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The Role of Sub City level leaders on Micro and Small Enterprises Development in Addis Ababa City Administration

By

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ID NO GSE/5789/2009

A Thesis Submitted to the Department RLDS of Addis Ababa University, in Partial Fulfillment for the Requirements of Masters of Art Degree in Regional and Local Development studies

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DECLARATIONS

I Zenebe Mekonnen Wondimu, registration number/I.D. number GSE/5789/2009, do hereby declare that this thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of degree in any other university/institution.

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APPROVAL

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ACRONYMS

| | |
|-----------------------|---|
| AA | Addis Ababa |
| COC | Center for occupational competency |
| CSA | Central Statistics Agent |
| E&E Dev` t | Entrepreneurship and enterprise development |
| FDRE | Federal Democratic Republic of Ethiopia |
| FGD | Focused group Discussion |
| FS Dev` t | Financial support development |
| GTP | Great and Transformation Plan |
| IC Dev` t | Institutional capacity development |
| IES Dev` t | Industry extension service development |
| MSEs | Micro and Small Enterprises |
| OSSC Dev` t | One stop service center development one stop service center development |
| OWSSC Dev` t | One window shopping service center development |
| TVET | Technical Vocational Education and Training |
| WSAP | Working and selling area provision |

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Abstract

Micro and small enterprises are seen as an emerging private sector, forming the basis for private sector led growth by providing employment, alleviating poverty, ensuring food security, and private sector development. Practically, the increasing rate of unemployment, the gap between the rich and the poor, corruption and good governance problems need leader's intervention. The purpose of this study was to investigate the role of leaders in MSEs development and fill the gap in the city administration. This study employed a descriptive survey research design. As the scope covers all the ten sub-cities of Addis, six offices those were responsible for the development of MSEs purposely selected and represented by their heads, professional experts, Women associations, youth forum and council representatives who participate on the work were involved and three enterprises heads and one of their members were reflected their view on the roles of leaders on the development of micro and small enterprises. The sample comprised a total of 191 respondents. Primary data were collected through questionnaire, interview, and focus group discussion while the secondary data was collected from performance reports. Findings revealed that local economic development which was used as an approach in the city administration, has given due attention to the importance of proactive management in the development of micro and small enterprises. As a result, all of the leaders in the sub cities were striving to succeed in the development frame set and majority of them had achieved better on financial support, working and selling area provision and market development. But there are gaps on entrepreneurship and enterprise development, one window shopping service center development, industry extension service development and institutional capacity development in order to realize the development of MSEs. Based on the findings, the study concluded that there were internal and external constraining challenges that hinder the leaders' performance. These challenges arise from the enterprises, Some others from stakeholders and still from the leaders themselves. The critical challenges those arise from all parties were mainly because of the attitude they have and some of them might be related to knowledge, technology and skills of all stakeholders. Therefore, the city administration should build the capacity of the leaders to make them play their roles in all aspects and the leaders should identify their gaps, plan them in priorities to take appropriate actions to their context. Finally leaders have to play key roles in coordinating all the stakeholders as well as national and local partners to come up with successful enterprises that can contribute to the local economy and sustainable economic development at large.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Local economic development is an approach that needs the collaboration of various stakeholders in a given locality. The actors might be the government which is organized in its hierarchies, different sectors and non-governmental institutions that play various roles and responsibilities in a given context (Pugalis, et al. 2017). Local economic development strategies are increasingly observed as a useful way to overcome the poverty problems of localities around the world (Rodríguez-Pose and Tijmstra, 2007). According to Alan E. Singer in 2006, the best system for poverty alleviation in any locality of the world is in empowering more on enterprise activity and start-up the new enterprises through entrepreneurship development. Furthermore, entrepreneurship presents a basis for economic change through new application and knowledge creation (Hussain, et al. 2014).

According to the Ministry of Urban Development and construction micro and small enterprises development strategy (2012), in countries such as India and Japan, the share of micro and small enterprises in manufacturing sector was more than 50 percent. Based on these and other experiences, Ethiopia's national policy seeks to strengthen public-private partnerships at regional and local levels in order to stimulate investments, generate employment and create an enabling environment for private sector and entrepreneurial development (United Cities and Local Governments of Africa, 2016).

Particularly in urban localities such as Addis Ababa, micro and small enterprises development can be used as a means of addressing the rising poverty and unemployment of the city. In order to be effective at all levels in private, public and governmental organizations, leaders have to

play key roles in coordinating all the stakeholders as well as national and local partners. Leaders therefore have indispensable roles in taking responsibility for the process of planning, implementation and evaluation of local development program and projects.

The main purpose of this paper is to justify the linkage between role of leaders and micro and small enterprises development. This paper is organized in to five sections. The first section is the introductory part of the paper which provides an overview on the paper. The second section describes the related literature review which is mainly about theories, empirical publications, and gaps in areas. The third section is methodology of the study to display the techniques and procedure used to obtain in this study and the conceptual frameworks that show the relationship between dependent and independent variables. The fourth section discusses on findings from the data collected using various tools. The fifth section concludes and provides recommendation for the role of leaders on micro and small enterprises development.

1.2. Statements of the Problem

Local economic development approach is becoming popular and there are many good practices and lessons learned emerging from this program in various part of the world. Sustainable development according to Ozor and Nwankwo (2008) cannot be achieved through order rather most likely to happen when all actors participate and share their ideas, visions and responsibilities equally in order to think and plan on their own future. The development of micro and small enterprises is very important in the process of local economic development. Countries with huge capital such as Japan and its companies like Toyota and Sony get their products more than 50 percent from micro and small enterprises (Ethiopia Micro and small enterprises strategy, 2012)

According to the Ministry of Urban Development and Construction Micro and Small Enterprises Strategy 2012, there are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises. However, in the context of many developing countries including Ethiopia, micro and small enterprises are also seen as an emerging private sector, forming the basis for private sector led growth. The government of Ethiopia, at the strategy and policy level, these roles of micro and small enterprises has received recognition. They are stated as means of providing employment, alleviating poverty, ensuring food security, and private sector development.

But when comes to the ground where the policies and strategies are implemented particularly in urban areas, obstacles that are related to capital shortage, market uncertainty, inadequate business premise and others were influencing micro and small enterprises development (Gebrehiwot and Wolday, 2006). To bring development success in certain locality by breaking through these obstacles, leadership has a great role of influencing all the stakeholders towards achieving the aims and objectives of development. Therefore, the process of effective leadership practices for micro and small enterprises development act as an agent of change at the local level (Mohamad , et al. 2015).

The United Cities and Local Government Africa, 2016 report reveals that the government of Ethiopia empowered the regions to work their best on planning and implementing for their local economic development. As a result, local economic development program which was designed to address unemployment and poverty rising come up with promising outcomes such as the creation of huge employment for the urban poor, establishing many micro and small enterprises that are delivering consumer products, local development products and services. But the same report shows that the local economic development process at national, regional and local levels were not open enough, the funding system has limitations in participation of stakeholders for its sustainability and the lack of permanent institutions.

Even if I have never come across a study conducted on the role of leaders in local economic development in the scope of Addis Ababa City Administration, the general picture of the nation was observed in the city. Some manifestations of them were the increasing rate of unemployment, the gap between the rich and the poor which calls for equity, good governance problem often preached by the city administration and corruption which become the value of government institutions are few.

To sum up, there is a clear bottom up approach which is manifested through local development planning with significant policies and programs that resulted in bright signals with the efforts of poverty reduction activities and job creation through involving the stakeholders. But still, there are so many obstacles that hinder the success of the efforts. The actual problem here is lack of leadership. Because, when there were bold leadership cities did not have difficulties rather they move forward (Hageman, 2017). This situation shows that effective leadership at all levels in private and government organizations is very important to achieve and sustain effective local economic development. But Addis was not successful enough in poverty reduction, job creation and in improving life of the society. This situation calls for effective leaders that can play roles at all levels to achieve and sustain effective micro and small enterprises development. The knowledge gap I observed was the context of Addis Ababa did not yet studied on the role of sub-city level leaders in micro and small enterprises development.

Therefore, on the context were government allotted huge amount of budget for job creation and food security with organized structure, changing these resource to the improvement of the lives of the community was the role of leaders. To this end, the role of leaders on micro and small enterprises development in Addis Ababa City Administration was studied to identify the main roles have been played by the leaders, to identify the constraining factors that hinder the

leaders from success and explore proper leadership quality required to fill the gap in the micro and small enterprises development of the city.

1.3. Objective of the study

The overall purpose of the study was to investigate the role of leaders on micro and small enterprises development in Addis Ababa City Administration. Specifically, the study was aimed to:

1. investigate the various roles played by leaders on micro and small enterprises development in the city administration;
2. identify the constraining factors that hinder the leaders from achieving results on micro and small enterprises development in the city; and
3. Explore the proper leadership quality required to fill the gap on micro and small enterprises development in the city;

1.4. Significant of the research

When the actual practice of local economic development in Ethiopia was assessed, related literatures tell that local governments were empowered to prepare and decide on economic and social service plans for their territorial area. Among the common gaps often mentioned by various writers weak implementation capacity, lack of finance, and beneficiaries' knowledge and skills were identified. Therefore, the researcher was interested to study whether the context of Addis Ababa covered in similar findings or the role of leadership made any difference. Then, to identify the constraining factors that hinder local leaders from achieving their roles in

micro and small enterprises development and finally to sort out leadership qualities that could fill the gaps in Addis Ababa City Administration.

To this end, this study would supplement the exiting literature and used as base line study for researchers in the academia. Furthermore, policy makers would be benefited out of the findings in setting directions that could address the issue. Addis Ababa City Administration with its stakeholders could also use the recommendations to improve the role of leaders in micro and small enterprises development.

1.5. Scope of the Study

This study was delimited conceptually to the role of leaders in micro and small enterprises development of Addis Ababa City Administration and geographically covered all the ten sub cities of the city administration in order to address the various characteristics of each sub cities. Among the offices organized under each sub cities, only six of them which were responsible to micro and small enterprises development were considered purposely. Then, sixty leaders of all sub-city offices, sixty professional experts of the same offices, women association, youth forum and council members of the sub city were involved and three micro and small enterprises` leaders and one of their members that were selected from each sub cities were involved. Lastly, performance report of the second GTP that were related to micro and small enterprises development were collected from the sub cities. And the data which was collected from these sources were used to observe the performance of the sub cities. All these data would cover time range of the second great transformational plan which was set for five years and implemented for two and half years and evaluated by the government (from 2015 half of 2017).

1.6. Limitation of the study

Although the study has tried to address the objective successfully, the study had encounter limitations. The study may not be generalized to the leaders of enterprises as the independent variables were the manifestations of roles of sub city leaders who assigned to support enterprises. Furthermore, the study may not be generalized to medium enterprises those were supported by the sub cities.

1.7. Organization of the research report

The study was organized in to five chapters. The first chapter was the introductory part of the paper which provides an overview on the paper with the statement of the problem, objective of the study, significant of the study, scope of the study and organization of the report. The second chapter describes the related literature review which was mainly about theories, empirical publications, and gaps in areas. The third chapter deals with the methodology of the study to display the techniques and procedure used to obtain data in the study and the conceptual frameworks that show the relationship between dependent and independent variables. The fourth chapter discussed on findings from the data collected using various tools and the fifth section concluded and provided recommendations for the role of leaders on micro and small enterprises development.

CHAPTER TWO: RELATED LITERATURE REVIEW

2.1. Introduction

The term leadership according to Robins and Coulter (1999) is defined as the ability to influence a group towards the achievement of goals. A leader therefore is successful when he/she is able to formulate goals and objectives with the participation of the relevant stakeholders for the organization considering the context and contingencies that may face him during the implementation of the plan.

The purpose of reviewing literature for this study is to obtain relevant information about the role of leaders as well as micro and small enterprises development. Literature review provides essential background knowledge about similarities and differences between the present study and previous studies. The researcher tries to relate theories, empirical publications, conceptual frameworks and gaps in areas related to the roles local leaders and micro and small enterprises development in development to the research as follows.

