

Effects of Leadership Style on Organizational Performance in Small and Medium Scale Enterprises (SMEs) in Nigeria

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Abstract

The study examined effects of leadership styles on organizational performance in small and medium scale enterprises in Lagos state. The main objective was to examine the effect leadership styles on the performance of SMEs in Nigeria.

The study adopted the descriptive survey design using percentages and chi-square (X^2) on hypothesis and questions formulated. The findings of the study revealed that good leadership style enhances employee morale and that there is what is known as participatory leadership style of management where both employers and employees take decisions that have positive impact on the growth of the organization and good welfare facilities for the employees.

Keywords: Leadership Style, Organizational Performance, Small and Medium Enterprises and management

Introduction

The formula for good management of Small and Medium Scale Enterprises (SMEs) is simple enough to develop a sound plan, design appropriate organizational structure, to implement the plans and monitoring the performance of the business. But these activities are easier said than done. According to Lawal, Kio and Adebayo (2000), good leadership is a pre-requisite for effective accomplishment of these tasks. However, they opined that an entrepreneur has different leadership roles to play; he is the chief risk bearer, chief administrator and strategy implementer, crises solver, figure head, spokes person, policy maker.

Stoner and Gilbert (2001), stressed that an understanding of leadership is important to small and medium scale enterprises (SMEs) because leadership binds subordinates to work together and stimulate employees motivation. Also, leadership assists in management development and training, effective leadership provides the building block for organizational performance. It is absolutely essential to the survival and growth of every organization.

Baumback (1992) cited in Lawal, et al (2000:97-120) pointed out that sometimes, an entrepreneur in most cases who is the leader in SMEs needs to be authoritarian in style, for example takes all his decisions, issues instructions and expects others to carry them out without question or debate, and sometimes, a participative style, (where the entrepreneur makes decision on the basis of consensus or agreement) works best. However, leadership roles of small and medium scale enterprises (SMEs) may be highly visible and extensive, time committed, while at times, the leadership roles may be less demanding and require a brief ceremonial performance with the details delegated to subordinates.

Leadership styles have diverse effects on variables such as flexibility, standards, rewards, clarity and commitment and in some cases on organizational climates as the behaviour of the leader produce motivation mechanisms which have effect on the conduct of individual's performance in the organization, (Shamir, et al. 2006). Thus, the essence of leadership is followership. Effective leadership is the extent to which a leader constantly and progressively leads and directs his or her followers, towards organizational performance.

However, swift changes in the business environment, organizational structures, technology and life styles are introducing a considerable rethinking of leadership development. Leadership concerns the ability to influence the behaviour of others to move accord with the desire of the leader and pursuit of goals (Low and Jiang, 2004). Modern businesses face bigger challenges due to rapidly changing world. These challenges comprise socio-cultural, economic, technological legal and regulatory, environmental and ethical issues (Toor, et al. 2007).

In several instances, people use the term "manager" and "leader" in the same context. Therefore, a clear difference should be recognized between leadership and management and more specifically leaders and

managers. Mowson (2001) believes that leaders may not excel at management and what is more often the case, managers do not necessarily make great leaders.

Leadership, as Kotler (1990) argues, is more about establishing direction, aligning people, motivating and inspiring others. Leadership is concerned with long-term outcomes and future goals of the organization. Leadership is more about people and less about tasks. Leaders often put many of the same skills and interest to good use but often to better effect because they focus on areas such as discovering solutions (not problems) managing changing conditions, excelling in spite of organizational structures, and inspiring personnel to achieve their goals.

As Nwachukwu (1988) put it, a leader is the most influential person in an organization who provides direction, guides group activities and ensures that group objectives are attained. Leaders act to help a group achieve objectives with the maximum application of its capabilities. They do not stand behind group to push and to produce; they place themselves before the group as they facilitate progress and inspire the group to accomplish organizational goals (Koontz et al, 1980).

The importance of a leader in an organization then cannot be undermined. As Iyoha and Ailoje (1996) pointed out, without leadership, an organization is but a module of men than machines. It is the human factors which binds a group together and motivate it towards goals. Therefore, the efficacy of any organization thus lies on the leader.

Leadership style plays an important role in shaping the behaviour and attitude of the members of an organization. In recent years, the study of leadership has drawn more attention due to its role in the failure or success of an organization. Over the years, scholars and researchers have not been unanimous on the most appropriate style of leadership in organization and these has led to the formulation of several theories that could bring about organizational efficiency and effectiveness.

Though some scholars have argued that no particular leadership style is the best, the level of participation of workers in the decisions that affect them or the organization as a whole will spur them to better commitment to the realization of set goals. Comparatively, participation provides outstanding long term results which are by no means far better than effective short term results.

1.2 Statement of the Problem

Leadership style of management is a pre-requisite for effective accomplishment in organizations. The leadership styles determine the level of subordinate participation in decision making and the way an organization is run administratively. Organizations which are low in efficiency tend to have leaders who are highly bossy. Decision making is centered on them alone. Participation in decision making creates an individual's mental and emotional involvement in a group situation which encourages him or her to contribute to group goals and share responsibility for them (Chruden and Sherman, 1975).

The problem with most small and medium scale enterprises (SMEs) is that the leaders are not democratic in their relationship with their subordinate. In fact, leaders in most small and medium enterprises are usually authoritarian in style. They dictate the tune and have the administration of the organization centered on them. The need for subordinate to participate in decision making is not a passing fancy. It is rooted deep in the culture of free men around the world and it is no doubt the basic drive in men.

Another problem affecting leadership style in small and medium scale enterprises is the competence of the leaders so appointed. In most cases, some of their appointments lack merit. What becomes of such organization is having competent leaders who lack the abilities or capacities to use the appropriate leadership style to lead the members to attain set goals or objectives. Thus, what are usually found in some of these organizations are "round pegs in a square hole" rather than "round pegs in round holes". Once this situation arises, there will be utterances in the way such leaders behave or administers the organization and these will in-turn affect the goals of the organization.

