

## **Leadership Styles in Vietnamese Small and Medium Enterprises**

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### **Abstract**

Leadership and leadership styles are considered as decisive factors to the success and failure of small and medium enterprises (SMEs). The objectives of the paper are to identify benefits and drawbacks of applying three major leadership styles, namely autocratic, democratic and laissez-faire styles of Vietnamese SMEs leaders, who are working in various business fields. The qualitative approach was used to explore the perceptions of 51 Vietnamese SME managers, and the N-vivo software was useful in data analysis. The theoretical contribution, therefore, can be seen by the in-depth investigating on the leadership styles from the multi-dimensional viewpoints of SMEs leaders in the culture context of one Asian emerging nation such as Vietnam. The paper is also expected to be useful for SME managers to better understanding leadership styles, in order to adjust and perfect their leadership behaviors for more effective managerial and organizational performance.

### **Keywords**

Leadership Styles, Autocratic Leadership Style, Democratic Leadership Style, Laissez-faire Leadership Styles, SMEs, Vietnam.

### **Introduction**

In SMEs where the owner often plays a role of the manager/leader and the leader-employee relationship is usually personal and direct, leadership and leadership styles sharply affect and determine the success and failure of SMEs (Durham, Knight & Locke, 1997; Yukl, 1998). The selection of leadership styles in SMEs may be impacted by their constraints (Megheirkouni & Mejheirkouni, 2020). Due to their limited resources,

SMEs are very vulnerable (Osakwe, 2019) and SME managers tend to select the leadership styles in the way that fits to their comfort zones (Johnson, 2018). The managerial behaviors and performance of the SME leaders are also believed to be significantly impacted by their styles (Yukl, 1998; Chaganti, Cook & Smeltz, 2002).

Selecting the appropriate leadership style requires the consideration of numerous factors, and there is no one-fits-all leadership style (Ojokuku, Odetayo & Sajuyigbe, 2012). This requires the leader to acquire fully understanding of various leadership styles and situations that each style should be well-adapted (Boykins, Campbell & Nayyar, 2012). This paper, therefore, takes a deeper look at the advantages and disadvantages in applying three main leadership styles suggested by the famous model of Lewin, Leppitt and White (1939), in order to provide valuable implications for SME managers.

The paper becomes more crucial when SMEs has increasingly shown their role in the sustainable development of an economy in general (Prasanna, Jayasundara, Naradda Gamage, Ekanayake, Rajapakshe & Abeyrathne, 2019) and in the socio-economic development of Vietnam in particular (Vietnam Briefing, 2020). However, limited leadership capacity is a serious problem among SME managers (Shamsudeen, Keat & Hassan, 2016), particularly among Vietnamese SME managers (Agency for Enterprise Development, 2012; Thai & Chong, 2013; Hai, 2019) and hinder their development and internationalization (Samuel, 2019). Therefore, studies and programs supporting SMEs to enhance their leadership capacity should be taken into account (Steer, 2001).

To investigate the perceptions of Vietnamese SMEs with regard to the utilization of leadership styles, the qualitative approach was employed and 51 interviews were conducted. The interview questions were developed based on literatures related to the benefits and drawbacks in the applications of three main leadership styles, including autocratic, democratic and laissez-faire styles. In literature, studies on the leadership styles have drawn the great attention of scholars. However, research on leadership styles in Vietnamese SMEs remain limited in number, which requires further studies to fill the research gap.

## **Theoretical Background**

In the well-known leadership style model, Lewin *et al.* (1939) identified three fundamental leadership styles, namely autocratic, democratic and laissez-faire leadership styles.

### **Autocratic Leadership Style**

In autocratic climate, the emphasis is on performance rather than on people, and the power is focused on the leader. All decision making authority belongs to leaders as almost all policies, procedures, tasks, interactions as well as reward and punishment are controlled by the leaders (Van Vugt, Jepson, Hart & De Cremer, 2014). Autocratic leaders believe that people are naturally untrustworthy, irresponsible and lazy; and therefore, the functions such as planning, organizing and controlling should be accomplished by the leaders (Fiaz, 2017). At the workplace where autocratic style is utilized, the teamwork and communication is poor, punishments and threats are employed and direction and power come from the top downwards (Likert, 1961).

In the autocratic leadership style, leaders mainly make decisions and announce them without consultation and/or discussion with employees (Jung, Jeong & Mills, 2016; Kumar, 2018). The autocratic leaders excessively control employees and activities; neglect the well-being of subordinated, and make decisions in the centralized manner (Mihai, 2015). They abuse manipulation, power, control and authority and hard work to get tasks completed (Puni, Ofei & Okoe, 2016).

In the exploitative-authoritative system, followers are pushed to accomplish their tasks under the rules where formal centralized structures, processes, mechanism and procedures are clearly defined (Schuh, Zang & Tian, 2013; Svolik, 2013; Chemers, 2014). Autocratic leaders abuse their authority and often consider followers as mere functionaries (Michael, 2010; Ojokuku *et al.*, 2012). The level of job satisfaction of subordinates is quite low when absolute power and influence are asserted (Kerfoot, 2008; Afshinpour, 2014). Therefore, abusing autocratic leadership styles results in excessive micro-management, conflicts between leaders and subordinates, and thus, the organizational performance decreases (Mihai, 2015).

However, leaders may use this style when working with inexperienced and young team members who need the direct guidance from leaders. In particular, when the crisis happens in the company, to overcome difficulties and keep the organizational stabilization, the guidance of competent leaders is strongly needed (Mihai, 2015).

### **Democratic Leadership Style**

Democratic leadership style is the one in which the leader often calls for the participation of subordinates in the decision-making process (Kumar, 2018) and the significance of input from employees is strongly emphasized (Mihai, 2015). Democratic leadership style

places more emphasis on people and the interaction within the group is encouraged. The leader becomes part of the team in which management functions such as planning, organizing, leading and controlling are shared with subordinates (Bhatti, Maitlo, Shaikh, Hashmi & Shaikh, 2012).

