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Towards an Understanding of the Relationship between Leadership Styles and Strategic Thinking: A Small and Medium Enterprise Perspective

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Abstract

This research quantitatively examined leadership styles relationship with strategic thinking in Small and Medium-Size Enterprises (SME's), which is an area that has yet to be explored. The research expands conventional thought regarding the role of leadership styles on employees' strategic thinking. This is significant because it serves as a presbyopic baseline study for the continuation of strategy thinking and leadership theory in the context of SME's. Cross-sectional survey research design was employed to collect 200 surveys from employees in industries located in the southeastern region of the United States. The sample data were analyzed using hierarchal regression analysis. Research findings suggests that transformational and transactional leadership styles have a positive and significant relationship with employee strategic thinking. And, Laissez-faire style showed a positive relationship with strategic thinking, but was not significant. Practical and theoretical implications are thus provided and a section that shares future research avenues.

Keywords: Leadership styles, Strategic thinking, Entrepreneurism, SME, Strategy, Leadership

Introduction

The extant literature indicated that research on strategic orientation is generally (Aloulou & Fayolle 2005; Hakala, 2011; Salavou et al., 2004) limited; particularly as it relates to the development of strategy (Kazmi & Naaranoja, 2013, p. 44). Furthermore, Zahra, Sapienza, and Per Davidson (2006) claim that "most research and theory building has focused on established companies thus ignoring new ventures and SMEs" (p. 4). Performance is vitally important to SME survival; however, it is equally important to examine what drives employee strategic thinking in the workplace that translates to action and serves to maintain competitive advantages. Research studies related to strategy, leadership styles, and SME's are sparse and does not provide the theoretical support showing the effects of leadership styles nor elements of strategic

thinking. This very sentiment was echoed by O'Regan, Ghobadian, and Sims (2005) who maintained that "most of the studies to date have focused on examining the bilateral relationship between two of these variables in a single study, rather than examining the relationship between variables simultaneously," and they went on further to say that "the majority of the literature focuses on large firms, and there is a dearth of research on smaller organizations" (p. 45). This study attempts to fill in these gaps. The primary research question ask if there is a leadership style that is related to employee strategic thinking? The secondary question is which of the leadership styles are significant? To examine these relationships, a robust statistical analysis is used to investigate these potential relationships. Employee's innovative, entrepreneurism, and strategic thinking have been understudied in terms of their relation with leadership styles, and there is a need for quantifiable justification for the interaction between these variables (Gross, 2016).

Gross (2016) research focused on a similar area of inquiry, which showed a positive relationship between transformational and transactional styles with entrepreneurial and innovative behaviors in Indian immigrant and American firms (Gross, 2016; Gross & Cabanda, 2016). However, there is still a need for more quantitative testing with this construct to explore the relationships and predictive nature with other organizational functions and behaviors. Understanding entrepreneurial leaders' styles and cognitive capabilities in shaping vision, direction, and employing appropriate framing based on immediate and spontaneous unforeseen situations is contemporary and salient issues in the extant literature. The following sections present the research hypotheses, theoretical considerations, literature review, methods, results, conclusion, implications, limitations, and future research. The research hypotheses are as follows: H^1: *Transformational leadership style has a positive relationship with strategic thinking in SME's*; H^2: *Transactional leadership style has a positive relationship with strategic thinking in SME's;* H^3: *Laissez-faire leadership style has a negative relationship with strategic thinking in SME's.*

Theoretical Considerations

This research is framed by leadership styles, strategic thinking and described in the following paragraphs, using literature that pertains to each of the presented independent and dependent variables. Literature included in this review was selected and added to the proceeding section based on the research approach and analyses conducted; that is, each of the included research studies were quantitative in nature.

Literature Review

Leader's behaviors are observable to subordinates through their verbal and nonverbal actions and communications with employees and co-managers, which gives the observer cues as to their leadership style. As subordinates observe leaders' behaviors, there is a counter outcome behavior of the employee, which makes leader styles important and complex. As such, leadership styles comprise of three distinct variations of behaviors, each with explicit visions of how leaders seek to influence their groups, teams, and individuals in their firm to meet commonly held goals. Yukl (2009) explained that leadership is the act of guiding, facilitating and influencing followers during activities related to the organization. Therefore, leadership styles can be seen as patterns

and approaches used to influence subordinate outcome behaviors that fit the demands of the SME environment, or the vision of the leader. Since there is no one way to lead employees, SME leaders could essentially employ different styles to engage different subordinates based on their needs or situations. Further, the presented leadership styles topology is broken into three unique approaches: transformational, transactional, and laissez-faire.

