership style has an important impact on business management. To solve this problem, the academic community starts with the relationship between leadership style, economic capital and business performance, and proposes transactional leadership style and transformational leadership style, which influences the conceptual model and research hypothesis of business performance through leadership style. Through the empirical analysis of 2150 questionnaires in Nanchang City, Jiangxi Province, it is found that the contingency incentives and active exception management in the transactional leadership style have a positive impact on business performance. Economics and incentives in a transformative leadership style also have a positive influence on business performance. Economic capital plays a full intermediary role between the two leadership styles and business performance. Finally, the importance of the interaction between business management and future research prospects based on these two leadership styles is presented.

1. Introduction

In the new economic development environment, the core of economic globalization is no longer the single competition of regional policies, but the compound competition of technology, capital, talents and leadership. The resource management indicators, as the core strategy of the enterprise, play a vital role in the development of the enterprise.

The research on the factors affecting the business performance of the enterprise has experienced a path from the outside to the inside, that is, the transition from "homogeneity" to "heterogeneity" [1]. Today, from the perspective of enterprise resource-based theory, most of the differences in firm performance come from the resources it has, especially the differences in knowledge and capabilities, which are the dominant factors determining the competitive position of firms [2]. Leaders' strong sense of responsibility, unique strategic vision and strategic command capabilities play a vital role in business operations [3-4]. Leadership is considered to be the most critical factor in many of the factors that influence the future of a company. However, there are currently few leaders in China who can truly assume the responsibility of competition. Some scholars pointed out that for Chinese companies, the biggest challenge of innovation is not the lack of funds, nor the lack of management talents or methods, but the existing organizational model and corporate culture and the behavior of leaders. To a certain extent, the leadership style of Chinese business leaders has been suppressed [5]. Zhang Ping also pointed out that the most important reason for the short life span of Chinese private enterprises is that entrepreneurial leadership behavior cannot adapt to the development and changes of enterprises. It can be seen that leadership style has an important impact on the development of the company.

Enterprise development is inseparable from effective leadership. Leadership style is the most important influence variable on capital in individual factors. Therefore, studying the relationship

between leadership style, capital and business performance can understand how leadership influences business performance by raising capital. Therefore, it can provide practical significance for the development of enterprises [6-7]. On the other hand, in theory, it is very rare to have a role in promoting business performance through leadership influence on capital. Therefore, it has research value.

Throughout the relevant research institutes at home and abroad, most of the research on the factors affecting economic capital is concentrated on the corporate culture factors. However, as an important influence variable of economic capital, individual factors are rarely studied. The empirical study of the influence of leadership style on business performance has theoretical significance [8-10]. At the same time, exploring the relationship between leadership behavior and business performance through economic capital is also empirical research on leadership theory, which will provide a reference value for empirical research on the impact mechanism between leadership behavior and business performance.

2. Method

2.1. Literature Research.

The literature on leaders' leadership style, capital and business performance was searched and analyzed. After analysis, it was found that there are few studies on the level of leadership variables in China, so this paper mainly draws on some foreign research results. Based on reviewing the literature, some places that were not studied by the predecessors were found, and the research was carried out as the entry point, and the questionnaire was revised according to the sample characteristics of the survey.

2.2. In-Depth Interview.

In the design of the questionnaire, the authors constantly refer to other different questionnaires, and gained valuable experience. This aims to correct some unresolved problems and ensure the scientific and operability of the research.

2.3. Sample Selection and Data Collection.

The survey was mainly concentrated in Nanchang, Jiangxi. This is a place where Jiangxi enterprises are relatively densely distributed. At the same time, this is also a relatively dynamic place in Jiangxi's economy, which is representative of the survey results. Because the research content involves leadership style and economic capital, it also considers economic factors and selects enterprises with obvious economic capital characteristics, including state-owned enterprises, private enterprises and joint ventures.

