

Business Leadership in SMEs and its Effectiveness in Work Performance

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Abstract

Business leadership in small and medium-sized businesses (SMEs) is essential to guarantee commercial success, optimal working conditions, as well as the impact it generates on work performance; This can be achieved by applying tactics such as leadership training, effective communication, active participation, clear setting of expectations, promoting a positive work environment, recognizing and valuing employee effort, monitoring and evaluating performance. Job satisfaction surveys also represent a valuable tool to improve the work environment in SMEs. It is essential to emphasize that business leadership must adapt to the specific needs and peculiarities of each organization to be truly effective so that the organization's collaborators identify with it, since leadership, business culture, human resources management and other factors can influence how SMEs manage and optimize the performance of their employees. The objective of the study was to determine the relationship between efficient business leadership in SMEs and the work performance of employees. The methodology used was descriptive and field and a hermeneutic method. It is concluded that communication within SMEs is the main axis to carry out all the objectives and goals set. Additionally, that the results of performance evaluations and the use of said information are timely for decision making.

Keywords: *Business leadership, SMEs, job performance, job satisfaction, communication, efficiency.*

INTRODUCTION

Small and medium-sized enterprises (SMEs) are critical to the economy due to their significant contribution in key areas. These include job creation, promotion of innovation, economic diversification, its contribution to the Gross Domestic Product (GDP), the promotion of local development, business empowerment and its ability to adapt quickly to changing market conditions. Collectively, SMEs play a crucial role in sustainable growth and economic vitality.

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Business leadership in SMEs, leadership styles, decision-making, and team management directly influences organizational effectiveness and employee job performance. As SMBs play a crucial role in the business fabric, understanding how leadership impacts their operation becomes a vital aspect of improving productivity, employee satisfaction, and ultimately achieving business goals.

It can be determined that leadership requires a set of skills and, above all, a series of impersonal communications through which the individual who leads a group influences his or her environment, in order to achieve a voluntary and more effective realization of the organization's objectives.

It is known that the changes in the organizational culture that companies undergo cause an inflexible environment throughout the work area, thus negatively affecting the objectives set by the organization. Within companies, the high levels of demand due to competition or to meet the company's objectives and are forced to make greater demands in the fulfillment of the functions of their collaborators, thus perceiving a change in the work environment within the institutions.(Chavarro & Tascón, 2018)(Flores, 2018)

The leader is the only person capable of disseminating the strategies proposed that lead to the fulfillment of the specific objectives of the organization, improving communication and motivation in the work team, thus generating trust from leaders to collaborators and from collaborators to leaders, this being the main pillar for the proper functioning of businesses and not causing economic damage, much less in the work environment.

Additionally, he mentions that, to eradicate these problems, leadership must be a process of change since it is essential to focus the efforts and motivations of people in order to achieve the objectives and goals for which the company was created, for this it must have a direction adjusted to the requirements and changes that the company needs to develop good decisions because its impact can have an impact on the course of the organization.(Carvajal & Chicaiza, 2023)

By knowing the problems that exist within the company and improving quality management, it will be possible to increase the productivity of each employee, it is of great importance to know the shortcomings that prevent the correct development of the company, hence, the decision to implement quality tools so effective that they can be useful in the measurement of job satisfaction, allowing to improve the quality of life of the employee without compromising him in a way that is not very important. direct. In a healthy organization, the work environment allows the worker to fully utilize his or her full potential. This implies not only responsible management of health and safety risks, but also an opportunity for the worker to develop and grow to their full potential. (Ramírez, Chacón, & El Kadi, 2019)

On the other hand, it ensures that organizing constitutes the intentional, formal and permanent construction of a structure of functions for those who make up the company, in this way those in charge of the administrative section guarantee that there is a comprehensive knowledge of the roles that will be performed for the realization of a purpose, which includes the identification and assignment of all kinds of work to be executed to achieve business objectives. (Briones & Ramirez , 2015)

In this sense, it emphasizes that the management of a company makes it possible for all the members of a corporate body to work together to achieve the expected ends, executing the actions of their responsibility effectively and efficiently.(Rodríguez, 2018)

In certain SMEs we have witnessed the emergence of autocratic leadership, also called authoritarian leadership, it is one of the elements present in negative leadership and generally occurs in people who occupy positions of power and not necessarily democratically appointed, but by technical skills or experience in an area. However, large companies are no longer looking for bosses. For business leadership, it is understood as a process or skill by which a company can influence others to achieve goals.(Abad, 2022)

In the business environment, when you positively influence others, it is reflected in work performance, which is why the prominence of human talent is fundamental for business organizations; To a large extent, corporate strategic processes have historically been affected by feelings of satisfaction and dissatisfaction that people perceive in their jobs. In other words, work performance is important in the world of organizations, it can even be considered as a key dimension. (Fadul, 2021)

This growing importance is due to the great competitiveness that exists between organizations, which leads to the need for high performance on the part of the workers who make them up. In this way, performance is one of the main results, generating value for individuals and organizations. It is a behavioral construct, that is, an action or set of actions performed by the individual, which contribute to the achievement of organizationally relevant objectives.