Burns (1978) introduced the conceptualization of transactional and transformational leadership based on a political perspective. The difference between transactional and transformational styles is primarily based on the medium of exchange between leaders and followers. Transformational leaders focus on higher order exchanges, which involve deeper long-term relationships with followers. Transactional leaders identify the needs of employees, reconcile their needs with those of others, then attempts to provide the need exchange based on resources. Bass (1985) persist that transformational and transactional leadership embody similar behaviors; however, conceptually, the two styles are different, as these differences are apparent in their dimensions. Although each style is distinct, leaders use different element of each style because no one style can be used in all situations. Therefore, leaders simultaneously and arbitrarily interchange styles, but, however, overtime there is a consistent observable trend bent toward a particular style.

Leadership Styles

There has been a considerable amount of research using transformational leadership as a focal point, mostly examining its effectiveness in business and organizational contexts. Burns (1978) description of transformational leadership was that it uplifts employees' morale, motivation, and supports their immediate needs and self-interests. The transformational style is intended to grow and mature subordinates; develop subordinates in ways that will allow them to do more than what they might have thought was possible themselves (Burns, 1999). Lowe, Kroeck, Sivasubramaniam (2006) explained that "Transformational leaders seek new ways of working, seek opportunities in the face of risk, prefer effective answers to efficient answers, and are less likely to support the status quo" (p. 3). Transformational leadership comprise of four unique domains: idealized influence, intellectual stimulation, individual consideration, and inspirational motivation. Transformational leadership style has been tested both qualitatively and quantitatively, and the consensus amounts to the fact that it empowers followers to be independent; develops visions and articulates a vision, with a high attention to others in a way that stimulates intellect, and inspires people to a large degree (Lowe, Kroeck, & Sivasubramaniam, 1996). Aga, Noorderhaven and Vallejo (2016) explained that, "a transformational project manager motivates and inspires teammembers towards a holistic conception of project success, characterized by efficiency, effectiveness, and stakeholder satisfaction" (p. 814). In fact, this study used a population of 200 project development managers, and found that the components of transformational leadership (i.e., idealized influence, intellectual stimulation, individual consideration, and inspirational motivation) were effective in team-based project success. These transformational domains combined, according to Aga, Noorderhaven and Vallejo (2016) impacts employee commitment, guides novel and creative ideas, and encourages development of individual potential (Avolio et al., 2004).

Several studies showed that transactional leadership was positively correlated with many organizational behaviors and functions (Barling, Weber, & Kelloway, 1996). Some of which reported that transactional leadership style correlates with small business performance, firm growth, and influences employees' strategic behavior (Lowe et al, 1996; Bass et al, 2003;

Chung-Wen, 2008; Norzailan, Yusof, & Othman, 2016). The transactional style of leadership is based on identifiable and mutually beneficial transactions between follower and leader. That is, transactional leaders focus is the antithesis of transformational leaders; in that, the primary focus is on how to exchange resources for either compliance and performance (Judge & Piccolo, 2004). The three domains of transactional leadership are contingent reward, management-by-exception—active, and management-by-exception—passive (Judge & Piccolo, 2004; Howell & Avolio, 1993). Transactional leaders identify the needs of employees, and provide the need exchange based on resources. Bass (1985) persisted that transformational and transactional leadership embody similar behaviors; however, conceptually the two styles are different, as these differences are apparent in their domains. The domains are encapsulated in the behavioral approach of transactional leader's, and visually observable by employees, and could involve exchanges ranging from praise to punishment (Antonakis, 2001; Avolio, Bass, et al., 1999; Bass, 1997; Judge & Piccolo, 2004; Yukl, 2004). For example, contingent reward is based on the "degree to which the leader sets up constructive transactions or exchanges with followers: The leader clarifies expectations and establishes the rewards for meeting these expectations" (Judge & Piccolo, 2004). Management-by- exception-active is when leaders "monitor follower behavior; anticipate problems, and take corrective actions before the behavior creates serious difficulties" (Judge & Piccolo, 2004). And, management-by- exception-passive is when leaders "wait until the behavior has created problems before taking action" (Judge & Piccolo, 2004).