1.3 Research Questions

The following research questions were asked in this study:

1. To what extent is the effects of leadership style and performance of employees in SMEs?

2. To what extent is the relationship between leadership style and employees' morale in SMEs?
3. To what extent does leadership style enhance employees' efficiency in SMEs?
4. Is there a relationship between the managerial leadership style and employees' commitment in small and medium enterprises in Nigeria?
5. To what extent does autocratic style of leadership affect Small and Medium Enterprises in Nigeria?

1.4 Research Hypotheses

The study will geared towards testing the following hypotheses.

- (1) There is no a significant relationship between leadership style and organizational performance.
- (2) There is no significant relationship between Good leadership style determinant, efficiency and performance in SMEs.
- (3) There is no significant relationship between Leadership style and motivation of employees in SMEs.
- (4) There is no significant relationship between autocratic style of leadership on Small and Medium Enterprises in Nigeria.
- (5) There is no significant relationship between the managerial leadership style and employees' commitment in small and medium enterprises in Nigeria

1.5 Objectives of the Study

The main objective is to examine the effect of leadership style on the performance of small medium scale enterprises; other specific objectives include:

1. To examine the effect of leadership style on employees morale in small medium enterprises in Nigeria.
2. To examine the effect of leadership style on employees efficiency in small medium enterprises in Nigeria.
3. To examine the impact of autocratic leadership style on small and medium enterprises in Nigeria.
4. To examine the relationship between the managers' leadership style and employees commitment in small and medium enterprises in Nigeria.

2.0 Literature Review

Leadership, as Kotler (1990) argues, is more of establishing direction, aligning people, and motivating and inspiring others. Leadership is concerned with long-term outcomes and future goals of the organizations. Leadership is more about people and less about tasks. Leaders often put many of these skills and interests to good use but often to better effect because they focus on areas such as discovering solutions (not problems), managing changings, excelling in spite of organizational structure, and inspiring personnel to achieve their goals.

Leaders achieve objectives through energized and excited subordinates who share their passion, vision, and direction. Good leaders feel comfortable challenging the status quo and finding efficient as well as long-term solutions to challenges. Good leaders develop through a never-ending process of self-analysis, and the utilization of education, training, and experience to improve. The best leaders are continually working and studying to improve their leadership skills (Clharehbaghi and Mcmanus, 2003).

Gil et al. (2005) present a different perspective. They view that both leaders and managers employ a mix of leadership and management behaviors appears much closer to reality so that they must combine the necessary skills to direct day-to-day affairs effectively (a role traditionally associated with management) while at the same time anticipating and managing change (leadership main role). This leads to a simple understanding that managers of contemporary and future organization can not just rely on their management and technical skills which are usually referred to as hard skills (Koh and Low, 2008). They will have to be more conversant with soft

or leadership skills. To be successful in the modern business world, managers will have to find a balance between their management and leadership abilities so that they can not only fulfill the performance criteria but also can create a harmony within their team to build successful and futuristic organizations. This debate does not at all aim to prove that managers are not better than leaders or that only leadership qualities are the ultimate solution to modern business challenges. The authors argue that management alone is not an answer. Managers should tie the management with leadership so that they can enjoy the benefits of both worlds.

McCuen (1999) asserts that leadership consists of the knowledge and skills that the individual possesses and employs to persuade others to enthusiastically work toward the completion of the plan of action that the leader has established. According to Goffee and Jones (2000), effective leadership requires “being you with skill”. Thamhain (2004) takes a distinct stand and argues that effective team leaders are social architects who recognize the interaction of organizational and behavioral variables and can cultivate a climate of active participation, accountability and result-orientation. Leadership in organizations requires sophisticated skills in leadership, administration, organization, and technical expertise (Thor and Ogunlana, 2006). Mullins (2007) argued that leadership is at its best when the vision is strategic, the voice persuasive and the results tangible. In the study of leadership, an exact definition is not essential but guiding concepts are needed. The concepts should be general enough to apply to many situations, but specific enough to have tangible implications for what we do.

According to Peretomode and Peretomode (2001) leadership is the ability of a person in a group to persuade, inspire or influence the attitudes, behaviours and actions of others or the activities of the organized group so that the group members can work cooperative and enthusiastically towards goal achievement, as David, (1967) points out, leadership is the human factors, which binds a group together. It also motivates the group towards goals. Management such as planning, organizing and decision-making are “dormant cocoons” until the leader triggers the power of motivation in people and guides them toward goals.

Leadership, therefore, is not an end in itself but a means to an end – a means to motivate workers to increase productivity and help them gain increased employee job satisfaction. Guest (1996) leadership is about influencing behaviour of others.

Otusanya (2004) in his article, examined Stodgill observation in leadership that; leadership has been defined in terms of traits, behaviour, influence, interaction patterns, role relationships and occupation of an administrative position. Leadership according to Cole (1996:51) is a dynamic process in a group whereby one individual influences the others to contribute voluntarily to the achievement of group task in a given situation.

Another concept that is central to this study is small Business Enterprises (SBEs)

The definition of small business enterprise sub-sector varies from country to country, from one industrial grouping to another. In Nigeria, SBEs has been quantified for definition purposes and described by different organisations, intellectual and institutions with the country.

Lawal, et al, (2004), Bankers Committee, (2001), Joseph, (2005) defined small business enterprises (SBEs) as any enterprise with a maximum asset base of ₦200 Million excluding land and working capital and total staff employed with nothing less than 10 and not more than 300 people.

Oboh, (2004) defined small business enterprises (SBEs) as any enterprise that has an asset base of between ₦50,000.00 to ₦400 Million excluding cost of land and working capital. SMEEIS, (2005), Small Enterprise Equity Investment Scheme, in addition, defined small business enterprises (SBEs) as any enterprises with a minimum asset base of ₦500 Million excluding cost of land and working capital. Nevertheless, in 2001, in Nigeria, the National Council of Industry defined small business enterprises (SBEs) according to their scale of operation:

- Micro-cottage enterprises with capital investment of not more than ₦1.5 Million excluding land but including working capital and maximum of 10 workers.
- Small scale enterprises with capital investment over ₦1.5 Million but not more than ₦50 Million excluding land but including working capital with work force that ranges from 11 to 100.
- Medium scale enterprises with capital investment of over ₦50 Million but not more than ₦200 Million excluding land but including working capital and with work force ranging from 101 – 300.

