

Evolution of strategic leadership practices and its impact on organizational performance in Pakistan's SMEs

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Abstract

The business environment has changed dramatically as it modernizes in the recent years especially in developing countries small businesses are increasingly threatened. Most of the newly introduced factors such as technology, trade policies, competitiveness and so on, are not supportive to the SMEs. The capacity to enhance performance is a learnable organizational competence. In order to achieve a high level of organizational performance the role of effective strategic leadership is very important. The best way to survive and thrive in the pharmaceutical industry is to develop strategic leadership skills to achieve better organizational performance to exist successfully the growing challenges of the 21st century. Therefore, keeping in view the lack of research on the topic of strategic leadership in Pakistan's SMEs, contradictory evidence about the role of leadership in organizational performance requires further need to explore the strategic leadership role in pharmaceutical industry in the context of enhancing organizational performance. The main purpose of the study is to evaluate contemporary strategic leadership practices in SMEs within the Pakistan pharmaceutical industry and its impact on organizational performance.

Qualitative data collection methods were applied to collect information. Semi-structured interviews were conducted using fifteen broader themes. A sample of twelve mid to senior level management staff were interviewed

over a period of three weeks. Interviews were tape recorded and transcribed verbatim in word document before data was thematically analysed.

Effective leadership is necessary for a good organizational performance in the pharmaceutical SMEs of Pakistan. It was extrapolated that effective leadership lacks in long-term vision, inappropriate human resource management, inappropriate policies, standards and procedures, ineffective system of monitoring and evaluation coupled with technological issues. This might have resulted in low performance of the firms. However, there is a growth opportunity due to increase in the demand in Pakistan.

Strategic leadership needs to develop and use assessment tools, criteria, standards and policies to assess threats and opportunities. Emphasize should be put on to develop standards for measuring and controlling organizational outcomes along with developing policy and plans to combat and adjust in changing external environment. Ethical performance should be recognized and appreciated.

Introduction and Background

In existing highly complex and competitive business environment, effective utilization of resources is fundamentally important for success that creates multiplier effects (Doherty & Terry, 2013). In furtherance of achieving and maintaining competitive advantage, human resources are crucial for organization (Dobre, 2012). Strategic leaders are the building blocks of human resource (Suresh, 2012). Bacon and Hoque (2005) argue Small and Medium Enterprises (SMEs) holds the most crucial positions in the economic growth of any country, through income generation and employment creation (Lange et al., 2000). According to Raziq (2014), regardless of their economic importance SMEs in Pakistan are suffering from various shortcomings, which include inadequate guidance on their future actions, whereas government's ever-changing standards and policies to support the sector also proved to be ineffective to bring any long-term positive impact. Pharmaceutical SMEs face complex issues like rapid modernisation in technology, government policies, lack of resources, globalization, and consumer expectations that grow more challenging day by day (Zhang & Zhang, 2010) coupled with a range of leadership challenges (Leslie & Palmisano, 2010).

Majority of the experts believe that effective strategic leadership practices are one of the major contributors to cope such challenges in the companies' performance (Krupp & Howland, 2013), therefore keeping in view the 21st century growing challenges it is necessary to explore the effective strategic leadership role in organizational performance (Hitt et al. 2010). At one side, this would make pharmaceutical industry more competitive in the international markets on the other side this will further enhance its contribution in the economic development of Pakistan. Therefore, based on an analytical review of current strategic leadership research and practice in SMEs this study contributes to the current strategic leadership research in view to enhance organizational performance.

The business environment has changed dramatically as it modernizes in the recent years mainly in developing countries small businesses are increasingly threatened due to merger and acquisition of large business (Gosenpud & Vanevenhoven, 2011). Most of the newly introduced factors are not support the SMEs (Bashar, 2012). Increasing globalization trend and rapid advancement in the field of technology further increased the uncertainty, turbulence, and competitive environment in which organizations are operating. The capacity to improve performance is a learnable organizational competence (Owen et al. 2001). According to Arslan and Staub (2013), organizations must consistently enhance performance to meet the growing challenges of the highly competitive markets.

Most of the preceding literature emphasise the importance of leadership role for enhancing organizational performance (e.g. Peterson et al. 2003; Boal & Hooijberg 2000). However, some erstwhile studies hold contradictory views about the role of leadership for achieving organizational performance. According to Meindl et al. (1985), leadership role holds limited importance for achieving the performance of organizations. Whereas, contrary to the above study Peterson et al. (2003) and Finkelstein & Hambrick (1996), suggest that in order to achieve a high level of organizational performance the role of leadership is critical. According to Ireland and Hitt (2005), effective strategic leadership practices can play a pivotal role in increasing performance while operating in unpredictable, volatile and turbulent environment. Hagen et al. (1998)

investigate the six practices determining strategic direction, exploiting and maintaining core competences, developing human capital, sustaining effective corporate culture, emphasising ethical practices and establishing strategic control for effective strategic leadership evolved by Hitt, et al. (1995). Ireland et al. (2012) reviewed and represented five actions which are, namely: determining strategic directions, establishing balanced organizational controls, effectively managing the firm's resources portfolios, sustaining an effective organizational culture and emphasizing ethical practices; of effective strategic leadership by merging two actions exploiting and maintaining core competencies and developing human capital into effectively managing the firm's resource portfolio. These five components are critically examined in chapter 2.

The Islamic Republic of Pakistan with an estimated 183 million population is world's sixth most populous country (World Population Review, 2014). According to Radam and Abdullah (2008), SMEs referred to as the backbone of the economy and holds a significant role for the development of any country' economy. It is extremely important to ensure development and growth of SMEs in order to achieve employment generation and economic activity in a country, as has been witnessed during the course of economic development in many Newly Industrialized Countries (NICs) in Asia, SMEs have a pivotal role to play in alleviating poverty and social integration (Naveed, 2012). This stands stronger in case of Pakistan where SMEs constitute almost 90% of all the enterprises and occupy a substantial role in the economy of Pakistan (SMEDA 2013). Challenges related to development of efficient and viable SMEs are numerous (Muhammad et al., 2010); varying between urban and rural areas, sectors, regions, and even between individual enterprises within a sector. Nevertheless, a range of constraints such as lack of capital, technology, human resources and so on, are common to all SMEs.