Wofford and Goodwin (1994) explained that transactional leaders' foci are directed at defined performance goals, goal commitment, role expectations, and task-related skills. This style also has a focus on task, targets, and levels of achievement. The underpinning of this leadership style is the explicit exchange between each individual involved based on mutually satisfying agreements. All exchanges that are provided are not equivalent, as there are exchanges which are distinguished between low quality or high quality exchanges (Kuhnert & Lewis, 1987). O'Regan, Ghobadiam and Sims, quantitatively tested leadership styles, performance attainment, and strategy. They found transactional leadership to be significantly correlated with short-term performance, and to have an internal orientation. That is, leaders that focus on short-term performance improvement initiatives, used a transactional style, because of the extrinic view of the exchanges by the receiving parties. In the same vein, transactional leadership style was positively correlated with strategy as a control mechanism. Love and Roper (2015) suggested that since the transactional style was correlated with control, smaller firms see benefits in managers employing a transactional style, as they can control and monitor employee performance.

Regarding the laissez-faire leadership style, there stands a sparse amount of research reporting on how it affects followers' behavior within the firm (Hinkin & Schriesheim, 2008). Although, Gross (2016) showed that laissez-faire style positively relates with entrepreneurial orientation and negatively relate to innovative behavior in Indian immigrant firms; there is no knowledge as to how laissez-faire relates to strategic thinking in SME's. Further, laissez-faire style is often missed, overlooked, and rarely is the focus when examining its relationship, correlation, and impact in the organizational literature. This style is connoted with the term "nonleadership" which essentially means "avoiding decisions, hesitating to take action, and being absent when needed" (Hinkin & Schriesheim, 2008. p. 4). The behaviors of laissez-faire leaders are unintentional, not premeditated, and often goes unnoticed by leaders themselves, and thus subordinates' behaviors become motivated by various internal and external environmental factors (Hinkin & Schriesheim, 2008). Per Hinkin and Schriesheim (2008), the laissez-faire style

has two dimensions: *reward omission* which is when "managers do not respond to what a subordinate perceives to be his or her good performance" and *punishment omission* is when "managers do not respond to what a subordinate perceives to be his or her poor performance" (p. 8).

H^1: *Transformational leadership style has a positive relationship with strategic thinking in SME's*
H^2: *Transactional leadership style has a positive relationship with strategic thinking in SME's*
H^3: *Laissez-faire leadership style has a negative relationship with strategic thinking in SME's*

Strategic Thinking

Strategic thinking is a thought process that is conducted by individuals to creatively reinterpret the most commonly held positions and attitudes regarding an organizations strategy. This mode of thinking is often considered, out-of-the box thinking. When in fact, the act of strategic thinking is within-the-box thinking, used primarily as a source to avoid derailment from a failing strategy. For example, if one employs strategic thinking to develop a strategy with management tools alone, it will not ensure success. That is, strategic thinking serves to maintain and ultimately to increase organizational competitive positioning through value-added actions, which thus requires the narrowing of the gulf between echelons, and reshaping the organizational social architecture, so to fit emerging environmental situations and new opportunities within a commonly held framework. According to Gross (2015), Bonn (2005) posited that strategic thinking is "the way of solving strategic problems that combines a rational and convergent approach with creative and divergent thought process" (p. 8).

Strategic thinking is the overall mindset, which includes requisite competencies, and skill-sets that enables one to conceptualize strategy in terms of "thinking," thinking that is directly or indirectly allied to firms' processes, situational contexts, and content. Strategic thinking is the polar opposite of thinking linearly or maintaining the status quo, and thus this mode of thinking requires one to use systems thinking, reflection, and reframing skills (Pisapia, 2010). Further, Pisapia et al. (2009) stated that "leaders who find themselves in such messy, chaotic, complex environments fail because they are trained in and rely upon linear thinking that does not work in situations characterized by ambiguity and complexity" (p. 46). To add, strategic thinking and strategic planning are different (Bonn, 2005) theoretically, but rather interrelated with a myopic view on solving strategic problems when deployed. Strategic thinking attempts to balance the ebbs and flows of the internal and external landscape in which the firm exists and to incorporate both realities back into the firms' contextual realities as a check to either deviate or stay the course of a strategic plan. The mindset of strategic thinkers is not linear, nor do they overuse quantifiable indicators as the only navigation mechanism (Pisapia et al., 2009). This is suggestive that strategic thinking is having the ability to activate a mental mode that incorporates multidimensional and interrelated functions of the firm to drive change, create momentum, garner support, and to react proactively upon the realization of untapped opportunity. It is the leader's ability to think through problems and to align thinking with emerging real-time unplanned change. Certainly, leaders have courses of action in which they must execute on, which is the strategic plan, but the reality is that markets are hyper-competitive and volatile, which necessitate the need for leaders to think aberrantly about emerging solutions to emerging issues (Graetz, 2002). As such, strategic thinking is dependent on the firm's social system, as it is the strategic thinkers' ability to incorporate, motivate and to find support within systems that can both cultivate and encourage this mode of thinking. In similar fashion, other modes of thinking

have been brought to the fore that are aligned with the broad understanding of strategic thinking, such as: process thinking within the firm's system (Capra, 2002), cognitive mapping/ schema thinking (March & Simon, 1958), systems thinking (Senge, 1990), creative thinking (Basadur, Runco, & Vega, 2000), and framing (Perkins, 1986).

