



Leadership Styles and Employee Performance Amongst Small and Medium Scale Enterprises in Ado-Ekiti, Ekiti State

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Abstract:

This study sought to examine the effects of leadership styles on employee performance in Small and Medium Enterprises (SMEs) in Ado-Ekiti, Ekiti State, Nigeria. To achieve this objective, autocratic, democratic, and laissez-faire leadership styles were considered for this study. The study adopted a quantitative approach and employed the descriptive survey research design. A sample of 199 SME owners/managers/operators were used for the study which were sampled using simple random sampling technique. Data was collected via the aid of a structured and close-ended questionnaire which was measured on a five-point Likert scale. Gathered data was analysed using both descriptive statistics (frequencies and percentages) and inferential statistics (multiple linear regression). Finding from the study showed that autocratic and democratic leadership styles had no statistically significant effect on employee performance. Only laissez-faire was the leadership style seen to have statistically significant effect on employee performance. Based on this, the study concluded that laissez-faire leadership style is the most appropriate leadership style to stimulate or trigger the performance of employees in SMEs in Ado-Ekiti, and by extension, Ekiti State. As a result, the study recommends that the owners/managers/operators of SMEs in the Ado-Ekiti should adopt more of laissez-faire leadership style if they are to experience improved performance from their employees.

Keywords: Autocratic, Democratic, Employee, Laissez-faire, Leadership Style, Performance, SMEs



1.0 Introduction

In a rapidly evolving business environment where there is a steady rise in competition and technological advancements, organisations are kept on their toes to ensure they are not forced out of business. Due to this, the subject of performance is not being played with. Performance, which is an obvious sign of a corporate entity's continuity, is an area that calls for proper attention, and these entities will do all it takes to make sure their performance level is in line with the rapidly changing market.

Employee performance which is regarded as the aggregate success of an employee in discharging his/her duties over a period of time when measured against a number of possibilities like job expectations, objectives, or predetermined criteria previously agreed upon (Almerzi & Singh, 2016) is pivotal to the survival of any organisation regardless of its size. As a result, various scholars have attempted to measure it in different ways as it appeals to them. For instance, it is measured by parameters such as executing defined duties, meeting deadlines, team inputs, achieving departmental goals, reduction in error, quality, etc. (Amegayibor, 2021; Iqbal, Anwar, & Haider, 2015).

In achieving high level performance from employees, the role of leaders cannot be ignored. Unlike previous times, the role leaders play in the organisations of recent times has changed, and as a result, the success which an organisation achieves is dependent upon the styles of leadership adopted by the leaders (Biaka, 2020). Embodied in the literature are numerous leadership styles that could be adopted by leaders. These include: autocratic leadership style, democratic leadership style, laissez-faire leadership style, etc. It is pertinent to state that these leadership styles have different effects on employees and it is the responsibility of organisational leaders to be aware of the likely effects such could have on employees.

It should be noted that true leaders are those who interact with others with consideration and modesty due to the fact that they are involved in their respective duties not for selfish aggrandisement but for the gains of the organisation. This kind of interaction serves as an example and inspires followers to do the same. An organisation which desires success must have its workforce inspired to immerse themselves into the mission of the organisation. This implies that the effectiveness of staffs can be achieved if they are triggered, and this requires the right mix of various leadership styles. This also demonstrates that for an organisation to be effective, its leadership also has to be effective.



As earlier mentioned, regardless of the size of an organisation, the leadership style adopted is a determining factor for the performance level of employees. For Small and Medium Scale Enterprises (SMEs), many studies have been performed that evaluates how leadership styles affect their performance. One of which is the study of Son (2018) who examined how performance of SMEs in the Southeast region of Nigeria is affected by leadership styles. Another study is that of Alu and Daniel (2022) who focused on the subject of interest with reference to SMEs in the Federal Capital Territory (FCT) Abuja, Nigeria. Also, Onuegbu and Okeke (2018) conducted a study regarding this focus area but with reference to SMEs in Naze Industrial Clusters, Owerri. Amongst these studies, the closest to this study is that of Ogunkolade, Enitilo, and Dada (2020) who examined how SMEs in Irepodun/Ifelodun local government area of Ekiti State perform in relation to certain leadership styles.

