

Impact of Leaders Competency on the Profitability of the Micro, Small and Medium Enterprise

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ABSTRACT

Purpose: A changing global business arena marks the present business environment; these changes push the organizations to undergo both systematic and unsystematic transmutation. The current study identifies the leaders competencies required in an MSME and studies the relationship between leaders competencies and profitability of the organization.

Design/Methodology/Approach: The study sets about with an in-depth literature review of the identified keywords i.e. competency and leaders' competency and Micro, Small and Medium Enterprise using Systematic Review of Literature (Tranfield, Denyer and Smart 2003).

Findings: Through extensive literature review a model was proposed that establishes the relationship between identified competencies and profitability of the organization. The competencies are defined in terms of 7 variables.

Paper Type: Exploratory Research Paper

KEYWORDS Competency | MSME | Competencies | Efficiency Business | Environment

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Introduction and Background of the study

The growth of SME sector has been an important platform of India’s Industrial policy. SME in India have experienced a distinct identity and Govt has bestowed high precedence to this sector. This sector plays a vital role in the process of economic growth by value addition, employment creation, equitable allocation of national income, regional dispersal of activities, mobilization of resources and entrepreneurial talents to export profits.

The output of this sector varies from single items offered with traditional technology to high-tech commodities produced with complex state of the art technology. MSME’s are a major patron to GDP and an even more important contributor to exports and employment. They create about 5000 products, and add 40% of the country’s industrial output and offer the most comprehensive employment after agriculture. The area, therefore, offers an opportunity to harness its local competitive edge for managing global dominance.

The major advantage for the sector is the reservation method, which reserves several items, for particular manufacture by these enterprises, hence, shielding their interests, as well as giving stimulus to the community by generating employment opportunities. The government has set in place policies and has held three hundred fifty (350) items for procurement from MSMEs, under the Government Stores Purchase Programme. etc.

So, MSMEs play a very significant part in our economy, and thus classifying the major competencies required by the leader of the MSME becomes very important.

Objectives of Research

The purpose of the study is to :

1. Identify the leaders competencies required in an MSME.
2. To study the relationship between leaders competencies and profitability of the organization



Figure 2.1: Relationship between Leaders competencies and profitability of the organization.

Overview of the Study

This research aims to identify the competencies that are required by the leaders of micro small and medium enterprises which contribute a significant amount to the overall growth of the country and generate employment in the nation. It also endeavour to link the relevant competencies to the profitability of the organization.

Literature Review

The SME sector includes Micro Enterprises, Small Enterprises, Artisans & Village industries, Medium Enterprises, Service Sector units and individual sub-sector units. The Micro, Small and Medium Enterprise in Manufacturing and service sector are defined under **MSMED ACT, 2006**.

Table 2.1 Definition of Competency

S. No.	Definition (Competency)	Reference
1	“Two different meanings of the term competency have developed. Competencies may be expressed as behaviours that an individual needs to demonstrate”, or they may be “expressed as minimum standards of performance”	Strebler et al., 1997
2.	“Competencies were defined as either: 1. observable performance 2. the standard or quality of the outcome of the person’s performance or 3. the underlying attributes of a person”	Boam and Sparrow, 1992 Bowden and Masters, 1993 Rutherford, 1995 Hager et al., 1994 Boyatzis, 1982 Sternberg and Kolligian, 1990
3.	“Competency is a specific skill, knowledge, or characteristic needed to perform a role effectively and to help a business meet its strategic objectives”	Lucia and Lepsinger, 1999
4.	“Competencies do not reflect technical skills, knowledge or expertise of a library professional as such, rather the competencies describe the “measurable characteristics of a person that are related to success at work”	Lombardo and Eichinger, 2009
5.	“Competences are defined as sets of behaviors that are instrumental in the delivery of desired results or outcomes”	Bartram, 2005
6.	“Competency models are not a prescription for effective leadership, but represent an attempt to capture the experience, lessons learned, and knowledge of seasoned leaders to provide a guiding framework for the benefit of others and the organization”	Hollenbeck et al., 2006
7.	“Competencies are defined as “underlying characteristics of the person that lead to or cause effective or superior performance”	Boyatzis, 1982
8.	“A competency framework could be considered like sheet music, a diagrammatic representation of the melody. It is only in the arrangement, playing and performance, however, that the piece truly comes to life”	Bolden and Gosling, 2006

Table 2.2 Definition of Leadership

S. No.	Definition (Leadership)	Reference
1.	“Leadership is a complex phenomenon that touches on many other important organizational, social and personal processes. It depends on a process of influence, whereby people are inspired to work towards group goals, not through coercion, but through personal motivation”	Bolden, 2004
2.	“Leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers”	Burns, 1978
3.	“Leadership is a process whereby an individual influences a group of individuals to achieve a common goal”	Northouse, 2010
4.	“Leadership is an influence relationship among leaders and collaborators who intend real changes that reflect their mutual purposes”	Rost, 1997
5.	“Leadership is the lifting of a man's vision to higher sights, the raising of a man's performance to a higher standard, the building of a man's personality beyond its normal limitations”	Peter Drucker
6.	“Leadership should be defined in terms of the ability to build and maintain a group that performs well relative to its competition”	Hogan & Kaiser, 2005
7.	“Leadership is a process of interaction between persons who are participating in goal oriented group activities”	Stodill&Shartle, 1948
8.	“Leadership is a process of motivating people to work together collaboratively to accomplish great things”	Vroom & Jago, 2007
9.	“Leadership is viewed as a process that includes influencing the task objectives and strategies of a group or organization, influencing people in the organization to implement the strategies and achieve the objectives, influencing group maintenance and identification, and influencing the culture of the organization”	Yukl & Van Fleet, 1990

Based on the work of previous authors on topics related to competency and profitability following competencies of the leaders and profitability factors of the MSMEs were identified.

