

**Parochial Analysis of Leadership Styles and the Performance of Small and Medium Enterprises in Ondo State, Nigeria**

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**Abstract.** This study investigated the effect of leadership styles on the performance of small and medium scale enterprises (SMEs) in Ondo State, Nigeria. The management of SMEs in Nigeria, particularly, in Ondo State, faces multifaceted challenges that may hinder their effectiveness and survival. The population of the study consisted of 1,026,770 SMEs in Ondo State out of which 400 was drawn as the sample size based on Taro Yamane sample size formula. The study was carried out on 400 respondents through a five point likert scale to analyse their responses on the questionnaire distributed. The sampling technique for this study was the simple random sampling technique. Chi-square ( $\chi^2$ ) and Ordinary Least Square Regression analysis were adopted for the analysis. Findings revealed that democratic leadership style and laissez-faire leadership style had significant and positive effect on SMEs performance in Ondo state while autocratic leadership style has negative relationship on SMEs performance. The study concluded that democratic and laissez-faire leadership styles dominated the operations of most of the managers or owners of the SMEs in Ondo State, Nigeria. The study recommended that SMEs in Ondo state should adopt the democratic style of leadership and humane management practices in order to adequately commit the workforce to the work activities, particularly at this period of socio-economic and political instability of the economy.

**Keywords:** Leadership, Leadership Styles, Democratic Leadership, Autocratic Leadership, Laissez-faire leadership

**Introduction**

The roles of small and medium scale enterprises in the development of the national economy cannot be overemphasized. Small and Medium Scale Enterprises (SMEs) constitute the largest sector producers globally. They are of great significance as a vehicle through which ideas for new products and services make their ways to the consuming public. SMEs are generally assumed to be major economic tools with respect to self-reliant operations, expansive industrialization, and job creating opportunities as well as the facilitation of the process of the diversification of the societal productive base. Perhaps, against this background, this group of enterprises is being given increasing policy attention in recent times in Nigeria.

The Management of SMEs in Nigeria, particularly, in Ondo State, faces multifaceted challenges that may hinder their effectiveness and survival. SMEDAN (2012) emphasised that only about five to ten percent of young SMEs survive and grow to maturity. The report further states that some of these SMEs collapse or fade away within their first five years of existence and another smaller percentage go into extinction between the sixth and tenth year. What then, are the causes of the collapse/failure of these SMEs? Or alternatively, why do most of the SMEs collapse shortly after their emergence? Do the problems of the survival of SMEs relate to that of leadership?

Business failure could be solely attributed to lack of the choice of appropriate leadership style. Every SME needs a leadership style that will determine the levels of owners' participation, as well as the inputs of others (managers or employees) in the decision making process and the way businesses are run. The study by Aliyu (2013) on the effect of

inaccessibility to finance on the survival of SMEs in Niger State, found a significant positive relationship between financial constraint and effective development of SMEs.

Oladele (2013) defines leadership as the possession of a series of abilities and behaviour, which do not necessarily have to be taught but discovered, promoted and developed towards certain objectives in an environment. This view was supported by DuBrin (2001) who sees leadership as a consistent pattern of behaviour and capability of a leader or several individuals at the top of an organization.

According to Ojokuku, Odetayo and Sajuyigbe (2012), the relational perception exists only in relation to others (i.e. followers). This implies that if there are no followers there cannot be any leadership. Implicit in this definition is the fact that a successful leadership in terms of effectiveness would be able to inspire and relate to followers. Ayodele (2015) regards leadership as not necessarily implying holding a position of authority but a formalized position of authority which could greatly facilitate the leadership process. Further, Ayodele (2015) noted that a leader is expected to induce others, particularly, followers to take action in numerous ways such as using legitimate authority, modeling (setting examples), goal setting, rewards/punishment, organizational restructuring, team-building and communicating vision. This indicates that leadership faces various techniques for success or failure.

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

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

Ahmad (2014) used a structured questionnaire to examine the impact of leadership behaviour on the performance of SMEs in Malaysian services industry. The study employed 193 owners and top managers of services in Malaysia using questionnaire to collect primary information. The results revealed that, there were significant relationships between different leadership behaviours and organizational performance of services. Transformational leadership contributed more significantly to the performance of SMEs than transactional leadership behaviour.