Pharmaceutical Industry is one of the leading industries in Pakistan, which consist of approximately four hundred registered companies (Pakmission-UK 2014). The pharmaceutical industry of Pakistan is divided between small and medium enterprises and large size multinational and local companies, which together fulfil almost seventy percent of the Pakistani pharmaceutical demand. There are thirty multinational

companies operational in the country, which hold 53% market share while the remaining 47% held by national pharmaceutical companies (Jamshed et al. 2009).

According to Hunger and Wheelen (2003), the organizations that are practicing strategic management mostly outperform those that do not. The absence of long-term planning and strategic thinking usually leads towards the business failure of SMEs (Analoui & Karami, 2003). According to Dess et al. (2010), small organizations can compete and grow with a fast pace by adopting strategic management practices compare to large organizations with no strategic leadership opportunities. Furthermore, Leslie and Palmisano (2010) presented the state of pharmaceutical sector which, suggest that there are significant gaps in many key leadership capabilities that are critical to the success in an organization.

Hence, effective and qualified strategic leadership is required to tackle the issues related to strategic thinking and planning, which also helps to align strategic direction of the company. McGrath and Macmillan (2000) emphasised the role of effective strategic leaders that have to perform during uncertain conditions and suggest that they must seek opportunities in a volatile environment and apply strategic thinking skills that help them to utilize those opportunities. Strategic leaders that operates in old-fashioned ways will produce failure compare to effective strategic leadership who are more innovative will take the best human resource, markets, and even the assets of the organization with ineffective strategic leaders (Hamel, 2007). Therefore, the only way to survive and thrive for pharma organizations is to develop such critical strategic leadership skills to achieve above average organizational performance and face the growing challenges of 21st century like global competition and struggling economy.

Therefore, keeping in view lack of research on the topic of strategic leadership in Pakistan's SMEs, contradictory findings about the role of leadership in organizational performance and developing countries' pharmaceutical SMEs aforementioned issues indicate the further need to explore the strategic leadership role in pharmaceutical industry in view to enhance organizational performance. Suzanne and Charles (2013) suggest

the further need of study to explore the relationship between organizational performance and strategic leadership.

Furthermore, majority of the erstwhile research have focused on the role of effective strategic leadership within the church context (e.g. Pearse, Noel J 2011), Public service (Schutte & Barkhuizen 2014), and in Telecommunication sector of Pakistan (Sajjad & Sameera 2011). That is why very limited research available about the relationship between strategic leadership and organization performance in the context of pharmaceutical industry. The main aim of current study is to evaluate contemporary strategic leadership practices in SMEs within the Pakistan pharmaceutical industry and its impact on organizational performance.

The focus of this research is to explore the contemporary strategic leadership practices in pharmaceutical SMEs in Pakistan and its impact on organizational performance. Therefore, the research aims at understanding the specific role that these strategic leaders practice and their effect on the performance. Furthermore, this research while evaluating current strategic leadership practices will compare it with effective strategic leadership actions as describe by Ireland et al. (2012). This is discussed in detail from theoretical point of view in second chapter.

Literature Review

The term leadership has been described in numerous contexts from corporate point of view (e.g. Dillon, Back & Manz, 2014) to political point of view (Hartley & Benington 2011). Regardless of many theoretical formulations and theories of the leadership concept, still there is a disaccord on one comprehensive definition (Aydogdu & Asikgil 2011). However, Summerfield (2014) presented a simple definition of leadership as "make things better" for better understanding and further development. The meaning of leader is defined in different literatures; however, the collective meaning of a leader by Naoum (2001) is well established which is as following;

“A leader is the person who possesses certain abilities and traits to distinguish from other people based on its qualities”.

According to Nahavandi (2006), the core purpose of leadership is to influence groups and individuals within an organization, whereas effective

leadership practices increase group and individual performance (Hui et al, 2007). However, for a leader, it is essential to possess certain abilities to perform effective leadership practices, which helps them to be more goal driven, performance and task oriented.

Strategic Leadership

In the last few years, business environment especially for SMEs has changed dramatically because of majority of the innovations (Radas & Bozic, 2009), fluctuating economic situation, and growing complex business environment (Taipale-Eravalta et al.2014). Furthermore, increasing globalization trend and rapid advancement in the field of technology enhanced uncertainty, turbulence, and competitive environment in which organizations are operating (Awuah & Amal, 2011). In the past due to numerous errors strategic leadership has been unsuccessful to tackle such issues in many organizations (Hitt et al. 2010). However, if we manage to identify, understand that what exactly effective strategic leadership is and how it could help there will be great opportunities in the future.

The word "strategy" (Italian *strategia*; French *strategie*) is derived from the Greek word *strategos*, which means "general" (Luttwak, 1987). The definition had evolved with the passage of time, according to Rowe (2001), strategic leadership is a process which effects others to deliberately make routine decisions that maintain short-term financial stability of the organization, while increasing the long-term viability. Hitt et al (2005) emphasize that strategic leadership core propensity is to operate organization's operations effectively with the potential to attain this through pragmatic decision-making and candid attitude. One of the prime responsibilities of strategic leadership is to initiate change for the sake of viable future of the organization (Thomas et al., 2004). Strategic change can be implemented by the essence of leadership ability to maintain flexibility, envision, anticipation, and empowering others (Hitt et al., 2005).

Excellent communication skills is one of the most critical task for an effective strategic leader, instead of controlling information, it requires sharing information at the strategic level for effective communication (Flowers, 2004). Shrivastava and Nachman (1989), suggest that for

effective decision making strategic leaders may require distinct quantities and quality of information on company structure, history, technology, past strategies, current problems, capabilities and environment. According to Phipps (2011) strategic leader's spiritual beliefs work such as schemes to filter or refine the information the leader considers.

Effective Strategic Leadership Actions

The study of effective leadership is still intangible regardless it is the starting point of recognizing the dissimilar aspects of contemporary global economy, particularly business environment along with people. According to Ireland and Hitt (1999), strategic leadership possibly demonstrate to be prominent issue confronting organizations. In the absence of strategic leadership, it is difficult to attain desired performance while facing the challenges of the global economy. Effective strategic leadership actions model present a theoretical base for implementing practical plan of action, which can be used to enhance organizational performance. Strategic leadership is an ability to maintain flexibility, envision, think strategically, anticipate, and coordinate others to commence changes for the sake of prosperous future of the organizations (Ireland & Hitt, 1999). Keeping in focus unpredictable and turbulent global environment, Ireland et al. (2012) have indicated five practices of effective strategic leadership (figure 2.1) that could help to enhance organizational performance.

