



THE NEXUS BETWEEN LEADERSHIP STYLE AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

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ABSTRACT: *The right leadership style can facilitate employees motivation, inspiration, and persuade them to accomplish their individual and organizational goals with the support of management. Many SMEs in Nigeria do not include their staff in the decision-making process due to a lack of strong leadership abilities, which hinders their capacity to flourish. This study investigated how the leadership styles of SME in Asaba, Delta State impacts the organizational efficiency of those businesses. The study gathered information from SME managers and owners using a cross-sectional survey research methodology. The study found a weak but positive nexus between authoritarian leadership style and performance of SME. The study also discovered that the performance of SMEs in Delta State is significantly impacted by democratic leadership style. As a result, it may be concluded that a democratic leadership style impacted positively on SME performance in Delta State at the rate of 17%. Finally, the study concludes that laissez-faire leadership has the highest positive impact on the performance of SMEs in Delta State. This indicated that laissez-faire leadership had the most significant impact amongst the three leadership styles or philosophies examined. It showed that Delta State's small and medium-sized firms would perform 48% percent better for every 1 percent increase in Laissez-Faire leadership. Therefore, this study recommends that in SME management, a laissez-faire leadership style should be applied in appropriate situations to foster creativity.*

KEYWORDS: Leadership style, SME performance, Laissez-faire style, Authoritarian style, Democratic style.



INTRODUCTION

"Whether you're leading a nation or a corporation, leadership is about managing change. You get inventive when things change" (Iacocca 2019, p. 32).

Maxwell (2019, p. 56), a renowned leadership specialist, said it best when he remarked, "Everything rises and falls on leadership." The harsh truth of this is difficult to deny after 35 years of experience in leadership positions. Whether you're in charge of a group of company executives, a church, or a high school classroom, your capacity to impact people and improve their lives will ultimately determine how successful you are. Strong leadership is necessary for success at every level of an organization, thus it's critical to fund programs that give participants the opportunity to increase their toolkit of leadership skills.

"The art or process of influencing people so that they will strive willingly towards the achievement of objectives" is what Adeyemi and Brlarinwa (2013, p. 23) define as leadership. The results indicate that leadership is the ability to deal with adversity and the capacity to discover significance in unfavorable interactions (Bennis, 2002), allowing one to learn even in the most trying circumstances. Establishing the organization's vision and bringing it to life are the key duties of the leader. Furthermore, according to Bolden (2004), leadership is viewed as a multifaceted phenomena influenced by a variety of organizational, societal, and personal dynamics.

Understanding leadership style and how it influences employee performance is crucial because it inspires and motivates people to collaborate. Effective management fosters the growth of the management team and paves the way for organizational success (Uchenwamgbe, 2013). Leadership is useful for inspiring and influencing followers (workers) to achieve their goals and objectives on a personal and professional level (Amina, Sana, Samra & Abeera, 2015). Businesses in Nigeria can be categorized as small, medium, or big organizations, and they have a variety of roles to perform. Large-scale businesses are unable to accelerate the necessary development quickly enough to rank Nigeria's economy in the top 20 globally by 2020.

According to the World Bank (2008), 12 million businesses of various kinds were thought to be operating in Nigeria as of 2008, with more than 70% of those being small businesses (70 percent). As a result, SMEs must expand in order to satisfy some requirements for local and rural development. However, owners and managers of SMEs must carry out a range of leadership duties. They must assume risk, act as the organization's chief administrator, implement its strategies, deal with emergencies, and make policy choices. Sometimes the best type of leadership is democratic, where the boss makes choices based on general agreement but An authoritarian leadership style, on the other hand, makes all the decisions, gives the orders, and assumes that everyone will accept them without debate or criticism. When a leader adopts a laissez-faire management style, leadership responsibilities in small and medium-sized firms (SMEs) can either be overt and time-consuming or, occasionally, less demanding and limited to a quick ceremonial performance (Akoma, Adeoye, Binayo&Akinwole, 2014).

Leaders that practice laissez-faire leadership, commonly referred to as delegative leadership, take a backseat and let group members make the decisions. When applied in the right context, researchers have shown that this leadership style typically results in the lowest or best



productivity levels among group members. This leadership approach may offer advantages as well as potential drawbacks. Additionally, there are some contexts and circumstances in which laissez-faire leadership may be best suitable. Leaders who practice laissez-faire might enhance its effectiveness by periodically providing comments and monitoring employee performance. It is also beneficial for leaders to understand when this approach should be used, as with team members who are specialists in what they do (Chukwuka, 2022).