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

Abdulazeez (2014) empirically examined the relationship between leadership style and organizational effectiveness in the Nigerian small and medium enterprises. A survey of two hundred and sixty-eight (268) SMEs was undertaken. The self-administered questionnaires were used on these SMEs spread across Lagos State. A total number of 209 copies of the questionnaires were returned and properly filled and subsequently used for the analysis. Descriptive Statistics-T-test and Pearson Product Moment Correlation test were used. Data processing and analyses were carried out with the aid of computer using Statistical Packages for Social Sciences (SPSS). All of the analyses were conducted using 5% level of significance. The results found that the Nigerian SMEs leaders are more autocratic. Besides, workers were less participative as the power distance between business owner and employees was very wide. The study further revealed an insignificant relationship between leadership style and performance of SMEs. These findings cannot be generalized because it used only two styles of leadership and also failed to show how these two styles affected performance of SMEs.

Akoma et al. (2014) examined some leadership styles as determinants of the performance of SMEs in Ogun state, Nigeria. The joint authors used the results therefrom to counsel government in its management of the economy. The study adopted ex-post factor research design and 300 staff were randomly selected from the groups after the four companies had been stratified from the pool of registered companies in the states.

Data were collected using a self-developed questionnaire. Data collected were analyzed using analysis of variance and Pearson Product moment correlation while results were tested at the 0.05 level of significance. The result indicated that, the autocratic leadership style view was not significant with the organizational performance, while the democratic leadership shows a significant relationship with the organizational performance. The result further showed that there is a relationship between autocratic and democratic leadership styles and organizational performance. On the basis of this finding, it was suggested that SMEs manager should adopt a democratic leadership style in order to have maximum profit.

Sabahatin and Liknur (2014) investigated the effects of leadership style on organizational performance in SMEs. Three SMEs were initially selected through stratified random sampling technique from a total of 18 subjectively identified SMEs. The enterprises were stratified according to their respective industries or activities water packaging, restaurant/food canteen services, and wood finish production. Five respondents were randomly selected from each of these three enterprises for a sample size of fifteen (15) respondents. A pilot study conducted on the sample showed that leadership style in two was transactional, while leadership style in the third enterprise was transformational style. Since none was laissez-faire leadership style, the study concentrated on the two leadership styles, and sample size was reduced to ten. The result of the findings shows that transactional leadership style has significant positive effect on performance; while the effect of transformational leadership style on performance is insignificant.

The management of SMEs in Nigeria, particularly, in Ondo State, faces multifaceted challenges that may hinder their effectiveness and survival. According to SMEDAN (2012), only 5% to 10% of young SMEs survive and grow to maturity. It was also reported that SMEs collapse or fade away within their first five years of existence and another smaller percentage go into extinction between the sixth and tenth year. What then, are the causes of the collapse/failure of these SMEs? Or alternatively, why do most of the SMEs collapse shortly after their emergence? Do the problems of the survival of SMEs relate to that of leadership? These questions remained unanswered especially with reference to SMEs in Ondo State. This has created an information gap in this regard. The current study filled this information gap in literature.

## Conceptual and Theoretical Review

### Small and Medium Enterprises (SMES)

SMEs are non-subsidary, independent firms/organizations, which employ fewer numbers of employees. The number of employees varies across countries. SMEs are organizations which can best be described through their capital, scope and cost of projects, annual turnover, financial strength and number of employees amongst other things. The term SME covers a wide range of enterprises differing from country to country. Although there is no universally agreed definition of SME, some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital as well as turnover. Such organizations must and can be registered under any part of the Companies and Allied Matters Act (CAMA) in order to do business in Nigeria. Nevertheless, it is usually advised that SMEs register under Part B of the CAMA.

In the case of this study, the SMEs definition is accepted as small business enterprises and followed as earlier noted in this sub-section. However, it is important to note that whatever the size, employment level, rate of return etc of SMEs, they play an essential role in the economy of a country in term of Job creation, income generation, economic growth and development, provision of goods and services, Contribution to National Income (GDP), Contribution to exports and equitable distribution of income and supply of essential products for mass consumption and exports. The present study critically accepts SMEs in terms of its employees not exceeding 50 people, particularly, in Ondo state.

### Leadership

Leadership is the ability to be a leader or the art of possession of the qualities of a good leader. Ayodele (2015) defines leadership as the possession of a series of abilities and behaviour, which do not necessarily have to be taught but discovered, promoted and developed towards certain objectives in an environment. Ojokuku, Odetayo and Sajuyigbe (2012) see leadership as that kind of direction which a leader could provide to a group of people under him/her so that it would influence the behaviour of another individual or a group of people.