Although the study of Ogunkolade *et al.* (2020) seems to be very close to this study, there are still some identified lacunae it could not cover. These include the use of transactional, transformational, and laissez-faire leadership styles. It ignored other leadership styles such as autocratic and democratic. Also, it could not capture SMEs located in the capital city of Ekiti State – Ado-Ekiti. Due to these identified gaps, this study aims at investigating the likely effects autocratic, democratic, and laissez-faire leadership styles could have on the performance of employees in SMEs located in the capital city of Ekiti State – Ado-Ekiti.

1.1 Research Questions

Based on the identified gaps, the following research questions are what this study seeks to answer:

- (i) What is the effect of autocratic leadership style on employee performance of SMEs in Ado-Ekiti, Ekiti State?
- (ii) How does democratic leadership style affect employee performance of SMEs in Ado-Ekiti, Ekiti State?
- (iii) In what way does laissez-faire leadership style affect employee performance of SMEs in Ado-Ekiti, Ekiti State?

1.2 Research Objectives

The broad objective of this study is to evaluate the effect of leadership style on employee performance of SMEs in Ado-Ekiti, Ekiti State while its specific objectives are to:



- (i) examine the effect of autocratic leadership style on employee performance of SMEs in Ado-Ekiti, Ekiti State.
- (ii) evaluate how democratic leadership style affects employee performance of SMEs in Ado-Ekiti, Ekiti State.
- (iii) investigate the manner laissez-faire leadership style affects employee performance of SMEs in Ado-Ekiti, Ekiti State.

1.3 Research Hypotheses

Below are the study's hypotheses stated in their null form:

H₀₁: Autocratic leadership style does not have a statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

H₀₂: Democratic leadership style has no statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

H₀₃: Laissez-faire leadership style does not have a statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

2.0 Literature Review

2.1 Leadership

According to Khoza, Chetty, and Karodia (2016), leadership is regarded as the practice of influencing others to work voluntarily toward achieving organisational goals. It is seen as the process through which one person influences a group of individuals to achieve shared objectives (Northouse, 2016). In the view of Armstrong (2004), it is just the capacity to persuade others willingly to act differently for the purpose of completing the work assigned to them with the group's assistance. From these definitions, leadership can also be defined as the ability of an individual to influence the behaviour of his team members to achieve a common goal or objective.

2.1.1 Leadership Style

Leadership style is defined as the regular pattern of behaviours demonstrated by a leader (Schermerhorn *et al.*, 2011). It is also seen as the behavioural pattern that is typically used to persuade subordinates to accomplish organisational objectives (DuBrin, 2006). According to Jooste (2009), leadership style refers to the way a leader gives instructions, executes strategies,



and inspires followers. Consequent upon the preceding, leadership style can be referred to as the recurring set of behaviours that a leader exhibits in persuading or influencing his followers to achieve an organisational goal.

2.1.1.1 Autocratic Leadership Style

The autocratic leadership style is characterised by the “I tell” mentality (Iqbal *et al.*, 2015). Autocratic bosses direct their employees' actions. This might provide a company with a clear direction, but it can also cause management to undervalue or disregard team opinion. However, there are times when taking an autocratic stance is necessary. It is helpful when a crisis affects the company or when a pressing issue develops that needs to be addressed right away.

2.1.1.2 Democratic Leadership Style

With regards to the democratic leadership style, it is characterised by an “I share” philosophy (Iqbal *et al.*, 2015). Teams make decisions together, with equal input from each member. Here, team members are involved in deliberations and planning process before a consensus is reached on the decision to be taken. The democratic leadership style enables the leader to see an issue from various perspectives.

2.1.1.3 Laissez-Faire Leadership Style

The word “laissez-faire” a French word which literally means “Leave doing”. It means being passive about a thing. In terms of it being a leadership style, it seen as a situation where a leader does not involve himself in the work of the team or organisation (Cole, 2010). It is a type of leadership style where the manager intentionally decides not to interfere in the decision-making process but delegates the focus power to team members so as to grant them the freedom of action to do as they deem best; however, he is readily available to offer help if needed (Mullins, 2007).

2.2 Employee Performance

Employee performance is defined as the quality and volume of work completed by an employee while carrying out his or her duties in accordance with those that have been delegated to him or her (Hermina & Yosepha, 2019). According to Kitole, Idua, and Matata (2019), employee performance is seen as the way in which job tasks are executed in accordance to given descriptions. It is the way in which an employee delivers his job responsibilities and completely executes designated tasks (Anquandah, 2021).



