

# Effect of Leadership Styles on Performance of Micro, Small and Medium Enterprises in South West Nigeria

Jide Jeleel OGUNLADE, PhD

Department of Defence and Security Studies, Faculty of Arts and Social Sciences, Nigeria Defence Academy, Kaduna, Nigeria

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## ABSTRACT

The study primarily examined how leadership style affects the performance of MSMEs in Southwest Nigeria. The effects of autocratic, transactional, and transformational leadership styles were considered. Four hypotheses were formulated and tested. The research used a multiple-case study approach to collect and analyse data. Semi-structured interview was the main tool for data collection. Descriptive statistics of organisational performance of responding MSMEs were tabulated and research hypotheses were tested using correlation analysis. The research found a significant connection between how well the MSMEs in SW Nigeria perform and the styles of leadership employed. The study also indicated that the performance of MSMEs was substantially impacted by the mix of autocratic and participative (Transactional and Transformational) leadership styles. The study concluded that, a leadership style that is both autocratic and participative may invariably result in high performance. Secondly, leaders should evaluate situations and espouse the most suitable leadership style. The study recommended that the styles of MSME leaders should conform to the prevailing circumstances. Secondly, MSMEs leadership should priorities development of employees and their requirements. Lastly, Governments at all levels should promote entrepreneurship through the general educational system.

**Keywords:** Leadership Style, Organizational Performance, Micro, Small and Medium Enterprises.

## INTRODUCTION

In making the vision of an organisation a reality, the organisation must have specific goals which should be achieved within a set period. The goals are typically shared by all the apparatuses of the organisation, with specific objectives that translate into the organisation's broader purpose. The performance of an organisation is determined by the level to which they achieve these goals and objectives. The organisation performance is impelled by the leadership behaviours display by managers of the organization.

Leadership, which is 'the art of making others want to work towards the common goals' of an organisation (Kouzes & Posner 1995), is directly related to the success of organizations. Leadership is not successful if it does not achieve the organisational goals (Koech & Namusonge, 2012). The quality of leadership's are then measured by their ability to reach organisational goals and outputs (Furnham, 2002). Therefore, the style of leadership utilised is a factor for increasing an organisation's performance (Karamat, 2013).

The four most accepted types of leadership styles are democratic, authoritarian, dictatorial and laissez-faire (Tannenbanum & Schmidt, 1973). Additionally, modern leadership theories also identified 5 styles of leadership: transactional, charismatic, transformational, visionary and culture-based leadership (Sashkin, 1996; Sergiovanni, 1987). Transactional and transformational leaderships seem to have wide acceptance. But, autocratic leadership style tends to be seen as retrogressive, but some leaders are still predisposed to it. This study will therefore consider the 3 types of leadership: autocratic, transactional and transformational.

Micro, Small and Medium Enterprises (MSMEs) are businesses with revenue assets or employees below certain thresholds. MSMEs are one of the most important sources of economic growth in any country. They

reduce poverty, generate jobs, encourage innovation, and increase gross domestic product (GDP). MSMEs are defined differently in each country. Some size criteria have to be met, and sometimes the industry that the company operates in has to be taken into consideration. MSMEs are usually small in size with uncommon resources and few employees, so the leadership styles used easily permeate and affect how well the MSMEs perform as an organisation (Jansson et al., 2015; Quan, 2015; Lofving et al., 2016; Watson et al., 2016; Okeke, 2019). Therefore, different leadership styles embraced by MSMEs have varying results.

In Nigeria, MSMEs are classified as follow: Micro, businesses with 3-9 employees and three to five million Naira in assets. Small, those with 10–49 workers and an asset base of N25–N100 million. Medium-sized, businesses with 50–199 workers and an asset base of N100 million–N1 billion (the asset bases do not include real estate and buildings) (Omonona et al., 2023). MSMEs represent the largest number of businesses in Nigeria; they account for a substantial 96.7% of the total business landscape in the country. Nigerian MSMEs frequently exhibit poor performance and rarely grow to be large companies. According to SMEDAN and NBS Report 2013, they do not achieve their full potential when it comes to promoting economic growth in Nigeria. This was ascribed to the leadership style adopted by MSMEs, which does not support the performance of their organisations. It is therefore imperative for Nigeria MSMEs leaders to acquire a comprehensive insight into their own leadership approach to assess its impact on the performance of their organisation.

The main objective of the study is therefore to examine the effect of leadership style on the performance of MSMEs in South-Western (SW) Nigeria. The study will also gear towards testing the following hypotheses: That there is no significant relationship between leadership style of MSMEs in SW Nigeria and their organisational performance.

