



Research Paper

Leadership Style and Small Business Survival in Nigeria

Emezi Charles Nwaneri^a, Muruako Jonas Chigozie^b, Nwankwo Patience
Chinamaka-Onyekwere^c and Mmadubuko Chizoba Perpetua^d

^{a-d} Department of Business Administration and Management, School of Business and Management Technology,
Federal Polytechnic Nekede, Owerri, Nigeria.

ABSTRACT

The research work on 'leadership style and small business survival in Nigeria' made use of qualitative and quantitative research methods. Data was collected from primary and secondary sources. The primary source was collected by the use of questionnaire and unstructured interview. The secondary data was collected from sales records, employment form and profit before tax. The researchers used multiple regression analysis, ANOVA and Pearson correlation for data analyses. The study was carried out at Aba in Abia State of Nigeria. The study only used small businesses in the area and leave out the medium and large scale. Random sampling method was used to select 30 small scales out of the 962 active ones. And 4 employees were randomly selected. The result of the analyses shows significant relationship between leadership style and small business survival. And among the two leadership styles, of transformational and transactional, transformational leadership style give a positive correlation at 0.002. The researchers recommend that, small business owners and managers should adopt transformational leadership style. But where the situation call for transactional leadership they should also adopt it. In summary to should adopt a flexible leadership styles.

KEYWORDS: Leadership style, small business survival, transformational leadership, transactional leadership, small business failure and business environment.

Received 02 August, 2021; Revised: 14 August, 2021; Accepted 16 August, 2021 © The author(s)
2021. Published with open access at www.questjournals.org

I. INTRODUCTION

Nigeria business environment is not without it challenges, which make it unique and dynamic. Every business environment in the world has its own uniqueness which nurtures businesses no matter how big or small. Failure to over look these variables/factors, the business will surely fail. Naturally no business environment is positioned to cause the failure of business operating in it.

Data collected from personal interview with business owners and their workers in Aba (the entrepreneur hub of Abia State). On the challenges they face on running their business and ensuring it survival. Generally, they all mention:

- Lack of capital
- Difficult access to bank loan
- High operating cost
- Poor sales
- High competition
- Lack of experience

But only few among the employee made mentions of not liking the way their boss is running the business as if without him or the business they are nothing. They decried poor human relation and leadership in the face of storm. Leadership is the ability to provide directions irrespective of the situations.

The issue of lack of capital, poor sale etc is an issue facing Nigeria business environment as a result of economy recession in 2015 – 2017. The nation is in the economy recovery stage and we run a mono-economy, government revenue is highly dependent on oil. To address and speed-up economy recovery the present administration set up Nigeria Economic Recovery and Growth Plan 2017 – 2020.

The economic, technological, cultural etc will always exist in the environment and the government will try to restart the economy whenever it enters recession, but the leadership crisis in small business is what the entrepreneur will address and this is pure a matter of internal environment. Babandi (2017) reported the findings of Karanja et al. (2013) that “the success of managing small businesses is more on policies and internal factors than on market buoyancy and external influences”. This support resource based view position, which stressed on internal core competence as the true and sustainable source of competitive advantage. “Leadership is one aspect which shapes the survival of businesses” Babandi (2017).

Small business owners are the backbone of Nigeria industrialization, but industrialization cannot be achieve in a situation where the Corporate Affair Commission release list of 38,717 companies to be delisted in 2015 only. Why is so much companies enlisted to be delisted? This question quickens the interest of the researchers to know what factor contributed more to the small business failure.

Ugwushi (2009) in his research on “SMEs Key Failure-Factors: A Comparison between the United Kingdom and Nigeria” established the followings factors to be influencing business failure in Nigeria: Disasters, Competition, Infrastructure, Taxes, Accounting, Management, Marketing, Economic, Planning, and Finance. But his research does not look into the leadership problem in small business. He used questionnaire in data collection and his questionnaire does not examine the leadership styles in small business.