2.2. Theoretical Literature review

Scholars categorize leadership theories in many ways based on their purpose and views. As the researcher is concerned with the role of leaders on micro and small enterprises development, it

looks better to see few theories from the oldest to the recent and effective leadership qualities more authors have in common.

2.2.1. Leadership theories and their roles in local economic development

Trait Theory

The oldest leadership theory in the history of leadership is trait leadership theory. This theory believes that people are either born with certain talents in which they can influence in leadership roles. That qualities might be intelligence, creativity, sense of responsibility and similar values puts them to be a good leader (Matthews, et al 2003). The trait theory of leadership focused on evaluating mental, physical and social characteristics in order to gain more understanding about the common characteristics of leaders. (Cherry 2018)

The characteristics of leaders in the trait theory are helpful to enhance local economic development. Because, the values of leaders that make them to be acceptable among their followers can help them to be successful in local economic development. But the gap observed in trait theory that may hinder the local economic development is the assumption theorists have. They think that characteristics of leadership are due to natural gift leaders get genetically. Here is the challenge that leaders face in enhancing the local economic development.

Behavioral Theories

In response to the gap of trait leadership theory, the behavioral theories are offering a new viewpoint, one that focuses on the behaviors of the leaders as opposed to their mental, physical or social characteristics. Behaviorists believe in the factor analysis that able them to measure

the cause and effects relationship of specific human behaviors from leaders. Here the one that get favorable condition can be the owner of the characteristics that expected from leaders. Therefore, leaders are made not born. The behavioral theories categorize leaders in to leaders concerned with tasks and leaders concerned with the people (Nawaz & Khan, 2016).

The behavioral theory that opened the medium to the one that plays the role of a leader has more option to local economic development due to the nature of development that involves several stakeholders. But the gap observed with behaviorists is leadership focus on task. Leadership in local economic development is influencing people towards the success of goals rather than task oriented.

Contingency Theories

The Contingency Leadership theory focuses on the context in which leaders are playing their roles rather than the way of leading. Because ways of leading might be vary according to the organizational characteristics. As a result, one may lead best at certain organization and the same leader may perform minimum when taken to another environment. Therefore, there is no single leadership style that fits to all rather the leader has to adapt or adopt the environment which affects the leading style (Nawaz & Khan, 2016)

Contingency theory goes with local economic development in considering the local situation to choose ways of leading. Because every locality has its own potential that can help self-development. But it needs to be participatory in order to be benefited from the commitment the stakeholders at the locality.

Transactional Theories

Transactional theories of leadership that are known by an interaction made between the leader and the followers. The theory is characterized by constructive both side benefiting collaboration. Transactional theories need to be interlinked with sufficient reward or punishment mechanism to the followers to be successful in the achievement of the goal. The influence in the exchange theory is not mandatory to be one way, the leader influences the followers, and rather it might be the leader to be influenced by the followers (Nawaz & Khan, 2016).

Transactional leadership theory has special characteristics that collaborates both sides of the party; the leaders and followers, to enhance local economic development. But the negative reinforcement applied may be resulted in failure in the context of local economic development due to lack of intrinsic motivation.

The Transformational Theory

Transformational leadership theory is a theory that based on a strong relationship between leaders and followers with full of trust. The transformational leaders are expected to transform their followers by their inspirational nature and charismatic personalities because the rules and regulations are bendable and their interaction will be based on group norms. Such kind of characteristic build the confidence and sense of ownership of the followers and as a result, followers can easily identify the leaders` intention and purpose that is expected to be achieved (Gans, 2016).

In transformational leadership styles we observe the common understanding both leaders and followers share through the vision of their organization; the influence of leaders beyond rules and regulations and their interaction about the goals and objectives of their organization in the sense of ownership which may result in greater success.

2.3. Leadership qualities in local economic development and their challenges

The role of leaders in local economic development is indispensable in mobilizing and organizing all stakeholders towards the achievement of common goals. In doing so, the qualities of effective leaders may vary from person to person based on the context in which they are molded. There are ample written materials that describe what it takes to be an effective leader and its respective qualities and skills. Some researchers claim that effective leaders possess certain abilities; others say it is all personality and still others make behavior and thought critical (Hasler, 2009).

In addition to these, qualities of effective leaders vary based on the area in which they are working and the expertise knowledge they have. Accordingly, the leadership qualities of business person may not be the same with that of military leader; still the leadership qualities of military leader may not be the same with that of service deliverer government leader (Northouse, 2003). The micro and small enterprises development of Addis also needs effective leaders that can play their own roles in the context which they are assigned. The researcher deals with some selected qualities of effective leadership which suit to the context of the paper.

Visionary Leaders

To have vision is one of the most important qualities of an effective leader. Because in the existence of visionary leaders, organizations do not fail as a result of their clear imagination about future and their influence in sharing what that future looks like to the extent that it becomes a shared vision that everyone involved can be motivated about. They plan on the way towards clear and specific achievable targets that everyone can understand easily based on established experience they have. They are aware of the situation in which the organization functions like organizational value the role of informal groups and the risks that are related with every activity (Obadan 1998).

Therefore, the role of visionary leaders enhances the integration of various stakeholders towards the success of micro and small enterprises development because of the confidence every partner develop about the achievement of goals set in common.

Competence

Competency is also one of the other important qualities of an effective leadership. As leaders must be seen as technical experts in front of their followers, they also have to be experts in leadership to work through others. Unless the followers see leaders as highly credential either academically or in specialized experiences and talented in leading their organization to success, it might be challenging to be accepted by followers. In real world experience leaders will not be talented enough in all aspects of professional competencies as well as leadership qualities rather they develop condition, leaders do not mature overnight in all qualities of professional competency as well as leadership competency rather they develop through various ups and downs they face in the reality of the ground. Competency does not necessarily mean to

the leaders` practical specialists rather their passion that challenges the challenging conditions. In such conditions they will own best qualities that can make them role models of others (Kashfi 2007).

Competent leaders in local economic development in both academic specialization and leadership qualities increase the performance of all involved by following the passion of the leaders. Here is one of the critical point where leaders can build confidence in the mind of stakeholders by working with and through others for the achievement of micro and small enterprises development in Addis.

Decision Making

According to The Advanced Leadership Initiative Think Thank at HarvardUniversity (2012), decision making role of leaders is very important for both leaders that are leading at the top level of the organization as well as from the bottom of an organization. Decision making demands significant awareness of the situation in which the organization is operating, the environment of other stakeholders, as well as self-awareness. Therefore, leaders need to be decision makers by taking risks of negative or positive effects of their decisions. The decisions they make should be timely with sufficient patient and concrete evidences though involving all concerned bodies for the success of the organization.

One of the critical roles of leaders in micro and small enterprises development is therefore decision making which might be source of lack of good governance and way of corruption in the context of Addis Ababa City Administration. Because decision making will be late in one or another reason and the government often confesses but things are going on as usual.

Accountability

Accountability is another important quality of effective leaders that is related with ethics and governance. It is a matter of responsibility in both success and failure of the acts of leadership. Accountability is the acknowledgement and assumption of responsibility for decisions of planning, implementation and evaluation of the governance within the scope of the leader's position. Accountability can be manifested by taking risks for both success and failure of an organization and strong leaders stand by their success and take ownership of their mistakes learning some lessons out of them.

What is observed on the ground in the scope of the research in the researcher's observation is straggling to take micro and small enterprises development.

Participation

According to Magzan (2011), Participatory leadership style is a leader's role of facilitating interaction among concerned stakeholders in order to advance collective learning for creative solutions to problems. The complexity of problems occurring today cannot be resolved with the consideration of single view rather needs multi dimensional perspectives and multi-sect oral participation. Because the environment in which people are living and working becoming complex and needs more involvement to address.

When the context of the city administration is observed, there are situations where participation is practiced but micro and small enterprises development demands more involvement to improve the well being of the community in various dimensions. Therefore, the participation of all stakeholders on micro and small enterprises development is the role of successful leaders.

Integrity/Openness

The other essential role of effective leaders in local economic development is integrity. Integrity or openness is readiness to accept change by understanding that change is natural and nobody can stop. Wise leaders recognize change and quickly adapt to changing environment by thinking outside the existing situation. As a result, open leaders get an opportunity of leading the change towards the success of the organizational goal (Ikechukwu, 2014).

Integrity is one of the most challenging leadership qualities in the city administration of Addis Ababa due to strong rigidity observed among leaders and followers. Therefore, flexibility and readiness to see other of doing things is very important for the success of micro and small enterprises development.

Humility

Humility is also the other quality of effective leadership. It is known that leaders are the most responsible individuals in the organization about the success or failure of the objective of the organization as well as the healthy functioning of the working environment. To this end, they have to work hard as models of others by coming closer to the grass root level of the workers. In doing so, leaders are expected to lead by motivating the people than thinking as the owner of them. When leaders are humble, people can approach them to support or to be supported for the success of organizational objectives (Addisu, 2018).

In general, Kashfi (2007) stated three key characteristics of public sector leadership:

1. Personal characteristics that are not based solely around charisma but also around the ability to motivate and bring the best out of others towards common good and welfare;
2. Organizational skills that recognize the complexity of modern organizations and focus on defining and communicating mission and strategy in creating value rather than issuing Commands;
3. The ability to work well with other organizations to define and achieve common goals.

To sum up, the role of leaders is critical in micro and small enterprises development and leadership theories also show us influencing others in one or another way is essential in the process of performing activities to achieve organizational objectives. There are many leadership theories exists that have various views in relation to the ways in which leaders to influence the followers. The researcher selected only few to demonstrate how leadership theories are improved gradually to participatory approaches that empower the concerned stakeholders to feel belongingness and sense of ownership.

In micro and small enterprises development, creating sense of ownership is not easy task as well as the benefit is also great. Because, micro and small enterprises development needs more involvement and more ownership in order to mobilize resources that can contribute the most to the development of a given locality. The integration of all human and non-human resources demands for visionary and committed leaders to result in micro and small enterprises development. This is the most challenging condition in the context of Addis Ababa City Administration in which many leaders are not trusted by the local community.

2.4. Empirical literature review

2.4.1. The roles of leaders in local economic development and their challenges

2.4.1.1. International Experiences

Now days, the primary concern of economic development is not merely elimination of material poverty rather it includes improving the well being of the society such as emotional, Physical, social, work place and Societal Well-Being. To provide these facilities and infrastructures, the developed countries leaders effectively and carefully managed the resources they have in fair and equitable way (Ekene and Ugwunwanyi, 2016). To achieve this success, leaders play an important role in good governance that accelerates the speed of economic development.

Realizing the importance of governance in achieving growth in developing countries, World Bank experts, (Kaufmann, et al, 2002), have studied the association between governance and growth in developing countries. They found strong correlation between quality of governance and level of growth in a majority of the countries. Therefore, the role of leaders was significant in the development of countries.

The most important mechanism through which leaders of developing countries contribute for economic development was by choosing appropriate policies and programme to their context, implementing them effectively and creating the necessary institutions for accelerating the pace of development.

For instance, the Japanese economy became successfully grown in short period of time after world war second due to strong leadership of the country's government. And the East Asian countries such as Hong Kong, Singapore, South Korea, and Taiwan too soon moved to copy the experience of Japan. These all countries did not have special features that enable them to grow that much rather their leaders that created the right policy which fit to their context and implemented accordingly (Mascelluti, 2015). Hence, Lee Kwan Yew, former Prime Minister of Singapore, was recognized as the nation's founding father, who transformed the country from the third world to first world class in a single generation under his leadership by formulating the right type of economic policies even in the absence of natural resources (Yang 2004).

Furthermore, Mahathir Mohamed, the forth Prime Minister of Malaysia, has been played his role for the creation of world-class economy in Malaysia by ensuring higher standard of living, higher

literacy and higher life expectancy to the citizens of the country. He implemented appropriate economic policies to encourage Malaysian enterprises to grow and expand by adopting latest technology and management practices and ultimately to compete globally (Mahmoud Safy Mahmoud, 2017).

The most recent example of leadership encouraging economic development is China. The President of China, Jiang Zemin, has been credited with exposing a basically centralized communist economic system to capitalist market stimuli and achieving remarkable rates of growth of GDP in China. What is important was that he and his officials in Chinese communist party were bold enough to initiate policies which encouraged inflow of enormous foreign capital and technology into China and transform a poor economically oppressed economy into a manufacturing hub of Asia. As a result literatures called him "the Man Who Changed China" (Robert Lawrence Kuhn, 2005).