The study covered 2012-2022. The time frame was chosen because this is when Nigerian government concerted its efforts to solve some MSMEs' challenges in the country. During this time, the number of MSMEs in SW states increased dramatically. The scope of this study was thus limited to MSMEs based in SW Nigeria since they have the largest number of MSMEs in the country.

## LITERATURE REVIEW

### Transformational Leadership

Transformational leadership is a process by which leaders and followers interact in a way that inspires each other and raises each other's morale and motivation (Burns, 2008). A follower feels trusted, admirable, loyal and respectful of their leader, so they are motivated to perform beyond expectations (Bass, 1985; Katz&Kahn,1978). Transformational leadership improved both individual and organisational performance, like how satisfied employees were and how well they performed. Leadership that is transformational increases performance, satisfaction, and commitment to organisational goals by inspiring followers to think about new approaches to their work (Podsakoff et al., 1996; Bass et al., 1994).

Although transformational leadership theory has been criticised extensively in some literature, it remains one of the most widely used theories in leadership studies. According to Arthur & Hardy (2014) and Franco & Matos (2015), it has been proven to be successful in producing favourable organisational outcomes, especially in MSMEs.

### Transactional Leadership

Transactional leadership, requires leaders to communicate, clarify goals and objectives, and organise functions with the cooperation of their staff to achieve larger organisational goals (Bass, 1974). Transactional leadership is based on the notion that systems and subordinates operate more efficiently when there is a distinct hierarchy. According to Kuhnert (1994), the fundamental tenet of the hierarchy dynamic

is that people act in response to rewards and penalties.

Both corrective and constructive behaviours are exhibited by transactional leaders. The corrective dimension incorporates management by exception, whereas constructive behaviour is conditionally rewarded. Clarifying the tasks or efforts necessary to obtain rewards is part of conditional reward and is utilising incentives and conditional rewards as a means of exerting influence (Obiwuru et al., 2011).

### **Autocratic Leadership**

Autocratic leaders offer clear and explicit instructions regarding the nature and requirements of a given task, how it is to be completed, when, and under what conditions. Individual decision-making is the hallmark of this leadership style, and group members are given little opportunity to contribute. This particular leadership style places a strong emphasis on providing instructions and exerting control over the followers. Furthermore, a clear differentiation exists between the leader and the followers.

The drawback of this approach is that it is perceived as being capricious, commanding, power-oriented, closed-minded, coercive, legal and punitive (Bass & Bass, 2009; Iqbal et al., 2014 ; Al Khajeh, 2018). Autocratic leadership actually has some potential benefits, so long as leaders learn how to use it effectively.

### **Contingent or Situational Leadership**

Situational or contingent leadership adopts a moderate stance, contending that no single leadership style is superior and that instead, a leader's choice of approach should depend on the circumstances at any given time. One of the foremost theorists, Fielder (2007), stated that the essence of leadership lies in a leader's potential to impact on others, which is dependent on various factors such as the tasks and situation, in addition to how well their style, personality, and approach align with the group. In other terms, the leadership approach should be determined by situational factors.

### **Micro Small and Medium Enterprises Performance**

Performance is the capacity of an organisation to accomplish its goals through an appropriate course of action (Obiwuru et al., 2011). Institutional performance, according to Yusuf-Habeeb & Ibrahim (2017), is the difference between an institution's actual and anticipated outputs. They also stated that, performance in various contexts is evaluated using predetermined benchmarks. Performance was also described by Williams & Andersons (1991) as the degree to which workers fulfilled the responsibilities and tasks that were assigned to them. Therefore, the performance of MSMEs can be viewed as the extent to which they accomplish their goals by utilising their resources proficiently and effectively. The performance can be assessed by contrasting the actual outcome with the desired one.

### **Leadership Styles and Micro Small and Medium Enterprises Performance in Nigeria**

Generally, all literatures reviewed concluded that a leader's style can affect an organisation's performance both positively and negatively. But, mainly all literatures agrees that a strong link exists between effective leadership and organisational performance. The type of leadership adopted by an organisation can therefore determine its success or failure (Al Khajeh, 2018; McGrath & MacMillan, 2000; Aziz et al., 2013; Ogadinma, 2017; Akparep et al., 2019; Nanjundeswaraswamy & Swamy, 2014; Ojokuku et al., 2012).