Ayodele (2015) identified three categories of leadership as (i) Leadership as a Relational Concept which exists only in relation to others (i.e. followers) in which case, if there are no followers there can be no leadership; (ii) Leadership as a Process which sees leadership as not necessarily implying that a person is holding a position of authority but a formalized position of authority which could greatly facilitates the leadership process and (iii) Leadership as a Requirement of Inducement where a leader is expected to induce others, particularly, followers to take action in numerous ways such as using legitimate authority, modeling (setting examples), goal setting, rewards/punishment, organizational restructuring, team-building and communicating vision.

### Leadership Styles

Leadership style refers to the approach used by managers to exercise their leadership functions. It is a particular behaviour adopted by a leader to motivate his or her subordinates to achieve the objectives of the organization (Armstrong, 2012). Leadership style is the way and manner in which a manager or supervisor chooses to act towards his employees or subordinates and the way the leadership function is being carried out by them (Mullins, 2000). Leadership style plays an important role in the process of the development of organizations. Three types of leadership styles are identified:

(i) Authoritarian leadership which arises in situation of emergency and where similar work forces are involved and the leader is the most knowledgeable member of the group. This style uses force to impose his/her ideas on followers. The authoritarian leaders are also known

as autocratic leaders. Such leaders provide clear expectations for what needs to be done, when it should be done, and how it should be done. Authoritarian leaders make decision independently (Dimitrios & Athanasios, 2014). Authoritarian leadership style is best applied in situations where there is little time for group decision-making. This type of leadership style lacks creative ideas in finding solutions to problems. It could therefore eventually affect and hurt the performance of the organization (Kendra, 2015).

(ii) Democratic leadership style which allows followers to have a say in management. It offers supports to the subordinates in order to achieve or accomplish task. Democratic leadership is a leadership style that encourages employees to participate in decision-making process in the organization. It is also known as participative leadership style. A democratic manager/leader keeps his employees informed about everything that affects their work. Besides such a manager allows employees to have a view in the decision-making and problem solving responsibilities (Swarup, 2013). There is the notion that subordinates share a sense of responsibility in this approach for the organization when they are given the chance to participate actively in decision making (Veronica, 2013). This type of leadership style contributes immensely to organizational effectiveness.

(iii) Laissez-faire is another identified style of management which gives freedom to followers to choose appropriate workplace solution. Laissez-faire leadership style is also known as delegate leadership. It is a type of leadership style in which leaders are hands-off and allow group members to make the decision while providing no direction or assistance to the followers except their attentions are needed (Goddy, 2014). This style of leadership provides complete freedom to the employees and decisions are taken within the team by the group together.

In this leadership style, the power and authority is given to the subordinate and they determine the goals, make decisions, and find solutions to organizational problems on their own (Swarup, 2013). Laissez-faire can be appropriate and effective in situations where group members are highly skilled, motivated and capable of working on their own. Alan (2013) opined that a laissez-faire leadership style can be effective if the leader monitors performance and gives feedback to team member.

### **Douglas McGregor Theory X and Theory Y**

The X and Y theory was developed by Douglas McGregor in 1960. Douglas McGregor was a teacher, researcher and consultant whose work was considered to be "on the cutting edge" of managing people. The most publicized concept of McGregor's thesis is that leadership strategies are influenced by a leader's assumptions about human nature. As a result of his experience as a teacher-cum-researcher and consultant, McGregor summarized two contrasting sets of assumptions made by managers in an organization. These assumptions are:

**Theory X Management:** Theory X management assumes that the average human being naturally dislikes work and will avoid it if possible. Because of this human characteristic of dislike of work, most people must be controlled, directed and threatened with punishment to get them to put their possible best towards the achievements of organizational objectives. The theory further assumes that an average human being prefers to be directed, in order to avoid any responsibility that has relatively little ambition, under perfect security. Against this backdrop, managers tend to deny employees' control over their work environment and use methods of influence that are direct and harsh.

**Theory Y management:** The effective operations of a manager/leader under theory Y is based on some assumptions that:

(i) The cost of physical and mental effort in work is natural and under proper conditions, a worker learns not only to accept but to seek responsibility. The capacity to exercise a relatively high level of imagination, skill and creativity in the solution of organizational

problems is widely, not narrowly distributed in the population and the intellectual potentialities of the average human being are only partially utilized under the conditions of modern industrial life.