Competency

Focus towards the objective of the organization
Motivation to achieve the organizational goal
Working in team
Empowering others
Managing change in the organization
Cares for Overall development of the employees
Performance management
Communication(oral, written, persuasive)
Influencing other employees to work for organizational goal
Building a collaborative relationship with customers
Information gathering
Forward Thinking(thinking about the future goals of the organization)
Strategic Thinking
Technical expertise in the organization
Entrepreneurial orientation
Decision Making
Self confidence
Stress Management of the employees in the organization
Credibility of the employees to their work
Flexibility to employees
Inquisitiveness to learn new things for the benefit of organization
Tolerance to ambiguity
Cosmopolitanism (interest in different countries and culture)
Optimism (expecting best results from the employees)
Empathic (capable of sensing emotions of others)
Achievement Orientation

Profitability

Sales revenue
Market share
Debt of the organization has significantly reduced
Clients or customers of the organization



Research Study and Objective of the study

Purpose of the study is:

1. Identify the leaders competencies required in an MSME.
2. To study the relationship between leaders competencies and profitability of the organization.

Sampling

Respondents were the employees of various Micro, Small and Medium Enterprises. I have taken into consideration all the level of employee's. Sample size of my study is 87. The study has primarily been conducted in Bahraich and Allahabad region of U.P East. Data was collected through a structured questionnaire consisting of 38 questions. Convenience sampling method was used to conduct the study.

Measures

Leaders Competency: Leaders competencies required by leaders of MSMEs were identified through literature review. The measure was evaluated on a five-point likert system (ranging from 1 strongly disagree, to 5 strongly agree).

Profitability: Profitability factors were identified through secondary data and the measure was evaluated on a five-point likert system (ranging from 1 strongly disagree, to 5 strongly agree).

Tools for Analysis

To give the overall view of the variables descriptive statistics have been used. Descriptive statistics are used to explain the basic features of the data in a study. They give simple summaries about the sample and the measures. They were used in the research to analyze the demographic variables.

Moreover, factor analysis has been done to overcome the factors to significantly smaller numbers to make the study easy. Since the purpose of this research is to examine the impact of independent variable like profitability of the organization on dependent variables like leaders competency, thereby statistical regression is used to estimate their effects of those factors. Statistical regression analysis has been used to examine the affect of leaders competency on the profitability of the organization.

Conceptual Model

Literature review has helped in defining the competencies of leaders, which are important for the profitability of the organization. Further, factor analysis is used to merge the

closely related variables however, care is taken that they define the variables well. Reliability and validity of the variable will be further checked through confirmatory factor analysis for defining the variables. The list of competencies thus drawn are further grouped into 7 variables viz. emotional competencies, leaders competencies, organizational competencies, team management competencies, growth competencies, entrepreneurial competencies, visionary competencies consisting of total 26 items and are presented in table 3.1 below:

Table 2.3 : List of competencies

Emotional Competencies (6)	a) Cares for Overall development of the employees. b) Performance management. c) Decision Making. d) Self confidence. e) Stress Management of the employees in the organization. f) Inquisitiveness to learn new things for the benefit of organization
Individual Competencies (4)	a) Motivation to achieve the organizational goal. b) Empowering others. c) Managing change in the organization. d) Influencing other employees to work for organizational goal.
Organizational Competencies (4)	a) Strategic Thinking. b) Technical expertise in the organization. c) Entrepreneurial orientation. d) Flexibility to employees
Team Management Competencies (3)	a) Communication (oral, written, persuasive). b) Credibility of the employees to their work. c) Tolerance to ambiguity.
Flexibility Competencies (3)	a) Cosmopolitanism (interest in different countries and culture). b) Optimism (expecting best results from the employees). c) Empathic (capable of sensing emotions of others).
Entrepreneurial Competencies (3)	a) Focus towards the objective of the organization. b) Working in team.
Visionary Competencies (2)	a) Information gathering. b) Forward Thinking(thinking about the future goals of the organization)