According to Abdulazeez, Hakeem and Bisayo (2014), routine activities and people are associated with leadership in business; it is the involvement of people, attention, and praise that motivates employees in both a group setting and individually. The business performance, employee motivation, and employee confidence of SMEs owner-managers will all be significantly impacted by the choice of leadership styles. As a result, leadership styles address all problems that happen both within and outside of a firm, including resolving or managing conflicts and directing and supporting the workers as they carry out their jobs. According to Uchenwangbe (2013), the importance of leadership in deciding an organization's success or failure has caused it to receive more and more attention. Puni, Ofei and Okone (2014) contend that every company's ultimate objective should be to maintain its existence by consistently enhancing performance in order to compete in today's marketplaces that are extremely competitive. They also believed that leadership style was a passionately disputed subject in management and psychology and one of the most important outcomes of human resources.

The ability of an organization to achieve objectives like high profit, a sizable market share, a high-quality product, favorable financial results, and survival within a specified period of time by using the appropriate plan for action is referred to as performance by Obiwuru, Okwu, Akpa and Nwankwere (2011). It is therefore possible to evaluate an organization's performance in terms of product volume, market share, client demand, loyalty, and investment. According to Wang (2010), an organization's accomplishments and outcomes may be utilized to evaluate its performance. Performance was also described by Williams and Andersons (1991) as the extent to which workers met their obligations and finished the tasks allocated to them at work. Researchers' perspectives on how leadership beliefs could affect performance have varied. According to Ojokuku, Odetayo and Sajuyigbe (2012), the leaders' duties and capacity to adapt to a challenging competitive climate have an influence on the company's performance. Although leaders give instructions and encourage employees to do tasks successfully and efficiently, how well workers perform is greatly influenced by the leaders' leadership styles. Leadership style also influences how individuals interact with one another, which influences employee motivation, attitude, and conduct and affects corporate performance (Kendra, 2012).

The management of small- and medium-sized businesses must contend with a variety of difficulties that might endanger the organization's success. In certain firms, management's failure to include people in decision-making owing to a lack of suitable leadership abilities may impede the attainment of both individual and organizational goals. According to a study conducted by the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in 2008, just 5% to 10% of newly founded businesses survive and mature. The majority of small- and medium-sized firms fail in the first five years of existence; however, a smaller percentage fail between the sixth and tenth year of operation. Oni and Yahaya (2013), Oni and Daniya (2012), Abubakar and Yahaya (2013), and Adebayo and Moshood (2014)



focused on SMEs as a tool in poverty reduction, while AliyuMamman (2013) and Oni and Yahaya (2013) focused on the lack of access to finance as a major constraint to effective development of small and medium enterprises. However, in this study, job development, challenge and update, innovation, engagement, initiative, effort, effective communication, and additional responsibilities were all considered when evaluating performance.

The study's major goal of this study is to determine the extent to which leadership styles affects the performance of SMEs.

LITERATURE REVIEW

Conceptual Review

Concept of Leadership and Leadership Style

Adeyemi and Brlarinwa (2013, p. 14) describe leadership as "the art or process of influencing people so that they will strive willingly towards the achievement of objectives". A leader's attitude and behavior together form their leadership style and the channels they use to communicate with their followers (Chukwuka, 2022). It results from the leader's beliefs, personality, and experience. There are many different styles of leadership, including authoritarian, democratic, and laissez-faire styles (Mosadeghrad, 2003). Strong laws that outline what must be done, when it must be done, and how it should be done is imposed by authoritarian or dictatorial leaders. The distinction between the leaders and the followers are obvious. Powerful individuals make their own decisions (Dimitrios&Athanasios, 2014). Authoritarian leadership works best when there is little room for collective discussion. Rather than relying on what should be done, Kawooya (2010) asserts that this leadership style calls for the leader to have a thorough awareness of the company and his people. When similar work forces are involved and an emergency scenario arises, authoritarian leadership may be necessary since the leader is the most knowledgeable member of the group. A company's performance may eventually suffer if autocratic leadership is unable to come up with innovative solutions to issues (Kendra, 2012). To complete tasks, democratic leadership promotes employee involvement in corporate decision-making. Another name for it is participatory leadership style. A democratic manager or leader educates his team on everything that can have an impact on their job and engages them in decision-making and problem-solving procedures (Swarup, 2013). Laissez-faire leadership, often referred to as delegative leadership, is a style of leadership where the leader stays out of the way and allows the groups to make the decisions, only offering guidance or assistance as needed (Hackman & Johnson 2004). Compared to autocratic and democratic leadership styles, laissez-faire leadership has lower productivity and follower satisfaction, but it can be advantageous in circumstances where group members are highly skilled, motivated, and capable of working independently (Lewin&Lppitt, 1939). According to Alan (2013), a laissez-faire leadership style may be successful provided the team leader monitors performance and provides feedback to team members. The performance of SMEs is the dependent variable, with authoritarian, democratic, and laissez-faire leadership styles acting as independent variables.