(ii) External control and threat of punishment are not the only means for bringing about efforts towards organizational objectives.

It could be inferred from this theory that, the factors that influence practical managers/leaders in choosing a leadership style, which could in turn impact positively or negatively on the subordinates, and therefore on the entire organization could be identified. By implications, managers or leaders who believe in Theory X assumptions tend to adopt the autocratic type of leadership style. The administration of such leaders would centralize on control. However, those who accept theory Y would tend to adopt democratic leadership style.

McGregor warned leaders/managers viewing the theory as representing two opposite extreme styles of leadership. But instead, recommended that an effective owner-manager should recognize the dignity and capabilities, as well as the limitations of employees and adjust behaviors as demanded by the situation. In the case of Theory X, the owner-manager would seem to keep most of the power and authority in an organization, while, in the case of Theory Y, the owner-manager would take suggestion from workers, but would retain the power for making decision.

The current study is therefore anchored on Douglas McGregor Theory X and Theory Y.

### Methodology

The research design adopted was couched under descriptive survey design relying on structured questionnaire for the collection of primary data. In this regard, structured questionnaire was used to collect primary data from the respondents. The most current population of the SMEs from where samples were selected was derived from the results of the collaborative survey of Ondo state, Nigeria, by SMEDAN (2017). Table 1 shows the statistical information of these registered SMEs on city-bases. It is apparent from the table that Akure Area had the highest registered number of SMEs with 210,000 SMEs. This is followed by Ode Aye, Ilaje Ese-Odo, Ondo Area, and Idanre Area in that order respectively.

**Table 1. Registered SMEs in Ondo State, Nigeria**

No	SMEs Zone in Ondo State	Population	Sample
1	Akure Area	210,000	82
2	Ode-Aye	160,000	62
3	IlajeEse-Odo	146,647	57
4	Ondo Area	130,000	51
5	Idanre Area	110,010	43
6	Owo Area	105,000	41
7	Okitipupa	75,000	29
8	Akungba	55,113	21
9	Ikare Area	25,000	10
10	Igbara-Oke	10,000	04
	<b>Total</b>	<b>1,026,770</b>	<b>400</b>

Source: SMEDAN (2017)

The study adopted the random sampling techniques in which each sample has an equal chance of being selected. The Taro Yamane (1964) formula was applied to determine the sample size from each of the ten locations. The results of the application of this Taro Yamane are also shown in Table 1. The formula is herewith shown in what follows:

$$n = \frac{N}{1 + Ne^2}$$

Where;

n = Sample Size of the SMEs

N = Population of SMEs in Ondo State

e = Margin of Error of 5%

and substituting the values

$$n = \frac{1,026,770}{1 + 1,026,770(0.05)^2} = \frac{1,026,770}{2,567.925} = 399.844$$

Approximately 400 SMEs across the state (i.e. Ondo state)

The data collected were analyzed using descriptive and inferential statistics of Chi-square and Ordinary Least Square (OLS) regression technique.

### Model Specification

A model was developed to show the relationship between the dependent variable; SMEs performance (SP) and the independent variable; leadership styles (Xs).

$$SP/Y = f(X_s) \quad (1)$$

It is important to note that Xs are of three types. These are

X<sub>1</sub> = Authoritarian Leadership Styles (ALS),

X<sub>2</sub> = Democratic Leadership Styles (DLS),

X<sub>3</sub> = Laissez-faire Leadership Styles (LLS)

$$Y = f(X_1, X_2, X_3) \quad (2)$$

In the regressive analytical form equation 2 transforms to equation 3

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + U \quad (3)$$

Where U = error term

It is also assumed that there are several instruments including Sales Growth (SG); Research and Development (R&D) and Effective Communication (CF) which influence Y. That is SP/Y could be influenced by RD, CF and SG etc. These influencing factors are incorporated with the various forms of Xs.