In democratic climate, not only the opinions (Kumar, 2018), but also the desire and needs of employees (Burlea-Schiopoiu & Rainey, 2013) are highly taken into account. Democratic leaders believe that people are normally self-motivated, trustworthy, and they like responsibility and challenging work. Appropriate organizational conditions may encourage employees; enhance their performance and satisfaction (Jones, Jones, Winchester & Grint, 2016). The principle of democratic leadership is helpfulness, friendliness and the encouragement of participation (Raelin, 2012; Jones *et al.*, 2016) and associated with the increase in commitment, involvement, satisfaction and productivity of subordinates (McGregor & Cutcher-Gershenfeld, 2006).

The democratic leaders pay attention on building comfortable working environment where the consensus and solidarity of employees is the prime directive and organizational citizenship behavior among employees is stimulated (Meyers, 2012; Malik, Saleem & Naeem, 2016). In such climate, the followers are given a certain degree of autonomy and responsibilities with company's affair and their creativity and initiative are encouraged (Meyers, 2012).

Nonetheless, when the leader overly waits for the involvement of employees to the decision making process, this may hinder and slow down the process. Also, an enormous amount of effort is usually required to create workable results (Ojokuku *et al.*, 2012). Particularly, not all employees are competent enough to contribute to the process of decision making, taking incompetence followers' opinion may negatively affect the quality of decision (Mihai, 2015).

### **Laissez-faire Leadership Style**

In the laissez-faire leadership style, the role of the leader in decision-making is minimized, and therefore, employees have the right to make their own decisions. The laissez-faire leaders usually evade to take responsibilities, make decision and give feedback, resulting in weak relationship between leaders and organizational citizenship behavior (Bass & Riggio, 2006; Samad, Reaburn, David & Ahmed, 2015; Malik *et al.*, 2016). They tend to allow things to happen, avoid engaging in work progress (Chowdhury, 2014), and have little or no involvement in followers' affairs (Mihai, 2015).

The advantage of laissez-faire leadership style may be seen when it is strategically used by the leaders. Particularly, in a mature company where the competence and experience of employees are at a certain level, the unfamiliar situation is little as day to day activities have become routine, employees can be provided with the right to organize themselves to complete their task. At that time, the leaders may have more time for administrative and strategic decisions, further focus on greater and more important affairs of the company as he or she is no longer bothered with operational decisions (Mihai, 2015).

Chaudhry and Javed (2012) described laissez-faire leaders as the one who often shun making decision, communicating and conversing with subordinates. The personal development of employees is neglected as the leaders believed that this is the business of employees themselves (Wong & Giessner 2015). In some studies, such as that of Asrar-ul-Haq and Kuchinke (2016), laissez-faire leadership style is negatively correlated to employee performance outcomes.

When laissez-faire leadership style is abused but the employees are not competence enough to self-manage, the individual and organizational performance will be negatively impacted. In the long-term, employees will less care and concern about their tasks, and thus, their linkage and commitment of employees to the company becomes looser (Mihai, 2015).

When discussing about the best leadership style, many authors support for the idea that there is no one-fits-all leadership style. While democratic leadership style has been considered as the good style in theory, it also shows drawbacks such as slow process and enormous amount of effort required to create workable results (Ojokuku *et al.*, 2012). The study of Boykins *et al.* (2012) on the effects of leadership styles upon the performance of project teams concludes that the perfect leadership style does not exist and it should be adapted considering the situation on hand.

The argument that almost leaders do not just employ one leadership style was strongly supported by theories since the middle of the 20<sup>th</sup> century. Leaders change their managerial behaviors type to response to new situation (Vesterinen, 2009).

## **Methods**

### **Data Collection**

According to Saunders, Lewis and Thornhill (2012), the qualitative approach is generally used in studies where researchers investigate the opinions of the participants. The

qualitative interview often enables researchers to obtain rich and detailed responses to their investigation. That is, it takes into account the perceptions of interviewees rather the views of researchers (Bryman & Bell, 2011).

In this research, to study the perceptions of Vietnamese SME managers with regard to benefits and drawbacks in the application of various leadership styles, a qualitative interview methodology was considered most appropriate. Because of the limited knowledge of Vietnamese SME managers, in many cases, they need further explanation of the researcher. They also wished to share numerous stories and experiences with regard to the utilization of various leadership styles. The qualitative approach allowed the researcher to provide support to participants during the interviews, but also to investigate detailed responses from interviewees to support Vietnamese SME managers in adjusting leadership styles.

In this study, using semi-structured interviews helps the researcher to better understand the benefits, drawbacks and application of the autocratic, democratic and laissez-faire leadership styles perceived by Vietnamese SMEs. By acquiring the answers, comments, explanation and experience from SME managers, the researcher has opportunities to develop qualitative data in both breadth and depth (Saunders *et al.*, 2009; Bryman & Bell, 2011).

Participants were selected based on the personal relationship of the researcher. In some cases, the new participants were referred by the previous interviewees, which reflects the usefulness of “Snow-ball” technique. The individual interviews were taken place at the convenience places and at appropriate time to the SME managers, almost at their workplace. During the interviews, the adaptive and flexible approach has been taken to encourage openness.

Participants joining this research are SME managers coming from different business fields such as nutritional food, real estate business, construction consultants, vocational education. 40 male managers (78.43%) and 11 female managers (18.5%) were individually interviewed. Interviews lasted for more or less 50 minutes and were recorded by electronic recorders. The interview protocol developed from literatures was used to seek the opinions of different participants on common issues related to autocratic, democratic and laissez-faire leadership style.

## **Data Analysis**

To analyze the qualitative data in this study, the step-by-step procedure suggested by Creswell (2014) was used to systemize the data analysis process. Accordingly, researchers organized the data, conducted a preliminary read-through of the database, coded and organized themes, and organized the data in a format for interpretation.

