

**LEADERSHIP STYLE AND EMPLOYEE PERFORMANCE
IN SOME SELECTED SMALL AND MEDIUM SCALE
ENTERPRISES (SMEs) IN YOLA, ADAMAWA STATE**

BY

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A project report being submitted to the Department, Modibbo Adama University of Technology, Yola in partial fulfillment of the requirements for the award of the degree of Masters in Business Administration (Department of Management Technology, School of Postgraduate Studies).

**AUGUST, 2011
DECLARATION**

I hereby declare that this project report was written by me and it is a record of my own research work. It has not been presented before in any previous application for a higher degree. All references cited have been duly acknowledged.

.....

Date.....

Fadimatu Jalal-Eddeen

DEDICATION

This research is dedicated to my husband and children for their invaluable support, understanding and patience.

APPROVAL PAGE

This project report entitled “Leadership Style and Employee Performance in Some Selected Small and Medium Scale Enterprises (SMEs) in Yola, Adamawa State” meets the regulations governing the award of Masters of Business Administration of Modibbo Adama University of Technology Yola, and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

This study was undertaken to find out the effect of leadership style and employee performance in Small and Medium Scale Enterprises (SMEs) in Yola Adamawa State. The study was conducted in five SMEs (Wampa and Jimeta Bakeries, Cleanstar laundry services, Frankbytes ventures and Lovely and Edible enterprises) with a view to understanding the role leadership plays in such organizations. The objectives of the study are to determine the leadership style of the firms under study, to determine the impact of leadership style in relation to employee performance in the five SMEs, to ascertain the relationship of enterprise with particular leadership style, to determine the interpersonal relationship of managers and employees and to determine the problems encountered by leadership styles in SMEs. Primary and secondary methods of data collection were used. Two hypotheses were tested in the null form: there is no significant relationship between leadership style and employee job performance in the SMEs, and there is no significant relationship between type of enterprise and leadership style in the SMEs. Population size of the study was one hundred and seventy nine comprising twenty one management staff and one hundred and fifty eight employees; the sample of the study was a hundred drawn using stratified random sampling. Data collected were analyzed using percentages, chi square and multiple regression analysis. Results of the study revealed that majority of the respondents were females, and most of the respondents were within the age bracket of 30-39 years. The computed chi square tests for the first and second hypotheses were greater than the tabulated value hence rejecting the two null hypotheses. This implied that leadership style influences employee performance and that there was significant relationship between type of enterprise and leadership style in the SMEs. The regression analysis showed that three out of the ten independent variables used were significant: salary, decision making, and type of firm or business. The study concluded the following: that the predominant type of leadership in the five firms is participative democracy, leadership style has effect on employee performance, motivation enhances planning and control, and that type of enterprise is related to leadership style in the firms. It therefore recommends that for workers to put in their best in any organisation, leaders should be democratic and involve workers in decision making.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It was in mid-1960s that a new approach to developing small and medium-scale enterprises (SMEs) started emerging in the world industrialized countries and has now been recognized worldwide as the engine of growth and development. The new approach to developing the SMEs was due to growing concern over low employment elasticity of modern large-scale production which even with more optimal policies there was inability of the industrial organization to absorb a significant proportion of the rapidly expanding labour force (Chenery et al., 1974; ILO, 1973). In addition to this and although most of the poor were employed in a large variety of small-scale enterprises, poverty was still on the increase and there was inequality in the distribution of the benefits of the economic growth, which was partly attributed to the use of large-scale capital-intensive techniques. It was then suggested that support should be given to those engaged in small-scale businesses to be able to increase their productivity to serve as one way of alleviating poverty (Aftab and Rahim, 1989), hence a new role for small and medium scale industries.

It is important to mention here that small, labour-intensive industries were seen not only to increase employment, but also to increase living standards of the poor with a view to provide a new dynamic of economic growth. The caveat here is not for the new objective to stop the retreat, but to promote the small-scale sector (Schmitz, 1982; Aftab and Rahim, 1989).