### Results and Discussion

**Table 2. Respondents' responses for the relationship between authoritarian leadership style and SMEs performance**

			(SMEs) Performance					Total
			SD	D	U	A	SA	
Authoritarian Leadership Styles	SD	Count	2	2	2	0	0	6
		Expected Count	.2	1.0	1.8	1.4	1.6	6.0
	D	Count	2	4	16	5	8	35
		Expected Count	.9	6.1	10.4	8.3	9.3	35.0
	U	Count	3	9	12	17	18	59
		Expected Count	1.5	10.3	17.5	14.0	15.7	59.0
	A	Count	0	13	34	24	20	91
		Expected Count	2.4	15.8	27.0	21.6	24.3	91.0
	SA	Count	0	19	16	18	26	79
		Expected Count	2.0	13.8	23.4	18.7	21.1	79.0
	Total	Count	7	47	80	64	72	270
		Expected Count	7.0	47.0	80.0	64.0	72.0	270.0

Source: Reseacher's Field Survey (2020)

Table 2 shows the cross tabulation data gathered to examine whether a significant relationship exists between Authoritarian Leadership style and the SMEs Performance in Ondo State. The data in the table was based on responses of the respondents on the questionnaire distributed. The table shows that the observed value and expected value with Strongly Agree (SA) (79), Agree (A) (91), Undecided (U) value (59), Disagree (D) (35) and Strongly Disagree (SD) (6) on SMEs performance through authoritarian leadership styles. This indicates that majority of the respondents agreed that there is a strong relationship between authoritarian leadership style and SMEs performance. The result of the test of this view with Chi-square is shown in Table 3.

**Table 3. Chi-Square result for the relationship between authoritarian leadership style and SMEs performance**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	49.958 <sup>a</sup>	16	.000
Likelihood Ratio	41.190	16	.001
Linear-by-Linear Association	4.348	1	.037
N of Valid Cases	270		

Source: Reseacher's Field Survey (2020)

Rule: (P<0.05)= Null Hypothesis will be rejected; (P>0.05)= Null Hypothesis will be accepted

The Chi-Square ( $\chi^2$ ) value result shows that there exists a significant relationship between Authoritarian Leadership Style and SMEs performance in Ondo States. The Chi-Square ( $\chi^2$ ) value was 49.958. This was greater than the table value of 26.296 and significant at 0.05(5%). The Chi-Square value also depicted a strong relationship between Authoritarian Leadership style and SMEs performance in Ondo state. It was concluded that there was a strong significant relationship between authoritarian leadership style and SMEs performance in Ondo state.

**Table 4. Respondents' responses for the relationship between democratic leadership styles and SMEs performance**

			Democratic Leadership Styles					Total
			SD	D	U	A	SA	
SMEs Performance	SD	Count	0	2	4	1	0	7
		Expected Count	.0	.5	2.0	2.2	2.2	7.0
	D	Count	1	4	19	12	11	47
		Expected Count	.2	3.7	13.6	15.0	14.6	47.0
	U	Count	0	8	34	14	24	80
		Expected Count	.3	6.2	23.1	25.5	24.9	80.0
	A	Count	0	4	13	27	20	64
		Expected Count	.2	5.0	18.5	20.4	19.9	64.0
	SA	Count	0	3	8	32	29	72
		Expected Count	.3	5.6	20.8	22.9	22.4	72.0
	Total	Count	1	21	78	86	84	270
		Expected Count	1.0	21.0	78.0	86.0	84.0	270.0

Source: Reseacher's Field Survey (2020)

Table 4 shows the cross tabulation of the data gathered on the relationship between Democratic Leadership styles and the performance of SMEs in Ondo State. The table shows that the observed value and expected value with Strongly Agree (SA) (72), Agree (A) (64),

Undecided (U) (80), Disagree (D) (47) and Strongly Disagree (SD) (7). This apparently revealed that a democratic leadership style has strong relationship with SMEs pResearcher's performance. This view was further confirmed using tested the Chi-square analysis as shown in Table 5.

**Table 5. Chi-Square for the relationship between democratic leadership styles and SMEs performance**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.536 <sup>a</sup>	16	.000
Likelihood Ratio	47.942	16	.000
Linear-by-Linear Association	22.586	1	.000
N of Valid Cases	270		

Source: Researcher's Field Survey (2020)

Rule: (P<0.05)= Null Hypothesis was rejected; (P>0.05)= Null Hypothesis was accepted

The Chi-Square ( $\chi^2$ ) result shows that there was a significant relationship between democratic leadership styles and SMEs performance in Ondo States. The Chi-Square ( $\chi^2$ ) value was 46.536 which was greater than the table value of 26.296 at 0.05(5%) significance level. It was concluded that a strong positive relationship existed between Democratic Leadership Style and SMEs performance. In addition, the Ordinary Least Square (OLS) Regression analysis revealed a positive significant relationship between Democratic Leadership Style; Laissez-faire Leadership style and performance while it showed a negative significant relationship between Authoritarian Leadership Style and Performance as presented in Table 6.