In the process of data analysis, the qualitative QSR supporting software Nvivo was used. The main themes and sub-themes were used as the “code” of Nvivo. The research results were presented in a descriptive manner, based on the main topics, sub-topics, examples, multi-dimensional views from the interviewees. Descriptive topics were mainly based on the content analyzed from the interviews. In addition, examples and comments by interviewees were also directly cited to help the readers get the “feel” contained in the responses as well as the “lively” in actual business situations, adding to the persuasiveness of qualitative research.

## **Results**

### **1). Benefits and Drawbacks of Applying Autocratic Leadership Style perceived by Vietnamese SME Managers**

- **Benefits of Applying Autocratic Leadership Style**

#### **Resolve Work Quickly and Lighten the Opportunities**

When asked about the advantages of the autocratic leadership style, many Vietnamese SME managers in this study emphasized that this leadership style may help them solve their jobs quickly and radically. One SME manager shared:

*“In situations where I need to act rapidly in order to catch the opportunities such as when handling difficult order/contracts, autocratic leadership is often the right choice for me to quickly fulfill the requirements from the customers.”*

- **Handle Work Quickly, Especially When Conflicts Arise**

The autocratic leadership style was considered useful in finalizing a plan of actions for all employees in the organization, especially in *“unexpected situations and uncertainties which require immediate actions”*. One SME manager said:

*“In emergency situations, with the autocratic leadership style, the leader may make timely decisions without spending time asking for subordinate’s opinions. The employees follow and comply with the requirements of the leader to achieve high work performance.”*

Especially, the autocratic leadership style was highly appreciated in situations *“where the organization has disagreements; employees feel confused and lose directions.”*

### **Facilitate the Leader to Control Work**

- **Ensure the Work Running towards the Right Direction**

From the viewpoints of the SME managers, the autocratic leadership style may help the leaders to manage the work in the unified way, *“the objectives of the organization are unified from the higher level to the lower level”*, *“the goals of the individuals match with the overall goals of the organization”*. When the leader uses this leadership style, the directions and activities of the company may be consistently implemented towards the goals that the leader sets, as shared by a SME manager:

*“Policies and operational principles are established by the leaders, and the employees just follow them.”*

- **Control Work Easily**

In addition, when applying the autocratic leadership style, the control of the leader may be easily implemented, as reflected by one manager:

*“This leadership style may help me to control all business activities effectively, as well as to solve the problems thoroughly, quickly and uniformly.”*

### **Promote the Capacity and Good Qualities of the Leaders**

The autocratic leadership style was believed to create conditions to maximize the capacity and quality of the leader. Therefore, *“with the use of autocratic leadership style, the leader may become a good coach with full capacity and qualifications for the staff.”*, one manager said.

This advantage of the autocratic leadership style seems to be clearer in SMEs, as emphasized by a SME manager:

*"This style may be effective if the leader of the business has good expertise, and when his business size is small, he may himself run his own business, make his own decisions and push people to do what he plans."*

- **Take Advantage of Staff Strengths**

The autocratic leadership style was expected to support the leader to direct the staff in the way their advantages can be strengthened. In particular, *"when the leader understands the strengths of employees, by using autocratic leadership style, he may actively arrange employees in a position where employees may work well, and thus promote their strengths. These may be strengths that employees themselves could not recognize before taking on the job or the position that the leader assigns."*

- **Ensure the "Prestige of the Position" of the Leader**

In addition, the autocratic leadership style was believed to help the leader to maximize his or her power, especially when resolving difficult issues, thereby creating the prestige in management and fulfilling the goals. As for efficiency of the autocratic leadership style to organizations, one SME manager believed:

*"Autocratic style may help consolidate the power of the leader, creating high stability as well as disciplines in the organization."*

**Table 1 Advantages of Autocratic Leadership Style  
(Perceived by Vietnamese SME Managers)**

• <i>Resolve work quickly &amp; lighten the opportunities</i>
• <i>Quickly handle work, especially when conflicts arise</i>
• <i>Facilitate the manager in controlling work</i>
• <i>Ensure the work running towards the right direction</i>
• <i>Control work easily</i>
• <i>Promote the capacity and good qualities of the leader</i>
• <i>Take advantage of staff strengths</i>
• <i>Consolidate the "prestige of the position" of the leader</i>

Source: own research results

- **Drawbacks of Applying Autocratic Leadership Style**

- Reduce the Creativity of the Staff**

- **Limit the Ideas / Creativity of the Staff**

When it comes to the weaknesses of the autocratic leadership style, SME managers interviewed in this study strongly emphasized that the autocratic leadership style may hold back and even “*extinguish the dynamics and creativity of employees*”. When the leader uses autocratic leadership style, employees often “*do not dare to suggest the opinions and solutions, even those to the problems that may negatively affect the company*”. Employees may have a lot of experience, but because of their “*fear of being scolded*”, they do not dare to speak out and share their working experience. This leads to passivity in the workplace.

The SME managers stressed that if the autocratic leadership style is too abusive, the leader not only cannot make the right decisions based on the employees' contributions, but he also creates the stressful working atmosphere.

- The Leader becomes Authoritative, Bossy and Sometimes has to Cover Too Much Work**

- **Leader may become Authoritative and Bossy**

From the viewpoints of SME managers in this study, abuse of autocratic leadership style may gradually create authoritarianism of the leadership. Moreover, the excessive use of the autocratic leadership style may also “*make the leader become bossy, which negatively influences the performance of the company*”, “*they overly interfere in the tasks of employees and do not take advantages of ideas and creativity of the subordinates*”. Particularly, the abuse of such leadership style was considered to be harmful to the company culture.

- **Leader Must Cover Too Much Work**

The autocratic leadership style was also perceived to push the leader to the situation that he or she must do too much of work. At that time, all activities “*depend too much on the capacity and the will of the leader*”. Therefore, “*sometimes the work is not thoroughly handled because the leader cannot count every situation that may happen and/or does not have enough time and energy to solve all the problems that arise*”.