Burns (1978) asserts that transformational leaders create a vision that inspires and motivates their target audience. Transformational leaders strive to raise both followers' and leaders'



levels of awareness in order to improve performance. Staff members are inspired, compelled, and dedicated to helping the business achieve its goals when there is transformative leadership (Sommers & Birnbaum, 1998). Previous research has shown a significant relationship between transformational leadership and organizational success. Avolio (1999) and Bass (1998) used a variety of measurements to demonstrate the high association. These studies have linked transformational leadership to how managers' accomplishments, ingenuity, and promotion are evaluated by superiors (Hater & Bass, 1988; Waldman, Bass & Einstein, 1987; Waldman, Bass & Yammarino, 1990; Howel & Avolio, 1993). According to a 1996 research by Barling, Weber and Kelloway, transformational leadership improves business outcomes. After analyzing the effects of transformational leadership, Dvir, Eden, Avolio and Shamir (2002) are able to demonstrate that followers performed better under transformational leaders than under other leadership styles. Elenkov (2002) discovered that transformative leadership is directly and favorably associated with improved performance in his study of its impact on organizational performance in Russian businesses. According to Zhu, Chew and Spangler (2005), transformative leadership and organizational success are positively correlated, and CEOs are essential to achieving this goal. Roslan, Rosli, Mohd Hussin, and Anas (2013) analyzed the performance of SMEs in Malaysia in connection to transformational leadership and discovered a substantial positive association between the two. In light of these discussions,

Concept of Organizational Performance

The capacity of an organization to maximize outcomes and accomplish its objectives is known as organizational performance. Organizational performance in today's workforce is the capacity of a business to meet objectives in an ever-changing environment (Imide & Chukwuka, 2022). This paper considers productivity as a measure of performance. Organization for Economic Co-operation and Development (OECD) (2021) gave a standard definition of productivity as the ratio of output to input volume. In other words, it assesses how effectively a nation's economy uses labor and capital as production inputs to achieve a specific amount of output. Since productivity is seen as a major factor in economic growth and competitiveness, it is frequently utilized as the primary statistical data in international comparisons and evaluations of country performance. For example, productivity measures are used to evaluate the impact of labor and product market laws on economic performance. Calculating an economy's output capacity requires taking into account productivity growth. Additionally, it allows analysts the opportunity to compute capacity utilization, which they may use to estimate economic growth and examine the positions of economies throughout the business cycle. Production capacity is another instrument for assessing inflationary and demand pressures (Chukwuka 2016). Choosing one of the productivity indicators relies on the assessment's goal and/or the availability of the data. Gross Domestic Product (GDP) per hour worked is one of the measures that is most commonly used to gauge productivity. When compared to production per employee, this figure more accurately captures the utilization of labor inputs. The OECD Annual National Accounts database is frequently the most popular source for total hours worked: however, in some nations, other sources must be consulted. Despite advancements and efforts made in this field, there are still a number of statistical issues with the measuring of hours worked. Cross-border comparisons could be difficult if various nations do not frequently utilize the same terminology and fundamental data sources. In theory, the evaluation of labor inputs ought to account for variations in worker knowledge, expertise, and experience. In light of this, the OECD has begun to create adjusted labor input



indices. The flow of productive services that may be generated from the full stock of prior investments is a suitable statistic to account for the function of capital inputs (such as machinery and equipment). Based on the rate of change of the "productive capital stock," which accounts for wear and tear, retirements, and other variables that result in a loss in the productive capacity of fixed capital assets, the OECD establishes the cost of these services. The rental rate of an asset serves as a proxy for the cost of capital services per asset. If there were markets for all capital services, the latter may theoretically be promptly seen. However, in reality, the implicit rent that owners of capital goods "pay" to themselves must be used to extrapolate rental prices for the majority of assets (sometimes referred to as "user costs of capital"). The so-called multi-factor productivity (MFP) may be computed once the capital and labor inputs to production have been established. It quantifies the growth that is often attributed to organizational and technical innovation and cannot be explained by changes in the rates of change in labor, capital, and intermediate outputs. In four parts, a general review of productivity metrics is provided against this backdrop. Following comparisons of economic growth indicators at the global level, comparisons of income and productivity levels are given, including a calculation of productivity variability by classes of company size. Researching productivity growth indicators for various industries and service sectors is part of the third phase.