Leadership style is believed to have great influence on the performance of MSMEs in Nigeria. (Uchenwamgbe, 2013; Agwu & Emeti, 2014; Abdullahi & Sulaiman, 2015; Uchehara, 2017). Several studies have concluded that the leadership style of Nigerian MSMEs has both positive and negative effects on organisational performance (Ojokuku et al., 2012; Uchenwamgbe, 2013; Franco & Matos, 2015; Abdullahi & Sulaiman, 2015). Considering the significant number of MSMEs that fail in Nigeria, it is unlikely that Nigerian MSME leaderships comprehends the implications of styles of leadership on the performance of

their organizations. This claim is supported by Okeke (2019), who discovered that MSME managers in Nigeria do not adhere to any leadership ethos. This may be due to the fact that the leadership styles of MSMEs in Nigeria are still understudied (Sakiru et al., 2013; Longe, 2014; Franco & Matos, 2015; Anigbogu et al., 2015).

## METHODOLOGY

This study focused on all MSMEs located in SW Nigeria; therefore, the study was conducted in the SW region of Nigeria. According to the SMEDAN-NBS Report 2021, the total number of formal businesses in Nigeria is estimated at 1,240,965. These enterprises are spread across 36 states. According to the report, the SW States of Nigeria had the most MSMEs in Nigeria, with a total number of 277,180 as shown in Table 1.

Table 1. Number of SMEs in SW Nigeria

STATE	SMEs	%
Lagos	91,097	<b>7.3</b>
Ekiti	31,334	<b>2.5</b>
Ogun	49,813	<b>4</b>
Ondo	18,818	<b>1.5</b>
Osun	30,673	<b>2.5</b>
Oyo	55,445	<b>4.5</b>
<b>TOTAL</b>	<b>277,180</b>	<b>22.3</b>

The research used a multiple-case study approach, this enabled the examination of the same phenomenon across several different MSMEs. Twelve MSMEs were selected across 3 MSME sectors in the Nigerian economy: agriculture/processing, wholesale/retail trading and manufacturing. Two MSMEs were selected from each of the SW states of Lagos, Ekiti, Ondo, Ogun, Osun and Oyo. A total sample size of 120 respondents were selected using Purposive Sampling, 10 each from the 12 MSMEs.

Nigeria lacks a wide-ranging and dependable databank on MSMEs. The study was not hindered by this because it is crucial to choose cases that are simple for the researcher to access and to provide information that can address all of the research questions when using the multiple-case approach (Noor,2008). MSMEs selection criteria was based more on phenomena than any kind of population representativeness (Patton, 2015). Therefore, a heterogeneous sampling technique was used to select participants.

The study utilised both primary and secondary data. A semi-structured interview was the primary method for collecting data for this study. The semi-structured interview was shaped by considerations such as: the revelations of styles of leadership that have been shown in previous studies and ensuring each question aligns with the problem statement. Three leadership styles, autocratic, transformational and transactional were selected for evaluation. The three leadership styles were classified into two categories: autocratic and participative. Transformational and transactional leadership styles were combined as participative leadership styles. This was done to facilitate evaluation and analysis.

In order to assess the two main styles of leadership, an 18-item assessment tool was created. It asked respondents to rate statements in terms of strongly disagreeing, disagreeing, neutrally agreeing, strongly agreeing, and agreeing, coded 1,2,3,4 or 5. The second section of the interview guide consisted of inquiries specifically formulated to collect data regarding organizational performance as influenced by different leadership styles. The MSMEs were asked to provide a subjective evaluation of their performance on a range of 1-5 (low to high). The data relating to the performance of the responding MSMEs are then

tabulated. Finally, a correlation test is used to compare their mean scores in relation to other MSMEs.

The data analysis process included evaluating the data gathered from primary and secondary sources to validate the study’s hypotheses and generate a valid interpretation. First, data collected were categorised according to their shared characteristics. Tabulation was the primary method for presenting the data.

Individual responses regarding employment satisfaction and organisational commitment were aggregated to determine an organisation’s score. Organisational analysis was based on the leadership and productivity responses of MSME operators. The domains of respondents’ activities were classified into 12 categories. The sampled MSMEs adequately represented all industry categories.

The level of agreement between the hypotheses and the interview results, along with the validity and reliability of the study instruments, were assessed using the chi-square test. Chi-Square is a test of significance that employs data in the form of observed frequency counts. It quantifies the difference between the observed and expected frequencies. It is calculated by determining the frequencies that are never less than zero.

If calculated chi-square ( $X^2_c$ ) is larger than tabulated chi-square ( $X^2_t$ ), null hypothesis ( $H_0$ ) is invalidated, alternative hypothesis ( $H_1$ ) is then accepted, indicating the research hypothesis is valid. Hence,  $H_0$  is rejected and  $H_1$  is accepted when  $X^2_c > X^2_t$ . Alternatively,  $H_0$  is accepted and  $H_1$  is rejected when  $X^2_c < X^2_t$ ; thus, null hypothesis is accepted and alternative is rejected, we then conclude that the research hypothesis is untrue.