Figure 0.1: Effective strategic leadership practices (source: Ireland et al. 2012, p.333)



Developing a long-term vision and defining the strategy is fundamentally important part of determining strategic direction (Ireland et al. 2012). An organization's long-term vision may consist of five to ten years (Hagen et al. 1998). In order to achieve successfully this long-term vision an organization must have strong leader. Hammonds (2001) find a positive relationship between strong leaders and effective strategies consequently better success in achieving organisational goals.

An organization's resources are categorized as human capital, financial capital, organizational and social capital (Ireland et al. 2012). Most importantly, effective strategic leaders manage the firm's resource portfolio by organizing the resources into capabilities, shaping the firm to enable using those capabilities, and selecting strategies through which the capabilities are fully utilized to add value for customers (Ireland et al. 2012). Value creation starts when organization produce greater utility compare to its competitors (Sirmon et al. 2007).

Organizational controls are essential to ensure desired outcomes for an organization, which helps to achieve and sustain high returns and strategic competitiveness (Hitt et al. 2001). Also balanced organizational controls have prolonged been considered as basic element of strategy implementation process (Ireland et al. 2012).

An effective organizational culture consists of core values, symbols, and composite set of ideologies that are shared within an organization and effect the way business is managed (Ireland et al. 2012). In order to take competitive edge managers must be adaptive, innovative, and keep a powerful sustainable leadership culture (Eromafuru, 2013).

An organization's effectiveness of processes increased while implementing its strategies when they are based on ethical practise compare to unethical practices (Ireland et al. 2012). In order to enhance organizational performance unethical behaviour should be met with sanctions, whereas ethical performance should be recognized and rewarded visibly and regularly (Thomas et al. 2004). This could lead to positive attitude among staff which could embark on the ladder of success and long-term sustainability of the business.

Effective strategic leadership practices first evolved by Hitt et al. (1995) recently reviewed by Ireland et al. (2012) and empirically tested by

Jooste & Fourie (2009), Hagen et al. (1998), Bipath (2007), and Serfontein (2009). An empirical study conducted by Hagen et al. (1998) to investigate the effective strategic leadership practices evolved by Hitt et al. (1995) in which they examined most crucial strategic leadership practices and American Chief Executive Officer's (CEO) perceptions of the ranking of these practices. The results indicated that all five practices are essential for effective strategic leadership. The study ranked effective strategic leadership practices as noteworthy but, did not explore the impact of these practices on organizational performance.

In a similar effort focused on providing a framework for relationship between organizational outcome and top-level leader, Boal and Hooijberg (2000) suggested to researchers to consider beyond demographic variables. It could rather combine research from other areas to explain what kind of strategic leaders influence better organizational outcomes and how. They suggested basic strategic leadership is about a leader's potential to generate and sustain three competitive advantages within the organization; these include the ability to change, the ability for managerial wisdom, and the absorptive capacity.

Strategic Leadership Styles and Organisational Performance

A plethora of individual studies have been conducted to evaluate the impact of leadership style and practices on organizational practices such as culture, performance, job satisfaction and citizenship behavior (Gardner et al., 2010). Few scholars and researchers have also started to examine the impact of leadership styles on organizational outcomes in the context of strategic leadership.

In the last decade, several studies were conducted to demonstrate the association between styles and values of strategic leaders and organizational performance (de Luque et al., 2008), charismatic leadership styles (Waldman et al., 2006) and transformational leadership style (Ng & Sears, 2012; Waldman et al, 2006).

In transformational leadership, Sashkin and Sashkin (2003) described the follower and leader relationship as a "bonding process". Goldman and Casey (2010) explained the most important elements in transformational leadership as developing a vision, inspiring and communicating others to follow the vision. Tucker and Russell (2004)

suggested that by infusing energy into followers transformational leadership can promote organizational change.

According to Bass et al. (2003), supremacy of the transformational style lies in the fact that it encourages followers to identify organizational mission, vision and values. Such identification is essential for strategic leadership success. This has been further explored in more detail in the section 2.7.

The literature on strategic leadership has emphasized on evaluating organization's financial outcomes in relation to leadership styles. The indicators of organizational performance as identified by Hambrick and Mason (1984) included survival, growth and profitability. These performance outcomes mainly relate to the organizational strategy. There is opposing and contentious argument about how the organisations should be run. According to stakeholder theory organizations and leaders are responsible to a large number of stakeholders (Maak, 2007). Contrary to this, there is evidence that strategic leaders emphasize heavily on economic outcomes rather than noneconomic outcomes (Jawar & McLaughlin, 2001; Agle et al., 1999). This imply that several organizations are assessed on the basis of their ability of value creation, specifically for shareholders. Maak (2007) has also revealed that the leaders and organizations are increasingly accountable for their tasks and fail to focus on interests of large number of stakeholders and society at large. This also strengthens the idea that leaders need to get a broader view of organizational performance rather than only focusing on financial outcomes. Ethics and social loyalty is also important asset for organisations for long-term sustainability and business growth.

Elkington (1994) revealed that triple bottom line (TBL) an accounting framework that incorporates three dimensions of performance is important for assessing the performance effectiveness. These aspects include financial, environmental and social performance indicators. Contrary to this, another literature stream suggests that organizational performance is related with planet, people, and profit (Slaper & Hall, 2011; Fry & Slocum, 2008). In this respect, McWilliams and Siegel (2011) argued that these performance measures are viewed differently by different stakeholder groups. The financial performance measures may include return on investment, profits, revenues, and return on assets. Schwartz and

Saiia (2012) suggested that most of performance measures of organizations are financial that further focus on maximization of profits. Contrary to this, another literature stream has emphasized that organizational performance is also related with social measures such as charitable contributions, community support, wellbeing of employees and organizational commitment (Slaper & Hall, 2011; Fry & Slocum, 2008). This would clearly win hearts and minds of communities and loyalty of many populations. For example most retail superstores in the UK, like TESCO, ASDA, Sainsbury, and so on, have community based social and community development programmes and wellbeing schemes for their employees.