2.4. Data Analysis Method.

In this paper, the data are analyzed by SPSS19.0 and LIRSEL8.7. The analytical methods used are descriptive statistical analysis, correlation analysis and analysis of variance. Among them, descriptive statistical analysis is to understand the variables in general through the analysis of statistical data. Since the questionnaire of this study was formed after modification on the basis of previous studies, in order to ensure the high reliability and effectiveness of the questionnaire, the questionnaire should be analyzed for credit and efficiency to ensure the investigation. The variable values of the questionnaire can truly reflect the actual situation. In addition, it is necessary to have a correlation between the leader's leadership style, economic capital and business performance, and whether there is a clear correlation between the variables of each study, and analyze the correlation. Then, the regression analysis is used to test the degree of overall fit to judge whether the hypothesis of the study is established. In addition, the variance variable is used to study the regulatory variables, and all the design arrangements of the study are completed.

3. Experiment

This paper mainly uses the method of issuing questionnaires to collect data. Because it involves the leader's leadership style and capital, the subjects of the questionnaire are mainly composed of two parts: 1 The questionnaire is distributed to the students who have already participated in the work, mainly taking the questionnaire. The method was filled in on the spot, in which 2000 questionnaires were distributed and 1900 questionnaires were collected, of which 1,850 were valid questionnaires. 2 The respondents used e-mails through the recommendation of university teachers, friends of related industries and classmates. Fill out the questionnaire, a total of 850 questionnaires were distributed, 300 were collected, and the invalid questionnaires were deducted. There were 171 valid questionnaires. A total of 2,150 participants were recovered in two parts, and the effective recovery rate was 70.91%.

4. The Analysis of Research Results

4.1. Descriptive Statistical Analysis.

Descriptive statistics is the use of mathematical language to express the characteristics of a set of samples or the associated features of the variables between the samples, to integrate a large number of data, to form a new understanding of the collection of data, that is, to summarize the common nature of the data obtained. The descriptive statistical analysis of this study included survey sample analysis and analysis of the study variables. The Likert 7-point scale was used to calculate the average book and standard deviation of each variable, thus making the basic situation of the sample data intuitive.

A total of 2,850 questionnaires were distributed in this study, 2,150 were returned, and 2021 valid questionnaires were obtained. The effective recovery rate was 75.44%. In this questionnaire survey, the sample investigator's situation analysis is shown in Figure 1 and Table 1 below.

As can be seen from Figure 1, the sample companies' industries are spread across multiple industries, mainly based on small and medium-sized private enterprises, including companies with different life cycles, and most of them are at maturity, and their leadership style and performance level are basically stable. State, this is suitable for research observations. In addition, the employee differences in each sample company also lead to different scales and different control rights of the company, which makes the sample enterprises broad and representative, and provides a reliable basis for this research analysis.

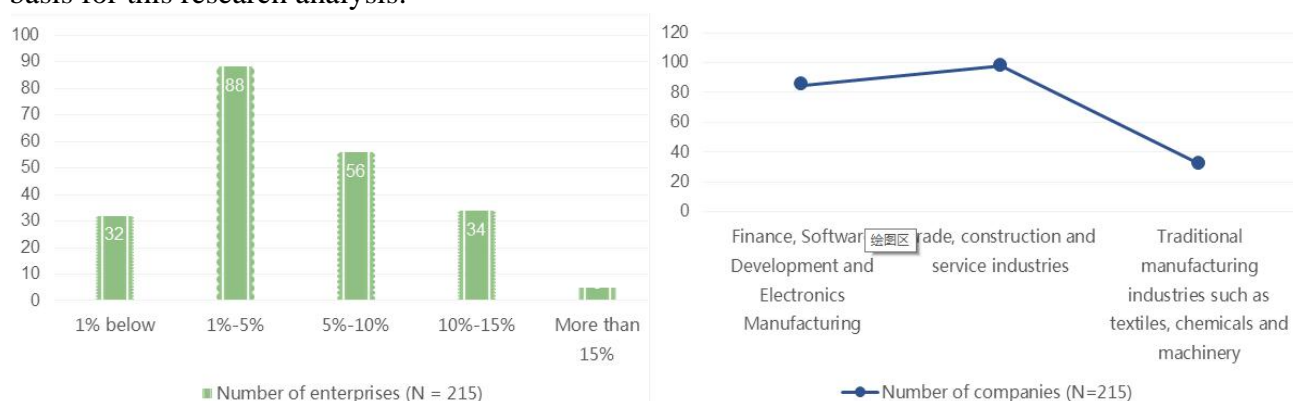


Figure 1. Basic information of valid sample companies

Gender. Among the respondents, males accounted for 62.79% and women accounted for 37.21%, indicating that men are the absolute leader in the leadership style of corporate leaders.