Small and Medium Scale Enterprise Performance in Nigeria

Nigeria, the largest economy in Africa, is currently transitioning from an industry-based to a knowledge-based economy, and by 2024 it is expected to rank among the top twenty economies globally. The excellent performance of SMEs is seen as the backbone of this transformation. Nigerian SMEs are very significant and have a big impact on the country's economic progress, especially in the manufacturing sector. In Nigeria's manufacturing sector, SMEs make up between 70% and 90% of all business establishments (Chukwuka & Imide 2023). Furthermore, SMEs have the ability to be a catalyst for the development of wealth, jobs, entrepreneurship, and sustainable economic growth. As is the case in industrialized and economically developed societies, SMEs are the creativity and ingenuity of entrepreneurs in the utilization of the abundant non-oil natural resources of this country will provide a sustainable platform or springboard for industrial development and economic growth (Chukwuka & Igweh, 2024). Over 90% of employment prospects in the manufacturing sector are provided by SMEs, which also provide roughly 70% of all new jobs produced annually (Ebiringa, 2011; Eniola & Ektebang, 2014).

Nigeria was ranked 127th in the 2014 Global Competitiveness Index (GCI), down seven spots from its 2013 ranking of 120th. Because intellectual property was not adequately protected, the Nigerian institution was ranked 129th out of 144 countries, indicating that it remained weak. The nation's decline in the GCI can also be attributed to high levels of corruption, undue influence, security, infrastructure, and the failure to improve primary education and health care. However, after a slow recovery from the 2009 financial crisis, the nation boasts of a sizable financial market that is rated 67th out of 144 countries.

Empirical Review

An experimental research of the connection between organizational success and leadership style in Nigerian small and medium-sized firms was undertaken by Abdulazeez, Hakeem, and



Bisayo (2014). Results of the survey came from 268 small and medium-sized businesses. SMEs located all around Lagos State received the questionnaire. The large power disparity between the company owner and employees was proven to make the SMEs in Lagos more authoritarian and less participatory. The study also showed that there is little correlation between organizational success and leadership style. Since the study only examined two leadership philosophies and did not demonstrate how these philosophies impact the performance of SMEs, the results cannot be generalized.

Akinwale, Akoma, Adeoye and Binuyo (2014) explored a number of leadership philosophies and how they influenced small and medium-sized businesses as well as how management in Ogun State, Nigeria, may be impacted by them. The four enterprises were sorted from the pool of state-registered businesses using an ex-post facto research approach before 300 employees were chosen at random. The researchers created their own questionnaire to collect data. Analysis of variance and Pearson product moment correlation were employed to analyze the data, and significance levels of 0.05 were utilized to evaluate them. The findings show that democratic leadership style has a strong relationship with organizational success whereas authoritarian leadership style does not. The issue of organizational efficiency and democratic vs authoritarian leadership approaches comes last.

Ahmad (2014) looked at the effectiveness of leadership in SMEs in Malaysia's services sector. Estimates indicate that the industry would have a considerable influence on Malaysia's economy. How well services function and perform is influenced by a number of factors, including: 193 owners and senior managers of services in Malaysia took part in the study to learn more about managers' leadership abilities and traits. The findings showed links between various leadership traits and the efficiency of organizational functions; nevertheless, transformational leadership had a greater impact on the performance of SMEs than transactional leadership.

In order to emphasize the connection between strategic leadership and the growth of small and medium firms in Nigeria, Oladele (2013) examined the impacts of organizational development in SMEs. The study was conducted in the state of Lagos. The study led to the conclusion that these leadership philosophies were key contributors to the success of SMEs in Nigeria since they statistically substantially impact organizational growth in SMEs.

Obiwuru, Okwu, Akpa and Nwankwere (2011) investigated the relationship between leadership style and organizational effectiveness in small firms. Out of a total of 18 inferred to exist small enterprises, three were first chosen using a stratified random sampling technique. The businesses were categorized into three groups based on their respective industry or operations: the manufacturing of wood finishes, restaurant/canteen services, and water packaging. For a sample size of fifteen, five respondents were chosen at random from each of these three businesses (15). The outcomes showed that a transactional leadership style considerably enhances performance.