In developing countries, interest in the development of SMEs and their contribution in the development process continue to be in the forefront of policy debates

(Ekpenyong and Nyong, 1992). There are numerous advantages claimed for SMEs and these includes the encouragement of entrepreneurship, the greater likelihood that SMEs will utilize labour intensive technologies and thus have an immediate impact on employment generation. As a result of these advantages, that several countries are given considerable effort to support the SMEs so as to create the necessary employment opportunities, incomes and productive capacity.

In Europe for instance, the number of SMEs which employed 68.6 million people was 16,005,000 as against large enterprises which employed 34.6 million people (The Netherlands, 1997). Furthermore, it has been shown that in 1992, 53% of all jobs in America were held by people working in small businesses (Stoner *et al* 1996). In addition to this, it has been observed that in 1988 – 1990 when large businesses were laying-off people, it was the small businesses that were recruiting.

In India, about 45 % of total export earnings are contributed by micro and tiny enterprises (India Economic Times, 2008). This is the scenario in many developing countries worldwide that the small and medium scale enterprise plays an important role in job creation and income generation. In Nigeria, the National Bureau of Statistics (NBS) has reported unemployment rate as at March 2009 to be 19.7 % out of the entire labour force put at 50,607,355, a figure which rose from 14.9 % recorded in March 2008 (businessdayonline.com, 2010; nigerianstat.gov.ng, 2011).

Therefore SMEs are generally regarded as an important engine driving the growth of many economies as well as providing opportunities for job creation and rural development which accounts for 10 % of the total manufacturing output and 70% of employment in Nigeria (Aderemi, 2003). In view of the importance of SMEs, a sector that has the potential for solving Nigeria's unemployment and poverty problems, it is

important to understand and critically examine the factor(s) impeding its growth to be able to proffer solutions. This would go a long way at identifying the strengths and weaknesses, analyze and assess problems in the SMEs and also provide information on the effects leadership has on employee job performance. The problems identified will help stakeholders and the SMEs take steps and subsequently stem the tide of the rural to urban migration which attracts a large number of youths to the urban centers in search of white-collar jobs. In addition to providing jobs to the greater society, it will also reduce the dire consequences that make unemployed youth indulge themselves into acts of crime and armed conflict. It suffices to say that there are some flaws in the SMEs sector preventing it from achieving the goals they were created for thus making the basis of this research.

1.2 Statement of the Problem

In Nigeria, SMEs virtually rely largely on personal savings to grow and innovate (Ekpenyong and Nyong, 1992). The issue of nepotism and favouritism may not be unconnected to have effect on the overall stable relationships in small business development which can turn into a weakness (Mambula, 2002). This can adversely affect the business by hindering outsiders with technical know-how to partner and improve on the business. Furthermore, SMEs often lack the financial resources to hire experienced specialists leaving the business into a single owner-managed enterprise (Ekpenyong and Nyong, 1992). More so it has been opined that even if the owner is willing to share tasks with outsiders, such functions are often not attractive due to the dominance of the owner. This results in many companies relying solely on the owners' knowledge and vision, which in most cases are limited to his experience. This has been reported by many researchers to be the bane of conflict in many SMEs personal conflicts and personality

clashes, poor leadership style, lack of honesty, stress and clashing values that adversely affects the growth and development of many SMEs in developing countries. SMEs were designed to address these macro economic problems mentioned earlier by providing financial and technical assistance in order to improve these conditions. However, the SMEs face a number of managerial problems which makes it difficult for them to achieve the stated objectives. These problems may not be unconnected to selection of personnel for employment, poor management etc (Ekpenyong and Nyong, 1992; Mambula, 2002). It is against this background that the researcher feels the need to assess the leadership style and its impact on employee performance in SMEs with a view to finding lasting solutions.