2.3 Empirical Review of Literature

Ogunkolade, Enitilo, and Dada (2020) assessed the causal relationship between leadership styles and SMEs performance in Irepodun/Ifelodun local government area of Ekiti State. Three leadership styles (transactional, transformational, and laissez-faire) were used. A sample of 79 SME operators was used for the study and data was collected using a questionnaire. Multiple regression analysis was used for the data analysis. Findings from the study showed that transformational leadership style has no significant positive effect on SMEs' performance, while transactional and laissez-faire leadership styles have significant positive effects on SMEs' performance in Irepodun/Ifelodun local government area of Ekiti State.

Abdullahi (2018) assessed the nexus between leadership styles and employee performance in the office of the secretary to the State Government, Jigawa State, Nigeria. The leadership styles were delimited to transformational, transactional, and autocratic. Adopting a quantitative research approach and descriptive survey research design, data was collected via questionnaires and analysed using the Statistical Package for Social Sciences version 21. Finding from the study showed that employee performance is predicted more by transformational leadership style than transactional and autocratic leadership styles.

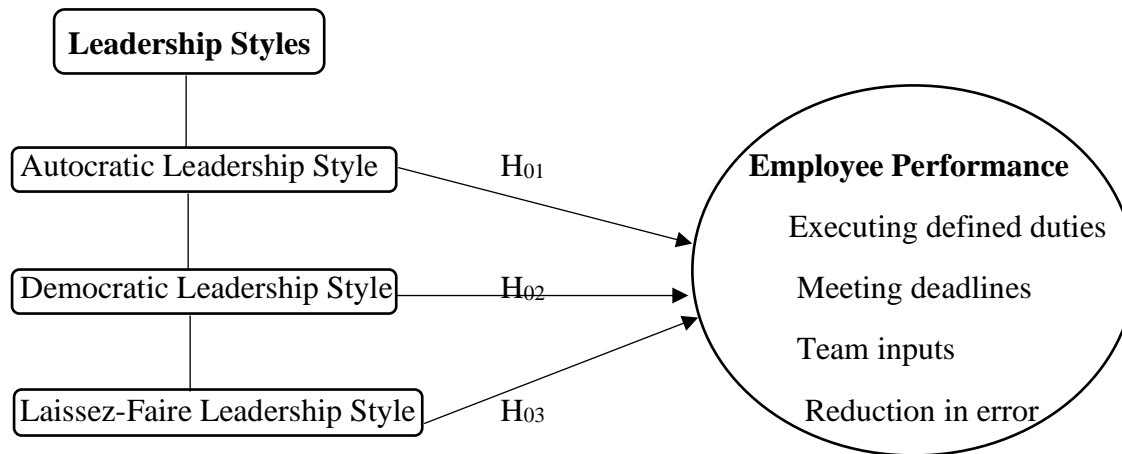
Also, Son (2018) explored how the business performance of SMEs in South-eastern region is affected by leadership styles. Applying the quantitative method, the study sampled 212 managers of SMEs in the region using simple random sampling technique. Data was collected using questionnaires and analysed using multiple linear regression and partial least squares method. The study found out that transformational leadership style has a stronger effect on the business performance of SMEs than the transactional leadership style.

Moreover, Onuegbu and Okeke (2018) investigated the effect leadership styles have on employee performance in small scale business organisations in Owerri. Only transactional and transformational leadership styles were considered in the study. A sample of 40 employees from five small-scale businesses were selected using stratified random sampling technique. Survey research design was employed while Ordinary Least Square (OLS) multiple regression were used for data analysis. The study's findings showed that transactional leadership style had significant positive effect on employee performance while transformational leadership style had insignificant positive effect on employee performance. The study therefore concluded that



transactional leadership style predicted greater performance than transformational leadership style in small scale business organisations in Naze Industrial Cluster in Owerri.

2.4 Conceptual Framework



Source: Author's Computation (2023)

Figure 1: Conceptual Framework

Figure 1 provides a diagrammatic display of the study's conceptual framework. As revealed above, the independent variable, leadership styles is seen to be measured by three parameters – autocratic, democratic, and laissez-faire leadership styles. On the other hand, the dependent variable, employee performance is seen to be measured by four parameters – executing defined duties, meeting deadlines, team inputs, and reduction in error. The three measures of leadership styles are seen to interact with employee performance, thereby showing the study's three hypotheses.