The research of Asekunowo and Obembe () presented a conceptual framework on the causes of business failure as adapted from Pretorius M. (2008). And is presented bell

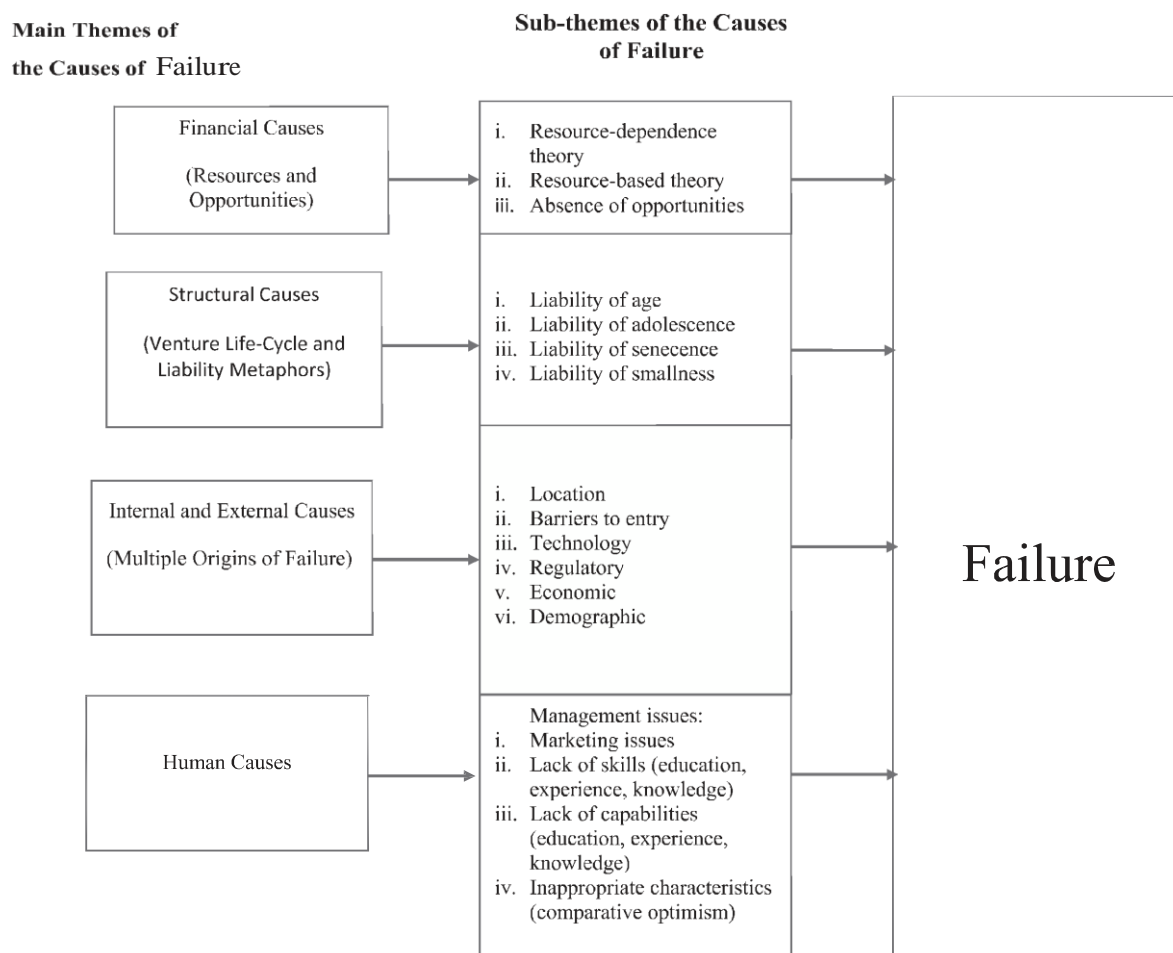


Figure 1: Conceptual Framework of Causes of SMEs’ Failure

Sources: Adapted from Asekunowo, V. O. and Obembe, J. J. () “Unravelling the Causes of Small and Medium-sized Enterprises’ (SMEs’) Failure in the Akure Metropolis and Adjoining Communities of Ondo State, Nigeria”, *African Journal of Management Research (AJMR)*. As adapted from Pretorius M. (2008).” Critical Variables of Business Failure: A Review and Classification Framework”, *SAJEMS* NS 11, No. 4, pp. 408-430

In the cause of this research, the research will test the following hypothesis:

Ho: There is no significant relationship between leadership styles and small business survival.

II. LEADERSHIP STYLE AND BUSINESS SURVIVAL

According to the work of Saxena, Desanghere, Stobart & Walker (2017), presented the leadership styles to include: visionary, coaching, Affiliative, Democratic, Pacesetter, and Commanding. The work is on “Goleman’s Leadership styles at different hierarchical levels in medical education”. The study review to identify leadership style that is appropriate in medical practice and not all medical practice are classified as big business some of them are also small business. They conclude the “top three most frequently used leadership styles across all leadership levels were democratic, coaching and visionary (authoritative) styles”. They also establish that the “three styles are highly positive, and create resonance within the organizations with the potential to boost performance”. The three leadership style, are also recommended for small business. Esowe, Ilori, Kabir and Udo (2017), in their research report that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance...” Small businesses really need the benefit of visionary leadership.

