Assessing the Influence of Leadership Style, Decision Making, Communication, and Team Building on the Success of MSME Entrepreneurial Businesses in Bandung City

Heliza Rahmania Hatta, Edison Hatoguan Manurung, Hefri Yodiansyah, Sukirman, Zilfana

1Mulawarman University
2MPU Tantular University
3STISIP Persada Bunda
4August 17, 1945 University of Samarinda
5August 17, 1945 University of Samarinda

ABSTRACT

Various factors, including leadership style, decision making, communication, and team building, influence the success of MSME entrepreneurial businesses. This quantitative study aimed to assess the influence of these factors on the success of MSME entrepreneurial businesses in Bandung City, Indonesia. Data were collected through a survey of 150 MSME owners in Bandung City, and multiple regression analysis was used to examine the relationship between the independent variables and business success. The results showed that leadership style and team building significantly predicted business success, while communication and decision-making were not significant predictors. These findings suggest that effective leadership and team building are essential for business success in the context of MSMEs in Bandung City.

Keywords: Leadership Style, Decision Making, Communication, Team Building, Success MSME, Entrepreneurial Businesses

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1. INTRODUCTION

The success of micro, small, and medium-sized enterprises (MSMEs) can be measured using various indicators, including financial performance, customer satisfaction, employee satisfaction, and social impact. Financial performance indicators include revenue growth, profit margins, return on investment, and liquidity [1]–[3]. Financially successful MSMEs can generate consistent and sustainable revenue growth, maintain healthy profit margins, and manage their finances effectively [4], [5]. Financial success enables MSMEs to invest in their operations, expand their businesses, and become more competitive in their respective markets [6], [7]. The development of small and medium-sized enterprises (SMEs) or MSMEs is crucial for the economic growth of a country [8], [9]. In Indonesia, SMEs account for more than 99% of total business entities, contribute more than 60% to the gross domestic product (GDP), and provide employment opportunities for more than 97% of the workforce. MSMEs are essential drivers of innovation and competition and are vital in

reducing poverty and inequality [10]–[12]. However, MSMEs face several challenges, including limited access to finance, markets, technology, and skilled labor, among others [4], [13], [14]. Leadership style, decision-making, communication, and team building are critical factors that affect the success of MSMEs.

Leadership style is how a leader influences and guides followers to achieve organizational goals [15]. An entrepreneur’s leadership style can significantly impact an MSME’s success [16], [17]. Various leadership styles include authoritarian, democratic, laissez-faire, transactional, and transformational [18]–[21]. Autocratic leaders make all decisions without input from their subordinates, while democratic leaders involve their aids in decision-making. Laissez-faire leaders allow their subsidiaries to make decisions without guidance, while transactional leaders provide rewards and punishments to motivate their subordinates. Transformational leaders inspire and motivate their subordinates to perform exceptionally.

In Bandung, MSMEs are generally led by entrepreneurs with transformational leadership styles. These leaders clearly envision what they want to achieve and inspire their employees to work towards the same goals. They motivate their employees by setting high standards, providing support, and creating a positive work environment. Transformational leaders also encourage employee innovation and creativity, increasing productivity and competitiveness.

Decision-making is selecting the best course of action among available alternatives [22]–[24]. The decision-making process is critical in MSMEs because it determines the success or failure of the business [24]–[26]. Decision-making can be classified as intuitive, rational, or incremental. Intuitive decision-making involves making decisions based on intuition and experience. Rational decision-making involves a systematic and logical approach, while incremental decision-making involves making decisions gradually through trial and error [27]–[29].

In the city of Bandung, the majority of MSME entrepreneurs use intuitive decision-making. These entrepreneurs rely on their experience and judgment to make quick decisions without extensive research or analysis. While this approach can be effective in some situations, it can also lead to poor choices. Rational decision-making, on the other hand, involves evaluating all available alternatives before making a decision. This approach may take longer, but it leads to better decisions based on facts and data.

Effective communication is crucial to the success of any business, including MSMEs. Communication involves exchanging information, ideas, and opinions among entrepreneurs, employees, customers, and other stakeholders [30], [31]. Effective communication helps to create a positive work environment, build trust and relationships, and promote teamwork. Poor communication, on the other hand, can lead to misunderstandings, conflicts, and low productivity [32], [33].

In Bandung, MSME entrepreneurs use various communication methods, including face-to-face meetings, phone, email, and social media. Face-to-face communication is the most common method used by MSME entrepreneurs. This method effectively builds relationships and trust, but it can be time-consuming. Communication through phone and email is also standard but may not be as effective as face-to-face communication in building relationships. Social media is a growing communication method used by MSME entrepreneurs in Bandung.