3.0 Methodology

A descriptive survey research approach was used for this investigation. It was determined to be appropriate since it aided in asking respondents questions with the intention of eliciting suitable responses to research inquiries. All SME operators in the state's capital city, Ado-Ekiti made up the study population. Due to the fact the study population was not known, Cochran (1963) formula was used in generating the study's sample size. This is shown below:

$$n = \frac{Z^2 pq}{e^2}$$

Where:



$$e = 0.05$$

$$p = 0.9$$

$$q = 1 - p$$

$$= 1 - 0.9 = 0.1$$

$$Z = 1.96$$

$$n = \frac{(1.96)^2 \times 0.9 \times 0.1}{(0.05)^2}$$

$$n = \frac{3.8416 \times 0.9 \times 0.1}{0.0025}$$

$$n = \frac{0.345744}{0.0025}$$

$$n = 138.30$$

$$n = 138$$

To further cover up for non-response or defective instruments, an additional 44% was added. This resulted in 199 SME operators located in Ado-Ekiti, Ekiti State.

The sample of 199 SME operators was chosen using simple random sampling technique where every SME operator in the capital city was given an equal chance of being selected. The study tool was a questionnaire as the researcher chose to use primary data. In analysing collected data, multiple linear regression was used. This was used because the study sought to ascertain the effects of more than one independent variable on the dependent variable.



4.0 Results and Discussion

Socio-Demographic Characteristics	Frequency	Percentage
Sex		
Male	106	57.3
Female	79	42.7
Age		
Under 21 years	0	0.0
21-30 years	53	28.6
31-40 years	80	43.2
41 and above	52	28.1
Marital Status		
Single	70	37.8
Married	115	62.2
Divorced	0	0.0
Widowed	0	0.0
Education		
O' Level	12	6.5
B.Sc./HND	100	54.1
M.Sc.	64	34.6
PhD	9	4.9
Religion		
Christianity	132	71.4
Islam	28	15.1
Others	25	13.5
Ethnicity		
Yoruba	96	51.9
Igbo	23	12.4
Hausa	50	27.0
Others	16	8.6
Total	185	100.0

Table
1:
Socio-

demography of Respondents

Source: Field Survey (2023)

Table 1 offers a tabular presentation of the socio-demography of the respondents who are SME operators in Ado-Ekiti. With regards to the sex distribution of respondents, about 57.3% are male while 42.7% are female. Concerning respondents' age distribution, none was under the age of 21 years, 28.6% were within the age range of 21 and 30 years, 43.2% were within the



age range of 31 and 40 years while 28.1% were either 41 years or above. Concerning marital status, 37.8% are single, 62.2% are married while none is either divorced or widowed. In the aspect of education, 6.5% possess O' Level, 54.1% possess either a B.Sc. or an HND, 34.6% possess an M.Sc. while just 4.9% possess a PhD. Pertaining the religion of respondents, 71.4% are Christians, 15.1% Muslims while 13.5% belong to other religions. Finally with regards to ethnicity, 51.9% of respondents are Yorubas, 12.4% are Igbos, 27% are Hausas while 8.6% belong to other tribal groups.

4.1 Hypotheses Testing

It is pertinent to reiterate that multiple linear regression was used to test the study's hypotheses. Below are the three hypotheses formulated for this study:

H₀₁: Autocratic leadership style does not have a statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

H₀₂: Democratic leadership style has no statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

H₀₃: Laissez-faire leadership style does not have a statistically significant effect on employee performance of SMEs in Ado-Ekiti, Ekiti State.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719 ^a	.517	.509	2.38401

a. Predictors: (Constant), LLS, ALS, DLS

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1100.171	3	366.724	64.524	.000
	Residual	1028.716	181	5.684		
	Total	2128.886	184			

a. Dependent Variable: EP

b. Predictors: (Constant), LLS, ALS, DLS



Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	5.645	1.008		5.599	.000		
1 ALS	-.175	.119	-.079	-1.469	.144	.921	1.086
DLS	.011	.091	.007	.123	.902	.835	1.198
LLS	1.329	.106	.734	12.562	.000	.781	1.280