Alkahtani, Abu-Jarad, Sulaiman and Nikbin (2011), research on “the impact of personality and leadership styles on leading change capability of Malaysian managers”. They presented the various leadership style as; Authoritarian (Autocratic), Participative (Democratic), and Delegative (Free Reign) Known as (Laissez Faire). The autocratic leadership style, the leader tells the staff what to do and how to do it. The autocratic leader gives order or instruction to his employee, without expecting their input. The feedback they expect is mission accomplished. During the cause of the research, the employees interviewed, about 70% of them explain that their managers/owners do not like to hear their input or contribution about an issue. And they expect high level of disaffection. Democratic leader, involve the participation of their employees (with expertise) in decision making. This is a kind of Management By Objective (MBO), decisions are jointly made and goals are agreed upon jointly. The free reign leadership style, the leader allows the employee to make decision, but provide them direction and take responsibility for the outcome of the decision Alkahtani, et.al (2011).

Preda and Stan (2016), present a comparative outlook on the main characteristics of autocratic and democratic leadership model in a table below:

Table 1: A comparative outlook on the main characteristics of autocratic vs. democratic leadership models

Criteria	Autocratic model	Democratic model
1. Main focus	Tasks/achievement (functional, instrumental)	People (expressive, relational)
2. Decision making approach	Non-participative, directive	Participative, progressing through consultation with stakeholders
3. Authority	Centralized (prefers to control him/herself everything)	Decentralized, delegated, inspires trust, gains social capital
4. Problem solving approach	Conflict/confrontation	Cooperation /negotiation
5. Motivation strategy	Extrinsic and negative (based on punishments)	Intrinsic and positive (based on rewards)
6. Values promoted	Work, conformism	Autonomy, sense of personal significance, free expression, creativity
7. Group/followers’ profile	Low-skilled Low committed	Highly skilled Highly committed
8. Attitude towards change	Avoidance, maintains status-quo	Innovates, actively seeks transformation
9. Perspective on risk	Defensive, regards them as threats	Assumes risk as trial and error, opportunities for learning and evolution

Source: Preda and Stan (2016) as quoted from Preda (2006, pp. 100-101)

Mwenje and Mwenje (2016) identify transformational and transactional leadership styles are important for the survival of organizations. Okyere (2017) defines transformational leadership according to Arif and King (2013); transformational leadership is based on the premise that leaders inspire the team with vision and give direction by motivating and encouraging subordinates to achieve organizational goals. Okyere (2017) present the summary of the characteristic of transformational leader as: (i) charisma or idealized influence: this reflects a the leader’s ability to create and present an attractive vision for the future and to use emotional arguments that tend to elicit pride, respect, trust, enthusiasm, and loyalty from subordinates; (ii) inspirational motivation: the ability of the transformational leader to inspire and motivate the followers to the direction and vision set by the leader; (iii) intellectual stimulation: here the transformational leader stimulates innovation and creativity among

followers... (iv) personal and individual attention: the degree to which the leader attends to each and every individual's needs, and acts as a mentor or coach and gives respect to and appreciation of the individual's contribution to the team. This fulfils and enhances each individual team member's needs for self-fulfillment, and by so doing inspires followers to further achievement and growth. Babandi (2017), report that the ability of a leader to employ this characteristic will help in positioning the small business in the market.

A transactional leadership style is in various forms, constructive, corrective and passive form Yousif and Hossan (2016). In the constructive form, it is enhanced by working with individuals, people, team etc in establishing of objectives for the organization or specific task. In the corrective transactional leader is directly involve in establishing standard and taking corrective actions where needed. The passive form, the leader is somehow in the sideline watching the employee takes imitative in a given situation and only get involve when things are not going as planned. Kaboyi (2018), report that, they use reward and punishment to gain compliance from followers; they accept goals, structure and the culture existing in the organization. He also reports that they are mostly passive.

Transformational and transactional leadership styles, we be used as the operational variables for the study.

III. RESEARCH METHODOLOGY

The research work adopted a quantitative and qualitative approach to data collection and analysis in examining the relationship between leadership styles and small business survival in Nigeria, using SME's in Aba Abia state. Aba is a city of creative and entrepreneurship, having large cluster of small and medium scale businesses, which most of the founders use local technology and materials to operate their businesses. The choice of Aba, was made because of it growth rate and rising national interest as an up-coming industrial city and business hub.