Effective Leadership and Organizational Performance

Curiosity in strategic leadership has been dramatically increasing in recent years (Hitt & Ireland, 2002; Finkelstein & Hambrick, 1996; Boal & Hooijberg, 2000). The most dominant research question is to explore how leaders affect organizational performance and its survival (Yukl, 2008). Researchers in various distinct subfields comprising human resource management, strategic management, organizational change, and leadership have conducted germane research.

Alvesson and Sveningsson (2003) argue that 'leadership produce outcomes', to improve organizational performance which could have positively influenced by effective strategic leadership (Charlton, 2000; Maritz, 1995; Bass, 1997). Furthermore, Berson et al. (2006) and Taylor (1995) argue that while attaining a rapid advancement in the organizational performance strategic leadership facilitate organizational learning and handling radical change. Strategic leaders do influence organizational performance through their ability to build-required confidence amongst employees (DurBin, 2001) because; organizational performance is the culmination of the performances of numerous employees (Hellreigel et al. 2001; DurBin, 2001; Cummings & Schwab, 1973).

A substantial literature stream has elaborated relationship between leadership styles and organizational performance. For instance, Bass (1985) suggested that there is positive relationship between transactional leadership and performance of employees. However, Bass (1985) further elaborates that the effectiveness of leadership style reduces when

contingencies are involved. This evidence is consistent with Ng and Sears (2012) who have also proposed positive association between diverse practices of leaders, social values and outcomes of transactional leadership. Some authors revealed that the transactional leadership is often limited to show their results. Therefore, it is less likely to produce better organizational outcomes (Vera & Crossan, 2004; Tucker & Russell, 2004).

Bass et al (2003) and Geyer & Steyrer (1998) suggested that the performance outcomes of transformational outcomes are more visible and sustainable as compared to those of transactional leadership. They also emphasized that transformational leadership influences mind set and perception of employees and the organizational culture positively. A large literature stream revealed that transformational leadership is positively associated with the performance of employees (Piccolo & Colquitt, 2006; Nemanich & Keller, 2007), job satisfaction (Walumbwa et al., 2004), identification with organization (Epitropaki & Martin, 2005), and organizational commitment (Walumbwa et al., 2004). Contrary to this, Waldman and Yammarino (1999) suggested that charismatic leadership influence organizational culture to bring desired results. Rowold and Heinitz (2007) pointed out that the charismatic leadership style enhances operational performance and motivation level of employees which, in turn improves outcome. Waldman et al (2001) have also identified positive relationship between charismatic leadership and net profit margins.

Strategic Leadership and Pharmaceutical SMEs

Pharmaceutical companies in Pakistan are facing a range issues such as poor productivity, decreased job satisfaction, and low performance (Bilal et al. 2011). Especially, the growth of pharmaceutical SMEs is more vulnerable to such challenges compare to multinational organization because of scarce resources (OECD, 2009). The significance of SMEs contribution for the economy cannot be ignored such as the employment opportunities it could provide (Sebone & Barry, 2009).

In contemporary strategic management and leadership practices the companies are utilizing succession planning and providing employee autonomy so that they can work in the absence of managers. In pharmaceutical companies, strategic leadership plays a vital role because it helps management in envisioning and making long term planning. Dess

et al (2010) argue that in contemporary management, the strategic leadership helps small and medium enterprises to grow further to expand business. Ansoff (1984) explained that in managing any organization and providing future direction the strategic management plays a significant role because it helps in defining mission, vision goals and strategies to achieve those goals.

Leslie and Palmisano (2010) presented the study based on the challenges faced by leaders in pharmaceutical companies. Pharmaceutical companies could have growing future prospects but, this requires huge investment in adopting modern tools, research and employee development. When pharmaceutical companies are adopting strategic leadership practices it could help in empowering employees and making them proactive towards work.

Methodology

Research philosophy refers to the overall framework, perception and assumptions undertaken by researcher for conducting a particular study (Cohen et al., 2007). This also outlines the overall methodology by which data is collected and analyzed to reach at the conclusion of the study. Moreover, it also elaborates belief of the researcher regarding the study (Bryman & Bell, 2011). This particular study has been conducted by adopting interpretive epistemology which is specifically related with determination of knowledge in particular area. Interpretivism is based on the interpretation of facts based on researcher's analytical vision about the topic under study. There are several sociological and philosophical perspectives such as positivism, interpretivism, pragmatism, constructivism, pluralism and so on.

Positivism philosophy is based on the evaluation of facts and figures in a scientific manner (Bryman, 2008). The positivism philosophy can be a mix of qualitative and quantitative methods for getting in depth logical results. The constructivism is based on stakeholder views and thoughts about the topic where as pluralism is a mixture of all these philosophical perspectives. Positivist has applied this particular philosophy to get detailed and explanatory view of research problem.

This study has been conducted using interpretivism philosophical assumptions. Cohen et al (2007) noted that interpretivism philosophy is

based on interpreting facts and problems from researchers' point of view. This philosophy is appropriate for getting detailed explanation of the research questions about strategic leadership and its influence on performance of pharmaceutical SMEs in Pakistan. By adopting interpretive epistemology we have interpreted results independently while taking an in depth view of impact of strategic leadership on performance of pharmaceutical SMEs in Pakistan in the context of local socio-cultural environment. The research methods and data collection tools are also selected by keeping in mind the interpretive research philosophy.

In an alignment with the interpretive philosophy, we have chosen inductive research approach for evaluating the impact of strategic leadership on performance of pharmaceutical SMEs in Pakistan. According to Babbie et al. (2006), during the analysis of qualitative data prominence was placed on inductive approaches. Geoffrey (2008) suggested that inductive approach is the one in which existing theories are analyzed and research questions are tested or verified. In the same way, the theoretical basis of strategic leadership and organizational performance has been analyzed and research questions are developed for this particular study. The theoretical framework of this study has been tested through explanatory methods of data analysis. In this manner, this study has adopted "bottom up" approach i.e. inductive approach for analyzing the research aims and objectives. By studying the theories of strategic leadership, the topic has been narrowed down in perspective of pharmaceutical SMEs of Pakistan. This particular approach is suitable and appropriate with the research philosophy.