However, Edem (2008), stressed that many Small Business Enterprises (SBEs) in Nigeria need nothing less than ₦200 Million to run a successful business and that is why a good number of them (SBEs) or entrepreneurs are sceptical about SMEs scheme created by Bankers Committee and the Federal Government. Hence, the reasons why some of them (SBEs) have seen themselves as not qualified for the scheme and make no attempt for the fund.

Small Business Enterprises (SBEs) is of great importance in the area of low capital and output ratio, optimal utilization of local inputs and other multiplier effect per unit of investment. These are considered the key strategies to achieving industrial self reliance, employment generation and poverty alleviation.

The capacity of small business enterprises to achieve their goal is undoubted because they promote the use of local raw materials, technologies, and man power as well as promote industrial dispersion and balance development. However, the Nigerian Association of small and medium enterprises (NASME) was established in 1996 as the business membership organisation to coordinate and foster the promotion of Micro, Small and Medium Enterprises Development Agency (SMEDAN).

2.1 Theoretical Framework

For a better understanding of our subject matter, we shall adopt the eclectic approach and draw from three theories which include the democratic, the system, and the need theory of individuals. The reason for this is that each theory reinforces the other.

2.1:1 The Democratic Theory

Though this theory has been largely associated with government, it has become inevitable to relate it to organizations for proper conduct and effectiveness. As Besse (1957) puts it, the theory is informed two thousand years ago, participation in the religion which has come to dominate the World. Two hundred years ago we put this essential element in our political and social structure. We are just beginning to realize that we ought to put participation in business as well.

The theory is informed by the works of classical and neo-classical theorists such as Aristotle, Plato, Thomas Hobbes, John Locke, Jean Jacques, Rousseau, Edmund Burke, James Madison, John C. Calhoun to mention a few. (Baradart, 1979).

The core issue about democracy is the importance it attaches to human personality. (Appadorai,1975). It assumes civic capacity on the part of individuals. This capacity involves intelligence, self-control and conscience. Its essence is the right of every man bound by the decision of a government (organization) to contribute (what ever is in him to contribute) to the making and remaking of those decisions. This right is integral to democracy because it makes possible free discussion and the continuous participation of the people (individuals) in the government (organization). This implies the obligation to respect the other man, to listen to his arguments and to take into account his point of view. It is through participation that individuals (subordinates) contribute ideas towards the solution of problems affecting their organization and jobs. Participation can create an asset in morale so that when necessary orders are given, people will respond more co-operatively because they are participating in the affairs of the organization.

Participation is ego-and task involvement of an individual in his group. It includes not only the physical contribution of the person but also his intellectual and emotional involvement in the affairs of the organization. (Beach,1975). When leaders establish means for obtaining help from subordinates in the making of plans and decisions, they are making them to know that their contributions are sought and appreciated and this creates great benefits and harmony in the organization.

There is no doubt that participation is a suitable method to which public organizational leaders need to devote long range efforts and then of tapping its need to be developed

2.1:2 The Systems Theory of Organization

The systems approach to organization view an organization as a whole with a set of interrelated and interdependent parts. These parts could be internal or external.

The individuals are essential part of the organization without which the organization could neither exist nor function. The theory has its roots in Bertalanfy (1972), who propagated the idea via his publication: 'General System Theory'. According to him, "in order to understand an organized whole, we must know both the parts and the relations between them". Since Bertalanfy perfected his idea, many scholars have built upon it.

Barnard (1958) in Koontz, et al (1980) emphasized a system of cooperative effort in a formal organization. Some aspects of the logic of his analysis are:

- Physical and biological limitations of individuals lead them to cooperate and once they cooperate with these limitations become limited and also play a part in inducing further cooperation.
- Organizations can be divided into two kinds: the "formal" organization, which is that set of consciously coordinated social interactions that have a deliberate and joint purpose, and the "informal" organization, which refers to those social interactions without a common or consciously coordinated joint purpose.
- The formal organization cannot exist unless there are persons who are able to communicate with one and have a common conscious purpose.
- The function of the Executive in the formal organization among others is the maintenance of organization communication..., and the integration of the whole.

To Barnard (1958), cooperation is thus a creative process and leadership is the fulminator of its forces. Barnard's analysis has only justified the essence of participation in organizations. Cooperation here includes exchanging ideas and creating room for suggestions from subordinates. No doubt, participation does have enormous potentials for raising productivity, bettering morale and improving creative thinking.

2.1:3 The Need-Satisfaction Theory

The need-satisfaction theories are based on the assumption that human beings have needs and it is their desire to satisfy specific needs that initiates their behaviours (Nwokoye and Ahiauzu, 1988).

To understand human needs adequately, it is useful to classify them by type. Thus, we have innate or primary needs, such as food, shelter, water, rest to overcome fatigue, sex, air, bodily elimination, preservation of self, etc. They are basically physiological needs and vital to the survival of human being. The other major type of need is called the acquired or secondary needs.

These needs are dependent upon our experience. They are learned which include the social and esteem needs (egoistic), such as belongingness, self-significance, self-respect, etc. Maslow (1958) in Beach (1975:458), was the first to develop the need satisfaction theory from the human relations school of Elton Mayo et al. Others like Herzberg, Alderfers, and McClelland further developed on it. The primary aim of the theory is to increase organizational effectiveness, which could be achieved by properly taking care of the human needs. As we stated earlier, human needs can be primary or secondary and could also fall into physiological or psychological needs. Maslow (1958) listed five major needs. These are: the physiological needs, safety needs, social needs, esteem needs and self-actualization.

Herzberg, however, classified Maslow's needs into two and tagged them 'dissatisfiers' and 'satisfiers'. The physiological needs, safety needs and the social needs are the first part at the lower level of Maslow's hierarchy. The Esteem and Self-actualization needs are at the upper level of the hierarchy. One interesting conclusion about Herzberg's finding was that satisfaction and dissatisfaction appears to be somewhat independent (Okoh, 1998).