The researchers, used questionnaire to collect primary data and sale records, rate of employment (employment form) and profits before tax to collect secondary data (time-series data) from 2012 - 2018. Unstructured interview method was used to solicit responses from the respondents. It must be noted that, some people interviewed are not part of the sample and this is done with the purpose of getting more insight to the issue under considerations. Some of those not within the sample interviewed are mainly their customers that where meet on sight.

The population made-up of small businesses in the Aba, Abia State of Nigeria. 1,769 small businesses were operating in Abia State (SMEDAN and NBS collaborative survey: Selected Findings, 2013). 962 where active in Aba, out of which 35 were randomly sampled. It should be noted that businesses with data not within 2012 – 2018 were set aside. From each of the 35 small businesses, 4 employees were further selected randomly as respondents to the research instruments.

In testing the hypothesis, researchers used simple regression analysis, ANOVA and Pearson Product Movement Correlation. The researcher used Gretl statistical tools. The model specification for the regression analysis is given as:

$$SBS = f(Ls)$$

Where: *SBS* = Small Business Survival;

Ls = leadership style;

$$Ls = f(Trs, Trf)$$

Where: *Ls* = leadership style; *Trs* = transactional leadership style; *Trf* = transformational leadership style.

The model is therefore given as:

$$SBS = \beta_0 + \beta_1 Ls + \mu$$

SBS = Small Business Survival (Dependent Variables);

Ls = leadership style (Independent Variable)

μ = Error term or disturbance term assumed to have all the normality properties (i.e Constance variance and uncorrelated with the explanatory variable)

β_0 = Intercept parameter

β_1 = Regression coefficient

IV. DISCUSSION OF FINDINGS

Table 2. Leadership regression model summary.

Model	R	R ²	Adjusted R ²	Std. error of the estimate
1	0.704	0.554	0.413	1.320

From the regression output in table 2 above, the R= 0.70 shows that there is positive relationship between leadership style and small business survival..

The adjusted R² or coefficient of determination of 0.55 shows that about 55% of the variation in small business survival is explained by the predictor variable leadership style. The unexplained variation of 45% is as result of variables outside the model.

Table 3. Analysis of variance between Small business survival and leadership.

Model	Sum of squares	Df	Mean square	F	P
Regression	53.6	1	61.3	48.9	0.000
1 Residual	97.2	118	1.6		
Total	159.4	119			

In tables 3 above, the F ratio is 48.9 calculated and the critical values is 6.855 and 2.749 at 1% and 10%. From the result, at 1% and 10% the explanatory variables are significant in the model. We therefore reject the null hypothesis and accept that, there is significant relationship between leadership styles and small business survival.

Table 4. Pearson correlation between Small business survival and leadership style.

Pair 1	Correlation	P
Small business survival and leadership style	0.704	0.000

Table 4 present the the Pearson Correlation between Small business survival and leadership style. The result give a positive correlation (0.704) and the correlation has statistical significant (0.000 < p < 0.05).

Table 5. Coefficients of transformational and transactional leadership styles.

Model	Unstandardized coefficients		Standardized coefficients	t	p
	B	Standard error	Beta		
(Constant)	3.635	0.421		8.496	0.000
1 Transformational	0.793	0.061	0.947	21.217	0.002
Transactional	0.074	0.061	0.086	1.360	0.076

From the result in table 5 above, the transformational leadership style significantly affect the small business survival (0.002 < p < 0.005), transactional leadership style in not strategically significant (0.076 > p > 0.005). The result confirmed the findings of Yanney (20..).

V. CONCLUSION AND RECOMMENDATIONS

Small business is very vital to the development of the economy, if only they can be nurtured to medium and onward to large scale. Small business brings out the ingenuity in a man/woman as an entrepreneur. Many small businesses are started every year, but few make it to the next five years or developed to medium business. Many problems have been identified as the cause of the problems such as: poor start-up capital, lack of managerial experience and poor economic performance Asekunowo, V. O. and Obembe, J. J. (___), and Ugwushi (2009).

The report of Babandi (2017), explained that the problems of small businesses is mainly the associated with the internal environment. The problems in the external environment are what motivated the start of small businesses and findings indicates, that the leadership style adopted by the managers of these businesses greatly affects the survival of the business. Therefore, the researchers recommend that:

- Managers should respect their employees; they are the backbone of the organizations.
- Managers should not restrict to one particular style of leadership, but should be flexible.
- Good customers relations, is very vital in small organizations.
- As much as possible, health business environment should be encouraged.
- Small business owner or manager must have a clear target.

