

## LEADERSHIP STYLE AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN KADUNA STATE, NIGERIA

<sup>1</sup>Malachy, O.D.Y, <sup>2</sup>Ahmad Bawa Abdul-Qadir & <sup>3</sup>Gambo Madaki AYUBA

<sup>1</sup>Department of Business Administration

Ahmadu Bello University, Zaria-Nigeria

<sup>2&3</sup>Department of Business Administration

Kaduna State University, Kaduna-Nigeria

**Corresponding Author e-mail:** [gambomadakiayuba@gmail.com](mailto:gambomadakiayuba@gmail.com)

### Abstract

*Leadership helps to direct, guide and persuade employees towards achieving their personal and organizational goals. As a result of lack of appropriate leadership skills many SMEs fail to involve their employees in decision making thus hindering the achievement of these organizations. This study examined the impact of leadership style on small and medium scale enterprises (SMEs) performance in Kaduna State. The study used a cross-sectional survey research setting to obtain data from owners-managers of SMEs. The population of the study consists of 2882 SMEs in Kaduna State out of which 385 SMEs was drawn as the sample size. The sampling technique for this study is the simple random sampling technique. PLS Path analysis was used to analyze the data and the results showed that leadership style have significant and positive effect on SMEs performance. The study concludes that authoritarian, democratic and laissez-fair leadership styles impact positively on SMEs performance but at varying levels. The study recommends that SMEs should adopt laissez-fair style of leadership as it had the most significant effect among the styles examined. Also recommends human management practices in order to adequately commit the workforce to the work activities.*

**Keywords:** Leadership, Performance, Management, Workforce, Organization

### 1. Introduction

Understanding leadership style and its impact on employee's performance is important because leadership binds subordinates to work together and inspire employees motivation. Also, leadership assists in management development and training; effective leadership provides the building block for business performance (Uchenwamgbe, 2013). Leadership helps to direct, guide and persuade their followers (employees) towards achieving their personal and organizational goals and objectives (Amina, Sana, Samra, & Abeera, 2015). Business units exist in different capacities in Nigeria and they are classified as small, medium, or large scale businesses. Large scale enterprises left alone cannot fast track the desired development that would venture Nigeria as one of the first 20 most viable economies in the world by the year 2020.

According to World Bank (2008) in its estimation, twelve (12) million businesses of all dimensions operating in various parts of Nigeria, out of which, small businesses openly accounted for over seventy percent (70%). As such, it becomes very imperative for SMEs development in order to take care of some local/rural developmental needs. However, owner/manager of SMEs has different leadership roles to play; bears the risk, chief administrator and strategy implementer, solve crises, make policy, and so on, towards achieving the goals of the organization.

Authoritarian leadership style for example takes all the decisions, gives instructions and expects others to obey them without question or debate, and sometimes, a democratic leadership style, (where the owner makes decision on the basis of agreement) works best. In small and medium scale enterprises (SMEs) the leadership roles may be highly visible and widespread, time committed, while at times, the leadership roles may be less demanding and require a brief ceremonial

performance with the details delegated to subordinates in the case of laissez-fair leadership style (Akoma, Adeoye, Binayo&Akinwole 2014)

According to Abdulazeez, Hakeem, and Bisayo (2014) Leadership in business, concerns everyday jobs and people; the participation of people, attention and acknowledgement which motivate employees as members of groups and individuals. The way SMEs owner-manager decides to exercise leadership styles will have a strong encouragement on the business performance, motivation and confidence of subordinates. Thus, leadership styles deal with all aspects inside and outside of an organization, managing or dealing with conflicts, guiding and helping the workforce to accomplish their tasks. Uchenwangbe (2013) pointed out that the study of leadership has attracted more attention as a result of its role in the success or failure of an organization. Puni, Ofei and Okone (2014) opined that the goal of any business is not only to survive, but also to sustain its existence by improving performance in order to meet the needs of the highly competitive markets; and must continually increase performance and viewed leadership style as one of the most important human resources-related outcome, and most deliberated topic in management and psychology.

Obiwuru, Okwu, Akpa and Nwankwere (2011) referred to performance as the ability of an organization to achieve such objectives as high profit, large market share, quality product, good financial results and survival at pre-determine time using relevant strategy for action. As such, performance can also be used to view how an organization is doing regarding volume of products, market share, customer demand, loyalty and investment. Wang (2010) viewed performance as product accomplishments, results and achievements in an organization. Williams and Andersons, (1991) also defined performance as the level of employees achievement in their responsibility and duties assigned in the workplace. There has been various opinions by researchers as to whether leadership styles can influence performance. Ojokuku, Odetayo, and Sajuyigbe, (2012), opined that, the responsibilities and role of the leaders, and their ability to adapt to complex competitive environment affect the success of the organization. Although, leaders direct and motivate subordinates to perform tasks effectively and efficiently, the leadership style they use in the direction and motivation is a vital determinant of performance. Furthermore, leadership style has control over interpersonal punishment and reward that shapes employee behaviour, motivation and attitude which impacts on the performance of business (Kendra 2012).