Veronica (2013) investigated the impact of a leader's perspective on a team's performance. The study concentrated on certain leadership styles that influenced worker productivity as well as the leadership styles adopted by managers at Guinness Ghana Breweries Limited (GGBL) to increase employee productivity. Employee performance was compared to three key leadership characteristics—job-centeredness, people-centeredness, and democratic style—in the study. According to the results of a survey given to GGBL workers, there was a



significant association between job-Centre leadership behavior exhibited by leaders at Guinness Ghana Breweries Limited and staff performance. The leadership style used by the employment center has a major positive impact on production. To encourage democratic or people-centered behavior, not much was done. According to Robbins (2003), transactional leaders guide or urge their subordinates in the direction of stated goals by clearly defining role and job criteria. The core of transactional leadership is communication between leaders and followers. In an exchange-based relationship, prizes are used to motivate followers. The leaders will give out awards in accordance with the written contract that the employees signed. If promised advantages are not delivered on time or at all, the partnership will end as specified in the contract's terms or be deemed void. Kuhnert and Lewis (1987) thought that transactional leadership required a compensation system between leaders and followers in order for followers to advance their own interests. According to Guardia's 2007 research, transactional leadership behavior is the fundamental component of organizational performance at both the team and individual level. It is crucially related to both group and individual performance traits. The performance of Malaysian SMEs is strongly correlated with transactional leadership, according to a study conducted in 2013 by Roslan et al. The following theory is put out in light of these discussions. It is commonly recognized that an entrepreneurial mindset also has a beneficial influence on the business performance of the firm, even if several studies have demonstrated that a leader's leadership styles are known to affect the performances of the organization (Wiklund & Shepherd, 2003; Lumpkin & Dess, 1996; Naman & Slevin, 1993; Covin & Slevin, 1991; Peters & Waterman, 1982). It has been demonstrated that entrepreneurship and leadership go hand in hand (Ireland & Hitt, 2005; Colbert, 2003; & McGrath & MacMillan, 2000).

Krauss, Frese, Friedrich and Unger (2005) later identified the significance of having an entrepreneurial mindset as a business predictor. Researchers have paid close attention to the entrepreneurial orientation construct in entrepreneurship (Lyon, Lumpkin & Dess, 2000; Aragon-Corea, 1998; Barringer & Bluedon, 1999; Zahra & Covin, 1995; Dess & Lumpkin, 1996). Most studies on entrepreneurial behavior have concentrated on the relationships between acts and results (Lyon, Lumpkin & Dess, 2000). Despite the fact that there have been many studies on the direct connections between leadership styles and business performance as well as the direct connections between entrepreneurial orientation and business performance, few studies have attempted to focus on the mediating role that entrepreneurial orientation plays in the relationships between leadership styles and business performance. Numerous research plans have highlighted entrepreneurial propensity as a mediating factor (Wiklund & Shepherd, 2003; Wolf & Pett, 2007).

Theoretical Review

Douglas McGregor created theories X and Y in 1960. Following is a summary of the two opposing hypotheses that management at a company created based on McGregor's experience as a consultant: According to McGregor, the majority of managers and leaders adhere to a set of principles he coined Theory X management: Most people detest their jobs and will go to any lengths to avoid performing them. He developed a new set of managing principles, he dubbed Theory Y management, in response to that discovery:

According to Y managers, the impacts of physical and emotional stress at work are as natural as play, and in ideal circumstances, the normal person learns to appreciate and seek responsibility. Theory Y managers believe that the ordinary person's intelligence is only



partially realized in the context of modern industrial life and that the general people possess a decent degree of imagination, ability, and creativity that can be exploited to address organizational challenges.

Because of its presumptions, theory X would compel managers and leaders to embrace authoritarian leadership styles that would centralize and control administration, whereas theory Y would encourage them to adopt democratic leadership styles. Managers that believe in Theory X also believe that the typical person tends to avoid taking on responsibility, favors stability above ambition, and enjoys being led. Douglas McGregor provided evidence to back up this claim by showing how the considerations practical managers and leaders make when choosing a leadership style would have an impact on their immediate reports and ultimately the company as a whole.