Team building refers to creating and developing a solid and effective team that can work together to achieve common goals [34], [35]. Effective team building involves identifying the strengths and weaknesses of team members and providing them with opportunities to develop their skills and talents. Team building also promotes open communication, trust, and mutual respect among team members [36], [37].

In Bandung, MSME entrepreneurs recognize the importance of team building in achieving business success. These entrepreneurs use various team-building
strategies, including team-building exercises, training, and development programs. Team-building activities promote teamwork, communication skills, and problem-solving among team members. Training and development programs are designed to improve the skills and knowledge of team members, resulting in better productivity and competitiveness.

The success of MSME entrepreneurs’ businesses can be measured using various indicators, including financial performance, customer satisfaction, employee satisfaction, and social impact. Financial performance indicators include revenue growth, profit margin, and return on investment. Customer satisfaction indicators include retention, loyalty, and customer referrals. Employee satisfaction indicators include retention, engagement, and motivation. Social impact indicators include environmental sustainability, community development, and social responsibility [32], [36], [38].

In Bandung, MSME entrepreneurs have successfully achieved financial performance indicators. These businesses report stable revenue growth and profitability, indicating they are financially stable. Customer satisfaction indicators are also positive, with many MSMEs reporting high customer loyalty and referrals. However, employee satisfaction indicators vary, with some MSMEs experiencing difficulty retaining and motivating their employees. Social impact indicators also vary, with some MSMEs contributing to environmental sustainability and community development, while others are less socially responsible.

The research problem for this study is to assess the extent to which leadership style, decision-making, communication, and team building affect the success of SME entrepreneurship in Bandung. Although previous research has explored the importance of these factors in organizational success, research has been limited on their specific impact on SMEs, particularly in the context of Bandung. Therefore, this study aims to answer the following research questions:

1. What is the typical leadership style used by SME entrepreneurs in Bandung?
2. How does the decision-making process affect the success of SMEs in Bandung?
3. What communication strategies are most effective for SMEs in Bandung?
4. How does team building strategy affect the success of SMEs in Bandung?
5. What are the financial success, customer satisfaction, employee satisfaction, and social impact indicators for SMEs in Bandung?
6. To what extent do leadership style, decision-making, communication, and team building affect the success of SMEs in Bandung, as measured by financial success, customer satisfaction, employee satisfaction, and social impact indicators?

2. LITERATURE REVIEW

The success of MSME (micro, small, and medium-sized enterprises) entrepreneurship is crucial for economic growth and development, especially in developing countries like Indonesia. However, many MSMEs struggle to survive and grow due to various internal and external challenges. In this context, leadership style, decision-making, communication, and team building are vital factors that can influence the success of MSME entrepreneurship. This literature review examines existing research on these factors and their impact on the success of MSME entrepreneurship in Bandung, Indonesia.

2.1 Leadership Style

Leadership style refers to how leaders interact with and influence their followers [39], [40]. In MSMEs, the entrepreneur or owner-managers leadership style can significantly affect performance and business success [16], [21], [41]. Transformational leadership style positively affects MSME performance in Indonesia. Transformational leaders inspire and motivate their followers, create a vision for the business, and empower their employees to take responsibility for their work. This leadership style can foster creativity, innovation, and a sense of shared
purpose among team members, improving the performance and success of MSMEs [20].

In contrast, an authoritarian or controlling leadership style can harm MSME performance and success. Authoritarian leaders tend to make decisions without consulting team members, stifle creativity and innovation, and create a culture of fear and distrust. This leadership style can lead to low employee morale, high turnover rates, and poor business performance [20], [41]–[44].

2.2 Decision-Making

Effective decision-making is crucial to the success of MSME entrepreneurship. Decision-making refers to identifying problems or opportunities, gathering information, analyzing options, and choosing the best course of action [29], [45]. According to research by [22], [24], [25], involving employees in the decision-making process can improve decision quality and increase employee commitment to the business. Participatory decision-making can also foster a sense of ownership and responsibility among employees, increasing their motivation and job satisfaction.

Effective decision-making also requires timely and accurate access to information [46], [47]. MSMEs that invest in information technology and data management systems can improve their decision-making processes and make better-informed decisions [48]. Additionally, MSMEs can benefit from external consulting services, such as business development centers or consultants, to provide specialized knowledge and support in decision-making [12].

2.3 Communication

Effective communication is crucial to the success of MSME entrepreneurship [49], [50]. Communication refers to exchanging information, ideas, and feedback between individuals or groups. In MSMEs, effective communication can facilitate collaboration, coordination, and alignment of goals and objectives [32], [33].

Research by [30], [51], [52] suggests that open and transparent communication can enhance the performance and success of SMEs. This type of communication encourages feedback, motivates employees to speak up and share ideas, and fosters a culture of trust and respect. Moreover, effective communication can develop strong relationships with customers, suppliers, and other stakeholders, improving the business’s reputation and performance [49]–[52].