a. Dependent Variable: EP

*** ALS = Autocratic Leadership Style

*** DLS = Democratic Leadership Style

*** LLS = Laissez-faire Leadership Style

The above tables show a tabular presentation of testing the study's three hypotheses. As seen in the Model Summary above, the R-Square is seen to be 0.517. This indicates that about 51.7% of the variance in employee performance in SMEs in Ado-Ekiti can be predicted or explained by leadership styles. With regards to the ANOVA table, the p-value for the model, 0.000 is seen to be lesser than the significance level of 0.05. This shows that the model has sufficient explanatory power to explain the causal relationship between leadership styles (autocratic, democratic, and laissez-faire) and employee performance in SMEs in Ado-Ekiti. This can be expressed as $F(3, 184) = 64.524, p = 0.000$. Finally regarding the Coefficients table, it is seen that there is an absence of multicollinearity in the data since the Tolerance values for each of the independent variable are seen to be within the range of 0.1 and 1. Also, the Variance Inflation Factor (VIF) for each independent variable is seen to be between the range of 1 and 10. Due to this, it can be concluded that the data is reliable and the statistical inferences made therefore are reliable.

Furthermore, with regards to the acceptance or rejection of the hypotheses, the Coefficients table reveals the p-value for ALS to be greater than the significance level of 0.05. This therefore implies the acceptance of the null hypothesis, thereby concluding that autocratic leadership style does not have a statistically effect on the performance of employees in SMEs in Ado-Ekiti. It was also revealed that DLS had a p-value (0.902) greater than the significance level of 0.05. This also implies the acceptance of the null hypothesis. Therefore, it can be concluded



that democratic leadership style does not have a statistically significant effect on employee performance in SMEs in Ado-Ekiti. Finally, the table showed that LLS had a p-value of 0.000 which is lesser than the significance level of 0.05. This shows that the null hypothesis would be rejected while the alternative hypothesis would be accepted. Therefore, it is concluded that laissez-faire leadership style has a statistically significant effect on the performance of employees in SMEs in Ado-Ekiti.

4.2 Discussion

Deducing from the study's results, it was seen that autocratic leadership style had no statistically significant effect on employee performance of SMEs in Ado-Ekiti. This means that an increase in the use of autocratic leadership style does not cause any significant rise in the performance of employees in these SMEs. This result tallies with those of Abdullahi (2018), Biaka (2020) who revealed that autocratic leadership style does not significantly influence employee performance despite the difference in environmental context. However, the study contradicts that of Nawose Ing'ollan and Roussel (2017) who revealed that autocratic leadership style had the highest percentage in predicting employee performance in Turkana County, Kenya.

It was also discovered by the study that democratic leadership style does not significantly affect the performance of employees in SMEs in Ado-Ekiti. This finding implies that in the SMEs located in Ado-Ekiti, allowing employees participate in decision-making or providing guidance for them without giving them pressure does not necessarily translate into improved performance. This might be because there is an absence of other elements that are more important to them like freedom. This finding is in contrast to that of Biaka (2020) who revealed that democratic leadership style had a significant and positive effect on employee performance. A reason for this difference might be because Biaka (2020) conducted his study in a medical centre in Cameroon.

Moreover, the study showed that laissez-faire leadership style had a significant effect on the performance of employees in SMEs in Ado-Ekiti. This particular outcome demonstrates that employees of SMEs in Ado-Ekiti, when they are given total freedom to execute their job responsibilities, their performance is very likely to improve significantly. This finding is corroborated by that of Ogunkolade *et al.* (2020) who revealed that laissez-faire leadership style had a significant positive effect on the performance of employees in SMEs located in



Irepodun/Ifelodun local government area of Ekiti State. The alignment or consonance in findings from these two studies show that Ekiti State indigenes who work in a small scale enterprise always want to be given the freedom to do their work as they please, and only by that kind of leadership style can their performance improve.

5.0 Conclusion and Recommendation

Deducing from the study's findings, it can be concluded that leadership style significantly affects employee performance and that the laissez-faire leadership style is the most appropriate leadership style to improve or trigger higher performance from employees in SMEs in Ekiti State. This therefore shows implicitly that an average Ekiti indigene working in an SME is so strong-willed that he feels he does not require the supervision or interference of his manager or immediate superior in the execution of his job functions. As a result, it is therefore recommended that managers/owners/operators of SMEs in Ado-Ekiti, and by extension Ekiti State should reduce the adoption of autocratic and democratic leadership styles and increase the use of laissez-faire leadership style for better performance of their employees.



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