Thus, given that every other thing is in place, the psychological need of man in organization cannot be wished away as this brings us to the ego in man. The egoistic needs are concerned primarily with a person's view or conception of himself. Satisfaction of these needs tends to enhance one's ego. Some writers refer to the egoistic needs as personal drives. Business executives and individuals tend to be strongly motivated to meet their egoistic needs. They have a drive for power, prestige and status. They seek to make their mark wherever they are. They want to accomplish and achieve. They want others to carry out their words. The individual worker feels a warm

glow when some one (especially his boss) praises him and will feel more important if the same boss asks him for his or her advise or suggestion on issues affecting the organization (Beach, 1975:457).

Thus, for subordinates' ego to be respected and recognized, it calls for a participatory leader. It is through a participatory leadership that subordinates' ideas or suggestions can be sought and utilized. It is through a participatory style of leadership that a subordinate can have a sense of belonging as his or her ideas are constantly tapped for the good of the organization. A leader who considers himself or herself as Mr. or Mrs. "knows all".

2.2 Counter Views of Participatory Leadership

The literature has made significant point on the participatory style of leadership in organization. However, some counter views from scholars are discussed below.

The Trait Approach to Leadership

The earliest and more recent debates on successful leadership were championed by practicing leaders or managers that saw their successes as being based on their personal characteristics and qualities. They, therefore, argued strongly that to be a successful leader, one must have 'certain qualities and characteristics'. However, they have largely failed to uncover any traits that clearly and consistently distinguish leaders from followers. The issue is further clouded by the non-unanimity in traits, and how much of any trait a leader should have.

As Jennings (1960) in Koontz, et al (1980:2000) puts it, "Research has produced such a variegated list of traits presumably to describe leadership that, for all practical purposes, it describes nothing.., and there is no one personality trait or set of qualities that can be used to discriminate between leaders and non leader. In general, the studies of leadership traits have not been a very fruitful approach to explain leadership, for example, not all leaders possess all the traits discovered at the same time, and many non-leaders may possess most of all of them (Koontz, et al 1980).

The point here however, is that it is not the trait parse that matters (though it helps to some extent) but the style adopted by the leader. A not too academically sound leader may even administer or run an organization successfully than some professionals. This may not be unconnected with the fact that while a professional may think he knows all, the other leader will rely on exchanging ideas and seeking suggestions from his subordinates.

Autocratic Style

This is yet another counter view to participatory leadership style. The argument here is that attainment of goals is faster. This is highly fallacious as such processes as lack permanence and are open to all sorts of abuses, ranging from corrupt practices, financial abuses, lack of accountability, transparency and conversion of public property to personal use.

This leader indulges in continually pushing for production. He is prominent in issuing orders, telling and announcing deadlines to be met. His style is exemplified by military approach in its extreme form Beach (1975:523). The leader believes in command, giving disruptive orders and making unpalatable statements to the subordinates instead of encouraging them.

Men have ego and want respect and once these are not there, the end result is that the subordinates easily "chicken out" and rather than making efforts on their jobs, they think of their personal survival and seek solace elsewhere.

The participatory style no doubt has great benefits to organizations. It can be likened to the case of a man carrying a load compared to when two persons carry the load. Two or more heads, as the saying goes, are no doubt better than one. As a result of the ambiguity in the style, some researchers have advocated "benevolent autocracy" by managers (leaders), towards their subordinates. Two of the most articulate arguments for this position were developed by Robert McMuney and by Harold Leavitt and Thomas Whilsler. McMurry (1965) one of their arguments is that participative, management may be interpreted by employees as their right to veto managerial decisions and to generally become lax in their work behaviour.

This however cannot be completely true. There are many techniques to participatory management and the ultimate is efficiency and effectiveness. Leaders and subordinates can generally make suggestions and bring forth Ideas which are analyzed and of course, the most plausible idea or suggestion is taken for consideration and indeed subject to reconsideration if found wanting. The principle of participation is dialogue and compromise or consensus. No single party dominates or considers the other party as inconsequential.

The Contingent or Situational approach to Leadership

The contingent or situational approach takes a middle road position claiming that no one style is the best but rather the style used by the leaders is contingent upon the situation at a given point in time.

Leading theorists in this regard for the purpose of analysis are: Fred Fiedler and Robert Tannenbaum and Warren H. Schmidt. Fiedler's theory implies that leadership is any process in which the ability of a leader to exercise influence depends upon the group task situation and the degree to which the leader's style, personality, and approach fit the group. Tannenbaum and Schmidt (1996) in other words, it is situational factors and the interaction between a leader and the situation makes an effective leader.

Tannenbaum and Schmidt (1996), align with Fiedler, but maintain that three variables should be analyzed in Nwachukwu (2007). These are forces in the leader, forces in the followers, and forces in the situation. The forces in the leader according to them include the value system of the leader, his confidence in subordinates, the leadership inclinations and feeling of security in an uncertain situation. All these will inform the leadership

The forces in the subordinates include their willingness to follow and this can be premised on whether their "high needs" are met. The effective leader is therefore the one who can identify the different situational needs of the subordinates and fulfill them. Leadership is followership. It is therefore, useful for leaders to understand the forces at work within group members. According to Tannenbaum and Schmidt (1996), such understanding can help the leader structure his or her own behaviour or style.

The forces in the situation include the type of organization, the effectiveness of the work group, the type of problem or task and the pressure of time for decisions to be made. The stand of Fiedler and Tannenbaum and Schmidt is quite clear. There is no doubt that certain situations may call for a particular leadership style. For example, emergency situations or the pressure of time for decisions to be made.

The leader in his wisdom can in this situation take a decision on behalf of the group. However, the snag is that he should in no distant time (say within 48 hours) brief his subordinates, whose contributions he must be willing to consider. In this wise, he would have been democratic.

The force in the leader should also not be a barrier. Leadership behaviours can be learned. Leaders should be trained in this regard and where they remain adamant, they should be shown the way out. A leader who knows his onions and has no skeletons in his cupboard should have confidence in his subordinates and have a positive inclination towards them.