## DATA PRESENTATION AND ANALYSIS

### Job Titles and Respondent Categories

As shown in Table 2, majority of employees were under 35 years of age, while a few were older. Table 3 reveals that more than 50% of respondents had served in MSMEs for 4 – 10 years, while 20% had served 10 years and above. They therefore had a relatively solid understanding of MSMEs and the corresponding trends. Table 4 lists the work titles of the various respondent categories. There was at least one respondent from each department, ensuring that the general personnel of the MSMEs were adequately represented.

Table 2. Respondents Age

Age	Frequency	Percentage(%)
18 – 35	96	80
36– 50	24	20
Total	120	100

Source: Authors Construct, 2022

Table 3. Working Experience at the SMEs

Number of Year(s)	Frequency of Respondents	Percentage of Respondents (%)
1 – 3	33	27.5
4 – 10	63	52.5
10- above	24	20
Grand Total	120	100

Source: Authors Construct, 2022.

Table 4. Categories of Respondents

Category	Frequency	Percentage (%)
Administrative Officer	12	10
Sales Officer	12	10
Finance/Logistic Officer	12	10
Office Assistant	12	10
Operation Manager	12	10
Supervisor	20	16.7
Factory Assistant/workers	40	33.3
Total	120	100

Source: Authors Construct 2022.

### Performance Indicators for the MSMEs

Six distinct metrics were indicated by the respondents when asked which performance indicators they would use to evaluate the MSME's performance. They include goal attainment, level of work, partnerships, staffing, funding and turnover. Most respondents concurred that they are all performance indicators for MSMEs, but the most commonly used are growth rate, profitability, financial strength, operational efficiency, performance stability, adaptability, ability to innovate, public image, employee morale and social impact.

Table 5. SMEs Performance Trend

Performance Trend of SMEs'	Frequency	Percentage (%)
Increases	47	39.2
Stable	46	38.3
Unstable	18	15
Non-Response	9	7.5
Total	120	100

Source: Authors Construct 2022

Table 5 illustrates the performance trend of the analysed MSMEs from 2017 to 2021, although not much occurred in 2020 due to the COVID-19 19 Pandemic. Most respondents 39.2 % believed there was an increase in MSME performance trend within the period, an almost equal number of respondents 38.3 % believed that the MSME performance trend remained stable over the years. Nine respondents did not express an opinion, while 15% believed the performance trajectory was unpredictable.

Together, 74.2% (37.5% increasing, 36.7% stable) of respondents indicated increase or stability in the trend. They cited sales increases, initiatives being completed on time and customer satisfaction as potential causes. In contrast, the 18 respondents who believed the trend to be unpredictable reported that it was due to inconsistent (monthly fluctuations) profit and competition. In addition, respondents were questioned regarding the cause of the increase or stable tendencies of MSME growth. Some of the factors mentioned

include, adaptability, teamwork, effective leadership performance-based rewards system and an improvement in the relationship with customers. Regarding the issue of unpredictability, respondents believe inconsistency in profit was due to competition from comparable MSMEs that have greater production capacity than their own, thereby producing at a cheaper cost thus enticing potential customers. This agrees with findings of Welty Peachey et al.'s (2014).

### Leadership Model Employed by MSMEs

The first section of the interviews consisted of an assessment model that utilised questionnaire and a rating scheme to identify the style used by the MSME leadership. This was created to assess the three leadership styles: authoritarian, transactional, and transformational. The sum of responses to questions about leadership was computed as shown in Tables 6 a-c. The sum of the responses were: total of responses to questions 1-6 in Appendix 1 (Authoritarian Leadership), total of responses to questions 7-12 in Appendix 1 (Transformational Leadership) and the total number of responses to questions 13–18 in Appendix 1 (Transactional Leadership).

Table 6a. Sum of Responses on Items for Authoritarian Leadership

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	8	11	3	66	32	120
2	2	26	16	68	8	120
3	1	19	20	55	25	120
4	1	9	20	71	19	120
5	2	34	11	68	5	120
6	55	45	10	10		120
<b>Total</b>	69	144	80	338	89	
<b>Average</b>	11.5	24.0	13.3	56.3	14.8	
<b>Percentage %</b>	9.6	20.0	11.1	46.9	12.4	

Source: Authors Construct, 2022.