### **The Decision of the Leader May be Inadequate, Unacceptable and Opposed by Employees**

- **The Decision of the Leader May be Wrong and Cause Undue Consequences**

Another disadvantage of the autocratic leadership style, from the sharing of the SME managers, was that the decision of the autocratic leader is often inadequate, unacceptable to the employees, and may face opposition from the employees. In addition, *“due to the lack of consultancy from the staff, the decision that the leader makes is not reviewed, even if the decision is unwise, the staff must still follow. The unwise decision may lead to many problems for the leader.”*

- **The Leader is Not Loved, Trusted and Supported by Subordinates, Resulting in the Oppositions from Employees**

Abusing the autocratic leadership style was believed to jeopardize the relationship between the leader and the employees. *“The leader easily loses trusts from employees when his ego is too large, leading to the discouragement from staff.”*

Using too much power, the leader often manages business by his thoughts only, suppressing the thoughts and ideas of every team member. One SME manager insisted:

*“The autocratic leader is the one who is always commanding... They motivate employees to work through threats and punishments.”*

Therefore, in many cases, the decision of the leader is hardly accepted, agreed and followed by subordinates, even leading to the resistance of subordinates.

- **Reduce Effectiveness When the Leader is Absent**

That the leader covers too much work and neglects his employees’ opinions may lead to the negative consequences when the leader is absent. At that time, *“the completion of the work is only by coping”, “employees do not work actively, so work efficiency may reduce.”*

### **Cause Anxiety for Employees**

As a corollary, abusing autocratic leadership style was perceived to be harmful to the working environment, creating *“stifling and stressful climate, resulting in bad job results”*. Employees of the leader with autocratic leadership style may have less openness

to the leader. They may be not interested in work because they are always forced to follow the directions and have no chance to raise their own voice.

Regarding the mood of employees under the autocratic leader, one manager stressed:

*"They are overly scared, do not respect the leader, do not work hard, which limits their abilities to work, and due to high pressure, they easily fall against the directions/decisions of the leader."*

- **Employees do not Work Hard**

Because of their depression, employees may not work hard, and may be not willing to sacrifice for their autocratic leader and organizations, as the sharing of one manager.

*"Sometimes, subordinates disagreed and did not support my decisions; they did not try their best to fulfill their tasks."*

- **Conflicts may Happen among Groups**

In many cases, the autocratic leadership style may lead to the conflicts among groups in the organizations. This may be because *"Autocratic leaders may support subordinates who completely follow the leaders and neglect who do not"*. In such circumstance, not only the relationship between employees and employers, but also the concord among employees may be negatively affected.

**Table 2 Disadvantages of Autocratic Leadership Style  
(Perceived by Vietnamese SME Managers)**

• <b>Reduce the creativity of the staff</b>
- Limit the ideas / creativity of the staff
• <b>The leader becomes authoritative, bossy and sometimes has to cover too much of work</b>
- Leader becomes authoritative and bossy
- Leader must cover too much work
• <b>The decision of the leader may be inadequate, unacceptable and opposed by employees</b>
- The decision of the leader may be wrong and cause undue consequences
- The leader is not loved, trusted and supported by subordinates, resulting in the oppositions from employees
- Reduce effectiveness when the leader is absent
• <b>Cause anxiety for employees</b>
- Employees do not work hard
- Conflicts may happen among groups

Source: own research results

## **2). Benefits and Drawbacks of Applying Democratic Leadership Style Perceived by Vietnamese SME managers**

- **Benefits of Applying Democratic Leadership Style**

### **Promote Work Capacity, Creativity and Activeness of Subordinates**

- **Promote Work Capacity and Creativity of Subordinates**

In contrast to autocratic leadership style, according to the sharing of many SME managers in this study, the great advantage of democratic leadership style was that it may create favorable conditions for subordinates to promote their innovations, in which “*employees may participate in the process of making and implementing the plan*”. In other words, the democratic leadership style may create a positive atmosphere inside the enterprises, as shared by one manager:

*"When applying democratic leadership style, individuals, including quiet employees, are encouraged to give their opinions, to raise their voice."*

The SME managers in this study strongly emphasized the role of promoting employees' capacity when using democratic leadership styles. One SME manager stressed:

*"The capacity of employees is considered highly important in SMEs. This leadership makes employees feel that they have a real contribution to the development of enterprises, whereas the leader has a new and more multi-dimensional view about the plans intended to implement."*

However, SME managers did not deny the roles of leaders, even when using democratic leadership style. One manager said:

*"Of course the leader is still the maker of final decisions and must choose the best route to follow, because they must still be responsible for the decisions."*

- **Enhance Work Efficiency, Even When the Leader is Absent**

From the perceptions of SME managers interviewed, when the leader applies democratic leadership style, “*employees are proactive in deciding the work they are in charge of, so the work is processed more quickly, accurately and efficiently*”. Moreover, “*with the initiatives in the work, each member of the company can easily co-operate in working, which results in higher performance, even without the presence of leaders.*”

One leader added:

*"The greatest advantage is that when I delegate and distribute the work, I easily get the consensus, the commitments from my subordinates, which creates the friendly atmosphere. Teams are better oriented and thus, productivity and efficiency can be improved, even when the leader is not present at work."*

- **Reduce the Work Pressure for the Leader**

The SME managers participated in this study also highlighted that when the leader delegates authority and work, his workload reduces greatly. At that time, adopting the democratic leadership style, the leader may give opportunities to all members in the company to promote their activeness. For his part, *"the leader can focus on strategic activities while first-line managers and employees are responsible for implementing the operational work."*

### **The Decision of the Leader is Easily Supported by the Subordinates**

Also, the SME manager interviewed stressed that when using democratic style, *"the decision of the leader is trusted and followed by the staff as it has been thoroughly discussed"*. The employees may get a sense of satisfaction when their suggestions and contributions to the company development have been listened to and acknowledged. Therefore, they may be more willing to join in the process of implementing such decisions. Furthermore, the management effectiveness of the leader may be enhanced due to the initiative involvement of subordinates in the process of decision making in the future.