On the contrary, they affirm that within occupational health there are many factors that alter the stability of individuals within the work area, with stress being the most representative factor, with multiple negative consequences that greatly affect the performance of people within the organization. In Ecuador, being an underdeveloped country, it has certain factors that increase work stress such as economic and financial instability, low wages, among others.(Vega & Bonilla, 2016)

There are different causes that influence the decrease in the performance of workers and the consequent negative impact on the organizational and financial indicators and the image of the organization itself. Personnel recruitment is a process in which the company seeks to attract the best professionals in order to hire candidates with potential characteristics to perform the positions that are available and help meet the objectives set by the organization.(Caiza, 2020)

Once all the aforementioned points have been established, the current situation of business leadership is specifically developed, that is, how the organization's employees identify with it through the actions and activities that SMEs have implemented to build employee loyalty. It is important to analyze the organizational culture of an organization since it can be verified that the company is failing so that its employees feel identified with it, in turn, to determine what the employees think of the company and this makes the company correct its mistakes and become more competitive in the market.(Jiménez, 2016)

Good business leadership is closely linked to efficient work performance, which is essential for the activities entrusted to be carried out effectively, in order to increase customers, increase revenues; in turn, increase productivity. He considers it important to propose a training plan to all staff to improve individual and collective performance, to increase indicators.(Valdés & Jara, 2016)

Finally, a transformational approach, which inspires and develops employees, is presented as a key recommendation for SME managers. Likewise, the implementation of human resources policies that reinforce this leadership and a continuous evaluation of performance are essential to ensure optimal overall results in the medium and long term. The effectiveness with which human talent is managed and treated will make the difference in any SME, defining its trajectory and success in the market.

METHODOLOGY

For the development of the research, descriptive, documentary research was addressed, where the problem is defined, so the inquiry was carried out to better understand it, since it prioritizes the points of view of the researchers. The approach is quantitative and qualitative; The quantitative was applied to obtain numerical data of the study population

and the qualitative was applied by using the hermeneutic method in the data collected and investigated in the different secondary sources of information.

The field research was carried out with the collection of information, followed by the analysis, the substantiation of the knowledge and the application of the methods used, to obtain conclusions; directly in the environment where the study takes place. To collect primary data, a survey was applied through a questionnaire with previously designed questions. According to Espinoza (2016), the sample itself is a subset of the population, a small and representative portion in which the general characteristics of the population can be evidenced. For this purpose, a non-probability sampling was applied with the technique of sampling by judgment.

For the processing of results, Microsoft Excel was used for tabulation and graphic visualization and the word processor Word was used to perform the respective analysis and interpretation of the information, since the research was purely descriptive.

RESULTS

The purpose of any commercial activity is to make a profit or profit. For SMEs, their goal is to produce goods and services to meet the needs of consumers. According to their economic activity, the following stand out: Wholesale and retail trade; Communal, social and personal services; Miscellaneous manufacturing industries; Construction; Transportation, storage, and communications; Real estate and business services; and, Fisheries, Agriculture and Forestry; Others, Between 2021 and 2022, the companies that grew the most in Ecuador were, in fact, SMEs: small by 1.7%, while medium-sized by 1.8%, according to statistics from the . (INEC, 2022)

The official classification of small and medium-sized enterprises – known as SMEs – according to the regulations implemented by the Andean Community of Nations (CAN) in its Resolution 1260 is as follows:

Variables	Microempresa	Pequeña	Mediana	Grande
Personal ocupado	De 1 a 9	De 10 a 49	De 50 a 199	Más de 200
Valor bruto de ventas anuales (\$)	Igual o menor a 100.000	100.001 a 1'000.000	1.000.001 a 5'000.000	Más de 5'000.000
Monto de activos (\$)	Hasta 100.000	100.001 hasta 750.000	750.001 hasta 3'999.999	Más 4'000.000

In Ecuador, according to the results of the Statistical Registry of Companies (REEM) corresponding to the year 2022, it registers a total of 863,681 companies, around 13,807 thousand companies more than in 2021. These companies registered a total of 2,815,050 registered jobs, about 116,400 more than the previous year.(INEC, 2022)

With the approach of the survey, it was possible to collect information on business leadership in SMEs and its effectiveness in work performance, where it is announced that the quality of leadership is good within SMEs, that one of the key factors is clear and transparent communication by leaders in organizations with 68.8%, In the same way, the people surveyed say that 87.5% that the leader should take into account the ideas and suggestions of his collaborators.

Through the results analyzed, it was obtained that 68.8% of employees do believe that there is a predominant leadership style, 12.5% do not believe that there is a predominant leadership style and 18.8% believe that perhaps there is a predominant leadership style within SMEs, which could indicate a widespread perception that the organization has a clear and coherent direction for stability and efficiency at work. Likewise, this level of

consensus suggests that SME leaders are playing an effective role and are perceived as competent, inspiring, and capable of leading the organization towards the goals and objectives set.