Table 6b. Sum of Responses on Items for Transactional Leadership

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
13	2	35	20	51	12	120
14	22	38	30	21	9	120
15	1	29	43	38	9	120
16	–	3	10	95	12	120
17	–	11	19	86	4	120
18	–	41	17	52	10	120
<b>Total</b>	25	157	139	343	56	
<b>Average</b>	4.2	26.2	23.2	57.2	9.3	
<b>Percentage %</b>	3.5	21.8	19.3	47.6	7.8	

Source: Authors Construct, 2022.

Table 6c. Sum of Responses on Items for Transformational Leadership

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
7	2	30	19	56	13	120
8	4	32	18	54	12	120
9	2	9	25	66	18	120
10	–	30	45	35	10	120
11	15	20	12	56	17	120
12	–	32	28	58	2	120
Total	23	153	147	325	72	–
Average	3.8	25.5	24.5	54.2	12.0	120
Percentage %	3.2	21.3	20.4	45.1	10.0	100

Source: Authors Construct, 2022

Tables 6 a-c shows, the totals of the respondents’ scores on the numerous questions in Appendix 1. The scores revealed the most dominant and least dominant leadership styles. Based on scores of respondents for the different statements in Tables 6 a-c, the aggregate arithmetic mean of the several ratings for each leadership style is shown in Table 7 while the aggregate of the percentages of the arithmetic mean is shown in Table 8.

Table 7. Aggregate Average of Respondents’ Scores on Statement on Leadership

Leadership Style	Disagree	Neutral	Agree	Total	SD
<b>Authoritarian</b>	35.5	13.3	71.2	120	29.178
<b>Transformational</b>	29.3	24.5	66.2	120	22.789
<b>Transactional</b>	30.3	23.2	66.5	120	23.228
<b>Participative</b>	29.8	23.8	66.3	120	23.02

Source: Authors Construct, 2022.

Table 8. Aggregate Percentages of Respondents’ Scores on Statement on Leadership

Leadership Style	Disagree	Neutral	Agree	Total	SD
Authoritarian	29.6	11.1	59.3	100	29.178
Transformational	24.4	20.4	55.2	100	22.789
Transactional	25.3	19.3	55.4	100	23.228
Participative	24.8	19.8	55.3	100	23.02

Source: Authors Construct, 2022.

Based on the scores in Tables 7 and 8, most respondents 71.2 (59.3%) concur that the most prevalent form of leadership practised by the MSMEs is authoritarian leadership style. A number of respondents 55.2 % (66.2) believed that the leader employed transformational leadership, while the others 55.4% (66.5) believed that transactional leadership was the technique utilised by the MSMEs. This evaluation of the various ratings is consistent with Hersey & Blanchard (1988) claim that no single leadership style is superior to the others; rather, leadership styles should rely on the situation.



## Leadership Style and Performance of MSME

Table 9 illustrates the process of ascertaining the correlation between the styles of leadership employed by MSMEs and their performance.

Table 9. Relationship between Leadership Style and Organisational Performance

Relationship	Respondents Frequency	Respondents Percentage (%)
True	102	85
Not True	10	8.3
Not Sure	8	6.7
Total	120	100

Source: Authors Construct, 2022.

Table 9 reveals that 85% of respondents, representing the most respondents, shows, existence of a correlation between the leadership styles and MSME performances. While 6.7 % was not sure, 8.3 % thinks no relationship exist between styles of leadership and MSME performances. Similarly, 102 respondents (85%) agreed and elucidated that a good leadership model that gives employees freedom of action, provides strong employee support, and gives staff opportunities for self-expression and creativity will result in exceptionally high-performance outcomes. This is in line with Michael (2010) assertion that, leadership style employed by an organization directly influences the success of the organisation.

## Leadership Styles of Participating MSME

This study addresses the leadership style of MSME operators as its first query. The three primary leadership styles were measured using the 18-item instrument, by having respondents respond to statements with five options. The distribution of leadership style scores is summarised in Table 10.