2.3 Classification of Leadership Styles

Likert (1961) in Mullins (2007:280) noted that there are many dimensions to leadership and many possible ways of describing leadership style, such as dictatorial, unitary, bureaucratic, benevolent, charismatic, consultative, participative and abdication. The style of managerial leadership towards subordinate staff and the focus of power can, however, be classified, broadly, within a simplified three-fold heading.

The **authoritarian** (or autocratic) style is where the focus of power is with the manager and all interactions within the group move towards the manager. The manager alone exercises decision-making and authority for determining policy, procedures for achieving goals, work tasks and relationships, control of rewards or punishments.

The **democratic** style is where the focus of power is more with the group as a whole and there is greater interaction within the group. The leadership functions are shared with members of the group and the manager is more part of a team. The group members have 'a greater say in decision-making, determination of policy, implementation of systems and procedures (Koontz and Wherich, 2004).

Nwachukwu (2007) submits that a laissez-faire (genuine) style is where the manager observes that members of the group are working well on their own. The manager consciously makes a decision to pass the focus of power to members, to allow them freedom of action 'to do as they think best', and not to interfere; but is readily available if help is needed. There is often confusion over this style of leadership behaviour. The word 'genuine' is emphasized because this is to be contrasted with the manager who could not care, who deliberately keeps away from the trouble spots and does not want to get involved. The manager just lets members of the group get on with the work in hand. Members are left to face decisions that rightly belong with the manager. This is more a non-style of leadership or it could perhaps be labeled as abdication.

2.4 Factors Affecting Style of Leadership

Tannenbaum and Schmidt (1973) and Mullins (2007), argued that attention to the manager's style of leadership has come about because of a greater understanding of the needs and expectations of people at work. It has also been influenced by such factors as:

- increasing business competitiveness and recognition of efficient use of human resources;
- changes in the value system of society;
- broader standards of education and training;
- advances in scientific and technical knowledge;
- changes in the nature of work organization;
- pressure for a greater social responsibility towards employees, for example through schemes of participation in decision-making and work/life balance; and
- government legislation.

Mullins (2007:372) suggested that all of these factors have combined to create resistance against purely autocratic styles of leadership.

2.5 Importance of Small Business Enterprises (SBES)

Joseph (2005), posited that the importance of the SBES sub-sector of the economy of the states can not be over-emphasised. Large scale businesses grow out from small scale enterprises. The experience of countries in North America and Western Europe is a good example that should challenge us today, particularly in Nigeria. The success story of industrialization process in the United States, Netherlands, Germany, and Japan is a testimony of the outstanding performance and contribution of the SBES to those economies.

According to CBN (2004) the contribution and importance of the small business enterprises (SBES) sector to an economy thus include:

Employment generation: The small business enterprises sub-sector in Nigeria employed about 70% of industrial labour force. Similarly, the agricultural sector which consists mostly of small scale farmer, account for over 60% of the nation's work-force.

Utilization of local resources: Small business enterprises (SBES) have creativity in utilization of local raw materials as they do not require high level of technology to produce.

Output expansion: SBES contribute about 10 – 15% of the Gross domestic Product (GDP) - most of the foods produced are from the small scale farmers

Transformation of traditional / local technology: The modern sectors grow through a process of structural transformation and modernization out of the traditional sector. The transformation process includes upgrading in skills, machinery, and equipment and management practices.

Production of intermediate goods: The SBES sub-sector provides backward and forward linkages needed by larger firms – example raw materials, machinery and equipment, spare parts and household goods.

Promote even development and reduce income disparities: SBEs need small capital to start operations. Their production process and management style are simple.

Increase in Government revenue base: This is through taxes – personal and company income taxes.

2.6 Style of Leadership in Small and Medium Scale Enterprises (SMES).

Economic dynamism has long been attributed to the activities of SMEs. In Adedeji (2001), Mill (1848); Schumpeter (1934); MacLelland (1961) and Hagen (1962) Scholars have over the years tried to identify the distinguishing characteristics of this agent of change. Mill (1848), defines an entrepreneur as an individual with a propensity to take risks. For Schumpeter (1947:151), the defining characteristic of an entrepreneur is "...simply the doing of new things or the doing of things that are being done in a new way".

McClelland (1961) considers SMES with the following characteristics: a liking for moderate risk taking; confidence in ability to succeed; energetic action directed towards one's self advancement; the desire for freedom and individual responsibility; and individual success usually measured by the acquisition of wealth. The distinguishing characteristic of SMEs autonomy is the freedom to take decisions according to the individual's preference. Many organizations owe their existence to the individual efforts of entrepreneurs. New organizations are formed as SMEs devote time and effort and assume personal financial, psychological, and social risks to introduce innovations. The formation and the survival of an organization during its formative stages might depend on the individual efforts and personality of its founder. The problem with SMEs style of leadership, however, is that it is personalized. Entrepreneurs are visionaries who value the autonomy to make decisions as they see fit and to take personal responsibility for those decisions in order to realize their visions. As a result SMEs leaders tend to maximise control and eschew delegation of authority and responsibility, preferring instead to directly carry out or to supervise most of the day-to-day operations of their organizations themselves. Gorb et al., (1981:209) Perrigo (1980:215). This type of management, however, allows SMEs to offer personalized service or attention to their clients thus giving them a competitive advantage over large enterprises.

Delegation is related to the expansion of the business. As the business expands, there is more division of labour and the entrepreneur has to be aware of the extent of the growth of the business so that division of labour and delegation can be properly planned.

According to Lawal, et al (2002) the archetypal entrepreneur is the embodiment of the business with his or her own personal welfare being closely intertwined with that of the enterprise. This close identification of the business with its owner prevents the development of businesses into corporate identities with interests which are distinct from those of their owners. The lack of separation between the individual owners and organizational interests prevents the formation of partnerships with both relatives and non-relatives. Indigenous businesses are generally small and bureaucratic characteristics, coupled with the autocratic leadership characteristic in SMEs are likely to render the succession process in the organizations unpredictable and more likely to be disruptive.