Although technically not a leadership theory, Douglas McGregor's book introduced managers and leaders to the leadership approach of properly used participative management. According to theory Y, managers also think that there are other ways to encourage staff to contribute to corporate goals in addition to internal control and the threat of punishment. McGregor did give a warning to managers and leaders who thought the concept represented two completely diametrically opposite forms of leadership. In contrast to Theory X, which holds that the owner-manager seems to retain the majority of the decision-making power within a company, Theory Y holds that the owner-manager would seek feedback from the employees while holding the final say.

Contingency Theory

Contingency theory, a behavioral theory developed in 1964 by Fred Fiedler, contends that there is no one ideal technique for a manager to lead or direct. Different situations will call for different leadership qualities from a manager. The management issue's resolution will depend on the possible influencing styles. According to Fiedler, in order to increase performance, we must address both the leadership style and the situational circumstances that affect how well individuals accomplish their jobs.

Trait Theory

The efforts to define the characteristics of effective leaders have, according to Turner and Muller (2005), been concentrated on three key areas: the ability traits demonstrate hard management skills; the personality traits, on the other hand, address issues like self-confidence and emotional variables; and the physical attributes include size and appearance. Even though there was little consistency between the results of the various trait studies, some traits did appear more frequently than others, including technical prowess, friendliness, task orientation, application to task, group task supportiveness, social skill, emotional control, administrative skill, general charisma, and intelligence.

It implies that not everyone has access to leadership and that it is not something that is open to everyone. The issue with the trait method is that even while almost identical traits are discovered, it becomes clear after several years of such analysis that no reliable characteristic could be produced. In the meta-analysis performed by Kilpatrick and Lock (1991), the characteristics of honesty, integrity, self-confidence, including the capacity to endure failures, standing firm and having a solid emotional foundation, business acumen, and a desire to



achieve and lead did seem to be consistent. It was thought that by using this method, crucial leadership traits could be identified, and those who possessed them could then be sought out, chosen, and given leadership roles.

According to Bolden et al. (2003), the "Great Man idea" gave rise to the trait approach as a technique to pinpoint the crucial traits of effective leaders. Even though certain leaders may have possessed particular features, the absence of other attributes did not necessarily imply that a person was not a leader. This university was founded on the premise that good leaders have a number of characteristics in common. This strategy was developed with the presumption that based on a person's character traits, some people are born leaders and others are not. Several traits were seen throughout several researches, although the conclusion was usually wrong.

McGregor Theory of X and Y

Theory X and Theory Y are the two hypotheses on which this study effort is based. According to Theory X, the owner-manager would continue to hold the bulk of the organization's power and influence. According to Theory Y, it was anticipated that the owner-manager would consider staff recommendations while maintaining ultimate decision-making authority.

RESEARCH METHODOLOGY

Cross-sectional survey research was the approach used in this study. A questionnaire was the main tool used to collect information from the respondents. SMEDAN (2015) reports that Delta State has 2882 SMEs that were registered. 2882 SMEs in Delta State make up the study's sample. The Yamane (1967) formula was used to determine the sample size.

However, some respondents were asked to return the survey in order to address response bias and incorrect filling. As recommended by Israel (2013), 30% of the minimum sample specified in the calculation will be contributed. A total of 456 questionnaires were issued, and 385 of them were collected. 105 responders were added to the 351-person sample size that had been established.

Techniques for simple random sampling were used. The three independent variables, authoritarian leadership style (ALS), democratic leadership style (DLS), and laissez-faire leadership style (LLS), in combination, had an impact on the dependent variable, SMEs performance, according to PLS Path analysis. A five-point Likert scale was used to evaluate each research variable.

The following equations are simple regressions that describe how each independent variable affects performance:

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

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

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



Where:

SP=SMEs Performance

ALS=Authoritarian leadership style

DLS=Democratic leadership style

LLS=laissez-faire leadership style

α =Constant

β =Regression Coefficient= Error term

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-faire leadership	LZF1	0.72	0.50	0.80
	LZF2	0.69		
	LZF4	0.72		
	LZF5	0.71		

Source: SMART-PLS Output, 2024. Note that owing to inadequate loadings, PRF4, PRF8, PRF9, PRF10, ATL1-3, DTL1, LZF3, and LZF6 were removed. Average Variance Extracted is abbreviated as AVE, and Composite Reliability is abbreviated as CR.

The loadings should be no less than 0.5, according to Hair et al. (2014). As seen in Table 3, every loaded component is more than 0.5. This demonstrates that every single item from Table 1 was kept. However, due to inadequate loadings, a number of components (including PRF4, PRF8, PRF9, PRF10, ATL1-3, DTL1, LZF3, and LZF6) were omitted. Like in Table 1, all of the components there had composite reliability coefficients more than 0.7 and met the AVE's 0.5 minimum criteria (Tabachnick&Fidell, 2013). As a consequence, the



information gathered is accurate and trustworthy. The discriminant validity of the data was then evaluated. Table 2 displays the outcome.