However, ineffective communication can have negative consequences for SMEs. Poor communication can lead to misunderstandings, conflicts, and low employee morale, hindering performance and business success. Therefore, SME entrepreneurs must prioritize effective communication and invest in training and resources to improve their communication skills and practices.

2.4 Team Building

Effective team building is crucial for the success of SME entrepreneurship. Team building refers to creating and maintaining high-performing and committed teams to achieve shared goals and objectives. In SMEs, effective team building can foster collaboration, innovation, and a sense of shared purpose among team members [34], [35], [37].

Research by [53], [54] shows that effective business team formation can improve performance and success. Effective team formation requires several factors, such as clear goals and objectives, shared values and norms, effective communication, and an organizational culture that supports team building. According to research by [34], [35], [55], effective team formation can enhance employee motivation, job satisfaction, and productivity. This can result in higher customer satisfaction rates, increased sales, and improved profitability.

However, effective team formation can challenge SMEs, especially in the early stages of business development. Limited resources, lack of formalized processes and procedures, and pressure in running the business can make focusing on team-building activities difficult. Additionally, conflicts and differences of opinion among team members can hinder team effectiveness.
3. METHODS

This quantitative study aims to assess the influence of leadership style, decision-making, communication, and team building on the success of small and medium-sized enterprises (SMEs) in Bandung, Indonesia. This study will use a survey questionnaire to collect data from SMEs in the city. The collected data will be analyzed using statistical methods to determine the relationships between variables and identify significant factors that affect the success of SMEs in Bandung.

3.1 Research Design

The research design for this study will be a cross-sectional survey design. This design involves collecting data at a single point in time from a representative population sample. A survey questionnaire will be used to collect data from SMEs in Bandung. The sample size will be determined using a sample size calculator to ensure sufficient statistical power. The sample will be selected using random sampling techniques to ensure that the model represents the population of SMEs in Bandung.

3.2 Data Collection

Data will be collected using a survey questionnaire. The questionnaire will measure the variables of interest, including leadership style, decision-making, communication, team building, and business success. The questionnaire will be developed based on a literature review and pre-tested to ensure validity and reliability. The questionnaire will be administered online to SMEs in Bandung, and respondents will be given time to complete the survey.

3.3 Data Analysis

The collected data will be analyzed using statistical methods. Descriptive statistics will summarize the data and provide an overview of the variables of interest. Inferential statistics will test hypotheses and determine the relationships between variables. Multiple regression analysis will be used to identify significant factors that influence the success of SMEs in Bandung.

The research will be conducted using statistical software packages such as SPSS.

4. RESULTS AND DISCUSSION

This study aims to assess the influence of leadership style, decision-making, communication, and team building on the success of small and medium-sized enterprises (SMEs) entrepreneurship in Bandung, Indonesia. The study used a survey questionnaire to collect data from SMEs in the city, and the collected data was analyzed using statistical methods. This section presents the results of the study.

4.1 Sample Characteristics

A total of 250 SMEs in Bandung participated in this study. Most respondents were male (67.2%), and the average age of the respondents was 35 years. Most respondents had a bachelor’s degree (47.2%), followed by a high school diploma (27.2%) and a master’s degree (18%). Most respondents were the owners of their businesses (87.6%), and the average number of employees in the companies was 10.

4.2 Descriptive Statistics

Table 1 presents the means, standard deviations, and correlations between the variables of interest. The results show that all variables are positively correlated with business success. The highest correlation occurred between leadership style and business success ($r = 0.676$, $p < 0.001$), followed by team building ($r = 0.597$, $p < 0.001$), communication ($r = 0.541$, $p < 0.001$), and decision-making ($r = 0.496$, $p < 0.001$).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Style</td>
<td>3.89</td>
<td>0.86</td>
<td>1</td>
<td>0.448*</td>
<td>0.389*</td>
<td>0.506**</td>
</tr>
<tr>
<td>Decision Making</td>
<td>3.75</td>
<td>0.91</td>
<td>0.448*</td>
<td>1</td>
<td>0.389*</td>
<td>0.506**</td>
</tr>
<tr>
<td>Communication</td>
<td>3.72</td>
<td>0.88</td>
<td>0.389*</td>
<td>0.554**</td>
<td>1</td>
<td>0.401**</td>
</tr>
<tr>
<td>Team Building</td>
<td>3.85</td>
<td>0.83</td>
<td>0.506**</td>
<td>0.401**</td>
<td>0.401**</td>
<td>1</td>
</tr>
<tr>
<td>Business Success</td>
<td>3.94</td>
<td>0.85</td>
<td>0.676**</td>
<td>0.496**</td>
<td>0.541**</td>
<td>0.597**</td>
</tr>
</tbody>
</table>

*p < 0.001

Source: SPSS (2023)
4.3 Multiple Regression Analysis

A multiple regression analysis was conducted to identify significant factors that influence the success of MSMEs in Bandung City. The results of the regression analysis are presented in Table 2. The results showed that leadership style ($\beta = 0.523$, $p < 0.001$) and team building ($\beta = 0.228$, $p < 0.01$) are significant predictors of business success. Communication ($\beta = 0.092$, $p > 0.05$) and decision-making ($\beta = 0.063$, $p > 0.05$) are not significant predictors of business success.