Age. In the age distribution, the proportion of leaders between 31 and 60 years old is as high as 70%, of which 31-50 years old accounted for 74.79%, which shows that this age is the core strength of business leaders.

Education level. Among the respondents, those who have received undergraduate education are

close to 80%, indicating that most of the enterprises are managed by people with higher education.

Table 1 Investigator personal basic information

Statistical	data	Number of people (N=2150)	Composition ratio (%)
Sex	Male	1350	62.79
	Female	800	37.21
Age	Under 30 years old	50	2.34
	31-40 years old	951	44.25
	41-50 years old	657	30.54
	51-60 years old	481	22.36
	60 or more	11	0.51
Education level	PhD and above	71	3.32
	Master's degree	700	32.56
	Bachelor	925	42.98
	College	270	12.58
	High school or secondary school and below	184	8.56
Position held	Senior manager	313	14.56
	Middle manager	779	36.25
	Grassroots manager	890	41.36
	General staff	168	7.83
The company has been working for a long time	2 years or less	163	7.56
	3-5 years	472	21.96
	5-10 years	976	45.39
	More than 10 years	539	25.09

Status of employment and working years. In the survey, the number of people in management positions was as high as 92.17%, and the number of people who had been in management for more than five years accounted for more than 70%. For this study, the survey results are still in line with the expectations of the research requirements. The selected respondents can make a more accurate evaluation of the subjects.

4.2. Relevant Analysis.

Correlation analysis is to understand the closeness of the relationship between variables and a description of objective things. In this study, the Pearson correlation coefficient was mainly used to analyze the correlation and significance between variables.

Table 2 Correlation analysis of leaders' leadership style and capital

		Leader's leadership style	Capital
Leadership style	Pearson Correlation	2	.984**
	Sig.(2-tailed)		.000
	N	205	205
Capital	Pearson Correlation	.984**	2
	Sig.(2-tailed)	.000	
	N	205	205

Table 3 Correlation analysis of leadership style, capital, and various factors

	Human capital	Structural capital	Relationship capital
Set vision	.621**	.312**	.584**
Interpersonal	.605**	.412**	.705**
communication	.435**	.402**	.805**
Formulating	.469**	.285**	.710**
Strategy			
Encourage staff			

As can be seen from Tables 2 and 3, the leadership style of leaders is significantly correlated

with economic capital in all aspects, confirming the assumption that leaders' leadership division and economic capital are positively correlated. In addition, from the analysis results, it is not difficult to see that there is a significant positive correlation between relationship capital and interpersonal communication and strategy, and a significant positive correlation between human capital and set vision and interpersonal communication. Interpersonal communication plays an important role in the organization and has an important influence on business performance. Among them, the correlation between human capital and relational capital in economic capital is particularly obvious, which proves that economic capital has a positive impact on business performance.

4.3. Analysis of Variance.

Leadership style and economic capital are also significantly different in different time periods. Among the mature and stable enterprises, the leadership and economic capital are better than the relatively unstable enterprises in the period of entrepreneurial growth. That is to say, the leadership level of different life cycle leaders and the level of economic capital are also significantly different.

Table 4 Differences in leadership style and capital over the life cycle of the business

	(I)fodder	(J)fodder	Mean Difference(I-J)	F	Sig
Leadership style	Less than 5 years	5-10 years	7.0251**	35.258	.000
		More than 10 years	-2.2356		.712
	5-10 years	Less than 5 years	-7.0251**	35.258	.000
		More than 10 years	-9.1235**		.000
	More than 10 years	Less than 5 years	2.2356	35.258	.712
		5-10 years	9.1235**		.000
Capital	Less than 5 years	5-10 years	-4.2512	25.012	.658
		More than 10 years	-12.5356**		.000
	5-10 years	Less than 5 years	4.2512	25.012	.658
		More than 10 years	-9.1235**		.000
	More than 10 years	Less than 5 years	12.5356**	25.012	.000
		5-10 years	9.1235**		.000