Table 10. Participating SMEs Descriptive Statistics Scores on Leadership Styles

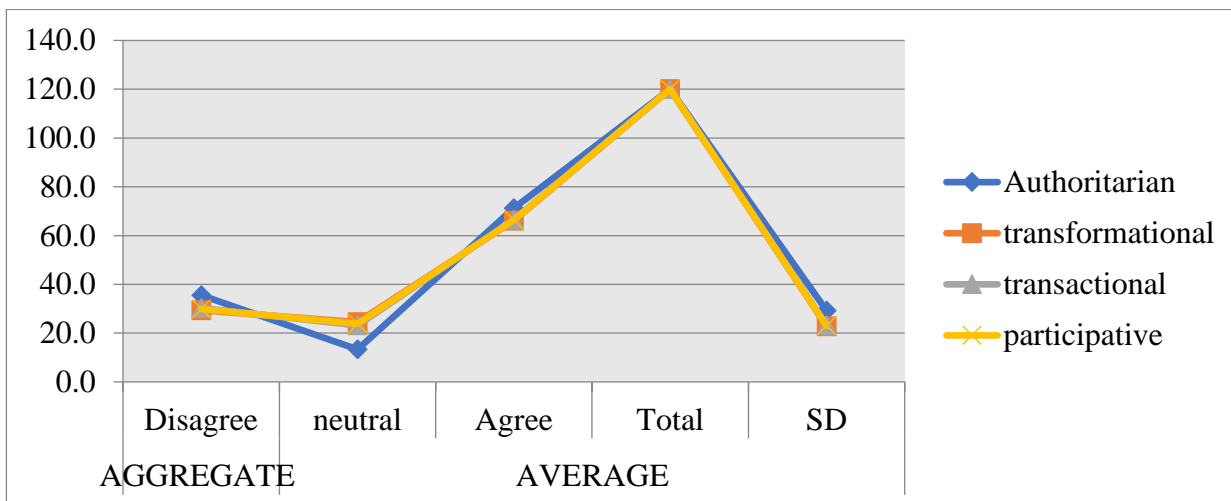
Leadership Style	Average	%	Median	SD	Variance	Significance	
<b>Authoritarian</b>	71.2	59.3	36.2	29.178	835.69	13.5	70.7
<b>Transformational</b>	66.2	55.1	32.2	22.789	391.59	25.3	62.5
<b>Transactional</b>	66.5	55.4	33.7	23.228	396.47	24.5	62.3
<b>Participative</b>	66.5	55.3					

Source: Authors Construct, 2022.

Based on the data presented in Table 10, participating MSMEs scored an average of 71.2 and 66.35 on the instruments assessing autocratic and participative (transformational and transactional) leadership styles. This equates to 59.3 percent for autocratic and 55.3 percent for participative, respectively. This suggests that participating MSMEs were sometimes autocratic and sometimes participative.

In addition, the analysis reveals that the leadership styles of MSME operators were slightly more autocratic than participative. To confirm the aforementioned assertion, the responding MSMEs mean scores on leadership styles were compared using a correlation test. As shown in Figure 1, the test was statistically significant, as predicted. The composite mean  $X = 40$  Vs.  $39.97$ ,  $P = 0.96665$  indicated a strong correlation between the mean scores of autocratic and participative leadership styles.

Figure 1. Correlation Chart: Authoritarian x Participative



Source: Authors Construct, 2022.

### Organisational Performance of Participating MSME

On a scale ranging from 1 (low)- 5 (high), responding MSMEs were asked to subjectively assess their performance in comparison to competitors. Table 11 provides descriptive statistics regarding the organisational performance of responding MSMEs. Table 11 demonstrates a satisfactory performance, with means range of 4.64 – 5.16. The table illustrates that the performance trajectory of participating MSMEs is quite positive.

Table 11. Descriptive Statistics of Participating SMEs Performance

S/N	Performance Criteria	Mean	SD	SE	5% Significance		
					Level		
					Lower	5%	Upper
1	Profit	4.86	0.83	0.054	4.617	0.243	5.103
2	Rate of Growth	4.88	0.75	0.048	4.636	0.244	5.124
3	Finance Standing	4.64	0.96	0.063	4.408	0.232	4.872
4	Efficiency	4.99	0.86	0.046	4.7405	0.2495	5.2395
5	Performance	4.96	0.85	0.966	4.712	0.248	5.208
6	Innovation	4.79	0.9	0.06	4.5505	0.2395	5.0295
7	Adjustability	4.76	0.83	0.055	4.522	0.238	4.998
8	Employee Morale	4.86	0.94	0.861	4.617	0.243	5.103
9	Acceptability	5.16	0.8	0.63	4.902	0.258	5.418
10	Social Impact	4.71	0.91	0.065	4.4745	0.2355	4.9455

Source: Authors Construct, 2022.

### Leadership Characteristics and Organisational Performance

Pearson Product Moment Correlation was utilised to assess the strength of the connection between styles of leadership and organisational performances. Table 12 displays the outcomes of the investigation.