1.3 Objectives of the Study

The broad objective of this research is to study the effect of leadership style on employee job performance in some SMEs. The specific objectives are:

- (i) to determine the leadership style of the five (5) firms under study
- (ii) to determine the impact of leadership style in relation to employee performance in the five SMEs
- (iii) to ascertain the relationship of enterprise with particular leadership style
- (iv) to determine the interpersonal relationship of managers and employees
- (v) to determine the problems encountered by leadership styles in SMEs

1.4 Research Questions

The following research questions will be attempted to be answered during the course of the study:

- (i) What type of leadership styles do SMEs employ in Adamawa?
- (ii) In what way does leadership style impacts on employee performance?

- (iii) Does the type of enterprise have any relationship with particular leadership style?
- (iv) Does interpersonal relationship of managers have effect on leadership style?
- (v) What type of problems do SME leadership styles encounter?

1.5 Research Hypotheses

In order to answer the research questions and achieve the objectives of the study, the following hypotheses will be tested in the course of this study.

Hypothesis 1

H0: There is no significant relationship between leadership style and employee performance in the SMES

Hypothesis 2

H0: There is no significant relationship between the type of enterprise and leadership style.

1.6 Significance of the Study

The significance of the study is as follows:

- i. to aid government in policy formulation
- ii. to serve as a reference point to students when kept in the library
- iii. to help SME operators improve on their leadership and managerial styles
- iv. to reduce poverty in the society by creating job opportunities on a wider scale and thus averting the consequences of unemployment on youths that often push them into social vices
- v. to broaden the scope of the researcher and make him understand the different leadership styles in different organizations.

1.7 Scope of the study

This study will be limited to five firms (Wampa and Jimeta Bakeries, Cleanstar laundry services, Frankbytes ventures and Lovely and Edible enterprises) located in Yola, the Adamawa state capital. The research is concerned with leadership style and employee performance in the selected SMEs between the time periods of March 2010 to February 2011.

1.8 Limitations of the study

The study will be limited by memory recall; time constraints and absence of documented records to enable the researcher expand the scope of the research work to capture larger area. The interpretation and use of the findings of this study will therefore take cognizance of these limitations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Leadership characteristics, styles and theories

Leadership is stated as the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task (Chemers, 2002). Alan Keith stated that leadership is ultimately about creating a way for people to contribute to making something extraordinary happen (Kouzes and Posner, 2007). Students of leadership have produced theories involving traits, situational interaction, function, behavior, power, vision and values, charisma, and intelligence among others.

2.1.1 Trait-Spotting Theory: The idea that leadership is based on individual attributes is known as the "trait theory of leadership" this view of leadership trait theory, was explored at length in a number of works. Most notable are the writings of Thomas Carlyle and Francis Galton, whose works have elicited research. Carlyle identified the talents, skills, and physical characteristics of men who rose to power. Galton concluded that leadership was inherited. In other words, leaders were born, not developed. Both of these notable works lent great initial support for the notion that leadership is rooted in characteristics of the leader. McCall and Lombardo identified four primary traits by which leaders could succeed or derail. Emotional Stability and Composure (Calm, Confident and Predictable, particularly when under stress), Admitting error, Good interpersonal skills and Intellectual breadth. In general, these theories have been criticized because it is rather impossible to possess all these traits.

2.1.2 Situational and contingency theories (Context-fitting theory): Context-fitting theory are contingency theories which argues that the leadership effectiveness depends on

the organizational and cultural setting e.g. contingency theory of Fred Fiedler known as the best fit approach, situational leadership of Hersey and Blanchard. Situational theory also appeared as a reaction to the trait theory of leadership. Social scientists argued that history was more than the result of intervention of great men as Carlyle suggested. Spencer (1881) said that the times produce the person and not the other way around. This theory assumes that different situations call for different characteristics; according to this group of theories, no single optimal psychographic profile of a leader exists. According to the theory, "what an individual actually does when acting as a leader is in large part dependent upon characteristics of the situation in which he functions." Some theorists started to synthesize the trait and situational approaches. Building upon the research of Lewin *et al.*, (1939) academics began to normalize the descriptive models of leadership climates, defining three leadership styles and identifying which situations each style works better in.