Three strategic thinking skills were identified as being salient and fundamental for the engagement of vision and direction. Pisapia et al. (2009) outlined the three strategic thinking dimensions: reframing, reflecting, and systems thinking. Reframing is a conscience effort to use multiple perspectives to gain deeper insight to generate new courses of action. Reflecting encompasses the ability to discern, add personal experiences to make sound judgement. Technical, practical, and critical skills are the dimensions of the reflecting stage. System's thinking is having an awareness of ones' surroundings, relationships and how ones' role fits into the firm's spin wheel of functions, and how their input and output impacts the entire ecosystem. In a similar vein, Liedtka (1998) made clear distinctions between strategic thinking and strategic planning, by explaining that strategic thinking is a concept of practice at the individual-level; and strategic planning operates at the firm-level. Most importantly, strategic thinking is couched in process-orientation. This thinking mode finds opportunity, or a direction that is promising, but often invisible to others. Based on The Five Pillars of Strategic Thinking, presented by Liedtka presents the salient elements that comprise the strategic thinking concept: systems perspective, intent-focused, thinking in time, hypotheses-driven, and intelligent opportunism.

Table 1: The 5 Pillars of Strategic Thinking

Strategic thinking elements	Element definitions
Systems perspective	Strategic thinking is built on the foundation of a systems perspective. A strategic thinker has a mental model of the complete end-to-end system of value creation, and understands the interdependencies within it.
Intent focused	Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve a goal.
Intelligent opportunism	Within this intent-driven focus, there must be room for intelligent opportunism that not only furthers intended strategy but that also leave open the possibility of new strategies emerging. In writing about the role of "strategic dissonance" in the strategy-making process at Intel, Robert Burgelman has highlighted the dilemma involved in using a well-articulated strategy to channel organizational efforts effectively and efficiently, against the risks of losing sight of alternative strategies better suited to a changing environment.
Thinking in time	Thinking in time, in this view, uses both an institution's memory and its broad historical context to think well about creating its future. This requires a capability both

	for choosing and using appropriate analogies from its own and other's histories, and for recognizing patterns in these events.
Hypothesis driven	The final element of strategic thinking recognizes it as an hypothesis-driven process. It mirrors the "scientific method", in that it deals with hypothesis generating and testing as central activities.

Retrieved from Liedtka (1998) "The Pillars of Strategic Thinking"

   The domains of strategic thinking are categorized as capabilities that can theoretically be diffused at all levels of an organization, but initiates at the individual-level. Goldman and Casey (2010) agreed that strategic thinking is critical for leading organizations existing and future strategic plans. Goldman and Casey also asserted that "Limited work has been done addressing individual, group, and contextual factors contributing to strategic thinking" (p. 119). The diffusion of strategic thinking has the potential to transform all levels of a firm; although, the inception starts at the individual-level, but ultimately needs organizational support to reach the potential of being diffused. Strategic thinking requires one to apply experience, knowledge, and hypotheses to a situation for the resolution of an issue. Although, this style of thinking can be attributed to many internal and external factors, but it is the mode that becomes activated when one's experience is reflected upon and exercised through strategic-action processes, which in turn increases strategic learning. Goldman and Casey (2010) echoed (Yukl, 2006) who asserted that, "for maximum impact, learning experiences need to include an element of challenge, provide feedback, and allow the learner to reflect on the experience and identify learning from it" (p. 125). Strategic thinking is reinforced with internal feedback, individual reflectivity, and the ability to apply it in chaotic or challenging situations within the firm.