Table 12. Correlation: Leadership Styles x Organisational Performance of MSMEs

S/N	Criteria	Leadership styles		Chi Square(x <sup>2</sup> )
		Autocratic	Participative	
1	Profit	0.552	0.145	175
2	Rate of Growth	0.048	0.087	66
3	Finance Standing	0.077	0.012	122
4	Efficiency	0.016	0.016	165
5	Performance	0.063	0.015	147
6	Acceptability	0.059	0.1	67
7	Employee Morale	0.053	0.134	124
8	Adjustability	0.139	0.05	125
9	Innovation	0.113	0.053	56
10	Social Impact	0.122	0.045	78

Source: Authors Construct, 2022.

### The Hypothesis Test

**Hypothesis One:** Ho1- Leadership styles have no significant impact on the performance of MSME’s in SW Nigeria.

The study’s central hypothesis asserts that leadership style have no significant impact on the performance of MSME’s in SW Nigeria. Majority of the 12 correlation coefficients between leaderships style and performance of MSMEs presented in Table 12 are statistically significant. This could be deduced as evidence that leaderships style of respondents had substantial impact on performances. Our hypothesis has been confirmed.

According to chi-square table, cutoff value for x<sup>2</sup> at the 5% confidence level is 10.211 (X<sub>2t</sub>). In Table 12, the chi-square calculated for criterions 1,3 and 5 are 175, 122 and 147 respectively; thus, X<sub>2c</sub>’s are higher than the chi-square cutoff point (10.211); X<sub>2c</sub>’s [175, 122 and 147] > X<sub>2t</sub> (10.211); hence, X<sub>2t</sub> is rejected. Therefore, the Ho1 (null hypothesis) is rejected. Thus, we can draw the conclusion that there is a strong correlation between leadership styles and MSMEs performance in SW Nigeria.

**Hypothesis Two:** Ho2- No correlation between leadership style of MSMEs in SW Nigeria and employee morale.

According to Table 12, the calculated chi-square for job satisfaction (criteria 7) is 124. The chi-square cut off point tabulated (10.211) is less than X<sub>2c</sub>. i.e., X<sub>2c</sub> is statistically significant and hence, X<sub>2t</sub> is rejected. Therefore, the null hypothesis is rejected. As a result, we can draw the conclusion that in MSMEs in SW Nigeria, a substantial correlation exists between leadership style and employee morale.

**Hypothesis Three:** Ho3- No correlation between leadership style of MSMEs in SW Nigeria and employee efficiency.

According to Table 12, the calculated chi-square for efficiency (criteria 4) is 165, indicating that the tabulated chi-square cut off point (10.211) is less than X<sub>2c</sub>. The null hypothesis is therefore rejected. Concluding that a substantial correlation exists between style of leadership employed by MSME and employee efficiency in SW Nigeria.

**Hypothesis Four:** Ho4- No correlation between leadership style of MSMEs in SW Nigeria and employee commitment.

The calculated chi-square for employment commitment through innovation (criteria 9) is 56, as shown in Table 12.  $X^2_c$  exceeds the tabulated chi-square cut off point (10.211), hence,  $X^2_t$  is rejected. The null hypothesis is therefore, rejected. As a result, we can draw the conclusion that in MSMEs in SW Nigeria, a significant correlation exists between style of leadership employed and the level of employee commitment.

## DISCUSSION OF FINDINGS

This study's findings reveal the effect of different styles of leadership on the performances of MSME in SW Nigeria. Results of the study provide robust evidence in favour of Lawal et al., (2002)'s claim that managers of MSMEs should adopt an efficient leadership style in order to enhance the overall performance of their organizations. Majority of respondents believe that an effective leadership approach improves employee performance. All of the respondents agreed that the availability of appropriate leadership management tools in MSME improves performance, as established by Beach et al., (1975) who were of the opinion that consistent application of effective style of leadership implies sustained focus on achieving organisational goals by its employees.

The evaluation of the performance of the participating Nigerian MSMEs reveals an encouraging upward trend in their performance. The majority of participating MSMEs reported suitable performance across all performance dimensions, with public image reporting the best performance, followed by profitability, performance stability, growth rate, innovativeness, operating efficiency, and adaptability, among others. These revealed that the leadership style employed by MSMEs evolves considerably as they grow. This verifies the findings of Goethals (2005) and CBN (2008) regarding the informal sector in Nigeria.

Respondents reported that employees participate in management's decision-making process, when management primarily adopts a participatory leadership style. This confirms the findings of Bhargavi & Yaseen (2016) and Nwokocha & Iheriohanma (2015) that a participative leadership style motivates staff to participate in MSMEs' decision-making processes.