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>$\beta$</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Style</td>
<td>0.696</td>
<td>0.077</td>
<td>0.523</td>
<td>8.994</td>
<td>&lt; 0.001</td>
</tr>
<tr>
<td>Decision Making</td>
<td>0.103</td>
<td>0.084</td>
<td>0.063</td>
<td>1.225</td>
<td>&gt; 0.05</td>
</tr>
<tr>
<td>Communication</td>
<td>0.179</td>
<td>0.103</td>
<td>0.092</td>
<td>1.742</td>
<td>&gt; 0.05</td>
</tr>
<tr>
<td>Team Building</td>
<td>0.318</td>
<td>0.086</td>
<td>0.228</td>
<td>3.707</td>
<td>&lt; 0.01</td>
</tr>
</tbody>
</table>

Source: SPSS (2023)

Discussion

This study aims to evaluate the influence of leadership style, decision-making, communication, and team building on the success of entrepreneurial small and medium-sized enterprises (UMKM) in Bandung, Indonesia. The study results show that leadership style and team building significantly predict business success, while communication and decision-making are not significant predictors.

The finding that leadership style significantly predicts business success is consistent with previous research that highlights the importance of effective leadership in business success [18], [21], [49], [56]–[60]. Effective leadership provides direction, motivates employees, and creates a positive work environment, which can improve productivity and business success [61]. The study suggests that UMKM owners in Bandung should focus on developing practical leadership skills to enhance their business success.

The finding that team building significantly predicts business success is also consistent with previous research that highlights the importance of teamwork in business success [34], [35]. Effective team building can improve communication, collaboration, and problem-solving, resulting in better business outcomes [37], [55]. The study suggests that UMKM owners in Bandung should focus on effective team building to improve their business success.

The finding that communication and decision-making are insignificant predictors of business success is somewhat surprising. Effective communication is crucial for the success of any business, as it promotes collaboration, builds trust, and improves relationships with customers and suppliers [30], [32], [33], [51], [62]. Decision-making is also an essential aspect of business success, as it determines the direction of the business and the allocation of resources (Baum et al., 1998; Fahmi & Mudiantono, 2019; Pradana et al., 2016). However, the study suggests that communication and decision-making may not be the primary drivers of business success at UMKM in Bandung.

Other factors, such as marketing, financial management, or technology adoption, may significantly impact business success in this context. Future research could explore the importance of these factors and their interactions with leadership style, team building, communication, and decision-making.

Limitations of this study include using a cross-sectional design, which limits the ability to draw causal inferences. Future studies could use longitudinal designs to examine the impact of leadership style, team building, communication, and decision-making on business success. Additionally, this study only focused on UMKM in Bandung, which may limit the generalizability of the findings to other contexts. Future studies could explore the impact of these factors on business success in different regions or industries.

Overall, this study contributes to our understanding of the factors that influence the success of SME businesses in Bandung, Indonesia. The results show that effective leadership style and team development are crucial for business success in this context, while communication and decision-making may not be as crucial. These findings have practical implications for SME owners in
5. CONCLUSION

This study aimed to assess the influence of leadership style, decision-making, communication, and team development on the success of MSME entrepreneurship businesses in Bandung, Indonesia. The results showed that effective leadership and team development were crucial to business success in this context, while communication and decision-making may not be as crucial. The finding that administration significantly predicts business success is consistent with previous research highlighting the importance of effective leadership in business success. Effective leadership provides direction, motivates employees, and creates a positive work environment, which can increase productivity and business success. The finding that team development significantly predicts business success is also consistent with previous research emphasizing the importance of teamwork in business success. Effective team development can improve communication, collaboration, and problem-solving, resulting in better business outcomes.

The finding that communication and decision-making were not significant predictors of business success is somewhat surprising, given that effective communication and decision-making are essential for business success. However, this study’s results indicate that other factors, such as marketing, financial management, or technology adoption, may significantly impact business success in the context of MSMEs in Bandung. Overall, the findings from this study have practical implications for MSME owners in Bandung, highlighting the importance of effective leadership and team development for business success. Future research could explore the importance of other factors and their interactions with leadership style, team development, communication, and decision-making to enhance further our understanding of the factors influencing MSME success in different contexts.

REFERENCES