- (i) The *authoritarian leadership style*, for example, is approved in periods of crisis but fails to win the "hearts and minds" of their followers in the day-to-day management;
- (ii) the *democratic leadership style* is more adequate in situations that require consensus building; finally,
- (iii) the *laissez faire leadership style* is appreciated by the degree of freedom it provides, but as the leader does not "take charge", he can be perceived as a failure in protracted or thorny organizational problems.

Thus, theorists defined this style of leadership as contingent to the situation, which is sometimes, classified as contingency theory. Three contingency leadership theories appear more prominently in recent years: Fiedler contingency model, Vroom-

Yetton decision model, and the Hersey-Blanchard situational theory (Huczynski and Buchanan, 2007).

- (a) The Fiedler contingency model bases the leader's effectiveness on what Fred Fiedler called *situational contingency*. This results from the interaction of leadership style and situational favorableness (later called "situational control"). The theory defined two types of leader: those who tend to accomplish the task by developing good-relationships with the group (*relationship-oriented*), and those who have as their prime concern carrying out the task itself (*task-oriented*). According to Fiedler (1967), there is no ideal leader. Both task-oriented and relationship-oriented leaders can be effective if their leadership orientation fits the situation. When there is a good leader-member relation, a highly structured task, and high leader position power, the situation is considered a "favorable situation". Fiedler found that task-oriented leaders are more effective in extremely favourable or unfavourable situations, whereas relationship-oriented leaders perform best in situations with intermediate favourability.
- (b) Vroom in collaboration with Yetton (Vroom and Yetton, 1973) and Vroom with Jago (Vroom and Jago, 1988), developed a taxonomy for describing leadership situations, taxonomy that was used in a normative decision model where leadership styles were connected to situational variables, defining which approach was more suitable to which situation. This approach was new because it supported the idea that the same manager could rely on different group decision making approaches depending on the attributes of each situation. This model was later referred as situational contingency theory.

- (c) The situational leadership model proposed by Hersey and Blanchard suggests four leadership-styles and four levels of follower-development. For effectiveness, the model posits that the leadership-style must match the appropriate level of followership-development. In this model, leadership behavior becomes a function not only of the characteristics of the leader, but of the followers as well (Kickul and Neuman, 2000).

2.1.3 Style Counselling theories: The assumption behind these theories is that employees will work harder (and therefore more effectively) for managers who employ given types of leadership than they will for managers who employ other styles. The styles usually compared are the authoritarian and democratic dimensions. The major difference between these styles resides in the focus of power. In the authoritarian style, power resides with the leader; he has the authority to make decisions, control, and reward or punish. While in the democratic style, the power and responsibilities are shared in some way or the other. Some of the theories are the Ohio State leadership theory predictions, the pathgoal theory, and the behavioral theory (Handy, 1993).

- (a) The path-goal theory of leadership, according to Huczynski and Buchanan (2007), was based on the expectancy theory of Vroom. According to these authors, the essence of the theory is "the meta proposition that leaders, to be effective, engage in behaviors that complement subordinates' environments and abilities in a manner that compensates for deficiencies and is instrumental to subordinate satisfaction and individual and work unit performance". The theory identifies four leader behaviors, *achievement-oriented*, *directive*, *participative*, and *supportive*, that is contingent to the environment factors and follower characteristics. In contrast to the Fiedler contingency model, the path-goal model states that the four

leadership behaviors are fluid, and that leaders can adopt any of the four depending on what the situation demands. The path-goal model can be classified both as a contingency theory, as it depends on the circumstances, but also as a transactional leadership theory, as the theory emphasizes the reciprocity behavior between the leader and the followers.