2.4.1.2. Local Economic Development Approach and Micro & Small Enterprises Development in Ethiopia

Local economic development has recently become one of the major modern development approaches in the developing countries. The concept of local economic development is defined as a decentralized and participatory approach to motivate the local economy using locally available resources (Rodrigues-Pose: 2001). Because local economic development empowers and ensures local participation as a result local people can play an active part in planning their own economic future. Therefore, local economic development ensures that local businesses are involved in the process and are more open to play an active role in partnerships with local communities.

In Ethiopia, the power of the federal state is limited to matters expressly enumerated under article 51 and article 55 of the constitution while the powers of the regional states include all matters which are not assigned concurrently to the federal state (Proclamation, 1/1995:174,182). This is to

empower the regional administrations make decisions based on the demand and context of their local community.

According to the United Cities and Local Government Africa (2016) report, Ethiopia has sustained a high annual growth since 2004 and becomes one of the fastest growing non oil producing countries in African. The country, with the support of UNDP, has started to implement Local Economic Development Program since 2009 by the coordination of the Ministry of Finance and Economic Development with the purpose of empowering local authorities to back up the national growth, poverty reduction and reduction of local unemployment problems.

The report revealed that local economic development program was designed as a multi-year development program with capacity development, enterprise and entrepreneurship development as major components in order to address the new wave of unemployment and poverty rising in urban localities. As a result of the implementation of the program, numerous positive outcomes including the creation of huge employment for the urban poor, establishing many Micro and Small Enterprises that are delivering consumer products, locality development products and services are observed. Therefore, the report proved that local economic development approach is an indispensable instrument for city growth and poverty reduction and for the achievements of goals of Growth and Transformation Plan.

Finally, the report verified that the local economic development process at national, regional and local levels are not open as the level of expectation, the funding system is relying on few donors rather than collaboration with the stakeholders for its sustainability and it requires permanent institutions for the achievement of goals in a better way.

According to The Ministry of Urban Development and Construction Strategy of micro and small enterprises development 2012, the country focused on micro and small enterprises development in order to replace imported products of manufacturing, construction, trade, service and farming sectors. These sectors help to create huge job opportunity to the local community and viewed as the engine of growth, and catalysts for economic and social transformation in the country. The

contributions of micro and small enterprises at local or national level are the results of successful support in enterprise development, financial and machinery provision, business development service, infrastructures and technological support of the leaders in the sectors.

To this end, the gaps call for effective leadership in the context of the country. When we come to the scope of the study, Addis Ababa City Administration, the role of leadership in micro and small enterprises development is not yet studied but the context is not different from what is observed at the national level.

Therefore, addressing the need of the residents of the city in relation to micro and small enterprises development, demands effective leadership that decides on the process of planning, implementation and the monitoring and evaluation of local economic development program and projects. As a result, it looks that lack of effective leadership that could play once own role was one of the main success factors in micro and small enterprises development of the city.

2.5. The Definition of Micro and Small Enterprises

Though there are different definitions of micro and small enterprises in the world, Ethiopia had set its own definition in 1996. But by conducting studies that was supported with various countries experiences the definition was revised to fill some gaps observed. The revised definition of micro and small enterprises by the Ethiopian government was used in this study. Accordingly, employment and assets have been used to define MSEs (FDRE, 2012).

Table 1: Definitions and overview of micro and small enterprises

Micro and Small Enterprises Definition

| Level of Enterprises | Sector | Man-power | Total Asset in Birr |
|----------------------|----------|-----------|-----------------------|
| Micro Enterprises | Industry | < 5 | < 100,000 |
| | Service | < 5 | < 50,000 |
| Small Enterprises | Industry | 6 – 30 | 100,001 - 1.5 million |
| | Service | 6 – 30 | 50,001 – 500,000 |

Source: FDRE (2012).

The micro enterprises definition in industry sector that included the manufacturing, construction and mineral set its employment up to five people and a total asset of not more than 100,000. Whereas the service sector included trade, transport, hotel and tourism, information technology and maintenance services. The employment capacity should be five people and a total asset not more than 50,000 birr.

The small enterprises definition in industry sector that included the manufacturing, construction and mineral set its employment 6 to 30 people and a total asset of from birr 100,001 up to 1.5 million only. Whereas the service sector included trade, transport, hotel and tourism, information technology and maintenance services set its employment capacity 6 to 30 people and a total asset from birr 50,001 up to 500,000 birr only.

2.6. Identified Literature gap

The roles of leaders in local economic development and Challenges

There are ample literatures that were written about development and various countries that achieved it. Especially the lately developed once studied their own context and made the appropriate policies that can change their problems in shorter period of time. The ``Asian Tigers`` are the most popular examples of this situation. One and the most important variable which

contributed to their development are historical leaders that played the proper roles in reforming their policy and programs by mobilizing the citizens successfully.

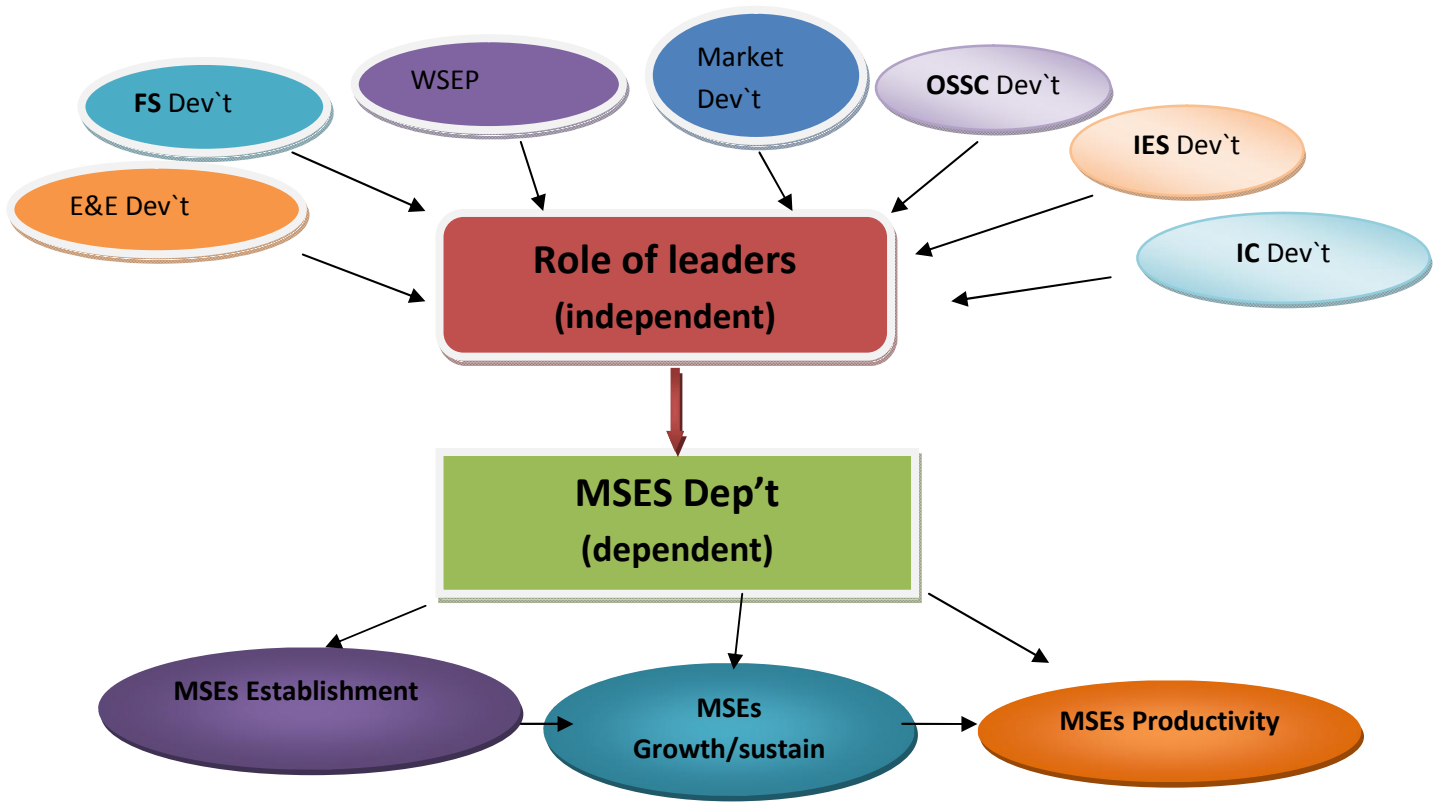
When we see the context of Ethiopia, the country has chosen local economic development approach that helps the consideration of local context through participation and policies and programs are designed to address the need of the local context in particular through micro and small enterprise development. But still the change being observed is not properly led due to lack of effective leaders that can play once own role in all aspects of development. The role of leaders in micro and small enterprises development in the context of Addis Ababa was not yet studied. Therefore, the researcher was concerned to study to understand the state and fill the literature gap as well.

2.7. Conceptual framework of the study

The study claims that the role of leaders is one of the most critical success factors in the development of micro and small enterprises. In the countries where committed leaders have lead countries dramatic development was observed in their locality and in the countries that leaders were not effective, people were suffering of starvation in Africa including Ethiopia.

In the illustration, the two main variables were: leaders who play their roles properly, and micro and small enterprises development but both variables are manifested by other related variables. The former (the independent variable) which was influenced by the seven roles of leaders such as entrepreneurship and enterprise development, financial support development, working and selling area provision, market development, one stop service center/one window shopping service center development, industry extension service development and institutional capacity development. The latter was the dependent variable which was manifested by MSEs establishment, their growth and productivity.

Figur: 1 Conceptual framework



CHAPTER THREE: METHODOLOGY

3.1. Research Design and Approach

The purpose of this research was to investigate adequate and relevant data on the role of leaders in micro and small enterprises development. This study employed a survey research design to generalize from samples to the population so that inferences can be made about the role of the leaders of this population (Bobbie, 1990). Both quantitative and qualitative approaches were used to collect objective data and subjective opinion to have opportunity of getting diversified view that make the data more reliable by complementing one another for descriptive analysis.

3.2. Population and Sampling Technique of the Study

The aggregate population of the study planned to cover six office's leaders of the ten sub cities which were sixty in number, sixty professional experts that were selected from the same offices, ten council representatives, ten women and youth associations' representatives of each sub cities and thirty micro and small enterprises leaders and thirty members of the same enterprises that were selected from all sub cities. In general 210 individuals were planned to participate through questionnaires, focus group discussions and interview.

The purpose of selecting all the ten sub cities of Addis Ababa City Administration was to address the various characteristics of each sub cities. Then all sixty office leaders of the six offices from each sub cities that were concerned with micro and small enterprises development were taken in availability sampling technique with their sixty professional experts' one representative taken randomly from each office to enrich the data with sufficient evidences. The specific target offices were Job Creation and Food Security Office, Technical Vocational

Education and Training office, Labor and Social Affairs office, Trade and Industry Office, Addis Credit and Savings Institution and Addis Capital Institution.

Then after, the representative of the council from each sub cities were selected purposely and three micro and small enterprises` leaders and their members from each sub cities were selected based on their achievement one enterprise from higher achievers, one from medium achievers and one from low achievers. Finally, performance report of GTP II which was related with micro and small enterprises development were collected from the sub cities. And the data which were collected from these sources were used to observe the achievement of the sub cities.

3.3. Sampling Design

The entire ten sub cities of Addis Ababa City Administration would be selected in availability sampling to address the economic variation exists among the sub cities. Then, six offices that were working on micro and small enterprises development were selected directly to get the relevant data on the development of micro and small enterprises. Then after, all of the six office leaders of each sub cities were selected and one representative professional expert from each office were selected by simple random sampling technic to enrich the data on the role of leaders for local economic development.

The second GTP report of the sub cities was collected in order to see the performance of the sub cities. Lastly, a representative of the council of each sub cities, women association and youth forum representatives were selected directly in order to enrich the data and three micro and small enterprises` leaders and their members from each sub cities were selected by Job

Creation and Food Security office of the sub cities based on their achievement level to cross check the reliability of the rest of the data.