In the running of small and medium enterprises, the management is faced with multifaceted challenges that may hinder the effectiveness of the firm. In some firms the management due to lack of appropriate leadership skills may fail to involve their employees in decision making thus hindering the achievement of personal and organizational goals. According to a report by Small and Medium Enterprise Development Agency of Nigeria -SMEDAN (2008), only about five to ten per cent of young companies survive and grow to maturity. Most small and medium scale businesses die within their first five years of existence, and another smaller percentage go into extinction between the sixth and tenth year. In the literature reviewed, Aliyu Mamman (2013); Oni and Daniya (2012) conducted a research on Small and Medium Scale enterprises which bordered basically on lack of access to finance as a major constraint to effective development of small and medium enterprise, while other researchers including Abubakar and Yahaya (2013), Adebayo and Moshood (2014) focused on SMEs as a tool in poverty reduction. This study however, examined leadership styles effect on performance; where performance is measured by reference to employment growth, challenge and update, creativity, participation, initiative, effort, effective communication, and extra task.

The main objective of the study is to examine the impact of leadership style on SMEs performance. The specific objectives include to: determine the impact of authoritarian leadership style on SMEs performance; examine the impact of democratic leadership style on SMEs performance; analyse the impact of laissez-faire leadership style on SMEs performance in Kaduna State.

The research hypotheses are as follows:

- i. Authoritarian leadership style has no significant effect on SMEs performance
- ii. Democratic leadership style has no significant effect on SMEs performance
- iii. Laissez-faire leadership style has no significant effect on SMEs performance

The paper has 5 sections. Following the introduction which is section 1, is Section 2 literature review; section 3 research methods, 4 presentation of results and discussion of findings and 5 conclusion and recommendations.

## **2. LITERATURE REVIEW**

### **Conceptual Review**

#### **Concept of Leadership**

Leadership style is the combination of attitude and behaviour of a leader, which leads to certain patterns in dealing with the followers. It is the result of the philosophy, personality and experience of the leader. There are various leadership styles such as authoritarian, democratic, and laissez-fair leadership (Mosadeghrad, 2003) among others. The authoritarian leaders also known as autocratic leaders provided clear expectations for what needs to be done, when it should be done, and how it should be done. There is a clear division between the leaders and the followers. Authoritarian leaders make decision independently (Dimitrios& Athanasios 2014). Authoritarian leadership is best applied to situations where there is little time for group decision-making. This leadership style according to Kawooya (2010) calls for the leader's understanding of the business and his employees rather than depending on what should be done. Authoritarian leadership may be important in situation of emergency and where similar work forces are involved, and the leader is the most well-informed member of the group. In a situation where by autocratic leadership lack creative ideas in finding solutions to problems, it can eventually affect and hurt the performance of the organization (Kendra, 2012). Democratic leadership is a leadership style that encourages employees to participate in decision-making process in the organization in order to achieve or accomplish task. It is also known as participative leadership style. A democratic manager/leader keeps his employees informed about everything that affects their work and shares decision-making and problem solving responsibilities (Swarup, 2013). Laissez-fair leadership also known as delegative leadership, is a type of leadership style in which leaders are hands-offs and allow group members to make the decision while providing no direction or assist to the followers except their attention is needed (Hackman & Johnson 2004). Lewin and Lppitt, (1939) found that Laissez-faire leadership led to lower productivity and satisfaction among followers when compared with autocratic and democratic leadership styles, but it can be appropriate and effective in situations where group members are highly skilled, motivated and capable of working on their own. Alan (2013) opined that a laissez-faire leadership style can be effective if the leader monitors performance and gives feedback to team members. The styles of leadership, authoritarian, democratic and laissez-faire as the independent variables while SMEs performance being the dependent variable.

#### **Concept of Performance**

The key concern of researchers and organization has been focused on performance'. A number of the organization studied in the literature has focused on the reason why some firms perform better than the others? However, scholars in this field have proposed a number of definitions. This means that performance is not without meaning. For instance, performance according to Bryman, (1992) described it as the result from a person's effort which achieved by the presence of labour, ability and assignment, perception, effort as a result of motivation, satisfaction, and organizational commitment that shows the amount of energy use by an individual in initiating a task.

#### **Empirical Review**

Abdulazeez, Hakeem and Bisayo (2014) empirically examined the relationship between leadership style and organizational effectiveness in the Nigerian small and medium enterprises. A survey of two hundred and sixty eight (268) small and medium enterprises was undertaken. The questionnaire was administered to SMEs spread across Lagos State. The results found that the SMEs in Lagos are more autocratic and less participative as the power distance between business owner and employees is very wide. The study further revealed an insignificant relationship between leadership style and organizational effectiveness. Therefore, the study findings cannot be generalized because it used only two styles of leadership and also fails to show how these two styles affect performance of SMEs.

Akoma, Adeoye, Binuyo and Akinwole. (2014), the study examined some leadership styles and its impact on small and medium scale industries and its implication to management in Ogun state, Nigeria. The study adopted ex-post factor research design and 300 staff were randomly selected from the groups after the four companies had been stratified from the pool of registered companies in the states. Data were collected using a self-developed questionnaire by the Researchers. Data were analysed using analysis of variance and Pearson Product moment correlation while results were tested at the level of 0.05 levels of significance. The result indicates that, the autocratic leadership style view was not significant with the organization performance, while the democratic shows a significant relationship with the organization performance. Lastly, there autocratic and democratic leadership styles and organizational performance.