RESEARCH METHODS

3.1 Research Design

A research design is a specification of procedures for collecting and analyzing the necessary data to help solve a given research problem. For the purpose of this study, explorative qualitative research of the case study was used. This approach is suitable in diagnosing research problems, in screening alternatives and for discovering new ideas. It also makes use of survey research.

The nature of the study necessitates the use of a descriptive research design as it is concerned with finding out the respondents' attitudes towards leadership styles in their workplace and how it affect their employees' performance. This method is appropriate in the study because it is concerned with actually finding out the respondents remark on the type of leadership styles they experience and how these styles affect every day performance on both the employees and the organization in whole.

3.2 Population of the Study

The study population is the aggregation of overall SMEs employees' in Lagos state. However, two hundred (200) employees' were randomly selected from only twenty (20) registered SMEs in Lagos State. This figure is

used as the total populations of the study various demographic characteristics of the population like age, sex, marital status and so on are considered.

Respondents for this study consisted of managers of SMEs, workers (employees) both middle managers and supervisors responsible for organization running in the various SMEs were involved.

3.3 Sample and Sampling Procedure

The sample is determined from various cadres of employees and managers in the SMEs organization. This comprises a mixture of middle level manager and junior supervisory level managers of the organization.

A sample is a representative part of the population under observation. For the purpose of this study, a sample size of two-hundred (200) respondents was selected from twenty (20) registered small and Medium Scale Enterprises (SMEs) in Lagos State.

The technique for drawing samples from population is known as sampling. Random sampling method is the sampling techniques adopted in this research because it is the fundamental method of probability sampling. This method uses the principles of randomization, which is a procedure of giving every subject in the population an equal opportunity of being selected from the Small and Medium Scale Enterprises (SMEs).

3.4 Data Collection Instruments

Questionnaire is the main data collection instrument for this study. Questions that make up the questionnaire are based on the research questions and hypotheses formulated for the study. Oral/ personal interviews were also applied to cover areas not fully treated in the questionnaire. Many workers (employees) were casually interviewed by way of discussions. However, the personal interviewed were specifically for the supervisory level managers because they are the employees that feel the burnt of leadership styles in organizations especially in SMEs. Observation method or technique was also used as a data collection from both the primary and secondary sources.

Five copies of the questionnaire used in the study were secretly marked X_1 , X_2 , X_3 , X_4 , and X_5 and were pre-tested on five officials of five selected SMEs firms in Ojo area of Lagos state.

Two weeks later, another set of five copies also of the same questionnaire secretly marked Y_1 , Y_2 , Y_3 , Y_4 and Y_5 were administered on the same officials, making sure that the respondent that got X_1 , was given Y_1 , the one that got X_2 was given Y_2 , etc., for easy analysis.

Options (answers) in the questionnaire from which the respondents had to choose were all numbered using Likert 5, ranging from 1 to 5, that is - Strongly agree (5), Agreed (4), Undecided (3) disagree (2) and Strongly disagree (1) the number against each option (answer) ticked by the respondent was taken as his/her score for that question. Then the total score of each respondent in the first and second tests were separately. For the purpose of compiling the scores, only questions from sections B was used since it contain the main questions for testing the research questions and hypotheses, and are the sections where variation in answers given by the same respondents are likely to occur.

Pearson's Product Moment Correlation Co-efficient was used in examining the relationships between the variables. The results of the pilot study of data collected were analyzed as follows:

Respondents	X	Y	XY	X ²	Y ²
1	30	29	870	900	841
2.	28	26	728	784	676
3	29	29	841	841	841
4	26	24	624	676	576
5	32	34	1088	1024	1156
Total	145	142	4151	4225	4090

Source: Research Survey, 2013

Using the Formula,

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x^2 - \sum(x)^2) (n\sum y^2 - \sum(y)^2)}}$$

Where

r = Product Correlation Coefficient

n = Number of Respondents

$$r = \frac{(5 \times 4151) - (145 \times 142)}{\sqrt{((5 \times 4225) - 145^2) [(5 \times 4090) - 142^2]}}$$

$$\begin{aligned} r &= \frac{20755 - 20590}{\sqrt{(21125 - 21025) (20450 - 20164)}} \\ &= \frac{165}{\sqrt{100 \times 286}} \\ &= \frac{165}{28600} \\ &= \frac{165}{169.1153} \\ &= 0.975 \\ &= 0.98 \end{aligned}$$

Interpretation

The above calculation shows that the Pearson's Product Correlation Coefficient result is 0.98. This shows that there exists a positive relationship between the two variables, X and Y, leadership styles effect and performance in SMEs since the coefficient, or Standard Deviation is close to 1. This is an indication that the data collection instrument has very high degree of reliability..

3.5 Procedures of Data Analysis

The procedures of data analysis involved assessing of the data collected through the primary and secondary sources to test the hypotheses of the study in order to make meaningful interpretation. Firstly, the data collected were classified or grouped based on their bearing common characteristics. Tabulation was used as the basic means of data presentation.

Statistical techniques used for the study include chi-square and simple percentages. The chi-square was used to show how the hypotheses conformed to the result of the questionnaire as well as to test the validity and reliability of study instruments. It was also used in the presentation of the findings of the research. Simple percentages, on the other hand, were used to represent the number of respondents who gave particular responses to certain questions in the questionnaires.

Chi-square

The Chi-Square is tested of significant which makes use of data in the form of observed frequencies. It is a measure of the discrepancy existence between observed and expected frequencies. It can never be less than zero and it is calculated by finding the frequencies. Chi-Square is calculated using the statistical model.

$$\frac{X^2 (O-E)^2}{E}$$

Where:

X^2 = Calculated value

O = Observed value

E = Expected value

N = Number of rows in the expected frequency table

K = Number of columns in the expected table

Level of significance is usually 0.05 from variables that do not involve lives, while 0.1 is for variables that involve lives.