   Amitabh and Sahay (2008) propose that strategic thinkers embody a specific set of niche attributes that distinguishes them from non-strategic thinkers. The attributes are: leadership; can visualize long-term future scenarios; can form broad-based strategies and allow others to emerge in time; look for environmental cues to develop; identify patterns based on intuitive thinking; and, rewriting rules of competition. The strategic thinking attribute model echoes the importance of strategic choices and decision-making by leaders. Strategic thinkers make decisions based on current situations, and can project the future impact of decisions made by other members of their firm. Essentially, the strategic thinking of firm members should circumvent a core vision. Amitabh and Sahay (2008) shared the sentiments of Ohmae (1982) who described strategic thinking within the firm as an, "idiosyncratic mode of thinking in which company, customers and competition merges in a dynamic interaction out of which a comprehensive set of objectives and plans of action eventually crystallizes" (p. 6). Norzailan, Md Yusaf, and Othman (2016) proposed a few strategic thinking competencies that are essential to effectively engage, think, and to form independent judgment. These competencies accumulate as leaders mentally transition from a conceptual to operational mind-set, while simultaneously thinking of the potential implications of strategic tactics. Table 2 outlines the strategic thinking competencies.

Table 2: Strategic Thinking Competencies

Strategic Thinking competency development	Definition of competencies
Deliberate practice	Deliberate practice involves designing learning experiences that provide the opportunities to make mistake and for the learner to repeat a task. This enables learning from mistake, supports improvement and ultimately leads to mastery. Experienced-based learning often requires the use of multiple skills. This includes working across functions, negotiating resource allocation and managing alliances with related parties. This helps to develop many of the competencies related to strategic thinking.
Creation of experience density	When learners experience complex problems, density of experience is created. A dense experience presents complex situations that the learner has to overcome. Creating experience density can also train learners to keep a long-term perspective and be intent focused. Combined with mentoring; extra challenging and stressful assignments can be used to help learners develop their sense of priorities and staying focused on objectives. This ensures that the learners are not easily distracted by short-term problems and lose sight of their long-term goals.
Reflective learning	Strategic-level leaders need to synthesize conflicting and incomplete information. In addition to learning through various activities, individuals need to also reflect on their learning experience. Reflection is also an important element in experience formation and usually comes through thoughts and feelings. Reflection is a key element in creativity because it provides the impetus for considering of alternatives. Reflection is a mental activity that involves investigating one's own action in various situations. It includes reviewing of one's experience, analyzing the causes and effects of an issue, and the drawing of conclusions concerning future action.

Retrieved from: Norzailan, Md Yusaf, & Othman (2016) Developing Strategic Leadership Competencies

Nuntamanop, Kauranen, and Igel (2013) purported there is a "gap of knowledge in definition and attributes of strategic thinking in strategic management" (p. 248). Their research proposed a strategic thinking process model which includes the characteristics that impacts business strategy as a result of strategic thinking by firm leaders. As such, the authors used the

recommendation of Tovstiga (2010) who explained that strategic thinking process includes "developing strategic questions, forming issues, developing insight using strategic analysis, assessing competitive landscape, and generating strategic options (p. 247). Their research and analysis revealed 25 skills and abilities linked with strategic "thinking." As a result, Nuntamanop, Kauranen and Igel's skills and abilities includes: conceptual thinking ability, visionary thinking, creativity, analytical thinking ability, learning ability, synthesizing ability, and objectivity. Their strategic thinking model concretizes the strategic thinking competencies. Nuntamanop, Kauranen and Igel model supports the notion that strategy "thinking" formulation was primarily conducted at the individual-level. Their model analysis suggests when business strategists use these competencies, based on the elements in the competency model, they are better able to identify, test, and readily pursue strategic decisions. In the same vein, Waal et al. (2012) expressed that personal qualities, intuition plays important roles in the effectiveness of strategic thinking, which ultimately leads to dynamic strategic formulations, actions, and strong organizational performance.

Székely (2015) proposed the Three Levels of Strategic Thinking model which was adopted from Baracskai and Valencei (2011). This model purport that strategic thinking can only be as successful as its thinkers. In this view, and the levels provided by Székely, strategic thinking develops through sequential levels; and, thus eventually through experience, skillfulness, and implementation, then one can expound good judgment and decision-making in a time of organizational need. Strategic thinking skills, according to Sekely, add to one's ability to think creatively, innovatively, and conceptually within a frame of reference. The levels of strategic thinking functions within and around organizational politics, organizational design, and organizational constraints. The first level is *how* individuals can find the right strategy by exploring the organization strengths and weaknesses using strategic analysis; they have the basis of competencies to aggregate and reliable data to move an initiative forward. The second level is *when* individuals are able to use learning to perpetuate innovative techniques and implant these innovative techniques to new situations and also use innovation to solve on-going solutions within firms. The third level explains that *when* individuals have both experience and can augment their experience, obtain high level information to create vision and direction, as if an artist would out of materials, but create a vision or path direction as an artist of the strategy.