3.4. Instrument of Data Collection

The primary data were collected from all office leaders and professional experts by using questionnaires. The representatives of council of each sub cities, micro and small enterprises` leaders and their members were involved on structured interview. The secondary data were collected from the performance reports of all sub-city administrations. The interview of the representative of council and micro and small enterprises were used to triangulate the rest of the data.

The quantitative data were gathered from all sixty leaders of the relevant offices by using questioners. Then qualitative data were gathered through focus group discussions held at each sub cities with professional experts of each office, representative of council, women association and youth forum of each sub cities. Furthermore, additional qualitative data were gathered through structured interview from the micro and small enterprises leaders as well as their members lead to triangulate the data of other sources. Finally secondary data were collected from the sub cities GTP II performance report of two and half years on micro and small enterprises development.

Lastly, the data collected from the sample respondents by using questionnaires, focus group discussions, key informant interviews, and report documents were analyzed and interpreted so as to arrive at certain conclusions about the role of leaders in micro and small enterprises development in Addis Ababa City Administration.

3.5. Methods of Data Analysis

The study used descriptive and inferential analysis to summarize the data collected from the leaders straightforward without any representation and made inferences to the context of the city administration in the same order.

This paper utilized mainly a correlation statistical mode and analyzed the extent to which independent variables and dependent variable are related. Data were collected and the results were finally compiled and presented. Mean, percentage and frequency analyzed. STATA v1ersion 12 and Microsoft Excel 2010 would be used for the statistical evaluations. The results was considered as statistically significant at $P < 0.05$ show us the significance of the correlation.

The correlations that was drawn between MSEs development and the roles of leaders in terms of entrepreneurship and enterprises development, finance support development, market development, working and selling area provision, industry extension service, one center shopping service and institutional capacity development in Addis Ababa city administration. The Pearson correlation coefficient, r , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable. The data were collected from the field study has been carefully analyzed and presented using tables for easy understanding by the intended users.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1. Introduction

This part of the chapter deals with the presentation, analysis and interpretation of the data, which are important to the problem. To assess the role of leaders on micro and small enterprises development in Addis Ababa City Administration from 2015-2017, close ended and open ended questions was used to gather data from respondents. The analysis was carried out using Statistical software to observe the correlation between dependent and independent variables, the mean and percentage of the data. All themes focusing towards the same research questions were presented and analyzed together. The analysis of data was presented in both tables and narrative explanations.

The main sources of information were sub city leaders of the six concerned offices. These offices were named Job Creation and Food Security Office, Technical Vocational Education and Training office, Labor and Social Affairs office, Trade and Industry Office, Addis Credit and Savings Institution and Addis Capital Institution. Furthermore, experts of the same offices, women association, youth forum and council members of the sub city were involved to triangulate the information. Finally, enterprises` leaders and their members were interviewed to reflect their view on the role of leaders on the development of their enterprises.

In this regard, 60 leaders were involved in filling out the questionnaires, 60 experts, 30 members from women association, youth forum and council members were participated on FGD, and 30 MSEs Leaders and the same number of enterprises` members were interviewed. Accordingly, out of the total 60 questionnaires distributed to sub city leaders 55 (91.6%) were

filled and returned, While all of the 60 experts were participated 100% on the group discussions, 9 (90%) of the women association representatives, 10(100%) youth forum representatives and 8(80%) council members were presented on the panel discussion. Finally, during the interview, 29 (97%) enterprises` leaders but only 20(67%) enterprises members were actually interviewed.

Accordingly, out of the total 210 data sources planned to collect data from, sufficient amount 191(91%) of the respondents were participated.

4.2. Overview of Micro and Small Enterprises Development in Addis Ababa City Administration

The MSEs development programs in the city administration are under taking mainly by the job creation and food security office and collaboration with different city administration sector offices such as Job Creation and Food Security Office, Technical Vocational Education and Training office, Labor and Social Affairs office, Trade and Industry Office, Addis Credit and Savings Institution and Addis Capital Institution and various governmental and nongovernmental offices in the city administration hierarchies.

Successful cities were also found to have strong leadership that mobilizes stakeholders from both government and nongovernment sides in order to succeed in development at prominent economic subsectors. To do so, Addis Ababa City Administration on GPT II strategy (20015-2020) recognizes the importance of proactive management of urban centers that emphasizes on job opportunity. This plan prioritizes supporting industrial sector development to create better quality jobs in the long term while providing support to MSEs and unemployed youth, many of whom engage in lower value added sectors, for job creation in the short term (World Bank Report 2018). One of the Addis Ababa city administration`s critical problem was related with high unemployment. Because the city`s unemployment rate is 21 percent. While the average

unemployment rate of other urban areas is 16.9 percent (CSA 2016). This shows inability of the city to create enough job opportunity that matches labor skills with employers' needs.

4.3. The criteria needed to form enterprise

The micro and small enterprises' leaders were asked about the criteria they were fulfilled to be organized as institutions and confirmed that most of their members were obliged to have the residence ID of Addis Ababa city administration, they assured that they were unemployed and not member of any enterprise before, startup capital, TVET training certificate and willing to be member of micro and small enterprise. The researcher investigated that these were the only criteria needed to establish a micro and small enterprise. But in few cases exceptionally the researcher came across with enterprise members that submitted their education (degrees) and COC certificates to found enterprises. Therefore, practically micro and small enterprises were only which passed through these processes while the definition includes all the businesses in the range set by man power and total asset. To this end, the opportunities of support excluded some of the businesses and privileged the others.

Table 2. Sub Cities Achievement in MSEs Development

| No | Sub city | Plan | organized | In % | Productive | Achievement |
|----|------------------|------|-----------|------|------------|-------------|
| 1 | Gulelie | 2000 | 1100 | 55 | 986 | 89.64 |
| 2 | Kolfe Keranio | 2000 | 1500 | 75 | 1055 | 70.33 |
| 3 | Lideta | 2000 | 1200 | 60 | 812 | 67.67 |
| 4 | Akaki Kaliti | 2000 | 1500 | 75 | 1002 | 66.80 |
| 5 | Arada | 2000 | 1200 | 60 | 721 | 60.08 |
| 8 | Bole | 2000 | 1500 | 75 | 768 | 51.20 |
| 7 | Yeka | 2000 | 2000 | 100 | 983 | 49.15 |
| 8 | Adisketema | 2000 | 1300 | 65 | 636 | 48.92 |
| 9 | Kirkos | 2000 | 1500 | 75 | 725 | 48.33 |
| 10 | Nifas silk Lafto | 2000 | 2000 | 100 | 956 | 47.80 |

Source: Sub cities report (2nd half GTP)

The ministry of urban development and construction on its Micro and Small enterprises Development Strategy puts the main roles that were expected to be played by the government side through leaders. Some of these were entrepreneurship and Enterprises development, financial support, working and selling area provision, Market linkage with government and non government projects, exporters and among each other, one window service development, industry extension support service and institutional capacity development. The actual performance of the sub cities in the development of MSEs based on their GTP 2 plan differ as portrayed on table 2. Four sub cities such as Kolfe Keranio, Akaki Kaliti, Bole and kirkos have tried to organize maximum number of enterprises in the period. But the sustainability of the enterprises in life did not continued as they were organized due to the variations in supporting them. Based on their achievement in productivity the first five (Gulele, Kolfe Keranio, Lideta, Arada and Bole) in the same order have done their best in supporting the sustainability of enterprises than the rest of them.

Table 2 show that the most important roles played by the leaders on micro and small enterprises development in the city administration of Addis Ababa include; entrepreneur and enterprises development; financial support; provision of production workshops and displays or selling spaces; market linkages with government and nongovernment projects and businesses; one shopping center services and advisory support with industry extension services.

The results indicated that the sub cities which achieved better performance such as Gulele and Nifas Silik Lafto were working better on supporting the micro and small enterprises by making financial support available; by providing production workshops and selling spaces and market linkage with governmental organizations that made enterprises increased their productivity.

On the other hand the results show that the majority of sub cities were not successful in one window services center and as a result, services that delivered to the enterprises were full of extended bureaucracy. Because, the connection among the stakeholder offices that were expected to serve the enterprises in coordination was loose. In addition to these, industry extension and institutional capacity building support services were not contributing to the productivity of the micro and small enterprises as much as expected. Therefore, enterprises that have internal strength were more productive and the one that were weak remain weak due to lack of institutional capacity building.

To sum up, all leaders in the city administration of Addis Ababa were engaged in facilitating trainings on business skills and business opportunities for the youth and women of their sub-cities and creating job opportunities for the local community through enterprises development. And they also work on supporting the enterprises in various mechanisms. But the stakeholders' participation on the micro and small enterprises development support was limited and the government wing was striving more on the issue. As a result, the entrepreneurship and enterprises development was not successful in some of the sub cities and the one which organized according to their plan also fail to sustain their productivity.

4.4. Demographic data of the sub city leaders

The respondent characteristics that the study analyzed were gender, age, education and experience of the leaders.

Table 3 Sex of the Respondents

| Gender | Freq. | Percent | Cum. |
|--------|-------|---------|--------|
| Female | 22 | 40.00 | 40.00 |
| Male | 33 | 60.00 | 100.00 |
| Total | 55 | 100.00 | |

Source: Stata/SE 12.0 – Result

In many developing countries women are constrained from making a leadership contribution in economic development. Similarly, the analysis of the gender of the respondents in this study indicated that 60% were male while 40% were female as described by table 3. This showed that majority of leaders who engaged in Addis Ababa City Administration sub-cities level were men. This figure was progressive in terms of the previous year's history but it still need to understand the significant role of women in micro and small enterprises development.

Table 4: Ages of the Respondents in years

| Age | Freq. | Percent | Cum. |
|-------------|-------|---------|--------|
| 18-29 | 10 | 18.18 | 18.18 |
| 30-39 | 24 | 43.64 | 61.82 |
| 40-49 | 11 | 20.00 | 81.82 |
| 50and above | 10 | 18.18 | 100.00 |
| Total | 55 | 100.00 | |

Source: Stata/SE 12.0 – Result

The study found that 18% of the respondents were aged between 18 and 29 years, 44% were aged 30 and 39 years, 20% were 40 and 49 years and 10% were 50 and 59 years old. As indicated in Table 4, majority of the respondents (82%) were aged between 18 and 49 years.

Therefore, it was possible to say the most productive age leaders were engaged in the system and the development of the micro and small enterprises seems promising.

Table 5. Educational Level of the Respondents

| education | Freq. | Percent | Cum. |
|---------------|-------|---------|--------|
| Diploma | 10 | 18.18 | 18.18 |
| First Degree | 38 | 69.09 | 87.27 |
| Second Degree | 7 | 12.73 | 100.00 |
| Total | 55 | 100.00 | |

Source: Stata/SE 12.0 – Result

The study found that 18% of the respondents were diploma holders, 69% were first degree holders and, 13% of them were second degree holders. As indicated in Table 5, the majority of leaders (82%) were educated at higher level and capable of analyzing the environment in which MSEs were working and support them to grow.

Table 6. Experiences of the Respondents

| experience | Freq. | Percent | Cum. |
|--------------------|-------|---------|--------|
| < 6 years | 21 | 38.18 | 38.18 |
| 6-10 years | 18 | 32.73 | 70.91 |
| 11-15 years | 7 | 12.73 | 83.64 |
| 16-20 years | 4 | 7.27 | 90.91 |
| 21 and above years | 5 | 9.09 | 100.00 |
| Total | 55 | 100.00 | |

Source: Stata/SE 12.0 – Result

As shown in Table 6, the study found that 38% of the leaders worked for less than six years, 32% of them experienced between 6 and 10 years, 12% had 11 and 15, 7 % of them had fifteen to twenty years' experience and, 9% of them had 21 and above years of experiences. The majority of leaders (70%) had less than ten years of experiences (these might be fresh and energetic). On the other hand 68% of the leaders had experiences between 5 to and 21 and above. These show that there were many experienced leaders in the system. As a result, this was an opportunity in both sides to use for success.