Degree of Freedom (DF) = (R-1) (C-1)

Decision Rule: This states that the researcher should reject Null Hypothesis (HO) if the probability of obtaining a given or more extreme magnitude, when HO is true is equal or less than some small number. In order words, reject HO if the calculated (empirical value) of the statistics are greater than the table (critical value) at the level of significant otherwise accept the HO.

4.0 Test of Hypotheses

In this part of the section, the formulated hypotheses are tested one after the other using the chi-square non-parametric test.

Hypotheses One

H₀: There is no significant relationship between leadership style and organizational performance.

To test the above hypotheses, the chi-square (x^2) test of goodness of fit was employed. The formula is as follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where,

O = Observed frequency of any value

E = Expected frequency of any value

\sum = Summation notation

In this calculation, $E = 120 \div 4 = 30$

(Since there are 120 respondents and four options/responses)

Response	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
A	50	30	20	400	13.3
S.A	52	30	22	484	16.1
D	18	30	-12	144	4.8
S.D	0	30	-30	900	30
TOTAL	120	-	-		64.2

Thus, $X^2 = 64.2$

It is now necessary to find the appropriate X^2 value from the chi-square Table. But before this is done, it is necessary to establish the degree of freedom, V. This is found by multiplying the number of rows in the table less one, by the number of columns less one.

In Table I

No of Rows = 4 (i.e. 4 horizontal rows of Responses)

No of Columns = 2 (i.e. 1 for Response and 1 for No. of Responses)

Any column or row for calculated variables like Percentage or Total is not counted among the columns or rows.

Degree of freedom, V = (Rows -1)(Columns -1)

$$= (4-1)(2-1)$$

$$= 3 \times 1$$

$$= 3$$

i.e 3 degrees of freedom. From the chi-square table, the value of the cut-off point of X^2 for 3 degrees of freedom at 5% level is 7.815

Decision Rule/Criterion

When the chi-square calculated (x^2_c) is greater than the chi-square tabulated (X^2_t) we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) and conclude that the research hypothesis is true, i.e. $x^2_c > x^2_t$

On the other hand, if the chi-square calculated (x^2_c) is less than the chi-square tabulated, i.e. $x^2_c < x^2_t$, we accept the null hypothesis and reject the alternative hypothesis and conclude that the research hypothesis is false.

Decision

From the above calculation, the chi-square calculated 102.46 i.e. x^2_c is greater than the chi-square tabulated (7.815) i.e. x^2_t . Therefore, we reject the null hypothesis. Thus, we can conclude that there is a significant relationship between leadership style and organizational performance.

Hypotheses Two

H₀: There is no significant relationship between good leadership style determinant, efficiency and performance in SMEs.

To test the above hypotheses, the chi-square (χ^2) test of goodness of fit was employed. The formula is as follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where,

O = Observed frequency of any value

E = Expected frequency of any value

\sum = Summation notation

In this calculation, $E = 120 \div 4 = 30$

(Since there are 120 respondents and four options/responses)

Response	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
A	42	30	12	144	4.8
S.A	58	30	28	784	26.1
D	20	30	-10	100	3.3
S.D	0	30	30	900	30
TOTAL	120	-	-	-	64.2

Thus, $X^2 = 64.2$

It is now necessary to find the appropriate X^2 value from the chi-square Table. But before this is done, it is necessary to establish the degree of freedom, V. This is found by multiplying the number of rows in the table less one, by the number of columns less one.

In Table II

No of Rows = 4 (i.e. 4 horizontal rows of Responses)

No of Columns = 2 (i.e. 1 for Response and 1 for No. of Responses)

Any column or row for calculated variables like Percentage or Total is not counted among the columns or rows.

Degree of freedom, $V = (Rows - 1)(Columns - 1)$

$$= (4-1)(2-1)$$

$$= 3 \times 1$$

$$= 3$$

i.e. 3 degrees of freedom. From the chi-square table, the value of the cut-off point of X^2 for 3 degrees of freedom at 5% level is 7.815

Decision Rule/Criterion

When the chi-square calculated (χ^2_c) is greater than the chi-square tabulated (X^2_t) we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) and conclude that the research hypothesis is true, i.e. $\chi^2_c > \chi^2_t$

On the other hand, if the chi-square calculated (χ^2_c) is less than the chi-square tabulated, i.e. $\chi^2_c < \chi^2_t$, we accept the null hypothesis and reject the alternative hypothesis and conclude that the research hypothesis is false.

Research Result

From the above calculation, the chi-square calculated (147.93) i.e. χ^2_c is greater than the chi-square tabulated (7.815) i.e. χ^2_t . Therefore, we reject the null hypothesis. Thus, we can conclude that good leadership style determines efficiency and performance in SMES.

Hypotheses Three

H₀: There is no significant relationship between Leadership style and motivation of employees in SMEs.

To test the above hypotheses, the chi-square (χ^2) test of goodness of fit was employed. The formula is as follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where,

O = Observed frequency of any value

E = Expected frequency of any value

\sum = Summation notation

In this calculation, $E = 120 \div 4 = 30$

(Since there are 120 respondents and four options/responses)

Response	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
A	34	30	4	16	0.5
S.A	65	30	35	1225	40.8
D	11	30	-19	361	12.0
S.D	10	30	-20	400	13.3
TOTAL	120	-	-	-	66.6

Thus, $X^2 = 66.6$

It is now necessary to find the appropriate X^2 value from the chi-square Table. But before this is done, it is necessary to establish the degree of freedom. This is found by multiplying the number of rows in the table less one, by the number of columns less one.

In Table III

No of Rows = 4 (i.e. 4 horizontal rows of Responses)

No of Columns = 2 (i.e. 1 for Response and 1 for No. of Responses)

Any column or row for calculated variables like Percentage or Total is not counted among the columns or rows.

$$\begin{aligned} \text{Degree of freedom, } V &= (\text{Rows} - 1) (\text{Columns} - 1) \\ &= (4-1) (2-1) \\ &= 3 \times 1 \\ &= 3 \end{aligned}$$

i.e. 3 degrees of freedom. From the chi-square table, the value of the cut-off point of X^2 for 3 degrees of freedom at 5% level is 7.815

Decision Rule/Criterion

When the chi-square calculated (x^2_c) is greater than the chi-square tabulated (X^2_t) we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) and conclude that the research hypothesis is true, i.e. $x^2_c > x^2_t$

On the other hand, if the chi-square calculated (x^2_c) is less than the chi-square tabulated, i.e. $x^2_c < x^2_t$, we accept the null hypothesis and reject the alternative hypothesis and conclude that the research hypothesis is false.