### **Establish a Good Relationship between the Leader and Subordinates**

- **Create a Comfortable and Friendly Working Environment**

From the viewpoint of many SME managers, one of the outstanding advantages of democratic leadership style was that it may *"create a comfortable and friendly working environment, so staff have long-term commitments and try all their best for the company development"*. There, *"people feel respected so the atmosphere in the company is pleasant and friendly."*

- **Make Employees Feel Respected**

When employees are provided chances to share and express their ideas, they may feel more respected. One SME manager said:

*“Applying this style, I may get the feedback from employees to promptly adjust the work or relationships within the company. This makes the employees feel valued, as they are important part of the company. Their commitments to the development of the company also increase. This is especially important in the small companies where the rate of turnover is relatively high.”*

- **Strengthen the Relationship between the Leader and Employees**

In addition, the democratic leadership style was appreciated by Vietnamese SME managers in this study as it may enhance the relationship between the leader and employees, particularly to *“create a consensus between the leader and employees, develops a creative working environment where employees are encouraged to improve themselves and contribute beneficial ideas for the business”*. Democratic leadership style can also *“create clear communications between the leader and employees. Employees who have the leader following democratic leadership style will feel closer to the leader, creating a friendly and shared working atmosphere.”*

- **Create a Bond between Employees**

In addition to the abilities to strengthen the leader-employee relationship, the democratic leadership style was also expected to create the bond between employees. This style may help the leader to *“gather employees’ capacity and create the solidarity for the business development”*, because *“every member of the organization has the need to work together to bring about better results.”*

**Table 3 Advantages of Democratic Leadership Style  
(Perceived by Vietnamese SME Managers)**

• <i>Promote work capacity, creativity and activeness of subordinates</i>
- <i>Promote work capacity and creativity of subordinates</i>
- <i>Enhance work efficiency, even when the leader is absent</i>
- <i>Reduce the work pressure for the leader</i>
• <i>The decision of the leader is easily supported by the subordinates</i>
• <i>Establish a good relationship between the leader and subordinates</i>
- <i>Create a comfortable and friendly working environment</i>
- <i>Make employees feel respected</i>
- <i>Strengthen the relationship between the leader and employees</i>
- <i>Create a bond between employees</i>

Source: own research results

- **Drawbacks of Applying Democratic Leadership Style**

**Leader Overly Relies on Subordinates, Decision Making May Slow Down, and Opportunities may be Missed**

- **Take Time to Make Decisions**

From the viewpoints of many Vietnamese SME managers in this study, using democratic leadership style may be time-consuming in terms of decisions-making. One SME manager said:

*“In many cases when the issue is discussed widely, each person will have their own arguments. If the leader is not assertive, highly knowledgeable, it will take much time before the final decision can be made.”*

And particularly, *“in urgent situations, slow decisions may lead to the failure in work.”*

- **Opportunities May be Missed**

From the perceptions of the SME manager, as an inevitable consequence of abusing democratic leadership style, *“opportunities may be lost due to time-consuming for discussions and agreements among leaders and employees.”* For example, *“when it takes time to unify the business plan, business opportunities may fly away.”*

**Leader does not Dare to do, to Take Responsibility, Resulting in Lower Trusts from Employees**

- **Leader May Lose Control of Organizational Activities and Avoid to take Responsibility**

SME managers interviewed admitted that when the decisions in the company are made by many members, the leader may become overly dependent on his or her subordinates. The leader may lose control of organizational activities when he believes that these activities are well-managed by subordinates. When the involvement of the leader in the business reduces, he may not dare to do and make important decisions. Thus, one SME manager stressed:

*“Democratic leadership style induces the incompetent leader to avoid taking personal responsibility.”*

Particularly, *“when something wrong happens, it may be difficult to define the responsibilities”*

- **Power of the Leader May Reduce**

In addition, the excessive use of democratic leadership style was also believed to reduce the power of the leader. One SME manager shared:

*“Employees sometimes feel that they are extremely effective, always highly devoted to the organization whereas their leader seems not to make any contributions. This makes employees feel they are very important, thereby cannot identify their position in organizations, and as a result, the leader loses his power and his influences reduce.”*

- **May Lead to the Situation of "Excessive Democracy"**

SME managers in this study also stressed the situation of "excessive democracy" if the leader overuses democratic leadership style, as shared by one manager:

*“When the leader does not understand all the limitations of using democratic leadership style, lacks vision and loses control, this may lead to serious problems for organizations: the structure may be diminished, operations can be decentralized and organizational goals cannot be reached.”*

### **If the Leader is not Good, the Decision Cannot be Made**

- **If the Leader is not Competent, the Decision Cannot be Correctly Made**

Despite the advantages of the multi-dimensional ideas from employees, many Vietnamese SME managers in this study emphasized that if the leader is not professional and assertive, it will be difficult to make the right decision when using democratic leadership style. One SME manager took an example:

*“In meetings to find ways to solve a problem, there may be various opinions, it is difficult to reach the final decision. If the leader is indecisive, he or she will find it hard to handle the job quickly and thus, miss the business opportunity.”*

Another leader shared:

*“If I lack expertise and assertiveness, it will be difficult for me to apply this leadership style.”*

- **Staff May not be Capable of Discussing with the Leader to Make Decisions**

In some cases, the democratic leadership style may become counterproductive if the leader solicits opinions from incapable staff that lack appropriate expertise to join in the process of making decisions. One manager warned:

*“Not all the members of the company are capable of mastering business activities and understanding arising problems, especially serious problems related to management.”*

- **Employees May have Bad Intentions, Giving Opinions not for Business**

More dangerously, if the leader gets suggestions from employees who have negative motives for the company, the consequences will be unpredictable. One SME manager took an example:

*“In the organizations, there may be some members who maintain specific relationships with competitors, or even work on behalf of the competitors as a business insider, they may suggest opinions which may lead to the failure in business.”*

Another manager shared:

*“There may be persons who have negative purposes, they do not work for the company development, they just care for their individual motives.”*

- **Cause Disunity When the Leader Listens to Opinions of Someone, not From Others’**

In addition, the solicitation of opinions of many individuals can push the leader into the situation of *“being liked by someone but disliked by others”*, thereby creating disunity in the company or conflicts among employees when the opinions of some people are chosen while others’ are rejected.