In the case of the employees of the SMEs surveyed, they mentioned that 81.3% agree with their working hours; 50% said that their leaders do have good communication with employees; in fact, 75% of employees have sufficient professional preparation for their current job; and, 81.3% are recognized for their effort.

In this sense, 50% of the employees surveyed mentioned that they feel comfortable in their work assignment, while 43.8% are not so satisfied, 6.3% report that they are indifferent.

Finally, we can take into account that in Ecuador SMEs are large employers in most economies, being more flexible and agile, they can better adapt to the changing needs of the market and, therefore, they tend to hire and fire workers faster than large companies. This helps absorb some of the available labor and reduces unemployment rates.

Their tendency is to promote innovation, since, by being closer to their customers and markets, they can identify unmet needs and develop innovative products or services to meet those demands. This fosters competition in the market and promotes continuous improvement in the business sector, he said.(Del, 2023)

DISCUSSION

Effectively managing small and medium-sized enterprises (SMEs) is a challenge that requires a unique combination of skills and strategic approaches. In this context, business leadership is born as an essential element that can make a significant difference in work performance and, therefore, in the overall success of the organization. That is why, there are business leadership styles in SMEs that are key to Job Performance and provide a solid framework for understanding how these practices influence Job Performance. From autocratic to transformational leadership, each style has unique implications.

To generate employee performance, a fundamental aspect is the recognition of corporate social responsibility as a key component of leadership in SMEs. The integration of CSR is not only linked to business ethics, but also becomes a catalyst for balancing employees' personal, family, social and work lives. Evidence suggests that this integration not only creates a more harmonious environment, but also contributes to employee motivation, retention, and ultimately improved performance.

Job performance appraisal has become a mainstay in performance optimization as it is a formal review process used to analyze team members' progress. During this assessment, an employee's overall performance is reviewed and competencies are broken down. Para is considered a valuable tool to provide feedback, focus on future goals, and provide a fair assessment for all. (Conexión Esan, 2018)

It is also an instrument that is used to check the degree of compliance with the proposed objectives at the work level, allowing a systematic, objective and comprehensive measurement of professional conduct and performance. In addition, performance appraisal helps managers understand the status and progress of employees, detect interests, needs, and complications, and analyze the causes of performance

Once SME leaders integrate the components of good leadership, effects on employee performance are generated and manifested in tangible indicators, competitiveness, driven by effective leadership, also becomes an essential tool to respond to the dynamic business environment. Innovation, on the other hand, thrives in environments led by motivated, self-managed teams, in the same way that effective leadership can enhance human capital skills and contribute to sustainable growth.

Otherwise, poor leadership can lead to negative consequences, from a bad organizational environment to the closure of small and medium-sized businesses. Inadequate leadership, on the other hand, is revealed as a latent threat to SMEs. Bad weather environments, lack of motivation, absence of leadership, and inefficient communication are direct consequences of poor leadership. Not only do these factors affect job performance, but in extreme situations, they can lead to the closure of the organization.

It can have several negative effects on the functioning of a company, such as decreased productivity, missed goals, and negative team morale. Some common causes of poor job performance include: Lack of growth opportunities or incentives, meaning that employees may feel stagnant if there are no opportunities for development or recognition of their efforts; Personal or health problems This means that lack of sleep, stress, and anxiety can affect an employee's work performance.

To combat poor job performance, it is important to identify and address the underlying causes. Some strategies that can help improve work performance include: Reflect on and identify the cause of poor performance Analyze the situation and determine if employees are overworked, if goals are unrealistic, or if their tasks and responsibilities are not well defined; Offering recognition and celebrating positive changes means giving employees who have worked to improve their performance issues important, and letting them know when they've made improvements; Conduct job performance evaluations to identify areas for improvement and implement specific strategies.

CONCLUSIONS

In the field of SMEs, the adoption of a specific leadership approach is characterized by fostering collaboration and involving employees in the decision-making process, proving to have a positive effect on work performance. As those leaders who appreciate their team's perspectives and foster a work environment even often experience greater bonding among team members and an increase in motivation, and factors that directly contribute to the overall success of the business project.

Business leadership in small and medium-sized enterprises plays a crucial role in the work performance and overall success of the organization, its importance, the direct relationship it has with work performance, the influence on the organizational culture, its adaptability and flexibility, as well as the development of skills and talent. emphasis on personal and professional development.

With the questions asked and their respective answers, it can be concluded that some of the people surveyed agree that in SMEs the quality is good in leadership, therefore, those in charge of the company, who play an effective role, must be competent, inspiring and capable of leading the organization towards the objectives set in the company.

Communication within SMEs or any organization should be taken into account, since communication is the main axis to carry out all the objectives or goals that were set by the entity in a certain period. Additionally, the results of performance evaluations and the use of such information for timely decision-making.

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