3.5.2 Conceptual Model: Based on the above two steps the conceptual model is presented below

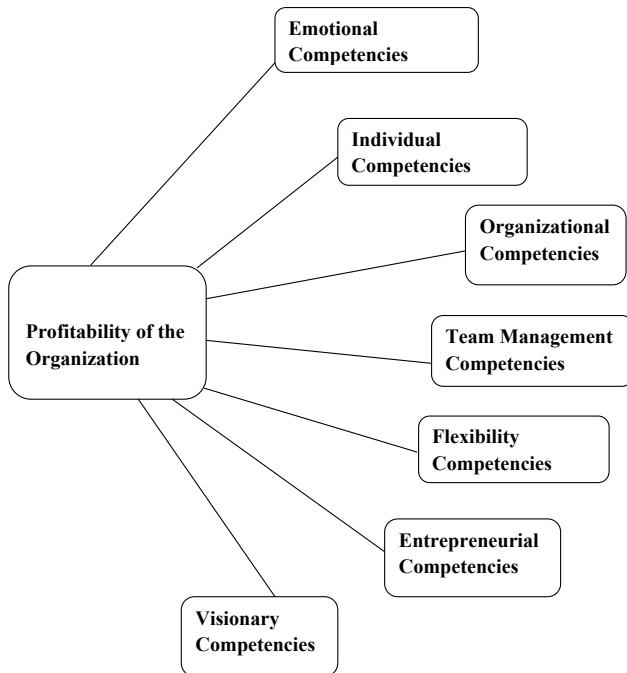


Figure 2.2 Proposed Research Model: Relationship between leaders competencies and profitability of the organization.

The proposed conceptual model establishes the relationship between identified competencies and profitability of the organization. The competencies are defined in terms of 7 variables viz.

1-Emotional Competencies 2-Individual Competencies 3- Organizational Competencies 4-Team Management Competencies 5- Flexibility Competencies 6-Entrepreneurial Competencies 7- Visionary Competencies consisting of 25 sub-variables. Profitability of the organization is defined in terms of leaders competency.

Hypothesis

In order to depict the relationship between the identified variables and as well as the proposed conceptual model, following hypothesis statements are drawn:

H1: Emotional Competencies leads to the profitability of the organization.

H2: Individual Competencies leads to the profitability of the organization.

H3: Organizational Competencies leads to the profitability of the organization.

H4: Team Management Competencies leads to the profitability of the organization.

H5: Flexibility Competencies leads to the profitability of the organization.

H6: Entrepreneurial Competencies leads to the profitability of the organization.

H7: Visionary Competencies leads to the profitability of the organization.

Data Analysis And Interpretation

The present chapter systematically uses various statistical tools for examining the raw data to describe, categorize, and evaluate the data with the objective of drawing conclusion. It also reports the corresponding findings with the aim of validating (or alternately invalidating) the proposed research model.

A descriptive analysis of the data is done to represent the demographic profile of the respondents. Subsequently the reliability and validity of the measurement instrument is established through exploratory factor analysis (of dependent variable – Profitability of the organization) and confirmatory analysis (of independent and dependent variable for providing a confirmatory test of the measurement theory. The third section assesses if the data fulfils the assumption of normality, linearity, homoscedasticity and uncorrelated error and subsequently the proposed research model is validated using Multiple Regression Analysis.

Descriptive Analysis of MSME employee’s characteristics

A descriptive analysis of the characteristics of the MSME employees is carried out. It is defined in terms of years of operation, designation of the employee, educational qualification, age, gender and investment in plant and machinery. It is given below table:

Frequencies

Table 2.4: Statistics

		Years of Opeartion	Designation	Education	Age	Investment in plant and machinery in manufacturing or service sector
N	Valid	87	87	87	87	87
	Missing	0	0	0	0	0
Mean		3.87	2.37	4.32	2.44	2.62
Median		4.00	2.00	4.00	2.00	3.00
Mode		4	1	4	3	3
Std. Deviation		.453	1.173	.600	.788	.555



Table 2.5: Years of Operation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2-5	4	4.6	4.6	4.6
5-10	3	3.4	3.4	8.0
more than 10 years	80	92.0	92.0	100.0
Total	87	100.0	100.0	

Interpretation: Out of 87 respondents in my survey most (92%) of MSME were operating since more than 10 years.

Table 2.6: Designation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Senior	27	31.0	31.0	31.0
Middle	23	26.4	26.4	57.5
Junior	15	17.2	17.2	74.7
Non-manager	22	25.3	25.3	100.0
Total	87	100.0	100.0	

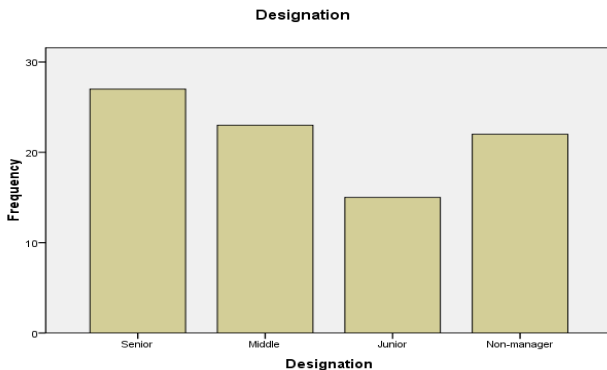


Figure 2.3

Interpretation: Out of 87 respondents in my survey most (31%) of respondents were senior level employee and equivalent percentage of middle (23%) and non-manager(22%) level of employee.