Table 2: Discrimination Validity Using Fornell-Larcker Criterion

	1	2	3	4
Authoritarian Leadership	0.75			
Democratic Leadership	0.43	0.73		
Laissez-faire Leadership	0.47	0.44	0.71	
4 Performance	0.54	0.48	0.67	0.73

Source: SMART-PLS Output, 2024. Note: The AVE of each latent construct is shown by the bolded diagonal numerals.

The discriminant validity result is displayed in Table 2. The square root of each latent variable's AVE is shown in bold. The AVE for authoritarian government is 0.75 squared. All other correlations were less than 0.75 and fell short of certainty. All other connections with democratic leadership were less than 0.73, which was the square root of the AVE of democratic leadership. All other connections with laissez-faire leadership were less than the square root of the AVE of laissez-faire leadership, which was 0.71. The AVE of performance's square root was 0.73, and all other correlations between performance and dependability were lower. The findings demonstrate discriminant validity in line with the Fornell-larcker discriminant validity criterion, as shown by the results in Table 2.

Test of Hypotheses

Authoritarian, democratic, and laissez-faire leadership styles were represented by proxies in the study in order to examine how leadership styles impact the performance of SMEs in Delta State. Table 3 presents the results of the hypothesis test after testing hypotheses 1, 2, and 3.

Table 3: Path Coefficient

Hypotheses	Beta Value	Standard Error	TStat	Decision
H01:ATL->PRF	0.24	0.07	3.22***	Rejected
H02:DTL->PRF	0.17	0.07	2.42**	Rejected
H03:LZF->PRF	0.48	0.07	7.02***	Rejected
AdjustedR ²	53%			

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

The success of SMEs is positively correlated with authoritarian leadership. When an authoritarian regime is in existence, it does not really matter (=0.24, p=0.01). As a result, SMEs will perform better by 24% for every unit rise in authoritarian leadership. This refutes the assertion stated in hypothesis H01 that authoritarian leadership in Delta State has little to no effect on the performance of SMEs. On the other side, democratic leadership and SME performance have a positive, significant connection (=0.17, p0.05). The researcher disputes H02, which asserts that the democratic leadership style in Delta State has little bearing on the performance of SMEs. Finally, at a significant level of less than 1% (=0.48, p0.01), a laissez-faire leadership style demonstrates a positive significant link with SMEs' performance. It is possible to assert that SMEs will perform better by 48% when laissez-faire leadership is more common. As a result, H03—which contends that laissez-faire leadership has no appreciable effect on the operation of SMEs in Delta State—is likewise disproved. This suggests that the



performance of SMEs in Delta State may vary by 53 percent depending on whether the leadership is authoritarian, democratic, or laissez-faire.

PRESENTATION OF DATA

385 of the 456 questionnaires that were sent were collected using a straightforward random sample procedure. Only 68 copies, however, were able to be retrieved. Thus, this indicates the sample size and an 84 percent success rate.

Demographic Data of Respondents

Table 4.3: Gender Distribution of Respondents

Sex	No. of Respondents	Percentage (%)
Male	201	52%
Female	184	48%
Total	385	100

Source: Field Survey, 2024

201 respondents, or 52% of the total, were male, while 184, or 48%, were female, as shown in Table 4.1 above. This implies that more males than women are taking part in the study.

Descriptive Statistics of Variables of the Study

Using mean and standard deviation, this section presents descriptive statistics for the study's variables. Table 4 displays the outcome.

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-faire leadership	385	3.41	0.98
SMEPerformance	385	3.43	1.00

Source: Field Survey, 2024

The descriptive statistics for the study's variables are shown in Table 4. We looked at the three leadership ideologies of authoritarian, democratic, and laissez-faire. According to Table 1, with a standard deviation of 1.12, the mean response to the question on authoritarian leadership style was 3.64. Respondents somewhat agreed with the statements made about democratic leadership style, with a mean answer of 3.27 and a standard deviation coefficient of 1.12. With a mean of 3.41 and a standard deviation of 0.98, respondents also only



somewhat agreed with the critiques made of the laissez-faire leadership style. Performance has a mean and standard deviation of 3.43 and 1.01, respectively. This shows that the respondents only somewhat agreed with the performance-related criticisms.