The research can be conducted by two methods. These include qualitative and quantitative research methods (Richards, 2005). The quantitative research methods are specifically based on numerical and statistical analysis (Bryman, 2008). These methods are appropriate for collecting quantitative data and concluding results in numerical figures while establishing or discarding relationship between variables. On the other hand, the qualitative research is the one which is based on textual explanation of variables (Richards, 2005). The qualitative research methods conduct non-numerical explanation of variables of study.

In order to evaluate the impact of strategic leadership about the performance of pharmaceutical SMEs in Pakistan qualitative methods are used. By using this applied research method we have relied on the views and opinions of research participants for assessing the relationship between strategic leadership and performance of pharmaceutical SMEs of Pakistan. This research method has provided in depth analysis of research problem for this study. The use of qualitative method is also appropriate to the interpretive philosophy of social sciences (Richards, 2005). The qualitative data is usually in the form of texts, observations or photographs and could interpret the sense of text to reach conclusions of the collected information.

Data Collection and Analysis

Yin (1994) described six sources of information including archival records, documentation, physical artefacts, participant observation, direct observations and interviews. Any kind of data can be categorized into two types; primary and secondary data. The primary data is the first hand information that is collected by researchers for the first time. This data does not exist in any prior source (Bryman, 2008). The collection process of primary data is usually lengthy and difficult because researchers have to approach participants for getting desirable information. However, this data has high originality because it is in the raw form and unprocessed. On the other hand, the other form of data is the secondary data that exists in earlier sources in the form of theories and models (Bryman, 2008). This form of data is the prior evaluation of variables by researchers and scholars. The collection of this form of data is not a difficult process because it is readily available in books, research papers, data bases and journals (Dallas & Grimmer, 2007). The originality of this form of data is low because it is already interpreted and assessed by previous researchers and scholars.

In this particular study a mix of primary and secondary data has been used to find relationship between strategic leadership and performance of pharmaceutical SMEs in Pakistan. The primary data has been collected through in-depth interview. The in-depth interview is appropriate for getting in depth analysis of research problem about strategic leadership and performance of pharmaceutical SMEs in Pakistan.

The semi-structured face-to-face interviews are appropriate for getting detailed data in short time duration. For collecting primary data, an

open-ended questionnaire was used. This questionnaire included questions about strategic leadership and performance of pharmaceutical SMEs in Pakistan. This questionnaire provided in depth, qualitative and textual information about research problem.

There are several pharmaceutical SMEs in Pakistan. The large population of SMEs makes it difficult to get data from all of them. To get data for this study selected SMEs in the major city of Pakistan were short listed. In this respect, Lahore has been chosen where several pharmaceutical SMEs operate. According to Guest et al. (2006) saturation be a criterion by which to justify adequate sample sizes in qualitative inquiry and further suggest saturation could be achieved by doing twelve interviews. However, it depends on the type of information shared by different stakeholders. However, a sample of twelve pharmaceutical companies from the Lahore which is a major city of Pakistan was a rational choice. This sample size has been chosen randomly to collect data. Convenience sampling approach was used. Only those companies are chosen which are easily accessible for data collection purpose. This sampling approach was appropriate to get desired data in short available time for this thesis. This sampling technique has been preferred over other techniques because it is not complex to understand and easy to access according to the availability of respondents.

For collecting primary data senior management was targeted from the chosen pharmaceutical SMEs in Pakistan. The reason of choosing senior management is because they can provide reliable and accurate information regarding leadership practices and styles prevailing in the organization. In addition, the senior management is also an appropriate choice to get information about performance aspects of the pharmaceutical SMEs.

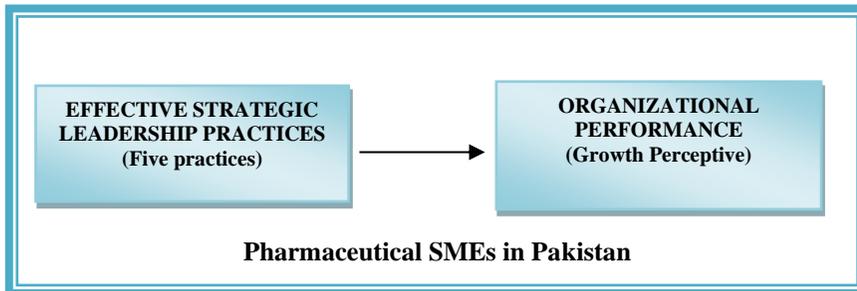
Data analysis consists of categorizing and examining the evidence to tackle the early proposition of the research. For analyzing results of interviews, the explanatory methods were used for data analysis. Through this data analysis approach we were able to get in depth and logical interpretation of strategic leadership and performance of pharmaceutical SMEs of Pakistan. Besides this the results were interpreted in a descriptive way and explanations were made wherever required to clear make ideas

and concepts more explicit. By organizing interviews the data was cross compared the ideas and also explored specific themes within data. This analysis approach is also aligned with the interpretive research philosophy and the research methods used in this study.

Theoretical Framework

This study has been based on the evaluation of impact of strategic leadership on performance of pharmaceutical organizations in Pakistan. Specifically, the SMEs in the pharmaceutical industry of Pakistan are targeted in this study. Figure 2 is presented to show the relationship between effective strategic leadership practices and organisational performance. In theory more effective and influential strategic leadership of an organisation could yield better performance for the organisation. However, there are tens of contextual factor which could be fundamentally important. So, to prove or reject this theory the whole research process would look into this hypothesis.

Figure 2: Effective strategic leadership - researcher's compilation



Findings and Discussion

There is lack of research on the topic of strategic leadership, its role and impact on leadership performance in SMEs in developing countries (Suzanne and Charles, 2013). To fill this research gap twelve major pharmaceutical companies operating in Lahore, one of the major cities in Pakistan, were included in the study to investigate the role and impact of strategic leadership on enhancing organizational performance in developing countries' pharmaceutical SMEs. Research has indicated that the organizations which are practising strategic management tend to

outperform those that do not. Hence, the lack or absence of long-term strategic leadership planning leads to business failure of SMEs. The investigation of the strategic planning adopted by Pakistani pharmaceutical companies may have implications for the existing and future companies in the industry which can benefit from the results of the study and give strategic planning due to priority in their companies' business planning which would ultimately lead to achieving the companies' goals and eradicate or diminish business failures. This study explored the impact of leadership on performance of SMEs through qualitative study findings. Interviews were digitally recorded with the participant's consent and fully transcribed.