Ahmad (2014) the study examined the impact of leadership behaviour on the performance of SMEs in Malaysia services industry. The industry is believed to largely contribute to Malaysia's economy. The success and performance of services are obviously dependent upon several contributing factors: managers' leadership skills and qualities: 193 owners and top managers of services in Malaysia participated in the study. The results revealed that, there were significant relationships between different leadership behaviours and organizational performance of services; and transformational leadership contributed more significantly to the performance of SMEs than transactional leadership behaviour.

Oladele (2013) examined the effect of strategic leadership styles on organizational development in Small and Medium Enterprises; with a view to highlight the link between strategic leadership and the development of small and medium enterprises in Nigeria. The study was conducted in Lagos state. The study revealed that supportive, inspirational and commanding leadership styles are statistically significant leadership styles influencing organizational development in SMEs, hence, concluded that supportive, inspirational and commanding leadership styles were determinants of the success of SMEs in Nigeria.

Obiwuru, Okwu, Akpa and Nwankwere (2011) investigated the effect of leadership style on organizational performance in small scale enterprises. Three small-scale enterprises were initially selected through stratified random sampling technique from a total of 18 subjectively identified small scale enterprises. The enterprises were stratified according to their respective industries or activities: water packaging, restaurant/food canteen services, and wood finish production. Five respondents were randomly selected from each of these three enterprises for a sample size of fifteen (15) respondents. The result showed that transactional leadership style has significant positive effect on performance.

Veronica (2013) examined the effect of leadership behaviour on employee performance. Specifically, the study identified the leadership behaviours exhibited by managers in Guinness Ghana Breweries Limited (GGBL) in enhancing employee performance and specific behaviours that affected the performance of the employees. The study considered the effect of three major leadership behaviours, namely, job-Centre style, people-centred style and democratic style on the performance of employees. The data for the study was obtained by administering questionnaire to personnel in GGBL the result showed that strong correlation existed between a job-Centre leadership behaviour exhibited by leaders in Guinness Ghana Breweries Limited and employee performance. The job-Centre leadership behaviour had significant positive effect on performance and hence productivity. People-centred and democratic behaviours were very insignificant. Based on the extant literature none of the study focus on SMEs in Kaduna State which created a gap, thus this study intends to fill the gap.

### **Theoretical Review**

Douglas McGregor (1960), developed theory X and theory Y. As a result of his experience as a consultant, McGregor summarized two contrasting sets of assumptions made by managers in an organization as shown below: Mc-Gregor believed that the average manager/leader operated under a set of assumptions he called Theory X management: Average human beings naturally disliked work and will avoid it if possible. Based on that conclusion, he proposed a new set of managerial assumptions, which he called Theory Y management: The theory Y managers assume that, the costs of physical and mental effort in work is as natural as play and the average human being, under proper conditions, learns not only to accept but to seek

responsibility. Theory Y managers also assume that, the capacity to exercise a relatively high level of imagination, skill, and creativity in the solution of organizational problems is widely, not narrowly distributed in the population, and the intellectual potentialities of the average human being are only partially utilized under the conditions of modern industrial life.

By implications, managers/leaders who believe in "Theory X assumptions would tend to adopt an autocratic leadership style, and the administrative is centralize and control by them, while those who view theory Y would tend to adopt a democratic leadership styles. Theory X managers also assume that, an average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all. By this theory Douglas McGregor demonstrated that, factors that influence practical managers/leaders in choosing a leadership style, would in turn impacts positively or negatively on the subordinates, and therefore on the entire organization.

Although not strictly speaking a theory of leadership, the leadership strategy of effectively-used participative management proposed in Douglas McGregor's book has had a tremendous impact on managers/leaders. Leaders under theory Y also assume that, external control and threat of punishment are not the only means for bringing about effort toward organization objectives. However, McGregor warned leaders/managers viewing the theory as representing two opposite extreme styles of leadership. In the case of Theory X, the owner-manager would seem to keep most of the power and authority in an organization, while, in the case of Theory Y, the owner-manager would take suggestion from workers, but would retain the power for making decision

### **Contingency Theory**

Fred Fiedler (1964) developed Contingency theory which is a behavioural theory, postulates that there is no single best way for manager to lead or direct. Situations will create different leadership style requirements for a manager. The solution to a managerial situation is dependent on the styles that could influence on the situation. Fiedler claims that if performance is to be improved, we must cope not only with the leader's style but also with the situational factors which influence employee.

### **Trait Theory**

Attempt to identify the traits of effective leaders have focused on three main areas according to Turner and Muller (2005) ; the ability traits demonstrate hard management skills, personality traits on the other hand addresses issues such as self-confidence and emotional variables and the physical appearance which include size and appearance. Although there had been little consistency in the results of the various trait studies, however, some traits did appear more frequently than others, including technical skills, friendliness, and task orientation, application to task, group task supportiveness, social skill, emotional control, administrative skill, general charisma, and intelligence.