- **Cause "Fictitious Democracy"**

From the viewpoints of SME managers, excessive use of a democratic leadership style may also lead to *“fictitious democracy”*. One manager explained:

*“In many cases, to receive the supports from employees, the leader may ask subordinates for ideas in meetings. However, these suggestions are not taken into account when the*

*decision is made. In some cases, the leader may make his decision even before the meeting is held.”*

**Table 4 - Disadvantages of Democratic Leadership Style  
(Perceived by Vietnamese SME Managers)**

<ul style="list-style-type: none"> <li>• <b>Leader overly relies on subordinates, decision making slows down, opportunities may be missed</b></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Take time to make decisions</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Opportunities may be missed</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Leader does not dare to do, to take responsibility, resulting in lower trusts from employees</b></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Leader may lose control of organizational activities and avoid to take responsibility</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Power of the leader may reduce</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>May lead to the situation of "Excessive Democracy"</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>If the leader is not good, the decision cannot be made</b></li> </ul>
<ul style="list-style-type: none"> <li>• <i>If the leader is not competent, the decision cannot be correctly made</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Staff may be not capable of discussing with the leader to make decisions</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Employees may have bad intentions, giving opinions not for business</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Cause disunity when the leader listens to opinions of someone, not from others'</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Cause "fictitious democracy"</i></li> </ul>

Source: own research results

### **3). Benefits and Drawbacks of Applying Laissez-faire Leadership Style Perceived by Vietnamese SME Managers**

- **Benefits of Applying Laissez-faire Leadership Style**

#### **Reduce Pressure on the Leader and Leader Can Focus on Strategic Issues**

According to the opinions of Vietnamese SME leaders in this study, one of the advantages of laissez-faire leadership style was that it may reduce the workload for the leader. Accordingly, one leader said:

*“The leader with laissez-faire leadership style may assign work and let staff actively complete the work. The leader therefore has time to find new directions, make strategic planning for the organization.”*

Another leader shared:

*"I do not have to work with all employees, just with managers such as heads of departments.”*

### **Promote Talents of Subordinates and Provide Opportunities for Subordinates to Participate in the Decision-making Process**

- **Improve the capacity and motivations of employees**

From the viewpoints of SME manager, the leader with laissez-faire leadership style often gives the right to make decisions and assigns the specific work to employees. Employees of these leaders often have the freedom to choose the way they work and how to accomplish their goals, *"to do whatever they believe that it is right"*, or *"overly creative"*. As a result, they may *"feel respected, listened, feel themselves as important people, and thus they will work harder"*, *"they are more confident and striving for the company."*

- **Create an Open Working Environment**

Laissez-faire leadership style was also believed to create an open working environment in the group, as well as in the organization. One leader said:

*"In the organization where laissez-faire leadership style is applied, each member tends to be the owner of the organizations who can actively find solutions to the problems of the company."*

- **Train Capable Executives**

The SME leader asserted that when *"each member has the opportunity to be at the center of the company, has opportunities to provide ideas to solve the core problems posed in reality"*, the staff themselves have opportunities to be trained to become managers in the future.

**Table 5 Advantages of Laissez-Faire Leadership Style  
(Perceived by Vietnamese SME Managers)**

• <i>Reduce pressure on the leader and leader can focus on strategic issues</i>
• <i>Promote talents of subordinates and provide opportunities for subordinates to participate in the decision-making process</i>
• <i>Improve the capacity and motivations of employees</i>
• <i>Create an open working environment</i>
• <i>Train capable executives</i>

Source: own research results

- **Drawbacks of Applying Laissez-Faire Leadership Style**

**Cannot Promote the Roles of the Leader**

- **Reduce the Power of the Leader**

A major drawback of the laissez-faire leadership style, according to Vietnamese SME managers in this study, was that this leadership style may reduce the power of the leader. One leader stressed:

*“In many cases, when the managers abuse this leadership style, they can trust and assign work, even assign the right to employees, but employees do not trust and respect the managers because all the activities are implemented by employees. The managers are responsible for leading activities but they hardly give their opinions and make decisions.”*

Even worse, the overuse of laissez-faire leadership style may *“give employees the habit of acquiring power; the managers will be dependent on employees.”*

- **May Cause Depression for the Leader**

The SME leader warned that as a consequence of the overuse of laissez-faire leadership style and the power loss, *“this style easily brings depression for leader, leading to arbitrary, neglectful attitudes in working. Employees are less afraid of the authority of the leader.”*

**Difficult to Control Work**

The leaders with laissez-faire style were perceived to frequently assigns tasks and lets employees freely work with each other. As a result, *“he may become more distracted from work, unable to control subordinates and dependent on subordinates”*. Gradually, the role of the leader may decline and in many cases, the leader cannot *“immediately correct the mistakes of employees, and slowly response to changes in the business environment.”*

More seriously, when the leader leaves employees too much freedom to decide on their own tasks, it may lead to the situations where employees work without the management of the leader and consequently the leader may lose his control. An undesirable consequence that some SME managers in this study have encountered is that employees *“leave the company to set up their own business which may later on become the big competitors of the company.”*

### May Miss the Goals if Staff are Incompetent

From the perceptions of the SME managers, laissez-faire leadership style should be thoroughly promoted in the working environment where the awareness of most employees is at a certain level. Accordingly, “Employees are required to have high self-esteem, solid professional knowledge, and good responsibility for the results of the work they undertake”. One SME leader reflected the difficulties of using the laissez-faire style in the context of Vietnamese SMEs:

*“In Vietnam, the application of this style is relatively difficult, especially for SMEs, where almost all activities are related to low-tech and the qualifications of workers are relatively low. Moreover, the self-consciousness of workers in Vietnamese SMEs is not high enough; workers cannot control themselves as well as take responsibility for their work. If the leader cannot supervise the production process, the results will not be as the target.”*

**Table 6 Disadvantages of Laissez-Faire Leadership Style  
(Perceived by Vietnamese SME Managers)**

• <i>Cannot promote the roles of leaders</i>
• <i>Reduce the power of the leader</i>
• <i>May create depression for managers</i>
• <i>Difficult to control work</i>
• <i>May miss the goals if staff are incompetent</i>

Source: own research results

## Discussion

To begin with, as for the application of autocratic leadership style, the first and foremost benefit emphasized by Vietnamese SME managers is that it assists the manager to solve the work timely, especially when the opportunities as well as the troubles come. This benefit was emphasized by Mihai (2015) when noting that autocratic style is useful to help managers to stabilize business and overcome difficulties during the crisis. Besides, the autocratic style was also stressed to facilitate the manager to control firms' work better, ensuring that the goals will be successfully achieved. Van Vugt *et al.* (2014) and Fiaz (2017) supported this idea by indicating that in autocratic climate, the policies, procedures, tasks and interactions are unified by the managers, and the four managerial functions – planning, organizing, leading and controlling are accomplished by the managers, in order to manage the business consistently.

Regarding the drawbacks of applying autocratic leadership style, participants in this study highlighted the limited creativity and ideas of employees in the autocratic climate. Michael (2010), Ojokuku *et al.* (2012) also described the autocratic style as the one by which the staff are always considered as mere functionaries only, and their suggestions are often ignored. Moreover, as perceived by Vietnamese SME managers, abusing autocratic style may make the manager to be bossy and interfere too much on individual's tasks. Likert (1961) took the same view when stressing that in autocratic working environment, the punishment and threats are mainly used, the teamwork and communication are weak. Because of this, interviewees in this study warned that the autocratic leaders easily to make wrong decisions that are unacceptable from followers. Jung *et al.* (2016), Mihai (2015) and Kumar (2018) also advocated for this idea by highlighting that autocratic leaders often make decisions in the centralized manner, without discussion and consultation with employees. Consequently, as reflected in this study, it would be hard for the autocratic leader to earn the love and trust from followers. Mihai (2015) and Malik *et al.* (2016) shared this opinion by depicting the conflicts between employers and employees as well as the less willingness in supporting each other in the autocratic climate where absolute power and influence are asserted (Kerfoot, 2008; Afshinpour, 2014). Schuh *et al.* (2013), Svulik (2013) and Chemers (2014) also described the working environment under the autocratic leader as the one in which staff are pushed to complete tasks under the rules, and the punishments would be applied when staff make mistakes. Vietnamese SME managers in this study further stressed that autocratic leadership style may cause anxiety for employees.

In terms of the application of democratic leadership style, its initial pros that participants in this study emphasized are its role in promoting work capacity, creativity and activeness of subordinates. Kumar (2018) and Mihai (2015) also reflected that by calling for the participation of subordinates and appreciating their input, giving them a certain degree of autonomy and responsibilities with company's tasks (Meyers, 2012), employers may encourage followers to show their ideas and creativity (Meyers, 2002; Kumar, 2018), and thus, employee working motivation is maximized (Meyers, 2012). Vietnamese SME managers interviewed in this study further stressed that in the democratic climate, the work efficiency of staff is still maintained when the leader is absent. Particularly, with the smart use of democratic style, the pressure of the leader would be significantly reduced.

Another good point of democratic style reflected in this study is the great support from subordinates for the decisions of the leaders, the good leader-subordinate relationship, and the comfortable working environment. McGregor and Cutcher-Gershenfeld (2006), Raelin (2012), and Jones *et al.* (2016) supported this idea by describing the democratic climate as

the one in which the principles are based on the friendliness, helpfulness and encouragement of participation, and the commitment, involvement, satisfaction and productivity of followers are strongly enhanced. Moreover, SME managers interviewed in this study also emphasized the feeling of respectfulness of employees when working with the democratic leader. Burlea-Schiopoiu and Rainey (2013) described the comfortability of democratic climate when the desire and needs of employees are highly considered. Further, participants in this study stressed the bond among employees as the result of democratic leadership style. Regarding this advantage, Meyers (2012) and Malik *et al.* (2016) also drawn the stimulation of democratic climate for the consensus and solidarity of employees, as well as the organizational citizenship behavior among employees.

As for the downsides of applying democratic style, this study highlighted the overly reliance of leader on followers, resulting in the slow decision making and missed opportunities if the leader excessively use this style. Ojokuku *et al.* (2012) emphasized this cons when noting that democratic style may hinder the decision-making process and workable results may require too much effort. Moreover, Vietnamese SME managers joined this research further warned that the overuse of democratic style may create irresponsible leader who may, sooner or later, loose power and control of organizational activities. Besides, the effectiveness of democratic style in calling the involvement of followers in the decision making process may sharply reduce when the leader is incompetent and followers are incapable to provide ideas. Mihai (2015) shared this idea by emphasizing that taking incompetence subordinate's opinion may lead to the wrong decisions. Particularly, the SME managers in this study stressed some cases where the staff has bad intention to suggest ineffective solutions when being asked for the idea. Furthermore, the managers interviewed also reflected other weakness of democratic style such as causing disunity when just some individuals/groups' ideas are taken into account, and the phenomenon of "fictitious democracy" when leaders pretend call for the ideas of employees but make decision mostly by themselves.