Twelve participants were interviewed. All the interviews were conducted individually face-to-face in Lahore Pakistan. The aim of conducting face-to-face semi-structured interviews was to get insights into participants' views to get maximum information to address the research questions. In the first stage, each company strategic head was sent a formal letter (appendix 5) three weeks in advance of the interview date to request an interview on the appointed date, at a specific time of the day. In the second stage, the interview venue and dates were confirmed one week prior to interview date via a telephone call with each prospective interviewee participant. In the last stage, considering the convenience of the interviewees, the interviews were done at their offices. The interview first started in a very formal tone and as the conversation progressed a rapport was built which helped in getting more personal opinion along with the professional opinion. All the interviewees were asked similar questions following the semi-structured interview protocol and the responses were audio recorded. It was tried to make the conversation as informal as possible to make the interviewees comfortable to share the information.

Interviews were conducted with the company leaders, one each from the twelve chosen pharmaceutical companies. Table 1 presents the interviewees' profile based on the answers to interview questions regarding the interviewees' position and role and experience in the leadership role in the company.

The interviewees comprised:

- One Regional Manager

- Six Managing Directors
- Five CEOs.

Interviewee ID No.	Interviewees' Role & Responsibilities in the Company	Interviewees' Service (Experience) in Company (in years)
1	Regional Manager (managing business & policy)	18 years
2	Managing Director (overall business affairs)	5 years
3	CEO (policy making, implementation & overall business directions)	10 years
4	Managing Director (overall business affairs)	6 years
5	Managing Director (policy making & supervision)	13 years
6	CEO (overall business policy making & directions)	8 years
7	CEO (business control)	4 years
8	Managing Director (policy & decision making)	5 years
9	Managing Director (overall business affairs)	8 years
10	CEO (overall business affairs and decision making)	7 years
11	CEO (policy making & business control)	10 years
12	Managing Director (overall business affairs)	12 years

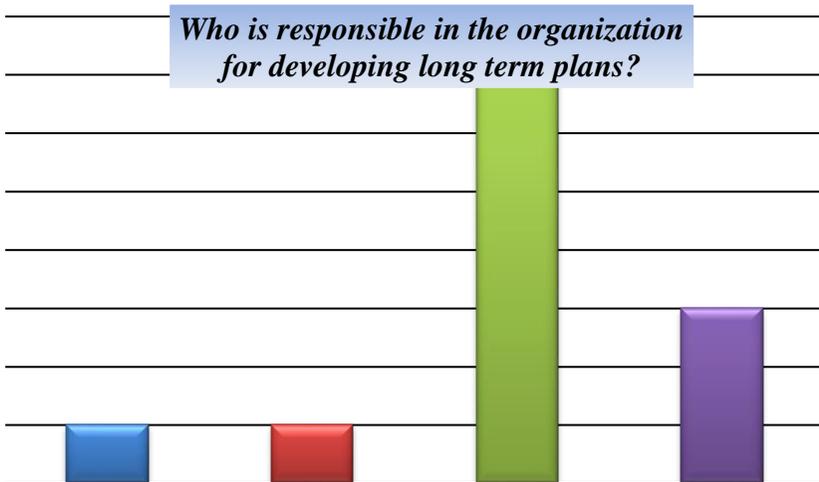
The experience of the interview participants ranged from a minimum of four to a maximum of eighteen years, with one company head each with

experience of four, six, seven, twelve, thirteen and eighteen years and two each with experience of five, eight and ten years respectively.

***Table 1: Portfolio of the interview participants
Effective Strategic Leadership Practices***

This sub-section comprised three questions which focused on determining of strategic directions in the companies. The findings show that the top leadership in all the companies' boards of directors keep the decision making solely in their own hands and do not involve company employees in decision making (figure 3). Some companies even have single company heads making the decisions alone.

Figure 3: Long term plans



The findings show that most of the organizations have a set criteria and tools for making the assessment of threats and opportunities faced by the respective organization, such as:

- Detailed competitor analysis or threat analysis
- Matching current performance with already developed standards
- Assessment of potential threats or opportunities
- Seeking opportunity through business environmental scanning by projecting causes and effects of different actions e.g. related to competitors moves and others

- Feedback e.g. from employees.

"Well we analyse which new competing companies are emerging and what level of competition these companies have with us through detailed competitor analysis" . . . (Interviewee ID 12)

"It's very difficult for us but we try to make assessment through cause and effects of different actions and situations which arise time to time along with employee feedback who have direct exposure with customers and markets" . . . (Interviewee ID 05)

As to the communication of the organizational vision across the organization, the findings suggest that there is no single channel followed by all the companies. Rather the companies follow various ways of doing this through a way that suits them, such as: it is done from top to bottom level through formal letters or notifications, through monthly or quarterly meetings, and verbally through presentations. For example see this comment:

. . . "it again depends on what we do verbally, we send them in writing especially we convey them through presentations time to time" . . . (Interviewee ID 03)

Establishing balanced organizational controls

In response to the question, regarding the strategies adopted by the company heads for establishing balanced organizational controls. As to the control measures taken by the organizational leadership for checking organizational performance, most of the companies do it by matching the current performance standards with developed standards or targets on monthly, quarterly or weekly basis. One of the participants reflected this in this quote:

"In outcomes we check through targets, how we are performing compare to our targets on monthly basis, weekly basis or yearly basis and half yearly basis. If we are going right on it we provide maximum incentives on it and if we are week

on any level then we try to develop any training for them" . . .
(Interviewee ID 11)

The responsibility for assessing and monitoring organizational outcomes is taken up by the top leadership in some organizations (figure 4). However, in some organizations it is carried out from bottom to top.