Table 7. Enterprises participated on the Interview

| Sub city | Type of enterprise | Year Established | Established members | members now | Job opportunity | Startup capital | Today's capital | Relationship |
|------------------|--|------------------|---------------------|-------------|-----------------|-----------------|-----------------|-----------------------------|
| Gulele | Construction (building sub contracture) | 2008 | 4 | 4 | 5 | 53,000 | 500,000 | University graduate friends |
| | Construction (finishing sub contracture) | 2010 | 5 | 5 | 4 | 25,000 | 250,000 | graduate friends |
| | Construction(Coble stone) | 2009 | 15 | 10 | 5 | 1000 | 150,000 | Friends |
| Kirkos | Manufacturing (leather) | 2002 | 3 | 3 | 4 | 10,000 | 1,500,000 | Family |
| | Manufacturing (Garment) | 2010 | 5 | 1 | 9 | 10,000 | 100,000 | Family |
| | Manufacturing (Waving) | 2003 | 10 | 8 | -2 | 5,000 | 25,000 | skill relation |
| Lideta | Manufacturing (Metal works) | 2006 | 2 | 4 | 2 | 20,000 | 3,500,000 | Friends |
| | Manufacturing (Metal works) | 2009 | 2 | 5 | 3 | 5,000 | 700,000 | class mate friends |
| Yeka | Manufacturing (Food processing) | 2004 | 1 | 1 | 10 | 5,000 | 2,000,000 | Self |
| | Manufacturing (Food processing) | 2002 | 25 | 11 | -14 | 3,000 | 50,000 | neighborhood/s ex |
| | Manufacturing (Food processing) | 2002 | 25 | 11 | -14 | 3,000 | 20,000 | neighborhood/s ex |
| Kolfe Keranio | Service(coffee and restaurant) | 2008 | 5 | 5 | 12 | 25,000 | 1,200,000 | Family |
| | Service(enjera distributor) | 2008 | 5 | 5 | 5 | 10,000 | 500,000 | Family |
| | Service(cafeteria) | 2009 | 3 | 3 | 5 | 10,000 | 50,000 | Family |
| Akaki Kaliti | Construction (interior design) | 2008 | 4 | 4 | 3 | 50,000 | 3,000,000 | Profession |
| | Construction (jib sum works) | 2009 | 5 | 5 | 10 | 25,000 | 1,200,000 | Profession |
| | Construction (finishing works) | 2010 | 3 | 7 | 5 | 30,000 | 500,000 | Friends |
| Addi Ketema | Trade (distributor) | 2009 | 3 | 3 | 5 | 30,000 | 500,000 | Family |
| | Trade(ቸር ቻሮ) | 2010 | 2 | 2 | 1 | 5,000 | 200,000 | Family |
| | Trade(ቸር ቻሮ) | 2010 | 1 | 1 | 1 | 5,000 | 100,000 | |
| Nifas silk lafto | Urban Agriculture (chicken) | 2009 | 3 | 3 | 2 | 10,000 | 500,000 | Family |
| | Urban Agriculture (animals food) | 2008 | 5 | 5 | 3 | 5,500 | 200,000 | Friends |
| | Urban Agriculture (vegetables) | 2006 | 2 | 2 | | 1,000 | 100,000 | Family |
| Arada | Service(Decor works) | 2010 | 3 | 3 | | 10,000 | 500,000 | Friends |
| | Service(Decor works) | 2010 | 2 | 2 | | 7,000 | 350,000 | Friends |
| | Service(internet cafe) | 2010 | 2 | 2 | | 50,000 | 200,000 | Family |
| Bole | Service (beauty salon) | 2010 | 1 | 1 | 3 | 25,000 | 500,000 | |
| | Service (beauty salon) | 2009 | 2 | 2 | 2 | 20,000 | 100,000 | Family |
| | Service (beauty salon) | 2008 | 3 | 3 | 1 | 10,000 | 70,000 | Friends |

Source: The interviewee

The study also involved enterprises based on the focus areas on the Micro and Small Enterprises Development Strategy of the Federal Democratic Republic of Ethiopia Ministry of Urban Development Housing and Construction (2012). The strategy on page 63 mentioned five sectors such as Manufacturing, Construction, Trade, Service and Agriculture as focus areas. Accordingly, Kirkos lideta and Yeka sub cities involved manufacturing sector enterprises; Gulele and Akaki kaliti sub cities involved enterprises from construction sector; Addis ketema sub city trade enterprises; Kolfe keranio, Arada and Bole sub cities involved enterprises from service sector and Nifas silk lafto sub city involved from urban agriculture sector.

Among twenty nine enterprises participated on the interview, 31% of the respondents were from micro enterprises while 69% of them were from the small scale enterprises as depicted in table 7. This showed that majority of the enterprises in the city administration were small scale enterprises in terms of size.

The majority of enterprises created job opportunities by increasing their members and by recruiting additional labor force to accomplish their day to day activities that help them achieve their goals. As a result, the job opportunity created during the establishment of the twenty nine enterprises were 151 and they decreased to 121 owners by losing 30 members of the enterprises then recruited 100 labor forces and finally these enterprises created job opportunity to 221 people. Except four enterprises that decreased their members in an expected ratio, their employment capacity was gradually grown and increased by 70 employees.

In addition to this, the total asset of the enterprises which was 467,500 birr when they were established was grown to 18,565,000 birr. When each enterprises growth was seen, their total asset was grown with a minimum of 17,000 birr and maximum of 3,480,000 birr. Therefore

these show that there were enterprises changed in both employment and total asset grown dramatically and there were some that stayed in gradual change based on their internal strength.

4.5. The roles played by leaders on Micro and Small enterprises development

The roles of leaders were critical in micro and small enterprises of Addis Ababa city Administration. Some of the role that was expected to be played on the strategy were presented to the respondents and analyzed as follows.

Table 8: The roles played by leaders on Micro and Small enterprises development of the city administration

| Descriptive Statistics on roles of leaders | | | | | | |
|---|-------------|---------------|-------------|-----------|---------|------------|
| | Mean | S.Dis agree % | Dis Agree % | Neutral % | Agree % | S. Agree % |
| Entrepreneurship and Enterprise Development | 2.8 | 13.9 | 32.7 | 24.2 | 20.6 | 8.5 |
| Financial support Development | 3.5 | 2.27 | 25 | 14.55 | 37.27 | 20.91 |
| Working and selling area provision | 3.5 | 10.91 | 15.15 | 17.58 | 29.7 | 26.67 |
| Market Development | 3.5 | 6.82 | 16.36 | 19.55 | 31.36 | 25.91 |
| One window shopping service center Development | 2.6 | 15.8 | 30.9 | 32.1 | 17.6 | 3.6 |
| Industry extension service Development | 2.8 | 14.5 | 29.1 | 18.2 | 25.5 | 12.7 |
| Institutional Capacity Development | 2.6 | 10.5 | 38.2 | 34.1 | 13.2 | 4.1 |
| Roles of Leaders | 3.04 | | | | | |

Source: Stata/SE 12.0 - Result

The study tried to investigate which roles were played by the leaders successfully to support the development of micro and small enterprises. The result displayed in table 8 had shown that

leaders were effective in dealing with some leadership roles set on the strategy and were not effective in some other roles even though they were playing them. As revealed on the table above, the respondents were requested to rate whether they were successful in facilitating trainings for the youth and women of the sub-city that able to created sufficient job opportunities by mobilizing all stakeholders under the section of entrepreneurship and enterprise development. And nearly half of the respondents 13.9% and 32.7% were strongly disagree and disagree and 24.2% of them neutral in the same order but only 29 % of the rated agree and strongly agree. It was clear that there were so many trainings coordinated in each of the sub cities. But they understand that the level of entrepreneurship and enterprises development was not yet achieved by creating sufficient job opportunities by mobilizing all stakeholders. This implies that leaders in the city administration were not successful enough in creating entrepreneurship and enterprises development sufficiently.

While the respondents were asked about the requirements of financial institutions affordability for enterprises and the budget they have to facilitate job opportunities for the youth and women, majority (about 20.91% and 37.27%) of them strongly agree and agree in the same order. They also assured in the same rate that enterprises had connections to institutions that provide them machineries through lease system. The 14.55% of them rated neutral and 2.27 and 3.5 % of them rated the financial support disagree and strongly disagree respectively. This shows that leaders were working better on facilitating credit opportunity and machinery lease for the enterprises they have.

About the enterprises` opportunities of getting production workshops, display and selling shops, most of the respondents 26.67% and 29.7% rated strongly agree and agree respectively, 17.58% of them neutral as well as 15.15% and 10.91% of them rated disagree and strongly disagree. Therefore, the leaders were providing production workshops to those did not have and they were arranging display areas for the enterprises they established.

Respondents were asked to rate the level of market development regarding market information they provided to enterprises and opportunities of market linkage they facilitated among themselves, with industries and government projects as well as at exporting level. The majority of them about 25.91% and 31.36% strongly agree and agree respectively. And 19.55% of them were neutral, 16.36% and 6.82% of them rated disagree and strongly disagree. According to their responses, they were good at connecting enterprises with government projects and with other institutions including the export level. This implies that majority of them were working on market development aggressively.

The table shown us that jobless resident identification in coordinated manner at one window shopping service center until they form institutions also rated 3.6% and 17.6% strongly agree and agree as well as 32.1% neutral respectively. Then only 18.4% rated strongly agree and agree. Therefore, the leaders' effort on one window shopping service center development did not touch the ground to resolve the problem of the residents.

Moreover, when respondents were requested whether the productivity of enterprises were realized due to institutions management skills and innovative technological support provided through industry extension services by TVET colleges, some of them about 12.7% and 25.5% rated strongly agree and agree in the same order. But still significant number of the respondents (about 41%) rated strongly disagree and disagree. This implies that some more effort should be exerted by leaders in order to succeed in better achievement in industry extension service development.

Regarding the institutional capacity development, the leaders were asked the level they were engaged in training certified business advisors to enhance entrepreneurship by developing

centers based on the needs, priorities and available resources. And 48.7% of them strongly disagree and agree in the same order, 34.1% neutral and 17.3% of the rated agree and strongly agree in the same order. This shows that system establishment for institutional capacity development was not realized yet.

Similarly, the most important roles played by leaders were the value with the highest mean score for the MSEs development. They were financial support development, working and selling area provision and market development services that mean value score was 3.5 and the least values were institutional capacity development and one window shopping service center development which`s mean value score was 2.6 and the overall value of the mean was 3.04.

Table 9: The roles of leaders and the achievement of micro and small enterprises

(obs=55)

| | Achive~t | Enterp | finance | Worksel | MarkDev | Onecent | Induex | InstCap |
|------------|----------|--------|---------|---------|---------|---------|--------|---------|
| Achivement | 1.0000 | | | | | | | |
| Enterp | 0.2900 | 1.0000 | | | | | | |
| finance | 0.5236 | 0.1019 | 1.0000 | | | | | |
| Worksel | 0.6312 | 0.2746 | 0.4138 | 1.0000 | | | | |
| MarkDev | 0.5078 | 0.3115 | 0.3426 | 0.4895 | 1.0000 | | | |
| Onecent | 0.0023 | 0.5055 | 0.0775 | 0.0497 | 0.1170 | 1.0000 | | |
| Induex | 0.2900 | 1.0000 | 0.1019 | 0.2746 | 0.3115 | 0.5055 | 1.0000 | |
| InstCap | 0.1385 | 0.1668 | 0.2889 | 0.1187 | 0.3194 | 0.1053 | 0.1668 | 1.0000 |

Source: Stata/SE 12.0 - Result

This correlation in table 9 has shown the relationship between dependent and independent variables. The independent variable was the role of leaders which was manifested through entrepreneurship and enterprise development, financial support development, working and selling area provision, market development, one window shopping service center development, industry extension service development, and institutional capacity development and the dependent variable was micro and small enterprises development which was shown through

the achievement of the enterprises. The following relationships were found to be significantly correlated.