Table 2.7: Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Diploma	6	6.9	6.9	6.9
Graduate	47	54.0	54.0	60.9
Post graduate	34	39.1	39.1	100.0
Total	87	100.0	100.0	

Education

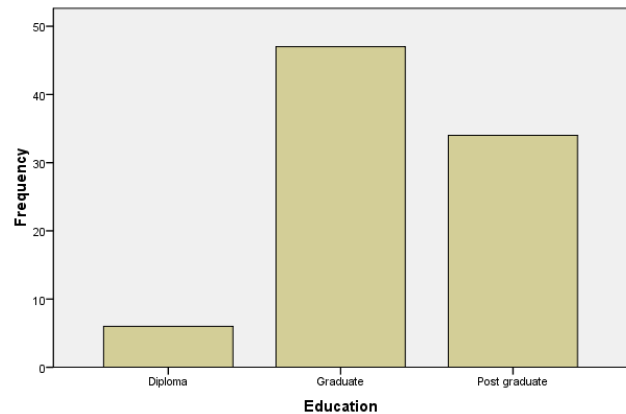


Figure 2.4

Interpretation: Out of 87 respondents in my survey most (54%) of respondents are graduates 39.1% are post graduates and very few (6.9%) have done diploma.

Table 2.8: Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	10	11.5	11.5	11.5
30-40	35	40.2	40.2	51.7
40-50	36	41.4	41.4	93.1
Above 50	6	6.9	6.9	100.0
Total	87	100.0	100.0	

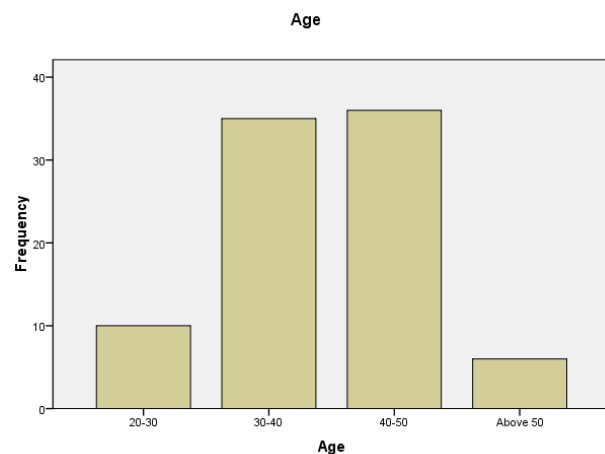


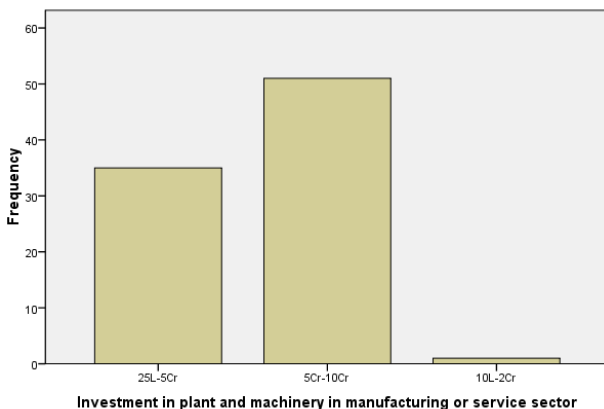
Figure 2.5

Interpretation: Out of 87 respondents in my survey most of respondents were in the age group of 30-40 and 40-50 which 40.2% and 41.4% simultaneously and few respondents were in the age group of 20-30 or above 50.

Table 2.9 Investment in plant and machinery in manufacturing or service sector

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 25L-5Cr	35	40.2	40.2	40.2
5Cr-10Cr	51	58.6	58.6	98.9
10L-2Cr	1	1.1	1.1	100.0
Total	87	100.0	100.0	

Investment in plant and machinery in manufacturing or service sector


Figure 2.6

Interpretation: Out of 87 respondents in my survey most (58.6%) of respondents work in organizations which have invested between 5-10 Cr in plant and machinery and 40.2% of respondents were working in organizations which have invested between 25L-5Cr in plant and machinery.

Data Reliability and Validity

The purpose of factor analysis is to condense the variables into comprehensive set of new, composite dimensions or factors, while still maintaining the consistency and reliability of the constructs. Both exploratory and confirmatory factor analysis is used in the present study to confirm the measurement theory.

Factor Analysis: R Type Factor Analysis is used to analyze the relationship among the variables and to identify the group of variables forming the latent variables. "The general rule of thumb for defining the adequacy of sample size is determined as given by Hair et al (2009)", "which states a minimum of at least five times as many observations as the number of variables". Therefore with a sample size of 87 respondents which is greater than the specified minimum size: $7*5=35$, the data qualifies for application of factor analysis.

In order to carry factor analysis the various assumption are checked as discussed and discussed as given below:

- "A visual inspection of the correlation matrix, should reveal substantial number of variables having correlations greater than 0.30 (Hair et al.,2011)"
- "The Bartlett test of sphericity is for assessing the presence of correlations among variables, and is also used to test the null hypothesis. Values less than 0.05, indicate the appropriateness of factor analysis and favor rejection) of the null hypothesis (Malhotra and Dash, 2011)"
- The Kaiser-Mayer-Olkin test- It is a measure of index that represents "the ration of the squared correlation between variables to the squared partial correlation between variables (Field, 2009, pp.684). The value for this test varies between 0 and 1. According to Kaiser (1974), the value for this measure can be interpreted as follows : 0.50 or below is miserable ; 0.60 or above as mediocre ; 0.70 or above as middling and 0.80 or above as superb (Hair et al., 2010).