Method

A cross-sectional survey research design was used to gather data from sample respondents that were actively employed in small and medium sized enterprises in North Carolina, United States. The demographics ranged in cultures, firm size, age, gender, and industry of each sample respondent. Employee titles ranged from half-time employees, shift managers, and unit leaders. In either case, the surveys were administered and collected from all respondents in the field, the same day as administration. The rationale in using survey instrumentation was to generalize from a sample to a population, so that the attitudes, behaviors, and characteristics can be inferred (Creswell, 2009). SPSS was used to analyze the data and answer the presented research hypotheses. The hierarchical regression analysis was employed, while controlling for job title, experience, and gender. Presented in the proceeding sections are the sample respondents demographics, instruments, correlation table, descriptive statistics, hierarchy regression model, conclusion, limitations, and future research.

Samples

      The sample populations were located throughout North Carolina, United States. Sampling of the various businesses lasted six months. Managers, back and front office, full-time employees of all titles were randomly sampled. The SME's represented various industries and competes in many business industries across the United States. Convenience sampling was used based on the naturally formed groups of employees at each firm that was visited to collect samples (Creswell, 2009). The respondent sample populations were randomly sampled, so that there is equal probability of individuals in the population. Creswell (2009) explained that with randomization, "a representative sample from a population provides the ability to generalize to a population" (p. 155). A total of 200 samples were collected throughout a six-month period. Three instruments were used to collect data from the sample respondents.

Instrument

      The Multifactor Leadership Questionnaire (MLQ) was used to gather data; it has 40 items, reliability of .93, Cronbach's alpha of .70, on a 4 point Likert scale. And, the Strategic Thinking scale (STQ) developed by Pisapia, Reyes-Guerra and Coukos-Semmel (2005) that measures individual's systems thinking, reflecting, and reframing. This instrument has a five point Likert scale, where a higher value reflects greater use of the strategic thinking skills. The instrument yielded a Cronbach's alpha of .91, has 25 items, and has three subscales.

Results and Discussion

      Table 3, 4, and 5 present descriptive statistics, respondent data, and correlation of the variables. These tables display the variables used for this study and provides a data on the sample respondents. The demographic breakdown of the industries that participated in this research was, 20 % technology, 10% financial, 10% hospitality, 20% retail, and 40 % professional services. 60% of sample respondents were upper and middle managers, 20% were front-line managers, and 40% were full-time and half-time employees. The proposed hypotheses were tested using hierarchical regression analysis, while controlling for gender, job title, and employees' years of experience. Hierarchical regression is useful because the independent variables are entered in blocks based on theoretical grounds, and each of the independent variables are accessed based on what it adds to the prediction of the dependent variables (Pallant, 2009; Hair et al., 2010).

Table 3: Descriptive statistics

	Mean	Std. Deviation	N
Transactional Style	2.7	.92	200
Transformational Style	2.8	.94	200
Laissez-faire Style	2.6	.87	200
Strategic Thinking	2.6	.78	200

Table 4: Correlation of variables

		1	2	3	4	5	6	7
Title	Sig. (2-tailed)	_						
Years	Sig. (2-tailed)	.04*	_					
Gender	Sig. (2-tailed)	.97*	.00**	_				
Transformational leadership style	Sig. (2-tailed)	.08	.41	.46	_			
Transactional leadership style	Sig. (2-tailed)	.44	.14	.22	.00**	_		
Laissez-faire leadership style	Sig. (2-tailed)	.75	.56	.17	.00**	.00**	_	
Strategic Thinking	Sig. (2-tailed)	.07	.20	.12	.00**	.00**	.01**	_

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

Leadership Styles and Strategic Thinking

H^1: Transformational leadership style has a positive relationship with strategic thinking in SME's.
$H^{2:}$ Transactional leadership style has a positive relationship with strategic thinking in SME's
H^3: Laissez-faire leadership style has a negative relationship with strategic thinking in SME's

Analysis was conducted to examine the relationship between leadership styles and strategic thinking, controlling for job title, years of experience and gender. The analysis presented the R^2 as 4% of the control variance, and R^2= 18% of the variance for the control and independent variables. The model shows that strategic thinking accounted for 15% of the variance in the dependent variable. The model output: F (3,196) = 1.9, p <.05 shows that strategic thinking has a significant and positive relationship with two of the leadership styles. Transformational leadership style was positively related and statistically significantly (β = .21, p < .05), transactional leadership style was also positively related and statistically significant (β=.22, p <.05), and laissez-faire was positively related but not significant (β = .02, p >.05); therefore, **hypotheses H¹ and H² are both supported** and **hypothesis H³ is unsupported.**