Multicollinearity Test

Multicollinearity has to be researched since it might have an impact on the results of the study. According to Hair, Anderson and Tatham (2014), multicollinearity arises when there is a strong connection between two or more independent variables. To verify multicollinearity in this paper, the Variance Inflation Factor (VIF) and Tolerance value were used (Kothari & Garg, 2014). Kothari and Garg (2014) claim that multicollinearity is present for VIF values larger than 5. According to Table 5, all of the VIF coefficients were under 5. It is assumed that the study is free from the multicollinearity problem since the independent variables are not significantly linked.

Table 5: Multi-Collinearity Statistics: VIF Values

Construct	Tolerance	VIF
Authoritarian leadership	0.76	1.31
Democratic leadership	0.90	1.11
Laissez-faire leadership	0.96	1.04

Source: *Field Survey, 2024*

RESULTS AND DISCUSSION

Authoritarian Leadership Style and SME performance

The productivity of SMEs in Delta State is positively correlated with an authoritarian leadership style. The positive coefficient of 0.24 and accompanying t-statistics value of 3.22 larger than 1.96 at two tails serve as evidence for this. According to the research, Delta State's SME performance would increase by 24 percent if the level of authoritarian leadership were to rise. The research of Akoma, Adeoye, Binuyo and Akinwole (2014) which discovered a weak but positive relationship between an authoritarian leadership style and organizational performance, does not corroborate the findings of this study. The results, however, are consistent with Ahmad's (2014) research, which found a weak but positive correlation between employee performance and an authoritarian leadership style. The study found a weak positive connection or nexus between authoritarian leadership style with performance of SME.

Democratic Leadership and SME Performance

The findings in the table demonstrate that democratic leadership style has a strong and sizable advantageous positive impact on the efficiency of SMEs. The positive coefficient value of 0.17 and the t-statistics 2.42 larger than 1.96 at two tail levels serve as evidence for this. According to this data, Delta State's small and medium-sized firms would perform 17 percent better for every 1 percent increase in democratic leadership. This conclusion is supported by the research of Ahmed (2014), Oladele (2013), and Veronica (2013) who discovered a strong and positive relationship between democratic leadership and organizational performance. Nebojsa, Milka, and Svetlana (2012) showed a shaky and inconsequential correlation between an organization's performance and its democratic leadership style, which is in



contradiction to this finding.

Laissez-Faire Leadership Style and SME Performance

Furthermore, SMEs in Delta State will perform better under this leadership style. The positive coefficient value of 0.48 and the t-statistics value of 1.96 at the two tail significance levels serve as evidence for this. According to this data, Delta State's small and medium-sized firms would perform 48% percent better for every 1 percent increase in Laissez-Faire leadership. This demonstrates that one of the key factors for SME success in Delta State is laissez-faire leadership. Laissez-faire has the most positive impact on performance of SMEs in Delta State. The results of this research are consistent with those of Washington, Machera and Karodia (2014), Nwokocha and Iheriohanma (2015), Puni, Ofeian and Okoe (2014), and Ofei, Ofei and Okoe (2014) who discovered a positive and significant correlation between a laissez-faire leadership style and business performance. The results, however, diverge with those of Bizhan (2013) and Belas (2013) who found a link between a relaxed leadership style and average business success.

CONCLUSION AND RECOMMENDATION

The study concludes through its empirical discoveries that the three leadership styles tested in Delta state, Nigeria have positive effects on SMEs performance with varying degrees of effect and impact. The performance of SMEs in Delta State was significantly impacted positively by an authoritarian leadership style. Based on these results, the study draws the conclusion that the performance of SME in Delta State is positively and significantly impacted by an authoritarian leadership style. This result showed that most of the employees of the various organizations studied responded well and would grow by a factor of 24 percent with authoritarian leadership style. The study also discovered that the performance of SMEs in Delta State is significantly impacted by democratic leadership style. As a result, it may be concluded that a democratic leadership style impacted positively on SME performance in Delta State at the rate of 17%. The finding also revealed that poor leadership significantly harms the success of SMEs in Nigeria. Finally, based on the data analyzed, the study draws the conclusion that laissez-faire leadership has the highest positive impact on the performance of SMEs in Delta State. The study's findings indicate that laissez-faire leadership had the most significant impact amongst the three leadership styles or philosophies examined. It showed that Delta State's small and medium-sized firms would perform 48% percent better for every 1 percent increase in Laissez-Faire leadership.

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