It suggest that leadership is only available to the choosing few and not accessible to all The problem with the trait approach lies in the fact that almost as many traits as identified after several years of such research, it becomes apparent that no consistent trait could be identified. Kilpatrick and Lock (1991), in a meta-analysis, did seem to find some consistency around the following traits: drive to achieve; the motivation to lead; honesty and integrity; self-confidence, including the ability to withstand setbacks, standing firm and being emotionally resilient, and knowledge of business. It was believed that through this approach, critical leadership traits could be determined and people with such traits could then be recruited, selected and installed into leadership positions.

The Trait Approach according to Bolden, et al (2003) arose from the 'Great Man theory as a way of identifying the key characteristics of successful leaders. Some leaders might have possessed certain traits but the absence of other traits did not necessarily mean that the person was not a leader. The idea behind this school is that effective leaders share common traits. This approach was rest on the assumption that some people were born to

lead due to their personal qualities, while others are not. Although some traits were found in a considerable number of studies, the result was generally inconclusive.

Theory X and Y is the theory this research work is hinged because Theory X assumed that owner-manager would keep most of the power and authority in an organization, while, in the case of Theory Y, the owner-manager would take suggestion from workers, but would retain the power for making decision.

### 3. RESEARCH METHOD

This study adopts cross-sectional survey research setting. Primary source of data was utilized through the use of questionnaire to obtain data from the respondents. According to SMEDAN (2013) there were 2882 registered SMEs in Kaduna State. The population of the study consist of 2882 SMEs in Kaduna State.

In determining the sample size, the formula suggested by Yamane (1967) was used. The assumption was that the sample would be the representative of the population. The formula for sample size:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= sample size

N= population size

I = constant

e = sample error level of significance

Therefore:

$$\begin{aligned} & \frac{2882}{1 + 2882(0.05)^2} \\ & = \frac{2882}{1 + 2882 \times 0.0025} \\ & = \frac{2882}{8.205} \\ & = 351 \end{aligned}$$

However, in order to take care of response bias and improper filling of some respondents to return the questionnaire. 30% of the minimum sample provided in the formula will be added as suggested by Israel (2013). 105 respondents were added to the calculated sample size of 351 to a total of 456 questionnaire which was distributed and 385 was retrieved.

Simple random sampling technique was adopted. PLS Path analysis was used to determine the combine impact of the three independent variables authoritarian leadership style (ALS), democratic leadership style (DLS), and laissez-fair leadership style (LLS) on the dependent variable that is, SMEs performance. All the variables of the study were measured on a five-point Likert scale. Simple

regressions expressing each independent variable effect on performance are presented in the equations as follow:

$$\text{Thus, } SP = a + B_1ALS + e \dots\dots\dots(i)$$

$$SP = a + B_2DLS + e \dots\dots\dots(ii)$$

$$SP = a + B_3LLS + e \dots\dots\dots(iii)$$

Where:

SP= SMEs Performance

ALS= Authoritarian leadership style

DLS= Democratic leadership style

LLS= laissez-fair leadership style

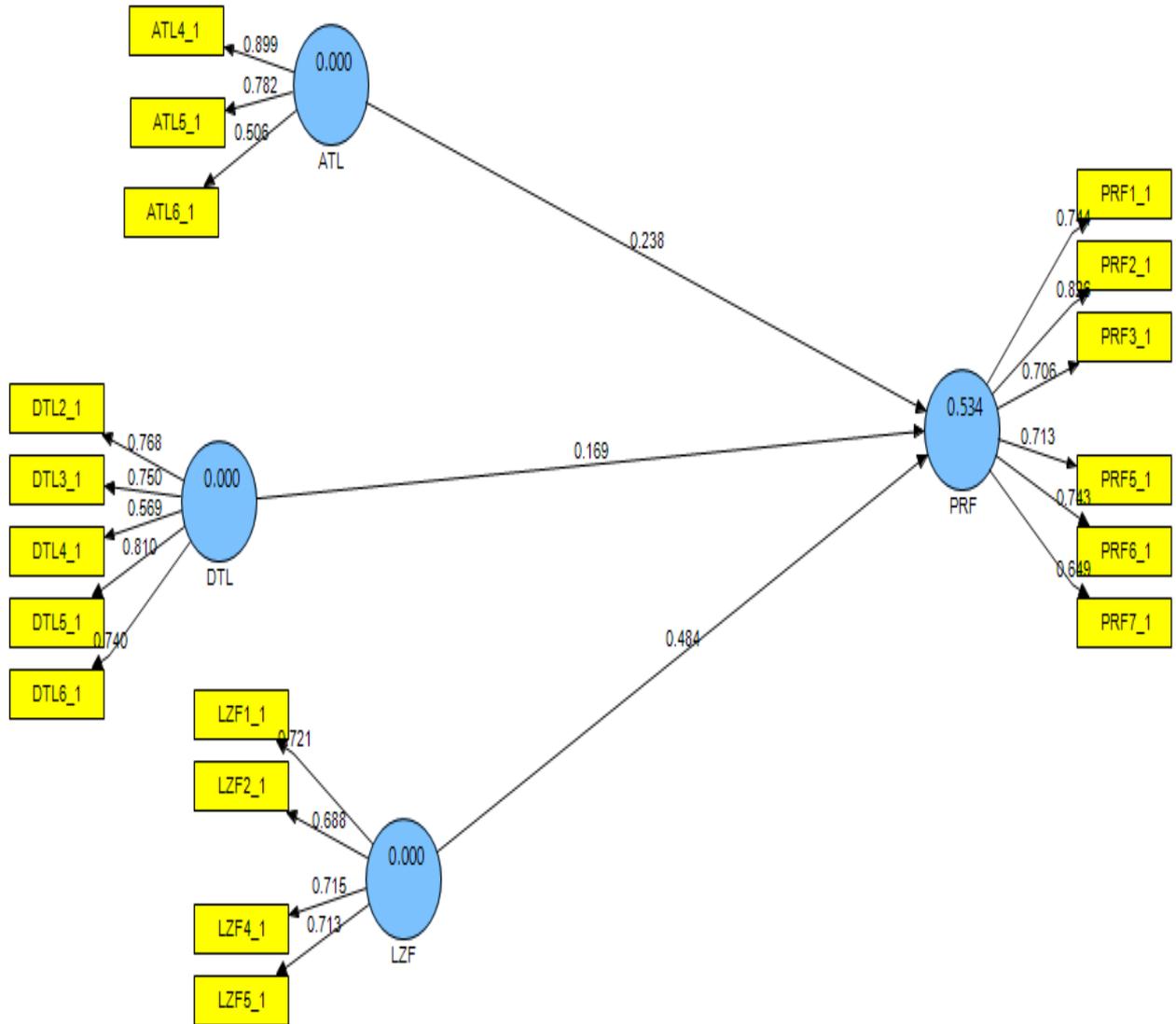
$\alpha$  = Constant

$\beta$  = Regression Coefficient

e = Error term

**Reliability and Validity**

Figure 1.1 Measurement model



Source: Smart-PLS 3 Output

Table 1 *Construct Reliability and Validity*

Construct	Items	Loadings	AVE	CR
Performance	PRF1	0.74	0.54	0.87
	PRF2	0.83		
	PRF3	0.71		
	PRF5	0.71		
	PRF6	0.74		
	PRF7	0.65		
	Authoritarian leadership	ATL4		
ATL5		0.84		
ATL6		0.68		
Democratic leadership	DTL2	0.77	0.54	0.85
	DTL3	0.75		
	DTL4	0.57		
	DTL5	0.81		
	DTL6	0.74		
	Laissez-fair leadership	LZF1		
LZF2		0.69		
LZF4		0.72		
LZF5		0.71		

Source: SMART-PLS Output, 2018. Note: PRF4, PRF8, PRF9, PRF10, ATL1-3, DTL1, LZF3 and LZF6 were deleted due to insufficient loadings. AVE stands for Average Variance Extracted while CR represents Composite Reliability.

According to Hair *et al.*, (2014), loadings should not be below 0.5. On Table 3, it is seen that all items loaded are above 0.5. This means all the items on Table 1 were retained. However, some items (i.e., PRF4, PRF8, PRF9, PRF10, ATL1-3, DTL1, LZF3 and LZF6) were deleted due to insufficient loadings. Similarly, On Table 1, all construct have a composite reliability coefficient greater than 0.7 and all construct met the minimum benchmark for AVE which is 0.5 (Tabachnick & Fidell, 2013). This means the data collected are valid and reliable. The data were next tested for discriminant validity. The result is presented in Table 2

Table 2. *Discriminant Validity using Fornell-larcker criterion*

	1	2	3	4
Authoritarian Leadership	<b>0.75</b>			
Democratic Leadership	0.43	<b>0.73</b>		
Laissez-fair Leadership	0.47	0.44	<b>0.71</b>	
4 Performance	0.54	0.48	0.67	<b>0.73</b>

Source: SMART-PLS Output, 2018. Note: The bolded diagonal numbers represents the square root of the AVE of each latent construct.

Table 2 presents the result of discriminant validity. The number that was bolded represents the square root of AVE of each latent variable. The square root of the AVE for authoritarian leadership was 0.75. All other correlations below assurance were below 0.75. The square root of the AVE of democratic leadership was 0.73, all other correlations with democratic leadership was below 0.73. The square root of the AVE of laissez-fair

leadership was 0.71; all other correlations with laissez-fair leadership were below 0.71. Finally, the square root of the AVE of performance was 0.73, all other correlations with reliability were below 0.73. Based on the result on Table 2, it can be concluded that the data show discriminant validity using the Fornell-larcker discriminant validity criterion.

### Test of Hypotheses

The study tested for the effects of leadership styles proxies by authoritarian, democratic and laissez-faire leadership styles on the performance of SMEs in Kaduna State. Thus, testing hypotheses 1, 2 and 3. Table 3 presents the result of the test of hypotheses.