The result of the correlation analysis presented in Table 9 has shown that there were seven variables run in the correlation analysis with the dependent variable. Variables such as financial support development, working and selling area provision and market development had significant positive relationship with the achievement of micro and small enterprises development, ($r=0.5236^{**}$, 0.6312^{**} and 0.5078^{**}) respectively. In the same case, $r = 0.2900$, which had weak positive relationship between both entrepreneurship and enterprise development and institutional capacity development and the achievement of micro and small enterprises development. The other variable institutional capacity development had insignificant positive relationship with the independent variable.

This implies that the higher the role of leaders in each of the above variables the higher the possibility to achieve the development of micro and small enterprises. However one window shopping service center had no significant relationship with the achievement of micro and small enterprises development ($r=0.0023^{**}$).

The Response of Interviewee and FGD about the Support Enterprises get

The enterprises leaders were asked about the supporting services they got and none of them received services at one window center service and most of them were not clear about the term beyond hearing the name. The trainings provided to them were general such as developmental attitude, kaizen, rent seeking, rent distribution and so on. They understand that these trainings were not specific to their work and unable to improve the productivity and efficiency of the enterprises. In addition to these, the industry extension support service provided by TVET experts was considered by enterprises as wasting time with individuals know nothing about their work.

On the other hand, most of the enterprises' leaders appreciated the financial and machinery lease support available, production and display shades they were working in, market linkage during bazaar some weeks in the year and with housing development projects of the city administration. But still some of the respondents were complaining about the extended bureaucracies that took much time to get credit; the high interest rate of credit and machinery lease pay back. Moreover, some other respondents were replied that the amount of money allowed for borrowing was not enough. One of the respondents from Lideta sub city exemplified this by saying *"I designed a project that needs five hundred thousand birr but I was told to borrow only five thousand birr."* They also need support of direct market opportunity for their raw material inputs and products rather than through brokers.

On the other hand during the interview, the researcher come across with strong enterprises that designed machines that can accelerate productivity of enterprises such as proto type technology machine for production of wat in Yeka; pompa tester, fuel pomp tasting and spinning in Lideta and for finishing materials in Gulele sub cities. But they need capacity building to expand and others use the technologies to improve their productivity and to make them benefited out of what they produced.

The FGD participants also agreed with all the supports leaders were straggling to provide for the development of micro and small enterprises, but the attitude of the community towards hard work was not gown and this make the support boring. They also rose that there were some corrupted leaders. These leaders involve their relatives to establish enterprises to make the system unfair. Some others tend to provide shades to those participate in government party system.

4.6. External and Internal Challenges of Leaders

The leaders; while playing their roles of supporting micro and small enterprises development face various challenges from inside their organization as well as outside the organization. These challenges and the one that were managed by the leaders and which continued as challenge discussed as follows.

Table 10: Leaders` Internal and External Challenges

| Descriptive Statistics on challenges of leaders | | |
|---|-----------|-------------|
| | N | Mean |
| Is Shortage of budget challenging the success of projects in MSEs development of the sub city? | 55 | 2.93 |
| Is the acceptance of small and micro enterprises development approaches by the community low? | 55 | 2.22 |
| Are you stressed or unsure due to political challenges coming from outside the office? | 55 | 3.53 |
| External Challenges | 55 | 2.9 |
| Do you involve stakeholders on decision making in MSEs development of the sub city? | 55 | 3.27 |
| Do you give attention to serve the group members of your staff? | 55 | 3.25 |
| Do you change the way the organization operates when you face challenges on the progress of work? | 55 | 3.04 |
| Are you held accountable for failure of your organizations goal? | 55 | 3.05 |
| Do you frequently communicate the vision of your organization to your stakeholders? | 55 | 3.05 |
| Internal challenges | 55 | 3.13 |

Source: Stata/SE 12.0 - Result

Table 10 the questions that was proposed to the respondents were the external challenges that influence leaders, the greatest mean value of the respondents was 3.53 for political challenge coming from outside office and the least value was acceptance of small and micro enterprises

development approaches by the community low the mean value was 2.22, and the overall mean score was 2.9. And for the questions that was proposed to the respondents about internal challenges that influence leaders, the greatest mean value of the respondents was 3.27 for stakeholders involvement on decision making in MSEs development. The lowest mean value was 3.04 and the overall mean score was 3.13.

Table11: External and internal challenges

(obs=55)

| | Achive~t | Shorta~t | commun~e | politi~e | ExteCh~s | stakeh~t | servin~f | contex~g | accoun~l | vision~n | InteCh~s |
|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Achivement | 1.0000 | | | | | | | | | | |
| Shortageof~t | -0.4031 | 1.0000 | | | | | | | | | |
| communitya~e | -0.4197 | 0.5570 | 1.0000 | | | | | | | | |
| politicalive | -0.2398 | 0.4303 | 0.4757 | 1.0000 | | | | | | | |
| ExteChalle~s | -0.4342 | 0.7876 | 0.8518 | 0.7918 | 1.0000 | | | | | | |
| stakeholde~t | -0.2489 | 0.5210 | 0.7845 | 0.3653 | 0.6946 | 1.0000 | | | | | |
| servinstaff | 0.0506 | 0.2297 | 0.3183 | 0.0059 | 0.2279 | 0.2806 | 1.0000 | | | | |
| contextual~g | 0.0427 | -0.0130 | 0.0673 | 0.2240 | 0.1210 | -0.0963 | 0.0388 | 1.0000 | | | |
| accountabl~l | 0.0627 | 0.2407 | 0.0663 | 0.0462 | 0.1345 | 0.0050 | 0.3359 | 0.2843 | 1.0000 | | |
| visioncomm~n | 0.0716 | 0.3266 | 0.1979 | 0.1821 | 0.2821 | 0.1896 | 0.2665 | 0.1867 | 0.5852 | 1.0000 | |
| InteChalle~s | -0.0436 | 0.4711 | 0.5639 | 0.3104 | 0.5536 | 0.5763 | 0.6454 | 0.4323 | 0.6424 | 0.6946 | 1.0000 |

Source: Stata/SE 12.0 – Result

The correlation in table 11 has shown the relationship between independent and dependent variables. The independent variables were internal and external challenges that hinder the leaders not to play their roles properly and the dependent variable was the achievement of MSEs development. The external challenges were Shortage of budget hinder the success of projects in MSEs development, the community acceptance of MSEs development approaches and stress or unsure leaders had due to political influences coming outside the office. Whereas the internal challenges were involving stakeholders on decision making, leaders' level of attention to serve the staff, changing the way the organization operates when progress of work face challenges, accountability for the failure of organizational goal and frequently communicating the vision of the organization.

The results of the correlation analysis presented Table 11 has shown that there were eight variables run in the correlation analysis with the dependent variable. Out of the eight hindering Challenges considered, Shortage of budget and the community acceptance of MSEs development approaches had significant negative relationship with the achievement of micro and small enterprises development, ($r = -0.4031^{**}$ and -0.4197^{**}) respectively. In the same case variable leaders' stress or unsure due to political influences, $r = -0.2398$ had moderate negative relationship. Similarly $r = -0.2489$, involving stakeholders on decision making had moderate negative relationship among the internal challenges with the micro and small enterprises development.

This implies that the most hindering challenges include; shortage of budget that hinder the success of leaders from micro and small enterprises development and acceptance of small and micro enterprises development approaches by the community. Still political challenges that stress leaders and stakeholders' involvement on decision making had potential to influence the leaders not to achieve MSEs development. On the other hand, the respondents viewed the remaining internal challenges as not hindering challenges for the leaders. The unique characteristic observed on this table was negative correlation. This implies that when the challenges of leaders decrease the productivity of micro and small enterprises increases and vice versa.

Some of the leaders mentioned additional challenges they were facing on the process of supporting the enterprises. These are enterprises were not concerned about quality expected from their products and services; they were not interested in using the support from industry extension services such as kaizen, business plan and so forth. The one that grown well also refuse to graduate not to pay profit tax, not to leave the shade to the newly established enterprises and not to lose financial credit opportunity. They developed spirit of dependency

and waiting everything from the government. As a result, the newly established enterprises face challenges of getting production and display shades.

The FGD participants agreed that there were challenges that hindered the leaders not succeed in the goals set to support the development of enterprises. But the main challenges were capital and technology. The enterprises do not have startup capital as a result they rent the shade to others individuals. At the end of the day others would be benefited on their expenses. Many groups that mobilized to establish enterprises fail to work together after few months and depart each other. Some of the reasons might be commitment difference among each other failure to face challenges for tomorrows better. The turnover of leaders also referred as another challenge. Because they would be assigned without any experience before then they would leave when they understand the context.

The members of enterprises participated on interview agreed that there were supports from sub city, woredas and TVET colleges. But they feel the support was unfair because there were no clear criteria to provide shade, credit and market link. They call to the enterprises they want to support. They thought the support from TVET colleges also was not based on their interest. Simply the experts collect information repeatedly and improved nothing. Even some of the interviewee responded that experts do not know how their enterprise was running leave alone to support. Members of enterprises explained that even if there were many shades that were closed for many years, nobody was responsible to decide on them to be used.

In few enterprises, interviewee rose that their own leaders attached themselves to the government leaders to influence them. These leaders made decisions without the participation of the members and they do not need to be asked. There were also leaders who closer to some

members and push others. They assign members they hate to accomplish activities that were boring and let others to enjoy.

Internal challenges enterprises faced:

Most of the enterprises during the interview mentioned that shortage of budget, skills gap in planning, commitment difference among members in productivity, informal structure and traditional way of doing things, conflict among members and dropout of members, using fire wood for baking enjera due to shortage of three phase electric power and Water shortage that cost the construction enterprises more than 2,000 birr per week as internal challenges.

External challenges enterprises faced:

Market flexibility due to brokers' influence and raw materials cost inflation were one of the biggest challenges specified by enterprises' leaders. Metal products using enterprises told the researcher that they fail to compete with china's products that have better quality and low cost due to the inflation of material cost in the country. Wavers' enterprises do not have industrial machineries for waving and the raw materials were influenced by brokers' interest. As a result, people were choosing china made **“fake Ethiopian traditional dresses”** which were low cost and technologically supported. The researcher during interview session also observed that only twenty percent of their machines were functional due to lack of product demand too in garment and textiles at Kirkos sub city.

The other challenge mentioned by some of mothers' enterprises that were engaged on food production was government putting cash registered machine they do not know how to use. They were exposed to penalty and forced to recruit professional experts to manage it. Some of these women enterprises use fire wood to bake enjera because they did not get three phase

electric power. Production shade renting cost was also increased to more than 200% and became another challenge to some other enterprises. Government setting the price for construction works also the other challenge for construction enterprises. Because, they were forced to buy materials in bulk and wastage of construction resources challenge the enterprises when the project works are small. There were also conflicts among some enterprises due to common space they share for store and office purpose in the case of garment and textile enterprises.

Finally, the government system support was perceived as time wastage. Because enterprises think the support was not based on their need and cannot help them to solve their problems. Most of the enterprises told to the researcher that the leaders were not well informed about the characteristics of enterprises in order to support based on their demand. Some enterprises believe in that the government policy framework also was another obstacle which hinders creative enterprises not to get finance from outside of the country.

4.8. Leadership quality required to fill the gap in local economic development

Leaders are important individuals or groups that influence others for the success of an organization. The micro and small enterprises development of Addis also needs effective leaders that can play their own roles in the context which they are assigned. The researcher deals with some selected qualities of an effective leadership which were relevant to the context and their responses were analyzed as follows.