Regards to the laissez-faire leadership style, Vietnamese SME managers in this study highlighted the pressure reduction which allows the concentration on strategic tasks of the leader as the possible results when he or she applies this style. Mihai (2015) advocated for this idea by emphasizing that by employing laissez-faire style, the managers are not required to stick too much to operational decisions, further focus on administrative and strategic decisions. Another advantage of laissez-faire style reflected in this study is the provision of opportunities for employees to promote their talent when they are allowed to join decision making process. Mihai (2015) shared this idea when noting that in laissez-faire climate, the employees are provided the right to organize themselves to

accomplish their affairs. Vietnamese SME managers in this research further indicated that the smart use of laissez-faire style may create an open working environment and develop capable executives when they have opportunities to expose their talents.

However, from the viewpoints of SME managers, the laissez-faire style contains too much of disadvantages and is not easy to use. Firstly, when excessively using this style, the power of the leader may be reduced, resulting in his or her depression. This downside is shared with, Samad *et al.* (2015), Mihai (2015), Bass and Riggio (2006) and Malik *et al.* (2016) when they indicated that the guidance and direction of leaders become unnecessary when employees are given complete freedom to resolve their working issues and to make own decisions for their activities. Secondly, Vietnamese SME managers interviewed stressed that in the laissez-faire climate, work is difficult to be controlled. Chowdhury (2014), Mihai (2015) and Wong and Giessner (2015) warned this issue when emphasizing the poor communicating between employers and employees, the avoidance of the laissez-faire leaders in making decision, in engaging in work progress, and in solving organizational troubles. Finally, SME managers in this study shared the view with Mihai (2015) that for the long-term, the goals of the organization would be hard to achieve when employees are no longer to self-manage, the commitment of employees are poorer and the unified strategies and effort are not maintained under the management of laissez-fair leaders.

## **Conclusions and Implications**

The paper has widely discussed three main types of leadership styles, namely autocratic, democratic and laissez-faire styles. To begin with, the literatures on leadership, leadership styles related to these three leadership styles were reviewed, providing the theoretical foundation for the empirical study. Subsequently, the paper reflects in details the qualitative data analysis on the perceptions of Vietnamese SME managers with regard to the benefits and drawbacks in the application of these three styles in their managerial activities. The paper is expected to make both theoretical and practical contributions.

## **Theoretical Contributions**

Existing literature on leadership styles has been strengthened by this study providing more empirical evidence of the benefits and drawbacks of the application of various leadership styles, including autocratic, democratic and laissez-fair leadership styles, especially in the context of SMEs and Asian emerging countries like Vietnamese culture. The findings of this study provide empirical support that each leadership style has its own pros and cons, there is no perfect leadership style and the suitable use of leadership style needs to take

into account the situations. It further adds to the literatures on the benefits and drawbacks of autocratic, democratic, and laissez-faire leadership styles. This study further provides not only detailed explanation but also new ideas which have not discussed in previous studies. For example, it emphasizes that autocratic style may promote capacities and qualities of leaders but may cause anxiety for employees. Besides, this study further indicates the “fictitious democracy” and the conflicts among individuals and groups as the downside of democratic style. It also further stresses the creation of open working environment with trained executives as the results of laissez-faire style.

Apart from being aware of the benefits and drawbacks of various leadership styles, to apply effectively these styles in SMEs of Asian emerging countries, understanding the influences of the firm-size and culture to the selection of leadership styles is also essential. As reflected by the SME managers in this study, the autocratic style is strongly beneficial in assisting the leader to better control the work, particularly to quickly solve troubles arise. This style also enables the leader to show his or her power. These features are likely to fit to the conditions of SMEs where the leaders often operate as owner-managers and tend to exert authority in policy determination which in turn, force employees to follow their instructions.

Furthermore, this study confirms one more time the strong points of democratic and laissez-faire styles in the conditions of SMEs, particularly in promoting the working capacity of employees, developing the bond between employers and employees, and thus, in creating comfortable working environment. This strongly reflects the image of the “benevolent leader” in the society affected by Confucianism value such as Vietnam.

### **Practical Contributions**

The implications with regard to the application of various leadership styles and the consideration of characteristics of SMEs and Vietnamese cultures may be considered as valuable suggestions for SME managers as well as the training/consulting institutions in choosing the right one.

Firstly, due to the benefits and drawbacks of the autocratic leadership style, this style should be used in the start-up phase where the company’s business has not been stable and the leader is required to guide and coach new and inexperienced employees to carry out his ideas. This style should also be applied in technology and manufacturing sectors where the technical guidance of the leaders is needed as well as in the jobs that require accuracy and high promptness. This style may be utilized when the leader has no time and

needs to make urgent decisions or when he or she needs to place pressure on subordinates to work more effectively. The leader who is highly decisive and the employees who are new, stubborn and lack skills seem to be appropriate to autocratic leadership style.

The democratic leadership style should be applied in the stable business development phase and for industries/tasks with high demand for creativity. The leader may consider using this style when establishing business tactics or working process, and when making decisions that are important to both leader and employee. This style seems to be beneficial for the leader who is new and/or lack technical skills and knowledge in their business field. Besides, democratic style should be applied with employees with high responsibility and work capacity.

As the benefits and downsides of laissez-faire leadership style reflected, this style seems to be fit to the sectors in which innovation and creativity are highly required. This style may be applicable for jobs that the manager finds hard to manage the whole process and he or she chooses to assign tasks to employees, focus on checking the final results but still being capable of controlling the risks. Because of this, to apply this style, it requires the leader to be the one who is able to allocate and assigns tasks effectively and fits to employees with high working capacity and good creativity. In the organizations where employees have high level of working responsibility, concentration and creativity, the leader may consider to adopt laissez-faire style properly.

### **Limitations and Further Studies**

Firstly, this study was conducted only in Vietnam, and thus, further research in other developing countries need to be conducted. Secondly, the leadership style in Vietnamese larger companies across different ownership categories and economic has not covered in this study, and it may become the suggestion for further studies. Finally, in this study, the qualitative approach was taken to explore the perceptions of Vietnamese SME managers. Based on such findings, additional studies could use quantitative methodologies to continue examine the effectiveness of application of various leadership styles.

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