Exploratory Factor Analysis : "is a statistical method used to unearth the underlying factors (Dickey, 1996), for defining the relationship between the latent factors and the observed variables (Roberts, 1999)".EFA has been used in the present study to establish a precise scale for measuring the profitability of the organization.

"Principle Component Analysis is used for identifying representative variables from a larger set of variables and also for data summarization (Hair et al., 2010; Field 2009)".

Table 2.10 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.613
Bartlett's Test of Sphericity	Approx. Chi-Square	1.367E3
	Df	325
	Sig.	.000

Source: SPSS 16 output sheet



Table 2.11 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.185	23.787	23.787	6.185	23.787	23.787	3.605	13.866	13.866
2	3.470	13.347	37.134	3.470	13.347	37.134	3.200	12.309	26.176
3	2.795	10.751	47.885	2.795	10.751	47.885	2.910	11.192	37.368
4	2.215	8.519	56.403	2.215	8.519	56.403	2.628	10.109	47.477
5	2.015	7.748	64.152	2.015	7.748	64.152	2.572	9.894	57.371
6	1.275	4.906	69.058	1.275	4.906	69.058	2.063	7.934	65.305
7	1.004	3.863	72.921	1.004	3.863	72.921	1.980	7.615	72.921
8	.856	3.292	76.213						
9	.763	2.935	79.148						
10	.667	2.564	81.712						
11	.610	2.345	84.057						
12	.568	2.185	86.242						
13	.502	1.930	88.172						
14	.486	1.869	90.041						
15	.390	1.500	91.542						
16	.383	1.473	93.015						
17	.344	1.323	94.337						
18	.305	1.174	95.511						
19	.245	.942	96.453						
20	.200	.769	97.222						
21	.184	.708	97.930						
22	.150	.578	98.507						
23	.129	.495	99.003						
24	.117	.452	99.454						
25	.098	.377	99.831						
26	.044	.169	100.000						

Extraction Method: PCA

Source : SPSS 16 output sheet

Table 2.12 Rotated Component Matrix

	Component						
	1	2	3	4	5	6	7
Focus towards the objective of the organization						.851	
Motivation to achieve the organizational goal		.650				.502	
Working in team		.591				.592	
Empowering others		.866					
Managing change in the organization		.716					
Cares for Overall development of the employees	.684						
Performance Management	.618					.553	
Communication(oral, written, persuasive)				.591			
Influencing other employees to work for organizational goal		.590					
Building a collaborative relationship with customers							
Information gathering							.663
Forward Thinking(thinking about the future goals of the organization)							.811
Strategic Thinking			.693				
Technical expertise in the organization			.895				
Entrepreneurial orientation			.567				
Decision Making	.786						
Self confidence	.825						
Stress Management of the employees in the organization	.539						
Credibility of the employees to their work				.691			
Flexibility to employees				.911			
Inquisitiveness to learn new things for the benefit of organization	.620						
Tolerance to ambiguity			.596				
Cosmopolitanism (interest in different countries and culture)					.756		
Optimism (expecting best results from the employees)					.727		
Empathic (capable of sensing emotions of others)					.544		
Achievement Orientation							

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 12 iterations.

Source: SPSS 16 output sheet

As per table 4.7 there are two cross loadings i.e.Motivation to achieve the organizational goal and Working in team so



variables with lower factor loading value is neglected in deciding the independent factors.

As per table 4.7 the KMO value is .613(above 0.5), and the significance level of Bartlett's test of sphericity is 0.000 (less than 0.05), which means the suitability of factor analysis. Moreover, the component matrix (Table 4.9) reveals that seven factors from variable 1 to variable 7 with the Eigen

value greater than 1 (Table 4.8) are extracted, explaining 72% of total variance (Table 4.8: Total Variance Explained). The factor loadings are found to be meaningful (above 0.5), with 2 cross loadings. Hence, it can be inferred that these variables sufficiently represent the idea of profitability of the MSMEs.

Table 2.13 Confirmatory Factor Analysis

S.No.	Items	Factor Loading	KMO	Bartlett's Test (Sig)	Square of Factor Loading	Error	Cronbach's Alpha	Structural Composite Reliability	Average Variance Extracted (AVE)
Emotional Competencies									
1	Cares for Overall development of the employees.	.684	.613	.000	.467	.533	.804	.839	.4699
2	Performance management.	.618			.381	.619			
3	Decision Making	.786			.617	.383			
4	Self confidence.	.825			.680	.32			
5	Stress Management of the employees in the organization.	.539			.290	.71			
6	Inquisitiveness to learn new things for the benefit of organization	.620			.3844	.615			
Individual Competencies									
7	Motivation to achieve the organizational goal.	.650	.613	.000	.422	.577	.763	.802	.5077
8	Empowering others	.866			.749	.250			
9	Managing change in the organization.	.716			.512	.487			
10	Influencing other employees to work for organizational goal.	.590			.348	.651			
Organizational Competencies									
11	Strategic Thinking	.693	.613	.000	.480	.519	.633	.787	.4892
12	Technical expertise in the organization	.895			.801	.198			
13	Entrepreneurial orientation	.567			.321	.678			
14	Flexibility to employees	.596			.355	.644			
Team Management Competencies									
15	Communication (oral, written, persuasive).	.693	.613	.000	.349	.650	.658	.7818	.489
16	Credibility of the employees to their work.	.895			.477	.522			
17	Tolerance to ambiguity.	.567			.829	.170			
Flexibility Competencies									
18	Cosmopolitanism (interest in different countries and culture).	.756	.613	.000	.571	.428	.734	.719	.464
19	Optimism (expecting best results from the employees).	.727			.528	.471			
20	Empathic (capable of sensing emotions of others)	.544			.295	.704			
Entrepreneurial Competencies									
21	Focus towards the objective of the organization.	.851	.613	.000	.439	.560	.661	.700	.537
22	Working in team	.592			.657	.342			
Visionary Competencies									
23	Information gathering.	.663	.613	.000	.439	.560	.541	.707	.548
24	Forward Thinking	.811			.657	.342			