**Table 3 Path Coefficient**

Hypotheses	Beta Value	Standard Error	T Stat	Decision
H0 <sub>1</sub> : ATL->PRF	0.24	0.07	3.22***	Rejected
H0 <sub>2</sub> : DTL->PRF	0.17	0.07	2.42**	Rejected
H0 <sub>3</sub> : LZF->PRF	0.48	0.07	7.02***	Rejected
Adjusted R <sup>2</sup>	53%			

\*\*\* p< 0.01; \*\*p< 0.05; \*p <0.01

Authoritarian leadership has positive relationship with the performance of SMEs. Authoritarian leadership is significant at less than 1% ( $\beta=0.24, p<0.01$ ). Therefore, a unit increase in authoritarian leadership will lead to 24% increase in the performance of SMEs. Thus, H0<sub>1</sub> that states that authoritarian leadership has no significant impact on SMEs performance in Kaduna State is rejected. Democratic leadership on the other hand, has positive significant relationship with SME performance ( $\beta=-0.17, p<0.05$ ). Thus the researcher rejects H0<sub>2</sub> that states that democratic leadership style has no significant impact on SMEs performance in Kaduna State. Finally, laissez-faire leadership style has positive significant relationship with SMEs performance at less than 1% significant level ( $\beta=0.48, p<0.01$ ). It can be said that a unit increase in laissez-faire leadership will lead to 48% increase in SMEs performance. Consequently, H0<sub>3</sub> that states that laissez-faire leadership has no significant impact on SMEs performance in Kaduna State is also rejected. This means 53% variance in the performance of SMEs in Kaduna State could be explained by autocratic leadership style, democratic leadership style or laissez-faire leadership style.

## 4. PRESENTATION OF RESULTS AND DISCUSSION

### Descriptive Statistics of Variables of the Study

This section provides descriptive statistics of the variables of the study, using mean and standard deviation. The result is presented on Table 4

Table 4

*Descriptive Statistics of Variables*

Variables	Sample	Mean	Std. Deviation
Authoritarian leadership	385	3.64	1.12
Democratic leadership	385	3.27	1.12
Laissez-fair leadership	385	3.41	0.98
SME Performance	385	3.43	1.00

**Source: Field Survey 2018**

Table 4 presents the descriptive statistics of the variables of the study. There were three leadership styles, examined authoritarian leadership style, democratic leadership style, laissez-fair leadership style. Table 1 shows a mean response of 3.64 on authoritarian leadership style, having a standard deviation of 1.12. A mean response of 3.27 on democratic leadership style with a standard deviation coefficient of 1.12 showed that respondents moderately agreed to statements on democratic leadership style. Laissez-fair leadership style has a mean of 3.41, with a standard deviation of 0.98, this means respondents also moderately agreed to statements on Laissez-fair leadership style. Finally, performance has a mean of 3.43, having a standard deviation of 1.00. Therefore, it can be concluded that respondents moderately agreed to statements on performance.

### **Multicollinearity Test**

It is important to test for multicollinearity, as it may distort the findings of a research. Multicollinearity exists where two or more independent variables are highly correlated (Hair, Anderson and Tatham (2014). This study utilised Variance Inflation Factor (VIF) and Tolerance value to test for multicollinearity (Kothari & Garg, 2014). According to Kothari and Garg (2014), a VIF figure above  $\geq 5$  shows multicollinearity. On Table 5, it is clearly seen that the entire VIF coefficient were less than 5. Thus, the independent variables in this study are not highly correlated; hence, it is assumed that the study is free from the problem of multicollinearity.

Table 5 *Multicollinearity Statistics: VIF Values*

<b>Construct</b>	<b>Tolerance</b>	<b>VIF</b>
Authoritarian leadership	0.76	1.31
Democratic leadership	0.90	1.11
Laissez-fair leadership	0.96	1.04

**Source: Field Survey 2018**

### **Discussion of the Findings**

#### **Autocratic Leadership Style and SME Performance**

Autocratic leadership style is significantly related to the performance of SMEs in Kaduna State. This is evidenced from positive coefficient of 0.24 with the corresponding t-statistics value of 3.22 greater than 1.96 at two tail. This finding implies that an increase in the level of autocratic leadership style would bring about 24% increases in the performance of SME in Kaduna State. This finding is not in line with the work of Akoma, Adeoye, Binuyo and Akinwole. (2014), who found positive but insignificant relationship between autocratic leadership style and organization performance. However, the finding is in conformity with the work of Ahmad (2014) who documented positive and significant relationship between autocratic leadership style and employee performance.

#### **Democratic Leadership Style and SME Performance**

The result in the table shows that democratic leadership style has a positive and significant effect on SMEs performance. This is evidenced from the positive coefficient value of 0.17 with the t-statistics 2.42 greater than 1.96 at two tail level. This finding signifies that a unit per cent increase in the level of democratic leadership style would bring about 17% increase in the SME performance in Kaduna State. This finding is in line with the work of Ahmed (2014); Oladele (2013); Veronica (2013) who found a positive and significant relationship between democratic leadership and organization performance. However, this finding is not in line with the work of Nebojsa, Milka and Svetlana (2012) who found a negative and insignificant relationship between democratic leadership style and organization performance.