Table12: Leadership quality

(obs=55)

| | Achive~t | planin~m | commun~n | decisi~s | perfor~s | integr~t | respon~s | Champi~e | LeadQu~y |
|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Achivement | 1.0000 | | | | | | | | |
| planinteam | 0.3437 | 1.0000 | | | | | | | |
| communicat~n | 0.5222 | 0.6497 | 1.0000 | | | | | | |
| decisionma~s | 0.5582 | 0.6010 | 0.7467 | 1.0000 | | | | | |
| performanc~s | 0.4274 | 0.6416 | 0.6904 | 0.7791 | 1.0000 | | | | |
| integritya~t | 0.5704 | 0.5804 | 0.8167 | 0.7233 | 0.7137 | 1.0000 | | | |
| responsibi~s | 0.5448 | 0.6726 | 0.7693 | 0.8346 | 0.7115 | 0.7859 | 1.0000 | | |
| Championof~e | 0.5775 | 0.4960 | 0.7037 | 0.8316 | 0.5740 | 0.6859 | 0.8316 | 1.0000 | |
| LeadQuality | 0.5834 | 0.7739 | 0.8889 | 0.9068 | 0.8394 | 0.8736 | 0.9276 | 0.8451 | 1.0000 |

Source: Stata/SE 12.0 – Result

Results in Table 12 show that the leadership quality required from leaders to fill the gap in micro and small enterprises development in Addis Ababa City Administration constituted about 100 % of the perceived roles and they include; planning by involving potential stakeholders for the success of goals; having effective communication skill in order to mobilize and develop positive relationship with stakeholders; developing decision-making strategies that help to generate potential solutions and implementing the strategies in time and employee performance appraisals. Other important leadership qualities required are such as integrity and trust, admitting once own mistakes and to be champion of change.

The result of the correlation analysis presented in the table in general has shown that the independent variable leadership quality required to fill the gap run in the correlation analysis with the dependent variable had significant positive relationship with the achievement of micro and small enterprises development, ($r=0.5834^{**}$). This implies that the higher the quality of leaders in each of the above variables the higher the possibility to achieve the development of micro and small enterprises.

On the other hand, the enterprises' leaders also confirmed that, in order to successfully support micro and small enterprises understanding the characteristics of enterprises is crucial. They mentioned that their variation begins from the background of their members. The educational background, skills and experiences they have vary among each other. Some of them were good in planning their work and the other are good in performing their activities with full of commitment. Some are good in communicating their products and others are better in problem solving. Therefore, these all enterprises do not need the same kind of support to be successful in their work. Rather need identification and addressing their gap was critical.

Moreover, they recommended that government policy framework should on the way to support the micro and small enterprises by expanding opportunities of both internal and external finance, market and technology. Besides, easy and integrated government services delivery was expected in the system. Working standards and pre-conditions of services should be set for the customers known before wasting their time.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Summery

This study used a survey research design that consisted of 191 participants. The primary data was collected through questionnaire, focus group discussion and interview and the secondary data was collected from report documents. The participants were Addis Ababa city administration sub city heads and experts those who directly involved in Micro and small enterprises development; representatives from women association, youth forum and council members who had stake to the issue; and enterprises' owners. After collecting and analyzing the data gathered about the roles of leaders on the development of micro and small enterprises, the current study attempted to determine the association between role of leaders and MSEs development in the city administration.

World Bank Report (2018) emphasized that successful cities should have strong leadership that mobilizes stakeholders from both government and nongovernment sides in order to succeed in development at prominent economic subsectors. To realize this, Addis Ababa City Administration on its second GTP strategy (20015-2020), recognized the importance of proactive management of urban centers that emphasizes on job opportunity. This plan prioritizes supporting industrial sector development to create better quality jobs in the long term while providing support to MSEs and unemployed youth. One of the Addis Ababa city administration's critical problem was related with high unemployment. Because the city's unemployment rate was 21 percent. While the average unemployment rate of other urban areas was 16.9 percent (CSA 2016). This shows inability of the city to create enough job opportunity that matches labor skills with employers' needs.

The study found that the city administration used some criteria for unemployment to create job opportunities through micro and small enterprises development. There were also a framework in which MSEs would be supported that includes entrepreneurship and enterprise development, financial support development, working and selling area provision, market development, one window shopping service center development, industry extension service development, and institutional capacity development. These support services would be provided to MSEs only which passed through the processes set while the definition includes all the businesses in the range set by man power and total asset. To this end, the opportunities of support excluded private businesses and privileged the others.

The city administration in its GTP planned to organize 20,000 enterprises and organized 14,800 74% of the plan but the sustainability was assured for only 8,644 (58.41%) out of those organized enterprises and 43.22% of the GTP plan. The findings had shown that sub cities achieved the productivity of enterprises from 47.80 % up to 89.64 %. The results indicated that the sub cities which achieved better performance such as Gulele and Nifas Silik Lafto were working better on supporting the micro and small enterprises.

The majority of the leaders also confirmed that they were working better on facilitating credit opportunity and machinery lease for the enterprises established; they were providing production workshops to those did not have and they were arranging display areas for the enterprises. Furthermore, they assured that they were providing enterprises with market information and opportunities of market linkage among themselves, with industries and government projects as well as at exporting level. In general, making financial support available, providing production workshops and selling spaces and market linkage with governmental projects and others market opportunities made enterprises to increase their growth.

In contrary, industry extension and institutional capacity building support services were not contributing to their growth as much as expected. The entrepreneurship and enterprises development and one stop center service too was also not successful in some of the sub cities and the one which organized according to their plan fail to sustain their growth. The stakeholders' participation on the micro and small enterprises development support was limited and the government wing was striving more on the issue. Therefore, enterprises that have internal strength were more successful and the one that were weak remain weak due to lack of institutional capacity building as a whole.

The result of the correlation analysis presented between the independent and dependent variables shown that Variables such as financial support development, working and selling area provision and market development had significant positive relationship with the achievement of micro and small enterprises development. Whereas variables such as entrepreneurship and enterprise development, industry extension service development, one window shopping service center and institutional capacity development had weak positive relationship with the independent variable with the achievement of micro and small enterprises development.

Similarly, most of the respondents participated on interview and FGD appreciated the financial and machinery lease support available, production and display shades they were working in, market linkage during bazaar some weeks in the year and with housing development projects of the city administration. Still trainings provided on developmental attitude, kaizen, rent seeking, and rent distribution were recognized except the need of trainings specific to their functions in order to improve the productivity and efficiency of the enterprises.

On the other hand, respondents who participated on interviews were complaining about the extended bureaucracies that took much time to get credit and the amount of credit allowed; the

high interest rate of credit and machinery lease pay back. Moreover, they need direct market opportunity support for their input raw material and products without the interference of brokers. During the focus group discussion too, the leaders who struggle to support the development of micro and small enterprises were bored due to the attitude of the community towards hard work and defamed with some acts of corrupted leaders that involve their relatives to enterprises and provide shades to government party members.

The leaders conformed that they had been challenged with shortage of budget and community acceptance of MSEs development approaches and stakeholders' involvement on decision making in addition to political influence that make them to be engaged on multiple of public issues. Moreover, the enterprises ignorance about quality of their products and services, their low interest in using industry extension services and fear to graduation were critical challenges that hindered potential to support the newly established enterprises.

The main challenges rose at focus group discussion were capital and technology on the enterprises side. These challenges lead them to have less commitment, not to use the shades and other supports provided to them and finally expose them to conflicts. On the leaders' side, turnover and assigning them without any experience were mentioned. The enterprises owners also added some critical challenges hinder them from success. These were clarity gap in criteria used to provide support of shade, credit and market link. Surprisingly the enterprises that were not working still have shades and difficult to know how distributions made. In some cases the attachment leaders made with enterprises' leaders made them over authorized to abuse members.

The internal challenges enterprises face were related to infrastructure (water and electricity), knowledge and skill gap of planning, productivity and how to work together. The main external challenges were related to market inflation, brokers' interferences and lack of technology. The leaders were expected to facilitate all these supports based on clear need assessments and stakeholders' participation by setting priority together.

Finally in order to fill the gaps observed in the process of supporting the micro and small enterprises, some leadership qualities were presented. The result of the correlation analysis presented has shown that the independent variable leadership qualities run in the correlation analysis had significant positive relationship with the achievement of micro and small enterprises development. Therefore, the leaders that assigned to these positions should breastplate themselves with planning to address the gaps of the enterprises by identifying their needs; developing decision making strategies that could involve all the concerned stakeholders, establishing appraisal system in order to recognize those who performed better in integrated manner with influential communication skills.

5.2. Conclusions

The study concluded that Addis Ababa City Administration on its second transformation plan recognized the importance of proactive management of urban centers that emphasizes on job opportunity focusing of two critical purposes. The first one was making micro and small enterprises base for industrialization and the second one was to expand job opportunity for unemployed women and youth. In order to realize this, the city administration set a frame in which to support the residents establish enterprises and become successful in their business. This support includes entrepreneurship and enterprise development, financial support development, working and selling area provision, market development, one window shopping service center development, industry extension service development, and institutional capacity development. These supports were provided to MSEs that were organized at sub city or woreda level excluding private businesses institutions in the range of the strategy.

The study concluded that the sub cities which supported their enterprises playing the seven roles better particularly working on facilitating credit opportunity and machinery lease for the enterprises established; those who were providing production workshops to those did not have and arranging display areas for the enterprises and those who were providing enterprises with

market information and opportunities of market linkage among themselves, with industries and government projects as well as at exporting level had achieved the productivity of enterprises in sustainable way. There for leaders` effort on making financial support available, providing production workshops and selling spaces and market linkage with governmental projects and others market opportunities made enterprises increased their productivity.

The study also concluded that training provided to enterprises were not specifically related to their functions and had limitations of increasing their growth. The industry extension support services also were not given to them by specialized professionals. An expert could specialize on one area and tried to support more enterprises and as a result he/she was not familiar to the enterprises technical works. Such kind of support was not expected to be acceptable and could not add value to enterprises.

The study result indicated that there were critical challenges that hinder the roles of leaders and the productivity of micro and small enterprises in Addis. Some of these were shortage of budget, community acceptance of MSEs development approaches, stakeholders` involvement on decision making and political influence that make them to be engaged on multiple of public issues and some acts of corrupted leaders that involve their relatives to enterprises and provide shades to government party members. Finally, these and extended bureaucracies that took much time to get support services from the sub cities influenced the relationship expected to exist among them.

The study concluded that the enterprises internal challenges those were related with infrastructure, knowledge and skills gaps, market inflation, brokers` interferences and lack of technology were not addressed by setting priority based on clear need assessments with stakeholders` participation. As a result, enterprises were led to have less commitment and

ignorance to the quality of their products and services that hurt the community and their market as well.

Finally the study concluded that there were sub cities which supported their enterprises based on the framework the city administration set and improved the growth of the micro and small enterprises relatively. These sub cities were better in planning their work by involving the concerned stakeholders including the enterprises. The continuous follow up they had in integrated way based on the need of the enterprises, even though all of their needs were not addressed, made their enterprises achieve better growth. It was also concluded that the leaders that assigned to these positions should breastplate themselves with planning to address the gaps of the enterprises by identifying their needs; developing decision making strategies that could involve all the concerned stakeholders, establishing appraisal system in order to recognize those who performed better in integrated manner with influential communication skills.

5.3. Recommendations

Based on the findings of the study the following recommendations were recommended. The study revealed that micro and small enterprises had been supported by the sub cities and leaders were playing indispensable role for the growth of enterprises. World Bank Report (2018) noted the importance of strong leadership that mobilizes all stakeholders in order to succeed in development of cities at important economic subsectors. Therefore, the first and most critical recommendation of the study would be the assignment of competent visionary leaders that can build confidence in the mind of stakeholders to resolve accumulated complex problems in multi-dimensional perspectives and multi-sectoral participation.

The study also revealed that the sub cities which supported their enterprises playing their roles better particularly on financial support development, working and selling area provision and market development had relatively achieved the growth of enterprises in sustainable way. The study recommended that all sub cities' leaders should identify their gaps and choose appropriate actions to their context and implement them effectively in order to make micro and small enterprises grown successfully by creating the necessary institutions for accelerating the pace of development.

The study found that trainings and other supports provided to enterprises in some sub cities were not based on need assessment and unable to address their interest to improve their performance. The study recommended that the gaps the enterprises have starting from planning to their technical skill gaps should be identified, prioritized in participatory approach with all the concerned stakeholders and actions should be taken based on agreed upon implementation plan. Moreover, the supports provided to enterprises should also be given by technical specialists as Arafkashfi, (2007) noted that leaders must be seen as technical experts to be accepted by their followers.

The study revealed that leaders had been challenged from two basic dimensions. The first one was internal in relation to budget and bureaucracy and the second one was the attitude of the community and the enterprises. The study recommended that the city administration should build the capacity of the leaders on stakeholders' engagement so as to resolve budget shortage by involving nongovernment institutions and other private volunteers. The extended bureaucracies should be stopped by setting work standards that could be visible to all and linked with accountability. The attitudinal change expected of the community and the enterprises would be realized by continuously sharing the vision of the strategy and by showing commitment to support model enterprises.