Table 4.11 describes the results of discriminant validity analysis. Since the value of square root of AVE (in leading diagonal entries) for each construct is greater than the squared correlation in each pair of constructs, therefore it may be inferred that the discriminant validity of the construct is proved.

Next, the collected data is statistically tested to verify the basic preliminary assumptions of regression analysis.

4.2.3 Assessment of Psychometric Properties; The various psychometric tests as conducted for existing study include: normality, homoscedasticity and uncorrelated errors. These are discussed below:

Table 2.14 Discriminant Validity Analysis

Inter-Item Correlation Matrix

	Leaders_ Competencies	Organizational_ Competencies	Team_ Management_ Competencies	Growth_ Competencies	Entrepreneurial_ Competencies	Visionary_ Competencies
Individual_ Competencies	.6854					
Organizational_ Competencies	.400	.7125				
Team_ Management_ Competencies	.325	.491	.6994			
Flexibility_ Competencies	.427	.383	.528	.8841		
Entrepreneurial_ Competencies	.501	.263	.238	.208	.7328	
Visionary_ Competencies	.055	.365	.498	.261	.199	.7402

Source: SPSS 16 output sheet

The calculated value of SCR, AVE, Cronbach Alpha, and discriminant validity help in deciding that the theoretical model holds, reasonable reliability and construct validity.

Based on exploratory factor analysis output the Research model for hypothesis testing is proposed as shown in Figure 2.7 for hypothesis testing.

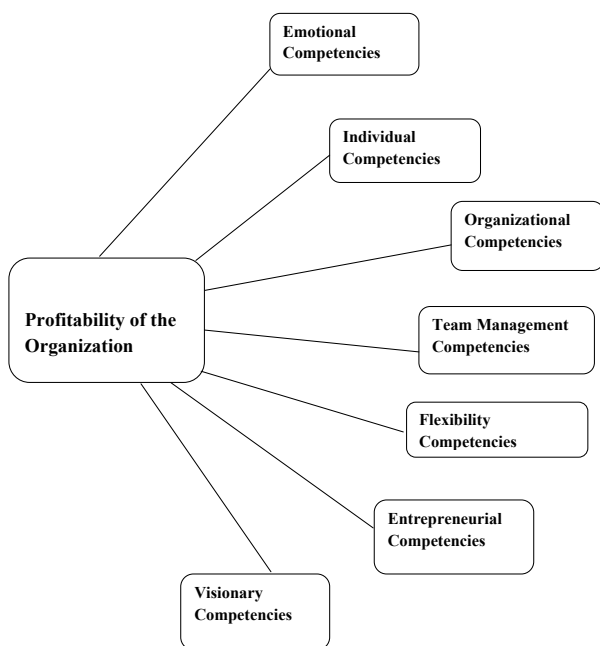


Figure 2.7 Conceptual Model

4.2.3.1 Data Normality: Normality of the present data has been checked using descriptive statistic viz. mean, median, mode, skewness and kurtosis. The data is said to be normal when the value of mean, median and mode are nearly same (Sekaran, 2003).

Table 4.15 Mean, Median, Mode, Skewness and Kurtosis

		Statistics						
		Emotional_ Competencies	Individual_ Competencies	Organizational_ Competencies	Team_ Management_ Competencies	Growth_ Competencies	Entrepreneurial_ Competencies	Visionary_ Competencies
N	Valid	87	87	87	87	87	87	87
	Missing	0	0	0	0	0	0	0
Mean		3.2510	3.2241	2.6207	2.8314	2.5019	3.5172	2.9425
Median		3.3333	3.2500	2.5000	2.6667	2.3333	3.5000	3.0000
Mode		3.67	3.75	2.25	2.33	2.00	3.50	2.50
Std. Deviation		.56312	.68522	.61339	.68929	.70045	.64451	.73305
Skewness		-.274	-.021	.833	.788	1.011	-.599	.249
Std. Error of Skewness		.258	.258	.258	.258	.258	.258	.258
Kurtosis		-.896	-1.222	1.375	.244	.403	.527	.092
Std. Error of Kurtosis		.511	.511	.511	.511	.511	.511	.511

Source: SPSS 16 output sheet

As can be observed in table 4.12, the values of mean, median and mode are approximately same and the maximum absolute values of the skewness and kurtosis of the items are found to be -.021 and 1.375 respectively. For further precision on the normal distribution of data, histogram and probability plots are examined. While the frequency distribution on a histogram appears as a bell-shaped curve in the ideal world, the probability-plot follows a 45 degree line passing through the origin.