#### **Laissez-faire Leadership Style and SME Performance**

Finally, laissez-faire leadership style has significant effect on the performance of SMEs. This is evidenced from the positive coefficient value of 0.48 with the t-statistics value of 1.96 at two tail significance level. This shows that laissez-faire leadership is one of the most important predictor of SME performance in Kaduna State. The outcome of this work is in conformity with the work of Puni, Ofei, and Okoe (2014); Nwokocha and Iheriohanma (2015); Washington, Machera and Karodia (2014) who found a positive and significant relationship between Laissez-faire leadership style and firms performance. However, the finding is not in line with the work of Bizhan (2013); Belas (2013) who document negative relationship between Laissez-faire leadership style and firms performance.

### **Summary of Findings**

This study investigated the impact of leadership style on SMEs performance in Kaduna State. The objectives of the research are: to determine the impact of authoritative style of leadership on SMEs performance in Kaduna State; to examine the impact of democratic leadership style on SMEs performance in

Kaduna State and to analyse the impact of laissez-faire leadership style on SMEs performance in Kaduna State. The survey research design was employed for the research, and multiple regression using Partial Least Squares (PLS) Path Modelling to test the research hypotheses. The results of the research are stated as follows:

- i. The relationship between authoritarian leadership style and SMEs performance in Kaduna State is significant and positive with a coefficient of .24 and a p-value of 0.000, a unit increase in authoritarian leadership style would result to increase to the SMEs Performance by a factor of 24%, this suggests that the authoritarian leadership style has significantly positive impact on SMEs Performance in Kaduna State during the period of the study.
- ii. The association between democratic leadership style and SMEs Performance is significant and positive with a coefficient of 0.17 and a p-value of 0.000, a unit increase in democratic leadership style would result to increase to the SMEs Performance by 17%, this suggests that the democratic leadership style has significantly positive impact on SMEs Performance in Kaduna State during the period of the study.
- iii. The relationship between laissez-fair leadership style and SMEs Performance is significant and positive with a coefficient of 0.48 and a p-value of 0.000, a unit increase in laissez-fair leadership style would result to increase to the SMEs Performance by 48%, this suggests that the laissez-fair leadership style has significantly positive impact on SMEs Performance in Kaduna State during the period of the study. Alan (2013) reviewed, suggested that effective monitoring and regular feedback to the team/employees can help increase performance.

## 5. CONCLUSION AND RECOMMENDATION

The research examined the influence of leadership style on SMEs Performance in Kaduna State. The study found that authoritarian leadership style has significant impact on SMEs performance in Kaduna State. Based on this finding, the study concludes that authoritarian leadership style has positive and significant influence on the performance of SME in Kaduna State.

Secondly, the study found that democratic leadership style has positive and significant impact on SMEs performance in Kaduna State. It therefore, concludes that democratic leadership style has positive influence on the performance of SME in Kaduna State.

Finally, laissez-fair leadership style has significant impact on SMEs performance in Kaduna State. Based on the findings the study concludes that laissez-fair leadership style impact positively on SMEs Performance in Kaduna State. Based on the findings of the study, the research recommended that Organizations should, adopt the laissez-fair leadership style as it has the most significant effect of the three types of leadership style measured. This can be implemented with human management practices in order to adequately commit the workforce to the work activities.

## REFERENCES

- Abdulazeez A., L. Hakeem A., A. & Bisayo O., O. (2014). Leadership and organizational performance in the Nigeria small and medium enterprises (SMEs). *American Journal of Business, Economics and Management*. 2(5), 121-127
- Abubakar, A. S. & Yahaya, Z. A. (2013). Strengthening small and medium enterprise (SMES) as a strategy for poverty reduction in North Western Nigeria. *American Journal of Humanities and Social Sciences* 1(3), 21-32.
- Adebayo, N. A.N. & Mashood, L. (2014). Impact of micro and small business entrepreneurship on poverty reduction in Ibadan Metropolis, South Western Nigeria. *International Review of Management and Business Research*, 3(3), 12-27
- Ahmad, F. (2014) Leadership & Performance: the case of Malaysia SMEs in the services sector. *International Journal of Asian Social Science*, 4(3), 343-355
- Akoma, L., Adeoye, A., Binuyo, B., Akinvole, O. (2014). Leadership styles as determinants of small and medium scale enterprises in Ogun State, Nigeria. Implication to counselling and