Figure 0: Assessing and monitoring organization outcomes



Effectively managing the firm's resource portfolio

The findings in response to question which focused on the core competencies suggest a number of core competencies of the companies, including: strong IT system; continuous employee training and development programs in both formal and informal ways, market research, hiring qualified and experienced employees; clearly defined company vision, effective communication system, and friendly working atmosphere. Following quote shows some examples:

"Our major strengths are strong IT system, friendly working atmosphere and effective formal and informal training process" (Interviewee ID 01)

The respondents revealed that human capital management is sometimes neglected in some organizations. A company head said: "My organization does not have any clear strategy for managing human capital" (Interviewee ID 07). However, some company heads reported that they manage human capital by holding regular training and development programs for their employees and through reward systems by providing full guidelines and clear information to the employees. This can be observed in this quote:

"Human capital is very important asset for any organization . . . our main focus is on training and development and after that we develop their incentive plans . . . We also conduct the co-curricular activities and also try to solve collectively if any of our employee facing any kind of difficulty" (Interviewee ID 03)

Sustaining an effective organizational culture

In response to the communication strategy question, it was found that some companies follow open communication strategy, and some follow close strategy (figure 5). However, majority of the participant companies followed a mixed communication strategy. The picture can also be observed in the following figure.

Figure 5: Communication strategy



Some companies reported that they do not either have a clear policy or criteria for sustaining organizational culture in changing external environment as it was a neglected area in their company and they were not prepared to face challenges posed by the market (figure 4.4). One company head said:

"We minimize negative environment effects by adjusting according to the external environment" (Interviewee ID 10)

Figure 6: Organizational culture



Emphasizing ethical practices

This sub-section comprised two questions which focused on critical ethical standards and the steps taken by the leadership for influencing the employees to follow the ethical standards.

One organizational head stressed:

"We believe in the production of quality products for human life safety instead of focusing on high profits through unethical practice" (Interviewee ID 06).

It was noticed that majority of the companies have well-developed and strict ethical standards and they strictly follow government and environmental laws.

However, one company head reported:

“my company does not perceive ethical standards critical to organizational policy” (Interviewee ID 04)

This shows that there are only a few companies that do not consider ethical standards critical to their organizational policy.

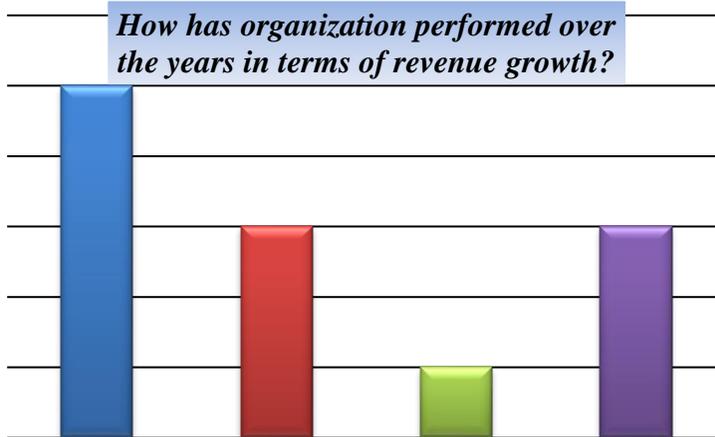
In response to the question about strategy adopted by the companies to make their employees follow organizational ethical standards, it was found that most of the companies have written guidelines and standards to be followed by the employees by making them essential part of the job role and making them clear at the time of hiring and appointing the employees in the organization and through cross checking the employees' performance through various means, e.g., moral grooming and motivation time and again during meetings. See this quote

. . . "we develop certain standards which we have to follow in every condition even when we hire new employees ethical standards are mentioned in their job contract" . . . (Interviewee ID 03)

Organizational performance

The findings of question related to organizational performance suggest that most of the companies had an average performance in terms of revenue growth (figure 7). Only a few companies had good or above average performance and some even had below average performance. Following figure has been sketched based on the interview discussion and respondents' views.

Figure 7: Organizational performance



All the company heads stressed the role of good and effective leadership and its importance in implementing and monitoring organizational policy and for the achievement of high performance. One company's CEO said:

"Good and effective strategic leadership is very important to achieve and sustain high organizational performance especially in the current rapidly changing business environment in Pakistan" (Interviewee ID 08)

Discussion

From interview results, it was found that most of the respondents have been serving on senior management positions in the respective pharmaceutical SMEs. Moreover, their experience in the organizations is also of appropriate duration. Hence, their responses are worthwhile for discussing impact of leadership on performance of SMEs. The results of the data collected through semi-structured face-to-face interviews showed that strategic leadership has a significantly positive effect on organizational performance. This section argues the extent to which the findings have contributed to inform the research questions and to meet the research objectives to address the research problem.

The results of the interview have revealed that strategic directions in pharmaceutical SMEs of Pakistan are mainly taken by senior management. This is one of the critical areas of organizations that directs organizations what to attain in future. Interviewees indicated that their companies adopt and follow various strategies to make assessment of

threats and opportunities faced by the organizations, namely competitor and threat analysis, environmental scanning, and through feedback from employees and matching current performance with set performance criteria and standards. The organizational vision was communicated on regular basis through top to down manner in some companies and bottom to top in others through letters and notifications, meetings and presentations. Ireland et al (2012) indicated that developing long-term vision and strategy to achieve this vision over time are pivotal part of determining strategic direction. Hagen et al (1998) stressed that an organization's long-term vision mostly consists of five to ten years. In order to achieve long-term vision, an organization must have a strong leader. In this regards Hammonds (2001) found a positive relationship between strong leaders and effective strategies.

From perspective of this study, it was found that most of pharmaceutical SMEs have adopted ordinary control measures such as matching with current standards monthly, comparing financial productivity with the standards and reactive control measures. These ordinary control measures cannot be effective to deal with the emerging threats and challenges in the competitive environment. Contrary to this, if pharmaceutical SMEs adopt proactive control measures, it will be more effective to cope with the challenges of competitive environment. The assessment and monitoring organizational outcomes is mainly done by top management, middle management and specific committees in the pharmaceutical SMEs in Pakistan. In this respect, it can be suggested that engagement of senior management in assessment activities may divert attention of leadership from core activities. Previous studies have also suggested that leadership with proactive strategy can be effective to deal with the challenging competitive environment (Nemanich & Keller, 2007).