REFERENCES

- [1]. Alkahtani, A. H., Abu-Jarad, I., Sulaiman, M. & Nikbin, D. (2011). The impact of personality and leadership styles on leading change capability of Malaysian managers, *Australian Journal of Business and Management Research* (1), 2, 70 – 99.
- [2]. Asekunowo, V. O. and Obembe, J. J. ().Unravelling the Causes of Small and Medium-sized Enterprises' (SMEs') Failure in the Akure Metropolis and Adjoining Communities of Ondo State, Nigeria, *African Journal of Management Research (AJMR)*,p. 71 -93.
- [3]. Aziz,R. A., Abdullah, M. H., Tajudin, A., & Rosli, M. (2013). The effect of leadership styles on the business performance of SMEs in Malaysia, *International Journal of Economics, Business and Management Studies*,
- [4]. Babandi, I. G. (2017). Critical Challenges Facing Small Business Enterprises in Nigeria: A Literature Review, *International Journal of Scientific & Engineering Research*, (8) 8, pp. 1 – 13.
- [5]. Fatoki, O. (2014).The causes of the failure of new small and medium enterprises in South Africa, *Mediterranean Journal of Social Sciences*, (5) 20 p. 922 – 927. Doi:10.5901/mjss.2014.v5n20p922
- [6]. Igwe, P. A., Amaugo, A. N., Ogundana, O. M., Egere, O. M. & Anigbo, A. J. (2018). Factors Affecting the Investment Climate, SMEs Productivity and Entrepreneurship in Nigeria, *European Journal of Sustainable Development* (2018), 7, 1, 182-200. Doi: 10.14207/ejsd.2018.v7n1p182
- [7]. Mwenje J. & Mwenje, E. (2017). Leadership styles in organizations during harsh economic environments, *African Journal of Business Management*, 11(2), pp. 27-46, 28 January, 2017; DOI: 10.5897/AJBM2016.8151.
- [8]. Obadan J. A. & Ohiorenoya, J. O. (2013). Succession planning In small business enterprises In Edo State of Nigeria, *European Scientific Journal* (9) 31.
- [9]. Okafor L. I., Onifade T. A. & Ogbechi A. D. (2018). Analytical review of small and medium scale enterprises in Nigeria, *International Journal of Small Business and Entrepreneurship Research* (6), 2, pp.32-46.
- [10]. Preda, M. & Stan, O. M. (2016). Leadership styles during crisis: 'we're all in this together... the crisis as new normality', *Transylvanian Review of Administrative Sciences*, pp. 55-74.
- [11]. Rijal, S. (2016). Leadership style and organizational culture in learning organization: a comparative study, *International Journal of Management & Information Systems* (20) 2, p. 17 – 26.
- [12]. Sergey L. A. (2016).“Survival” of Small Enterprises in a Vague Environment of Emerging Economy, *International Journal of Humanities and Cultural Studies*, <http://www.ijhcs.com/index.php/ijhcs/index> pp. 824 - 839.
- [13]. Susannash, L. E., Gbenga E. I., Kabir A. & Ekanem E. U. U. (2017). Leadership Styles of Chief Executive Officers and Growth of Business Organizations, *International Journal of Social Sciences and Management Research* (3)1.
- [14]. Uchenwamgbe B. P. (2013). Effects of leadership style on organizational performance in small and medium scale enterprises (SMEs) in Nigeria, *European Journal of Business and Management*, (5) 23, p. 53 – 73.
- [15]. Ugwushi B. I. (2009). SMEs Key Failure-Factors: A Comparison between the United Kingdom and Nigeria, *J Soc Sci*, 18(3): 199-207 (2009).
- [16]. Westhuizen J. & Garnett, A. (2014). The Correlation of Leadership Practices of First and Second Generation Family Business Owners to Business Performance, *Mediterranean Journal of Social Sciences*, (5) 20, p. 27 – 38. Doi:10.5901/mjss.2014.v5n21p27
- [17]. Yanney, J.P. (2014) Business Strategy and Leadership Style: Impact on Organizational Performance in the Manufacturing Sector of Ghana. *American Journal of Industrial and Business Management*, 4, 767-775. <http://dx.doi.org/10.4236/ajibm.2014.412083>
- [18]. Zeleke W. (2013). Analysis of Factors That Affect the Long-Term Survival of Small Businesses in Pretoria, South Africa, *Journal of Data Analysis and Information Processing*, 1, p. 67-84. <http://dx.doi.org/10.4236/jdaip.2013.14008>