Tables 4 and 5 show that there is a clear difference between leadership style and economic capital in different industries. In the financial and high-tech industries, leadership style and economic capital are superior to the other two major industries. In traditional manufacturing, leaders have a slightly better leadership style than the trade, construction and service industries. That is to say, enterprises with different natures have significant differences in leadership levels and economic capital levels. In the same way, the difference between leadership style and business performance is particularly significant for the size of the company. In large-scale enterprises, leaders are better than smaller companies in their leadership style. The scale of the company and the performance of the business are directly proportional, that is, the larger the scale of the enterprise, the more prominent the performance. That is, the size of the company is significantly different from the leader's leadership style and capital level.

Table 5 Analysis of the difference between leadership style and capital in the industry

	(I)fodder	(J)fodder	Mean Difference(I-J)	F	Sig
Leader-ship style	Finance, software development and electronics industry	Trade, construction and service industries	7.1255**	37.558	.000
		Traditional manufacturing industries such as textiles, chemicals and machinery	-2.3625		.306
	Trade, construction and service industries	Finance, software development and electronics industry	-7.1255**	37.558	.000
		Traditional manufacturing industries such as textiles, chemicals and machinery	-9.2586**		.000
	Traditional manufacturing industries such as textiles, chemicals and machinery	Finance, software development and electronics industry	2.3625	37.558	.306
		Trade, construction and service industries	9.2586**		.000
Capital	Finance, software development and electronics industry	Trade, construction and service industries	7.3215	45.852	.000
		Traditional manufacturing industries such as textiles, chemicals and machinery	-9.1236**		.000
	Trade, construction and service industries	Finance, software development and electronics industry	7.3215	45.852	.000
		Traditional manufacturing industries such as textiles, chemicals and machinery	-15.3965**		.000
	Traditional manufacturing industries such as textiles, chemicals and machinery	Finance, software development and electronics industry	9.1236**	45.852	.000
		Trade, construction and service industries	15.3965**		.000

5. Conclusion

This paper combines the relevant research results at home and abroad, constructs the relationship between leadership style and business performance from the perspective of economic capital, and tests the theoretical hypothesis through empirical research. The results of the study echoed the view that "leader style has a significant influence on business performance" to some extent, and verified the mediating role of economic capital. The path analysis result of the model also supports its mediating role.

The impact of different environments in the enterprise on leadership style and economic capital is also different. Through the research of survey data, it is found that the leadership style and economic capital of the company are different in different life cycle and different industry domain characteristics and scale. Specifically, in the mature and mature enterprises, leaders have higher leadership styles and economic capital levels, and will be superior to other development stages of enterprises; for larger enterprises, leadership style and economic capital implementation will be stronger than that of smaller companies. These mainly illustrate two points: Firstly, the leader's

leadership style is a more effective leadership style to deal with complex and changing environments. Regardless of the environment, the leader's leadership style can use strategic thinking to solve problems and improve the competitiveness and risk resistance of the company. Secondly, economic capital as an important resource is crucial to the survival and development of enterprises. Among them, human capital, structural capital and relational capital determine the level of economic capital of enterprises, thus reflecting the core competitiveness of modern enterprises.

The leadership style and economic capital of the leader have a positive impact. Through correlation analysis and analysis of variance, the study found that, on the one hand, the set vision, interpersonal communication and motivation of leading employees have a significant positive impact on capital human capital, which indicates that the organization encourages through effective vision and strengthens internal incentives. Internal cohesion can enhance team awareness and improve overall academic strength, thus contributing to the improvement of human capital. On the other hand, the formulation strategy under the correct leadership style has a significant positive impact on structural capital and relational capital in economic capital. This shows that from a global perspective, the formulation of the strategy will definitely take into account the environment in which the company is located. In terms of organizational structure, not only the interests of members within the organization, but also the upstream and downstream relationships of other stakeholders and the industrial chain of the enterprise are considered to provide the competitive structure and relationship factors for the enterprise. This study provides an empirical analysis of the leadership style of the leader—capital-business performance. In the process of implementing leadership management, the company forms a competitive advantage with the economic capital of the company through the leadership style of the leader, and ultimately promotes the business operation.

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