Effective leadership manages resources of organization in a reasonable and effective manner. In the current study it was found that pharmaceutical SMEs in Pakistan have different competencies for attaining organizational goals and objectives. Having trained and talented employees is more likely to be a sustainable competency for pharmaceutical SMEs. This is because skilled employees have more potential to adapt to changing environment and competition. On the other

hand, pharmaceutical SMEs that have IT and research and development are more likely to excel competitors because they have resources for innovation in the industry. Waldman et al (2006) also denoted that research and development is critical for pharmaceutical firms to promote innovation and creativity. Regarding human capital management, it was found that 25% firms of sample do not focus on this area. These firms can have low performance because their employees do not have updated skills and knowledge. Through training and development of employees firms can have good performance. On the other hand, managing human capital through reward system is more likely to motivate employees of pharmaceutical SMEs. Nemanich & Keller (2007) noted that motivating employees is an important character of effective leadership.

Organizational culture is an important pillar behind organizational success. The external environment of organizations changes abruptly which pose threats for managing organizational culture. In this respect, the results have revealed that most of pharmaceutical SMEs in Pakistan adapt to changing environment continuously. This strategy can be effective to make relevant adjustments in the culture for attaining organizational outcomes. However, some firms have not taken any measure for sustaining culture. These organizations may not respond to the environmental challenges in an effective manner as their cultural values are fixed and do not involve adaptive measures. Besides this, the results have also noted that 3 pharmaceutical SMEs have open communication strategy whereas same numbers of companies have mixed strategy i.e. open and hidden. Having open communication strategy is more likely to engage senior management with the lower end employees. Consequently, organizational vision is shared effectively across the firms and employees will have more clear view of organizational targets. Open communication strategy is one of the characters of transformational and charismatic leadership that positively influences organizational performance (Rowold & Heinitz, 2007). Previous studies have also noted that effective leadership is the one in which leaders openly communicate with employees and continuously motivate them to attain organizational tasks (Bilal et al., 2011).

It was found that most of pharmaceutical SMEs have adopted effective ethical standards such as quality standards and wellbeing of

customers. These ethical standards are important to develop an effective workplace environment and also to deliver quality products to customers. It is important to note that effective leadership develops and communicates ethical values across the workforce and motives them to follow such standards (Ireland et al., 2012). In perspective of this case, it has been deduced that pharmaceutical SMEs which have open and mixed communication strategy are more likely to practice ethical values in an effective manner.

Regarding performance of pharmaceutical SMEs, it was found that most of firms have performed on average basis. The firms where human capital is managed effectively, open communication strategy is followed and effective control measures are taken have performed above industry average. On the other hand, organizations where transformational leadership traits are followed have performed better than the others. The respondents have also suggested that leadership influences organizational outcomes to a considerable extent. Previous theoretical findings have also supported this evidence that effective leadership enhances organizational performance (Nemanich & Keller, 2007).

Conclusion and Future Research

The ability of an organization to achieving and maintain high organizational performance is dependent on choices which the organisations' leaders make during decision-making. Strategic leadership facilitates through increasing organizational learning and handling radical change. Moreover, strategic leaders influence organizational performance through their ability to build required confidence amongst employees because organizational performance is the combination of the performances of numerous employees. Pharmaceutical companies in Pakistan are facing growing issues such as poor productivity, decreased job satisfaction, and low performance which has become a big concern for the organisations' leadership. In particular, the growth of pharmaceutical SMEs in Pakistan has become more vulnerable to such challenges compared to multinational organizations because of scarce resources. The significance of SMEs contributions for the economy cannot be ignored such as employment opportunities it provides. Research on contemporary management indicates that strategic leadership helps small and medium

enterprises to grow further and expand business. Hence, strategic management plays a significant role in managing an organization and in providing future directions because it helps in defining mission, vision goals and strategies to achieve those goals.

Research indicates that pharmaceutical companies can face trouble in growing future because in order to transform the leadership strategies the firms would need huge investment in adopting modern tools, research and employee training and development. While the pharmaceutical companies are adopting strategic leadership practices and transforming their leadership styles, this transformation also helps in empowering employees and making them proactive towards work. It is high time for Pakistani pharmaceutical SMESs leadership to transform their leadership strategies and management style in order to survive in the competitive market through improving their performance which is only possible through the implementation of effective leadership strategies.

Considering the five effective strategic leadership practices presented by Ireland (2012) which are; determining strategic directions, establishing balanced organizational controls, effectively managing the firm's resources portfolios, sustaining an effective organizational culture and emphasizing ethical practices. It can be concluded that the Pakistani pharmaceutical SMEs which employed and followed these strategies performed well and were successful in achieving organizational goals. To sum up, the major finding of the current study is that strategic leadership positively affects the performance of pharmaceutical SMEs' in Pakistan.

This research opened new avenues for further research into the role of and the effects of strategic leadership practices in pharmaceutical SMEs in Pakistan. Also research into the companies that adopt strategic leadership practices compared to those who don't have a clear vision regarding strategic leadership and its importance for an organization's success.

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APPENDIX 1: Interview Questionnaire

Questionnaire

1. Tell me about your position and role in the organization?
2. For how many years you have been serving in the organization?

Questions about effective strategic leadership practices:

- ❖ **Determining strategic direction**
 3. Who is responsible in the organization for developing long term plans?
 4. How will you make assessment of threats and opportunities faced by the organization?
 5. How is organizational vision communicated across the organization?
- ❖ **Establishing balanced organizational controls**
 6. What type of control measures are taken in the organization for checking organizational outcomes?
 7. Who is responsible for assessing and monitoring organizational outcomes?
- ❖ **Effectively managing the firm's resource portfolio**
 8. What are core competencies (e.g. expertise or capabilities) of the organization?
 9. How is human capital managed within the organization?
- ❖ **Sustaining an effective organizational culture**
 10. Which communication strategy is followed within the organization? Open or close?
 11. How is organizational culture sustained even in changing external environment?
- ❖ **Emphasizing ethical practices**
 12. Which ethical standards are critical for your organization?
 13. How are employees influenced to follow ethical standards of the organization?

Questions organizational performance:

14. How has organization performed over the years in terms of revenue growth?
15. How do you relate organizational performance with the leadership followed in the organization?

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