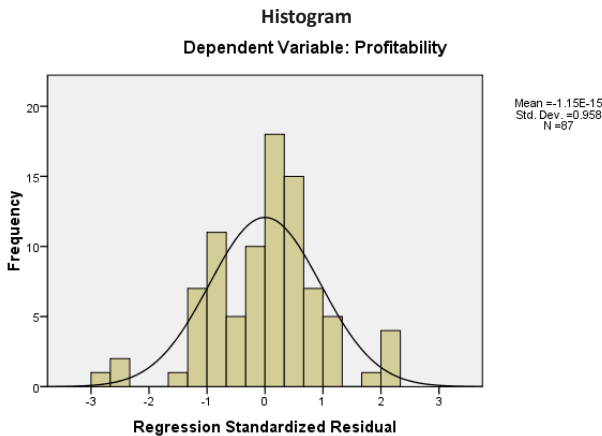


Figure 2.8a

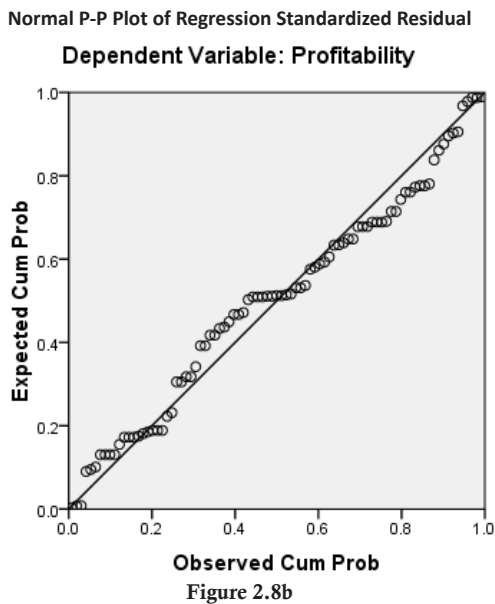


Figure 2.8b

Source: SPSS 16 output sheet

With the standard deviation of 0.958, for a sample size of 87, the histogram (Figure 4.6a) is acceptably close to the bell shaped normal curve and the P-P Plot is closely covering the 45-degree line, passing through the origin (Figure 4.6b). Hence, the data is evidenced to be normal and suitable for further analysis.

4.2.3.2 Homoscedasticity : “The assumption primarily deals with the constancy of the residuals across values of the

independent variables (Hair et al.,2010)”. “Diagnosis of this assumption is made graphically by plotting scatter plot of ZPRED against ZRESID (Field,2009)”. “Homoscedasticity is evidenced through absence of any pattern on increasing/ decreasing residuals around straight line i.e number of points lying above and below the line should be approximately equal, and contour of scatter-plot (Hair et al., 2011; Field, 2009)”.

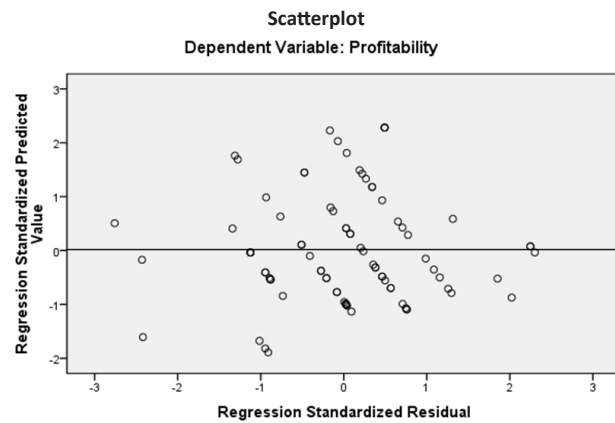


Figure 2.9

Source: SPSS 16 output sheet

The residual plot depicts in figure 4.7 shows that the variance around straight line is constant i.e. an elliptical/oval shaped random array of points is seen with absence of any increasing or decreasing patterns of residual. Therefore, the homoscedasticity stands satisfied.

4.2.3.3. Uncorrelated Errors/ Independence of Error

Terms: This assumption states that for any two observations the error correlation should be uncorrelated. Durbin-Watson statistic is used to check the likelihood that the deviation (error) values for regression have first order auto regression component. It is desirable that the value for this statistic should lie between 0 and 4, where, a value close to 4 indicated uncorrelated errors (Durbin and Watson, 1950, 1951).However, as per Field (2009), the values below 1 and above 3 are causes for concern. The Durbin-Watson statistics for the present study are found to lie within the acceptable range.

Since the requirement of psychometric properties are duly met, the hypothesis of this study are tested, using multiple regression analysis, to determine if any statistically significant relationships exist between the identified theoretical constructs.

Multiple regression analysis:

The various output tables as derives from multiple regression analysis are discussed subsequently

Table 2.16 Regression model summary when all variables are taken during analysis

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.452 ^a	.204	.133	.36483	1.892

Source: SPSS 16 output sheet

As per Table 2.16 the value of R=.452, indicates the degree of association between profitability of the organization and that predicted by the model. The value of R²=.204 which, indicates that the model explains 20.4% of the total variance, which is decent.

The Durbin- Watson value, in this case is 1.892 which is within acceptable range of 1 to 3, which shows that auto correlation effect does not exist, Andy Field (2013).