As for the negative associations, some respondents felt they had no chance to be creative and that management lags in taking action. This supports the idea that the slow pace of decision-making, which necessitates time and effort to produce seemingly positive results, frequently hinders participative leadership (Nwokocha & Iheriohanma, 2015). This can lead to a slow rate of performance and occasionally not meeting the target.

Autocratic leadership is a strong leadership style that tends to sound quite negative. However, majority of respondents felt autocratic leadership could be beneficial in circumstances where an organisation is subject to continuous transformation or in the event of a crisis, as in the case of Nigeria. As a result of its rationalised organisational configuration and ability to make swift decisions, it allows a quicker response to situations than participative leadership style. Therefore, majority of respondents believe that autocratic leadership could be used to stem the weaknesses of participative leadership style. This is in line with the respondents believe that there is no leadership style devoid of flaws. They explicated that it was contingent on the leadership style and how they carried out their responsibilities.

Furthermore, the research findings indicated that the performance of MSMEs was substantially impacted by the blend of autocratic and participative leadership styles. This suggests that, convergence of autocratic, transactional and transformational leaderships styles within the commercial setting of SW Nigeria resulted in greater performances for MSMEs compared to the effect of any single leadership style. The finding is consistent with contingency theory which states that there is no universally optimal leadership style; rather,

the most effective style is contingent upon the specific circumstances.

## CONCLUSION

Globally, MSMEs perform vital roles in economic growth and development. The efficiency of carrying out these responsibilities is heavily dependent on sound management practices (Rao, 2012). The study's findings address the research concerns and proposed hypotheses. This study also disclosed diversity of leadership styles among Nigerian MSMEs, which occasionally are autocratic and participative in manner. They are, however, more autocratic than participative. The results partially corroborate the research of Eze (1988), Goldsmith (2003), Graen (2006), and Mesu et al., (2013). A typical Nigerian MSME leader is more autocratic by nature. They want respect and obedience from their subordinates; this leadership style stems from perceptions of Nigerian employees, as having a poor work ethic and must be subjugated to get things done (Ihua, 2009). However, the level of education, economic situations and government policies may have influenced the participating MSMEs' sporadic use of participatory style.

The Nigerian business environment is not stable; infrastructure deterioration, policy fluctuations, high cost of doing business, pervasive corruption in governance, high interest and exchange rates, a high preference for imported goods, soaring inflation, insecurity and multiple tax systems are among the challenges faced by MSMEs in Nigeria. Therefore, entrepreneurs in Nigeria require ingenuity, imagination, and an effective leadership style to survive in a social and economic environment that is extremely antagonistic. Not only must managers of MSMEs lead, but they must also continually assess their leadership styles in relation to the happening in their environment.

Leadership training has been proven to reduce the failure rates of MSMEs (OECD, 2002). It is imperative therefore, that MSMEs invest in leadership development, with the aim of developing individuals' skills and abilities for improved employee engagement and business performance. Numerous approaches, including self-improvement, coaching, mentorship, and on-the-job training, can be used to develop a leader. Unfortunately, MSMEs' are unable to access sufficient resources to participate in training. In light of this, governments at all levels might support MSMEs by offering training for their management at the local level, through online and the regular school system.

The study significantly revealed as follows:

1. The leadership style required by MSMEs evolves considerably as they grow.
2. A leadership approach that is intermittently both autocratic and participative may always result in high performance.
3. In order to implement an effective leadership style, leaders must evaluate situations and espouse the most suitable leadership style.
4. The findings indicate that situational leadership styles are the most effective for MSMEs.

## RECOMMENDATIONS

The following recommendations are made:

1. Situations should dictate leadership style. The MSME leadership styles should conform with the prevailing circumstances.
2. MSMEs leadership should priorities development of employees and their requirements; this has a great impact on their performance.
3. Governments at all levels should promote entrepreneurship through the general educational system.

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## APPENDIX 1

	<b>Statement on Leadership</b>
S/N	<b>Autocratic</b>
1	Tells group what to do
2	Sets standards of performance
3	Defines role responsibilities
4	Say things that hurt subordinates'
5	Minimal effort to foster positive group dynamic
6	Require strict adherence to standard operating procedures
	<b>Transformational</b>
7	Friendly with members of the group
8	Favorably to suggestions
9	Communicates actively
10	Concern for the well-being of others
11	Flexibility in making decisions
12	Helps group members get along
	<b>Transactional</b>
13	Suggest how to solve problems
14	Develops group plan of action
15	Clarifies own role within the group
16	Provides criteria group expectation
17	Discloses thoughts and feelings
18	Motivate employees with rewards