- (b) Behavioral Theory of Leadership: The theory was propounded by Blake and Mouton in the early 1960s the managerial grid underlines the need for proper balance between concern for people and concern for task, five leadership styles are enumerated in the managerial grid:
- 1.1- Impoverished management: Minimum effort to get the work done; basically a lazy approach that avoids as much work as possible.
 - 9.1- Authority compliance: strong focus on task, but with little concern for people.
 - 1.9- Country club management: care and concern for the people, with a comfortable and friendly environment style. But a low focus on task may give questionable results.
 - 5.5- Middle of the road management: a weak balance of focus on both people and work. Doing enough to get things done, but not pushing the boundaries of what may be possible.
 - 9.9- Team management: firing on all cylinders, people are committed to task and work is committed to people (as well as task).

Parry and Bryman, 2006 states that these perspectives developed chronologically, trait spotting was popular until the 1940s when inconsistent research findings led to disillusionment. Style counseling was then popular until the late 1960s, but appeared

over simplified in the face of the contingency theories which dominated thinking until the early 1980s. at that point, the new leadership movement emerged towards the close of the twentieths century, several commentators challenged the value of leadership, observing that rapid and radical changes that caused initiative fatigue and organizational destabilization.

It would be wrong to regard each shift in emphasis as replacing earlier accounts. On the contrary, much current development methods still rely on style – counseling the ones and techniques. The contingency theories still offer useful advice on leadership behavior for management. However, leadership responsibilities can be shared among members depending on circumstances. This is the view of the distributed leadership perspective which argues that linking leadership exclusively with savior elite does not accurately reflect organizational practice (Huczynski and Buchanan, 2007).

2.1.4 Transactional and transformational theories: Transactional leadership and Transformational leadership (Burns, 1978) first analyzed the relations between a group and its leadership in terms of transactional analysis. The transactional leader (Burns, 1978) is a leader who treats relationships with followers in terms of an exchange, giving followers what they want in return for what the leaders desires, following prescribed tasks to pursue established goals. It gives opportunity to the manager to lead the group and the group agrees to follow his lead to accomplish a predetermined goal in exchange for something else. Power is given to the leader to evaluate, correct and train subordinates when productivity is not up to the desired level and reward effectiveness when expected outcome is reached.

The transformational leader (Burns, 1978) motivates its team to be effective and efficient. Communication is the base for goal achievement focusing the group on the final

desired outcome or goal attainment. This leader is highly visible and uses chain of command to get the job done. Transformational leaders focus on the big picture, needing to be surrounded by people who take care of the details. The leader is always looking for ideas that move the organization to reach the company's vision.

2.2 Leadership Styles

Leadership style refers to a leader's behaviour. It is the result of the philosophy, personality and experience of the leader. Lewin *et al.* (1939) and colleagues identified different styles of leadership: Autocratic, Participative, and Laissez-Faire.

2.2.1 Autocratic or authoritarian style: Under the autocratic leadership style, all decision-making powers are centralized in the leader, as with dictator leaders. They do not entertain any suggestions or initiatives from subordinates. The autocratic management has been successful as it provides strong motivation to the manager. It permits quick decision-making, as only one person decides for the whole group and keeps each decision to himself until he feels it is needed to be shared with the rest of the group (Lewin *et al.*, 1939).

2.2.2 Participative or democratic style: The democratic leadership style favors decision-making by the group such as leader gives instruction after consulting the group. They can win the cooperation of their group and can motivate them effectively and positively. The decisions of the democratic leader are not unilateral as with the autocrats because they arise from consultation with the group members and participation by them.

2.2.3 Laissez-faire or free rein style : A free rein leader does not lead, but leaves the group entirely to itself as shown; such a leader allows maximum freedom to subordinates, i.e., they are given a free hand in deciding their own policies and methods. Different

situations call for different leadership styles. In an emergency when there is little time to converge on an agreement and where a designated authority has significantly more experience or expertise than the rest of the team, an autocratic leadership style may be most effective; however, in a highly motivated and aligned team with a homogeneous level of expertise, a more democratic or laissez-faire style may be more effective. The style adopted should be the one that most effectively achieves the objectives of the group while balancing the interests of its individual members (Lewin *et al.*, 1939).