**Table 6. Results of Ordinary Least Square (OLS) Regression**

Explanatory Variables (Xs)	Y= SMEs Performance		
	Coefficient	T-stat	Prob (P-Value)
Constant (Intercept)	1.807	5.489	.000
Authoritarian (ALS)	-.003	-.054	.957
Democratic (DLS)	.230	3.529	.000
Laissez-faire (LLS)	.183	2.959	.003
F-statistics	11.342 (3, 267)		0.000
R	0.737		
R <sup>2</sup>	0.713		
Adjusted R <sup>2</sup>	0.703		
Durbin-Waston	2.013		

Source: Computation from SPSS (2020)

Dependent Variable: SMEs Performance

Predictors: Authoritarian Leadership Styles (ALS); Democratic Leadership Styles (DLS); Laissez-faire Leadership Styles (LLS).

**Table 7. A-priori expectation for models**

Variable(s)	Expected Sign	Estimate	Remarks
(ALS)	(-)	$\beta_1 < 0$	Conform
(DLS)	(+)	$\beta_2 > 0$	Conform
(LLS)	(+)	$\beta_3 > 0$	Conform

Source: Author's Computation (2020)

### Discussion of Findings

Table 6 shows that authoritarian leadership style has impact on SMEs performance in Ondo State; however, it was not significantly related to the performance. This was evidenced from the negative coefficient of -0.003 with the corresponding t-statistics value of 0.054 greater than 2.8385 at two tail. This finding implies that an increase in the level of authoritarian leadership style when applied would bring about 0.3% decrease in the performance of SMEs in Ondo State. This finding is in line with the work of Akoma et al. (2014) that authoritarian leadership style has an indirect significant relationship with the performance of SMEs. However, the finding disagrees with the work of Ahmad (2014) who documented that a direct and significant relationship exists between authoritarian leadership style and employees' performance.

The direct coefficient value of 0.230 with the t-statistics of 3.529 which is greater than 2.8385 at two tail level in Table 6 shows that democratic leadership style has a direct significant effect on SMEs performance. This finding signifies that a unit per cent increase in the level of democratic leadership style would bring about 23% increases in the SMEs performance in Ondo State. This finding is in line with the work of Ahmed (2014); Oladele (2013); and Veronica (2013) who found a positive and significant relationship between democratic leadership style and SMEs performance.

Finally, laissez-faire leadership style has significant effect on the performance of SMEs. This is evidenced from the positive coefficient value of 0.183 with the t-statistics value of 2.8385 at two tail significance level. This shows that laissez-faire leadership is one of the most important predictor of SMEs performance in Ondo State. The result of this work is in conformity with the work of Nwokocha and Iheriohanma (2015) who found a positive and significant relationship between Laissez-faire leadership style and firms' performance.

However, the finding is not in line with the work of Bizhan and Vahid (2013); Beatty and Quinn (2014) who documented a negative relationship between Laissez-faire leadership style and firms' performance. It is apparent from the regression results in Table 6 that R and R<sup>2</sup> are 0.737 and 0.713 respectively while the adjusted R<sup>2</sup> is 0.703. These figures confirm good fit of the model. That is, the independent variables explained above 70% of the influencing factors of the independent variables. These suggest that the independent variables (SMEs) had explained above 70% of the causes of changes in the dependent variable (Y=SMEs Performance).

Furthermore, it signified that the overall effect of leadership style on SMEs performance was justified. The robustness of the model is shown in F-stat with 11.342 (3,266) at 0.000 level of significance (P<0.05). On the basis of analysis, the study revealed that leadership style (i.e. Democratic Leadership Style and Laissez-faire Leadership Style) had significant impact on determining the profitability and performance level of SMEs in Ondo state through sales growth, effective communication and research and development in those enterprises. The growth of the business is a determinant factor for success.

### Conclusion and Recommendation

The study concluded that there were significant positive relationships between laissez-faire leadership and business performance and democratic leadership and business performance. The study also concluded that autocratic leadership was negatively correlated with business performance. It can therefore be generalised and concluded that democratic and laissez-faire leadership styles dominated the operations of most of the managers or owners of the SMEs in Ondo State, Nigeria.

Based on the findings and conclusion from the study, it was recommended that SMEs in Ondo state should adopt the democratic style of leadership and humane management practices

in order to adequately commit the workforce to the work activities, particularly at the period of socio-economic and political stability of the economy.

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