The study recommended that all MSEs organized by government and privately should be supported until improved to adopt or adapt the changing environment in which they are working. Sharing the experiences of successful enterprises in using technologies also helps other enterprises learn in easier way.

Finally the study revealed that there were sub cities which supported their enterprises based on the framework the city administration set and improved the growth of the micro and small enterprises. It was recommended that the leaders that assigned to these positions should breastplate themselves with planning to address the gaps of the enterprises by identifying their needs; developing decision making strategies that could involve all the concerned stakeholders, establish appraisal system in order to recognize those who performed better in integrated manner with influential communication skills.

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Appendix 1: FGD Checklist

ከክፍለ ከተማው ባለሙያዎች፣ ምክር ቤት ተወካዮች፣ የሴቶች ማህበርና የወጣት ፎረም ተወካዮች ጋር ለሚደረግ የቡድን ውይይት የተዘጋጁ መነሻ ጥያቄዎች

1. በክፍለ ከተማችሁ አገላለጽ የጥቃቅንና አነስተኛ ተቋማት የሚባሉት ምን ዓይነት ተቋማት ናቸው?/በግል የሚሰሩት በመንግስት የተደራጁት፣ ሌላ/?
2. የጥቃቅንና አነስተኛ ተቋማትን ለማደራጀት የሚጠበቁ መሰረታዊ መስፈርቶች ምንድናቸው?
3. የጥቃቅንና አነስተኛ ተቋማትን ከማደራጀት አንጻር የዘርፉ አመራሮች እየተጫወቱ ያሉት ሚና ምንድነው?
4. በጥቃቅንና አነስተኛ ኢንተርፕራይዞች ልማት ላይ የባለ ድርሻ አካላት ተሳትፎ ምን ያህል ነው?
5. ኢንተርፕራይዞች የዕድገት ደረጃቸውን መሰረት ያደረገ ድጋፍ ይሰጣቸዋል ወይ? ምን ዓይነት ድጋፍ ያገኛሉ?
8. የጥቃቅንና አነስተኛ ተቋማት ልማት ሂደት ላይ ያሉ መሰረታዊ የውስጥና የውጭ ችግሮች ምንድናቸው?
- 6.1. ከእነዚህ መሰረታዊ ችግሮች ውስጥ በአመራሩ ድጋፍ እየፈታቸው ያሉት የትኞቹ ናቸው?
- 6.2. ከክፍለ ከተማው አመራር አቅም በላይ የሆኑት ችግሮችስ የትኞቹ ናቸው?
7. በጥቃቅንና አነስተኛ ልማት የሚታዩ ችግሮችን ለመፍታት ማን ምን ማድረግ አለበት ብለው ያምናሉ? ተጨማሪ ሀሳብ ካለዎት?

Appendix 2: Questions

| | |
|---|---|
| | ከጥቃቅንና አነስተኛ ተቋማት አመራሮች/አባላት ጋር ለሚደረግ ቃለ መጠይቅ የተዘጋጁ መነሻ ጥያቄዎች |
| | አጠቃላይ የተቋማት መረጃ |
| | የእርስዎ ተቋም የተመሰረተበት ጊዜ----- ዘርፍ----- ሲመሰረት የአባላት ብዛት----- አሁን የአባላት ብዛት----- የተቀጣሪ ሰራተኛ ብዛት ----- መነሻ ካፒታል----- አሁን ያላቸው የካፒታል መጠን----- |
| | ከተደራጁችሁ በኋላ በራሳችሁና በቤተሰባችሁ ህይወት ላይ ምን ዓይነት ለውጥ አለ ----- |
| | የተደራጁበት መንገድ ሀ) በአካባቢ/ጉርብትና ለ) በዕድሜ ሐ) በጾታ መ) በዝንባሌ ወይም ትምህርት ሠ) ሌላ ከሆነ ይገለጹ----- |
| | ከጥናቱ ግቦች ጋር የተገናኙ መረጃዎች |
| 1 | ኢንተርፕራይዝ ሆናችሁ ለመደራጀት ምን ምን መስፈርቶች ማሟላት ነበረባችሁ? |
| 2 | የዘርፉ አመራር ስትመሰረቱና በስራ ሂደታችሁ የተደረጉ ድጋፎችን ምን ያህል ለዕድገት ተቀሟችሁ? |
| 3 | በአንድ መስክት አገልግሎት በአጭር ጊዜ ውስጥ ድጋፍ ለማግኘት ችላችሁ ነበር ወይ? |
| 4 | የማሸነፊያ ወይም የገንዘብ ብድር ድጋፍ ውጤታማ ሊያደርጋችሁ በሚችል ደረጃ ቀርቦላችሁ ነበር ወይ ውጤታማ መሆን የሚያስችላችሁ የምርታማነት፣ ገበያ ትስስርና የቴክኖሎጂ ድጋፍ ማግኘት ችላችኋል ምርታማነትን የሚያሻሽል የመስሪያና መሸጫ አቅርቦት ነበር |
| 5 | የሚያጋጥሟችሁ ዋና ዋና ችግሮች ምንምን ናቸው? የድርጅታችሁ የውስጥ ችግሮች ሌሎች ውጫዊ ችግሮች |
| 6 | ከገጠሟችሁ ችግሮች አመራሩ የትኞቹን ፈታላችሁ የትኞቹን ሊፈታላችሁ አልቻለም? |
| 7 | በቀጣይ የጥቃቅንና አነስተኛ ተቋማት ችግሮች እንዲፈቱና ዕድገታቸው እንዲፋጠን ምን መደረግ አለበት? |
| | |

Appendix 3: questionnaire for Leaders

Addis Ababa University
College of Development
Department of Regional and Local Development Studies
A Questionnaire to be filled by Leaders

**Dear
respondent**

This questionnaire is design to collect data for the study aimed at investigating the role of leadership on Micro and Small Enterprises development in Addis Ababa City Administration for academic purpose. Thus all the information you will provide have indispensable contribution to the success of my study. Your responses are kept confidential and only used for academic purpose. Therefore, I would like to express my heartfelt appreciation in advance for all efforts made, time sacrifices to secure relevant genuine and reliable information. Please respond to each of the information by writing or putting a ``✓`` mark in the space provided.

Section I. General Information

1.1. Name of the sub-city-----

1.2. Office Name-----

1.3. Sex Male Female

1.3. Your age 1) 18-29 years

2) 30-39 years

3) 40-49 years

4) 50-59 years

5) Above 60

1.4. Your Qualification PHD Second Degree First Degree Diploma Below diploma

1.5. Subject -----

1.6. . How many years you worked at leadership position?

1) Below 5 years 2) 6- 10 years 3) 11- 15 years 4) 15- 20 years 5) 21 and above years

Section II. Questions related to the objectives.

2.1. The roles played by leaders on Micro and Small enterprises development of the sub-city administration. Please respond to each of the information by writing or putting a ``✓`` mark in the space under 1 for "Strongly Agree", 2 for "Agree" 3 for "Neutral", 4 for "Disagree" 5 for "Strongly Disagree".

| Focus areas | Items | responses |
|---|--|-----------|
| Achievement in Micro and Small Enterprise Development | How many enterprises you organized/established in the half of GTP 2? | _____ |
| | How many of the sustained? | _____ |
| | How many of them increased their productivity? | _____ |

| Focus areas | Items | 1 | 2 | 3 | 4 | 5 |
|---|--|---|---|---|---|---|
| Entrepreneurship and Enterprise Development | Are you successful in facilitating trainings on business skills and business opportunities for the youth and women of the sub-city? | | | | | |
| | Do you think you have created sufficient job opportunities for the local community? | | | | | |
| | Are all Stakeholders actively participating on the MSEs development through one-stop shopping centers? | | | | | |
| Financial support Development | Are financial institutions easily accessible to the poor for enterprise development? | | | | | |
| | Are the requirements of financial institutions affordable for enterprises? | | | | | |
| | Do enterprises have connections to institutions that provide them with machineries lease system? | | | | | |
| | Do you have sufficient budget to facilitate employment and entrepreneurship opportunities for the youth and women? | | | | | |
| Working and selling area provision | Do enterprises supported with land provision to decrease capital investment budget? | | | | | |
| | Do enterprises have the opportunities of getting workshops for their production? | | | | | |
| | Are you addressing the need of enterprises' display and selling shops demand. | | | | | |
| Market Development | Are you monitoring the business climate of the sub city and determine feasible enterprises based on the needs, priorities and available resources? | | | | | |
| | Do you have opportunities of providing market information to enterprises? | | | | | |

| | | | | | | |
|--|--|--|--|--|--|--|
| | Is there market linkage among micro and small enterprises and with industries based on mutual benefits? | | | | | |
| | Do enterprises have opportunities of Market linkages for exporting their products? | | | | | |
| One center service Development | Do the people in the sub city who do not have jobs identified and registered? | | | | | |
| | Are all stakeholders coordinating jobless youth on how to form enterprises legally on profitable sectors of the sub city? | | | | | |
| | Are you organizing jobless individually or in association to form enterprises? | | | | | |
| Industry extension service Development | Do you think productivity of enterprises is increasing due to the innovative technological support provided? | | | | | |
| | Are you providing the enterprises with industry extension services by TVET colleges? | | | | | |
| | Are you Developing the capacity of the enterprises with institutions management skills? | | | | | |
| Institutional Capacity Development | Do you have trained and certified business advisors that can support the micro and small enterprises? | | | | | |
| | Do you have organized entrepreneurship development centers to provide business development services to entrepreneurs? | | | | | |
| | Do you monitor the business climate of the sub city and determine feasible enterprises based on the needs, priorities and available resources? | | | | | |
| | Do you feel a sense of engagement in the area in which you live to increase the wellbeing of your community? | | | | | |

Please add if additional roles are being played by leaders:-----

2.2. Challenges hindering leaders in achieving the micro and small enterprises development of the city.

Please respond to each of the information by writing or putting a "✓" mark in the space under 1 for "Strongly Disagree" 2 for "Disagree" 3 for "Neutral", 4 for "Agree" 5 for "Strongly Agree",.

| Focus areas | Items | 1 | 2 | 3 | 4 | 5 |
|---------------------|--|---|---|---|---|---|
| External Challenges | Is Shortage of budget challenging the success of projects in MSEs development of the sub city? | | | | | |
| | Is the acceptance of small and micro enterprises development approaches by the community low? | | | | | |

| | | | | | | |
|---------------------|---|--|--|--|--|--|
| | Are you stressed or unsure due to political challenges coming from outside the office? | | | | | |
| Internal Challenges | Do you involve stakeholders on decision making in MSEs development of the sub city? | | | | | |
| | Do you give attention to serve the group members of your staff? | | | | | |
| | Do you change the way the organization operates when you face challenges on the progress of work? | | | | | |
| | Are you held accountable for failure of your organizations goal? | | | | | |
| | Do you frequently communicate the vision of your organization? | | | | | |

Please add if you see other challenges that hinder the leaders in achieving micro and small enterprises development:-----

2.3. Leadership quality required to fill the gap in local economic development

Please respond to each of the information by writing or putting a ``✓`` mark in the space under 1 for "Strongly Agree", 2 for "Agree" 3 for "Neutral", 4 for "Disagree" 5 for "Strongly Disagree".

| Focus areas | Items | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|--|---|---|---|---|---|
| Leadership Qualities required | Do you plan in team by involving potential stakeholders for the success of goals? | | | | | |
| | Do you have effective communication skill to mobilize all stakeholders and develop positive relationship? | | | | | |
| | Do you develop decision-making strategies, generate potential solutions and implement them in time for the success of goals? | | | | | |
| | Do you reward employees for good performances by conducting formal employee performance appraisals? | | | | | |
| | Do you develop integrity and trust? | | | | | |
| | Do you admit your mistakes and take responsibility for your actions? | | | | | |
| | Are you a Champion of change? | | | | | |

Please add if there are other leadership quality required to fill your leaders gap:-----

Thank you very much!