Table 5: Regression coefficient—strategic thinking (n = 200)

		Model 1 β	Model 2 β
Step 1	(Control Variables)		
	Gender*	.16	**.15**
	Title	-.10	-.13
	Years	-.14	-.09
Step 2			
	Gender*		**.15**
	Title		-.13
	Years		-.09
	Transformational*		**.21**
	Transactional*		**.22**
	Laissez-faire		.02
	R^2	.04	.18
	F*	2.9	**6.9**
	df	(3, 196)	(6, 193)
	R^2 Change	.03	.15

*p < .05

Conclusion

There are few studies that have empirically tested the relationship of leadership styles on strategic thinking to date. This research adds to the theoretical understanding of how these variables are related, but there is more that needs to be done in this area. With the uncovering of these significant findings, both leadership styles, transformational and transactional, have a positive relationship with strategic thinking in SME's. However, leadership styles explained 15% of the variance in the model. Although strategic thinking is positively related to leadership styles within the context of SME's, laissez faire style has a positive relationship but did not meet significance. Keeping in mind that reward omission and punishment omission together comprise the domains of laissez-faire leadership style (Hinkin & Schriesheim, 2008). This finding is somewhat dissimilar from previous research, but is along the same lines in terms of the aggregate results based on laissez-faire style having a negative association or correlation with other behavioral variables. For example, Skogstad et al. (2007) purport that laissez-faire style predicts work-place stressors. When employees are exposed to the laissez-faire style leaders, their perceptions of leaders' employee treatment quality thus diminish over time (Skogstad et al., 2007. The laissez-faire style was found to be negatively associated with employee job satisfaction; and negatively impactful on group and team climate (Judge & Piccolo, 2004), and negatively associated with ethical leadership (Ofori, 2009). Consequently, most research using laissez-faire leadership style tend to report negative associations with other organizational behaviors, but few have tested laissez-faire with a construct that requires individual initiation and cognitive processing, as in this research. Although, laissez-faire did not meet significance in the

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third hypothesis, it showed a positive relation which is worth mentioning. Viewing laissez-faire through the lens of Norzailan, Md Yusaf, and Othman's strategic thinking competencies, Liedtka's Pillars of Strategic Thinking, and Pisapia et al's strategic thinking dimensions, it makes sense that laissez-faire had a positive relationship with strategic thinking; these dimensions, competencies and pillars incorporate elements of self-initiation, reflection, and awareness. Therefore, it is conceivable that laissez-faire style, if increased would be related to an increase in strategic thinking, due to the individual nature of strategic thinking.

Based on the positive and statistical significant relationship, transactional and transformational styles both provide theoretical and practical direction for future research; that is, entrepreneurial leaders can employ styles so to direct and sustain entrepreneurism. Conceptually, what can be suggested is that transformational style embodies elements that supports strategic thinking. The transformational domains: individual consideration, intellectual stimulation, idealized influence, and inspirational motivation presents strong linkage with the competencies of strategic thinking proposed by Norzailan, Md Yusaf, & Othman (2016) such as providing deliberate practice, reflective learning, and creation of experience density. Further, transactional leadership was positively and significantly related with strategic thinking, as the domains of the transactional style, especially contingent reward, could be the main influencing factor in this finding. Contingent reward was shown by (Lowe et al, 1996; Bass et al, 2003; Chung-Wen, 2008; Norzailan, Yusof, and Othman, 2016) to be correlated with business performance, growth, and a powerful influence in motiving employees. Strategic thinking is aimed at growth potential, and increased performance, making sense of the competitive environment; albeit, this mode of thinking is initiated at the individual-level, it is shared amongst the broader social-context of firms.

The positive linkages between transformational, transactional leadership, andstrategic thinking suggests that since strategic thinking is thus related to leadership styles, leaders can assist and cultivate strategic thinking behaviors so that employees can better position themselves to deal with unplanned change (Graetz, 2002). Székely (2015) additionally added that strategic thinkers can handle strategy deviation because they think of the *why, what, how and when* in each situation, considers resources, and are efficient with timing to create the best solution. These thought elements are positively related to contingent reward, management-by-exception, intellectual stimulation, idealized influence, and individual consideration, which coupled with strategic thinking processes helps strategic thinkers create new paths by framing and mind-mapping new unforeseen opportunity. Amitash and Sahay (2008) added a dynamic interaction between strategic thinking, the firm, and its customers. This dynamism is a result of internal creation of tacit knowledge which is the outgrowth of strategic thinking. This assertion is in-line with the results of the findings in this research, as Pérez-Luño, Saparito, and Gopalakrishnan (2016) also found that high levels of entrepreneurism was positively correlated with the use and creation of tacit knowledge; knowledge that is internally transferable, can be used and harnessed, and allows strategic thinkers to deliberately employ it. Limitations present themselves in research; therefore, a few fruitful areas on limitations and future research are noted in the preceding section.