- management. *Global Advanced Research Journal of Management and Business Studies*, 3(8), 388-393.
- Alan, M. (2013). Getting to know the elephant: a call to advance servant leadership through construct consensus, empirical evidence, and multilevel theoretical development, *Servant Leadership: Theory and Practice*, 2 (1), 10–35.
- Aliyu, M.(2013). Analysis of the role of microfinance banks in financing of micro enterprise in Kaduna State Nigeria. *International Journal of Economics, Business and Finance*, 1(11),420-430
- Amina, T. Sana A. Samra, C, &Abeera, N. (2015). Impact of leadership styles on organizational commitment Pakistan: proceedings of the Australasian conference on business and social sciences, *Sydney (in partnership with The Journal of Developing Areas)*, 2(1), 23-34
- Armstrong, M. (2012). Armstrong’s handbook of management and leadership: Developing effective people skill for better leadership and management (3<sup>rd</sup>edn.). London: Korgan Page
- Belas, J. (2013). The leadership style and the productiveness of employees in the banking sector in Slovakia. *Journal of Competitiveness*, 5(1), 39-52.
- Bizhan, S., Saeid, B., &Vahid B. (2013). The relationship between leadership style and employee performance. *Singaporean Journal of Business Economics, and Management Studies*, 1(2), 23-34.
- Bryman, A. (1992). *Charisma and leadership in organizations*. London: Sage.
- Dimitrios, B. &Athanasios, K. (2014). Leadership and job satisfaction - A Review of European Scientific Journal, 10(2), 3746
- Duncan, P. (2007). Impact of leadership styles on employee performance. Lecture conducted from University of Central Florida, USA.
- Durga D. P., &Prabhu N.R. (2011).The relationship between effective leadership and employee performance. International Conference on Advancements in Information Technology Singapore
- Hackman, M. Z., & Johnson, C. E. (2004).*Leadership communication perspective.. Journal of Leadership & Organizational Studies*, 6 (1–2), 49–72.
- Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2014). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the academy of marketing science*, 40(3), 414-433
- House, R.J &Aditya,R.N. (1997). The social scientific study of leadership. *Journal of Management*, 23(3),409-473
- Iqbal N, Anwar S, &Haider, N (2015).Effect of leadership style on employee performance. *Arabian Journal Business and Management*, 2(2),23-28.
- Kawooya, N (2010). Effect of leadership styles on employee performance. *of International Comparative Management*, 18 (1), 18–30.
- Kendra, C. (2012). Lewin's leadership styles. *Review of International Comparative Management*, 17 (3), 212 – 224.
- Kilpatrick, S. & Locke, E. (1991). Leadership: Do traits matters? *Academy of Management Executive*, 5(2), 48-60
- Kothari, C. R., & Garg, G. (2014). *Research methodology methods and techniques* (3rd edn.). New Delhi: New Age International Limited.
- Mc-Gregor, D. (1960). *Human side of an enterprise*. New York: McGraw Hill.
- Mosadeghrad, A. (2003).The role of participative management. *Research in Medical Science*, 8(3), 85-89.

- Mullins, L. J. (2000). *Management and organization behaviour*. London:pitman publishers.
- Nebojsa, P., Milka, O. & Svetiana. K. (2012). Integration of leadership styles of school director. *Journal of Educational Research and Reviews*, 7(1), 31-35
- Nwokocha, I. Iheriohanma, *E.B.J* (2015). Nexus between leadership styles, employee retention and performance in organizations in Nigeria. *European Scientific Journal*, 11(13), 18-27
- Obiwuru, T.C., Okwu, A.T., Akpa, V.O. &Nwankwere, LA. (2011). Effects of leadership style on organizational performance: A Survey of Selected (SSE) Lagos Nigeria, *Australian Journal of Business and Management Research*, 1(7), 100-111
- Ojokuku, R. M, Odetayo, T. A. &Sajuyigbe, A. S (2012). Impact of leadership style on organizational performance of Nigeria Banks. *American Journal of Business and Management V (1) 4, 202-207 Organizational Culture, Communications and Conflict*, 13(2), 1-26.
- Oladele N. (2014). Effects of strategic leadership styles on organizational development in small and medium enterprises (SMEs) in Lagos, Nigeria. *Net Journal of Social Sciences*, 1(2), 54-60.
- Oni, O. & Daniya, A. A. (2012). *Development of small and medium scale enterprises: The role of government and other financial institution*. *Arabian Journal of Business management Review* 1(7),23-34
- Puni, A., Ofei, S. B., Okoe, A. (2014). The effect of leadership styles on firm performance in Ghana. *International journal of marketing of marketing studies*, 6(1), 177-185.
- Swarup, B. (2013). Leadership. *Review of International Comparative Management*, 18 (4), 350–361.
- Tabachnick, B. G., &Fidell, L. S. (2013). *Using multivariate statistic* (6<sup>th</sup>ed). Bonston: Pearson Education Limited
- Uchewamgbe, B. (2013). Effects of leadership styles on organizational performance in small and medium scale enterprises (SMEs) in Nigeria. *European Journal of Business and Management*, 3(23), 53-73.
- Veronica, C.T. (2013). Effect of leadership behaviours on employee performance. *The Leadership Quarterly*, 2 (2), 105–119
- Wang, X. (2010). Performance analysis for public and non-profit organization. *Journal of Occupational and Organizational Psychology*, 84 (2), 347–381.
- Washington, M., Machera, R. & Karodia, A., M. (2014). An assessment of different leadership styles on business performance: A case study of TM hypermarket, Zimbabwe. *Singaporean Journal of business economics and management studies*, 3(2), 48-59
- Williams, L. J., & Anderson, S. E. (1991).Job satisfaction and organisational commitment as predictor of organisational citizenship and in-role behaviours. *Journal of management*, 17(3), 51-68.