Decision

From the above calculation, the chi-square calculated (66.6) i.e. x^2_c is greater than the chi-square tabulated (7.815) i.e. x^2_t . Therefore, we reject the null hypothesis. Thus, we can conclude that, autocratic style of leadership affects small and medium scale enterprises in Nigeria.

Hypotheses Four

H₀: There is no significant relationship between the managers' leadership style and employees' commitment in small and medium scale enterprises in Nigeria.

To test the above hypothesis, we shall employ the chi-square test of goodness of fit using the formula follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where,

- O = Observed frequency of any value
- E = Expected frequency of any value
- ∑ = Summation notation

In this calculation, $E = 120 \div 4 = 30$

(Since there are 120 respondents and four options/responses)

Response	O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
A	12	30	-18	324	10.8
S.A	88	30	58	3364	112.1
D	18	30	-12	144	4.8
S.D	2	30	-28	784	26.1

TOTAL	120	.	.	.	153.8
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Thus, $X^2 = 147.93$

It is now necessary to find the appropriate X^2 value from the chi-square Table. But before this is done, it is necessary to establish the degree of freedom, V. This is found by multiplying the number of rows in the table less one, by the number of columns less one.

In Table IV

No of Rows = 4 (i.e. 4 horizontal rows of Responses)

No of Columns = 2 (i.e. 1 for Response and 1 for No. of Responses)

Any column or row for calculated variables like Percentage or Total is not counted among the columns or rows.

Degree of freedom, $V = (Rows - 1) (Columns - 1)$

$$\begin{aligned}
 &= (4-1) (2-1) \\
 &= 3 \times 1 \\
 &= 3
 \end{aligned}$$

i.e. 3 degrees of freedom. From the chi-square table, the value of the cut-off point of X^2 for 3 degrees of freedom at 5% level is 7.815

Decision Rule/Criterion

When the chi-square calculated (x^2_c) is greater than the chi-square tabulated (X^2_t) we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) and conclude that the research hypothesis is true, i.e. $x^2_c > x^2_t$

On the other hand, if the chi-square calculated (x^2_c) is less than the chi-square tabulated, i.e. $x^2_c < x^2_t$, we accept the null hypothesis and reject the alternative hypothesis and conclude that the research hypothesis is false.

Research Result

From the above calculation, the chi-square calculated (153.8) i.e. x^2_c is greater than the chi-square tabulated (7.815) i.e. x^2_t . Therefore, we reject the null hypothesis. Thus, we can conclude that there is a relationship between the managers' leadership style and employees' commitment in small and medium scale enterprises in Nigeria.

4.1 Discussion of Findings

The findings of this research have revealed the importance of leadership styles on employees' performance in the organization, which is an aggregation of the individual employees' productivity. A large percentage of the respondents agree that SMES management engage in leadership management. This finding is strongly agreed with the view of Lawal, et al (2002), that SMES managers have effective leadership style that enhances employees' performance. This findings also agree with the respondent view on the instrument distributed, (Field Survey 2013).

The need has not been adequately met in some of the SMES firms as acknowledged by few of the respondents. Many of the respondents are of the opinion that the effective leadership style enhances employees' performance. Beach, et al, (1975) also opined that continuous use of effective leadership styles of management means continuous goal objectivity in organization and employees performance.

This study has also established that the availability of appropriate tools of leadership management in SMES enhances employee performance. 100% of the respondents attested to this.

In summary, this research work has outlined the effect of leadership styles on employees' performance in SMEs, using selected SMES in Lagos State. Aspects of the internal environment studied related to the quality of work of the employees. Among specific areas that fall under the rubric of leadership grid management, quality of work life includes a challenging job, a safe working environment, human dignity in the work environment, an equitable wage, and the right to improve one's skills level (MBO) techniques (Luthans, et al 1980:12). This work has proved that the better the organizational leadership styles, the greater the employee performance in SMES.

5.0 Recommendations

In view of the findings of this study, the following recommendations would be helpful to the selected SMES and other organizations in Nigeria, to redress some of the challenges facing them, especially in the area of leadership styles of management and general management of people at work.

Secondly, aside from the academic qualification and seniority, workers should be rewarded more on the basis of performance. Since this research work has shown that performance-related pay spurs employees to greater performance, it is strongly recommended that worker's salaries be based more on performance than other parameters. In other words, performance appraisal should play a greater role in the promotion process. And every level of responsibility and result achieved must be with a corresponding of remuneration.

Fourthly, on performance, it is strongly recommended that workers should be periodically promoted or upgraded within a period of not more than four years. While this serves as recognition of their good work, it provides a larger scale for measuring their benefits. This brings satisfaction to the employee and encourages him/her to improve in performance.

Finally, organizations should, adopt the democratic style of leadership and humane management practices in order to adequately commit the workforce to the work activities.

In summary, implementation of these recommendations in any SMES organization would lead to humanization of the work and working environment. It would make workers have a sense of belonging and positively affect their work behaviour or attitude to work. Ultimately, employees' productivity and performance of the individual workers and those of the organization itself would remarkably increase.

5.1 Conclusion

The above conclusions were drawn from the analysis of data collected from the field surveys conducted by the researcher. From these, it can be inferred that SMES employees are not as well paid as they would want, though the presence of good leadership styles management enhance their performance.

Leadership plays an important role in the behaviour and attitudes of the members of an organization. It also determines how people would interact with each other in order to solve problems and take decisions. The field of leadership not only focuses on interpersonal relations but also appreciates the role of a leader as a motivator and energizer. The objective of this research was to enhance the understanding of emerging dominant leadership styles in selected SMES firms in Lagos State. The study revealed that most SMES firms in Lagos have same management styles of leadership.

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