Implications

Leadership styles for managerial action to support and cultivate employee strategic thinking capabilities have both intended and unintended consequences. This research does not support the assumption that strategic thinking is initiated due to management leadership per se,

but, rather, as a process in which can be harnessed and utilized by the employee to support the goals of the firm. Therefore, the net balance of strategic thinking is strong when entrepreneurial leaders exhibit certain styles that are significant and strong. That is to say, strategic thinking is s a process-orientation, where knowledge is gained then strategically used (Pérez-Luño, Saparito, and Gopalakrishnan, 2016), to find the best solution or trade-off from a set of choices considering the set of resources available (Székely, 2015), but there must be support at the firm level where the infrastructure is designed for strategic thinkers to have impact. According to Norzailan, Md Yusaf, and Othman (2016) leader managers and owners should develop an integrated and non-substitutable effective strategic thinking competencies. In this case, there are both practical and theoretical implications that leaders, managers, and owners should consider.

Practical implications

In a practical sense, entrepreneurial leaders use many variations of leading interchangeably depending on current and preexisting situations. However, one style may have more currency power than another, which was suggested by Lowe, Kroeck, Sivasubramaniam (2006) who expressed that transformational leadership was the antithesis of the status quo; rather transformational style is used to seek opportunities to face risk, seek to invest in relationships, and grow others to a large degree. Transactional style, on the contrary, seeks to provide exchanges that entices the other so they can focus on the firm's goals, targets, and reaching higher levels of achievement. Therefore, the effect of these styles on strategic thinking is paramount, and is a strong mechanism to increase performance. Managers that employ exchanges to focus employees on goal attainment can work for the short-term, but effective strategic thinking requires gathering information, using the information, and implementing the information in a way that halts management inertia or complacency. Strategic thinking, is in of itself, the movement away from firm inertia and complacencyNuntamanop, Kauranen and Igel explain that firms should have a structure where managers with leadership capabilities can co-develop employees: conceptual thinking ability, visionary thinking, creativity, analytical thinking ability, learning ability, and synthesizing ability.

Theoretical implications

In a theoretical sense, the literature on strategic thinking has not been tested empirically with leadership theories; therefore, the nature and correlation of strategic thinking with other leadership behaviors is essentially nonexistent (O'Regan, Ghobadian, and Sims, 2005), and not much distance has been made on a theoretical basis between strategic thinking and strategic planning (Bonn, 2005) in the strategic extant literature, but, it seems the latter is changing. There is, however, support from previous research that showed strategic thinking linked with individual entrepreneurial behavior (Jelenc and Pisapia, 2015), impacting upper echelon decision-making, influences the firm's social system (Capra, 2002), and was influential amongst cultural elements and cultural distance (Dragoni, et al., 2014). These findings provide a baseline in bridging the gulf between strategic thinking and leadership theory, as this research provides sound quantitative analysis to thrust future research forward. This is so that strategic thinking can be tested across the plethora of leadership models, constructs, and theories. That way researchers can actualize a causal relation with leadership and gain a stronger theoretical basis in understanding the antecedents of managerial strategic thinking when in execution and the process of leading members in a firm, group, or team.

Limitations and future research

        Future inquiries on strategic thinking should focus attention on teams and work-groups, and the impact of leaders' behaviors, especially geographically dispersed teams. This should include a sharp focus on strategic thinking in teams with an added cultural component, where various cultures are the focus in terms of how strategic thinking is viewed, rewarded, and supported within the various functions of the firm, large and small. Also, there should be more quantitative testing of strategic thinking competences related to SME efficiency, productivity, and absorptive capacity. Another limitation that existed in this research was the diverse nature of industries sampled, but future research could capitalize on focusing on a narrower industry which could provide more insights on how strategic thinking is rewarded, motivated, and pursued compared to other industries or cultures. The same with leadership, perhaps leadership styles react differently when tested in a specific industry and within a different larger context.

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