Table 2.17 ANOVA Table

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.694	7	.385	2.891	.010 ^a
	Residual	10.515	79	.133		
	Total	13.208	86			

Source: SPSS 16 output sheet

As per table 2.17; The ANOVA analysis shows that model is significant at .010 hence the proposed regression model is statistically significant.

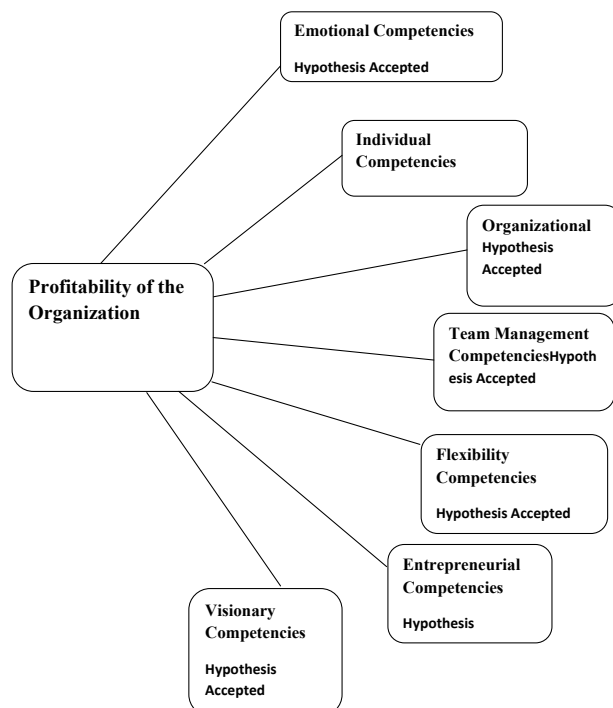


Figure 2.10 Conclusive Model

Limitations And Future Research Directions

The aforementioned research has some limitations. To begin with the cross-sectional design we have selected does not support causal inferences about the relationships between the variables. Future research should therefore apply longitudinal designs to identify the leaders competencies that leads to profitability of the organization. Second, to collect responses existing scales have been adopted and no new scale has been developed. This could be a potential limitation as scales might not contain any new meaning. The biggest problem was the time constraint. There were lots of things to be analyzed within limited time frame. Filling up of questionnaire by the people working in micro small or medium enterprise was difficult because of availability of lesser responded and limited time period of study so, the size of the data used for analysis is small so it does not reveal the true picture of the analysis. Also, few results are not up to the significant level because of lesser number of respondents.

Future Research Directions

Future research could use scales that are newly developed and validated. Researchers may gain interesting insights through exploring more competencies required by the leaders of MSMEs in order to make the organization profitable.. A bigger sample size could bring interesting implications and be generalized in a bigger context. Finally, it would be interesting to replicate our findings in other sectors and also in other countries.

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Annexure 1

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**Reviewers
Memorandum**

Reviewer's Comment a: MSME sector plays a vital role in the process of economic growth, which makes the study more imperative in the present scenario. The study identifies the competencies required by the leaders of MSMEs in contributing to the overall growth of the country and generating employment in the nation.

Reviewer's Comment 2: The paper is very well structured in an appropriate manner. Analysis of data is represented with graphs and tables making it more comprehensible. A robust research methodology is followed. Factor analysis is done for the factor reduction and regression analysis is done to find out the relation between the identified factors.

Reviewer's Comment 3: A good number of past literatures is adhered and present in a tabulated format which helps in defining the competencies of leaders, which are important for the profitability of the organization. Appropriate citation of literature is done whenever required throughout the paper. Yet some more recent studies could be added to strengthen the quality of work done.



Alok Agrawal and Kopal Srivastav
"Impact of Leaders Competency on the Profitability of the
Micro, Small and Medium Enterprise"
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Conflict of Interest: Author of a Paper
had no conflict neither financially nor academically.

**Editorial
Excerpt**

The article has 16% of plagiarism which is the accepted percentage as per the norms and standards of the journal for the publication. As per the editorial board's observations and blind reviewers' remarks the paper had some minor revisions which were communicated on a timely basis to the author (Alok) and accordingly all the corrections had been incorporated as and when directed and required to do so. The comments related to this manuscript are noticeably related to the theme "**Impact of Leaders Competency on the Profitability of the Micro, Small and Medium Enterprise**" both subject-wise and research-wise. Rapidly changing global business arena pushes the organizations to undergo both systematic and unsystematic transmutation. The paper identifies the leaders' competencies required in Micro, Small and Medium Enterprises and studies the relationship between leaders' competencies and profitability of the organization. Overall, the paper promises to provide a strong base for the further studies in the area. After comprehensive reviews and editorial board's remarks the manuscript has been categorized and decided to publish under "**Empirical Research Paper**" category

Acknowledgement

The acknowledgment section is an essential part of all academic research papers. It provides appropriate recognition to all contributors for their hard work and effort taken while writing a paper. The data presented and analyzed in this paper by (Alok & Kopal) were collected first handily and wherever it has been taken the proper acknowledgment and endorsement depicts. The author is highly indebted to others who had facilitated in accomplishing the research. Last but not least endorse all reviewers and editors of GJEIS in publishing in a present issue.

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