2.3 Job performance

In the past, some researchers have argued that the actual influence of leaders on organizational outcomes is overrated and romanticized as a result of biased attributions about leaders (Meindl and Ehrlich, 1987). Despite these assertions however, it is largely recognized and accepted by practitioners and researchers that leadership is important, and research supports the notion that leaders do contribute to key organizational outcomes (Day and Lord, 1988; Kaiser *et al.*, 2008). To facilitate successful performance it is important to understand and accurately measure leadership performance. Job performance generally refers to behavior that is expected to contribute to organizational success (Campbell, 1990). Campbell identified a number of specific types of performance dimensions; leadership was one of the dimensions that he identified. There is no consistent, overall definition of leadership performance (Yukl, 2006). Many distinct conceptualizations are often lumped together under the umbrella of leadership performance, including outcomes such as leader effectiveness, leader advancement, and leader emergence (Kaiser *et al.*, 2008). For instance, leadership performance may be used to refer to the career success of the individual leader, performance of the group or organization, or even leader emergence. Each of these measures can be considered

conceptually distinct. While these aspects may be related, they are different outcomes and their inclusion should depend on the applied/research focus.

2.4 Effects of leadership on organizational goal

According to Montana and Bruce (2008), the ability to attain these unique powers is what enables leadership to influence subordinates and peers by controlling organizational resources. The successful leader effectively uses these power(s) to influence employees, and it is important for the leader to understand the uses of power to strengthen the leadership functioning. John French and Bertram (1958) identified five bases of power: reward power, coercive power, referent power, legitimate power and expert power. The more recent work of Robert Benfari, Harry Wilkinson and Charles Orth who identified eight power bases, adding information power, affiliation power and group power (Huczynski and Buchanan, 2007).

2.4.1 Legitimate Power is also described as position power is the ability of a leader to exert influence based on the belief of followers that the leader has authority to issue orders which they in turn have an obligation to accept. This level of power commands the hierarchical executive levels within the organization itself. The higher position such as President of the company has a higher power than the rest of professional positions in the hierarchical executive levels.

2.4.2 Reward Power is the ability of a leader to exert influence based on believe of followers that the leader has access to valued rewards which will be dispensed in return for compliance. Employees whom work for managers desire the reward from the manager; they will be influenced by receiving them as the product of work performance. The rewards may be the obvious—pay raise or promotions.

- 2.4.3 Coercive Power is the ability of a leader to exert influence based on the belief of followers that the leader can administer unwelcome penalties or sanctions. Punishment can be determined from range of mild to serious punishment... a mild punishment is a suspension and serious punishment is actual termination.
- 2.4.4 Expert Power is the ability of a leader to exert influence based on the belief of followers that the leader has superior knowledge relevant to the situation and the task.
- 2.4.5 Affiliation Power is the ability of a leader to exert influence based on the belief of followers that the leader has a close association with other powerful figures on whose authority they are able to act.
- 2.4.6 Referent Power is also known as charisma is ability of a leader to exert influence based on the belief of followers that the leader has desirable abilities and personal traits that can and should be copied.
- 2.4.7 Information Power is the ability of a leader to exert influence based on the belief of followers that the leader has a close association with other powerful figures on whose authority they are able to act. Someone who has this information knowledge has genuine power. Managers would be in a powerful position if his secretary has information power (Morgeson, 2005).
- 2.4.8 Group Power is the ability of a leader to exert influence based on the belief of followers that the leader has collective support from a team or group.

2.5 Overview of SMEs in Nigeria

According to the banker committee of the Central Bank of Nigeria, CBN, a small and medium enterprise is defined as any enterprise with a maximum asset base of N1.5 billion (excluding land and working capital), and with no lower or upper limit of staff.

This is subject to review by the Bankers' Committee from time to time (CBN, 2006). Although the term "SME" is frequently used, it is seldom defined, what constitutes a small, medium or large company is by no means clear or uniform, even within individual countries. In Chile, companies are generally classified according to annual turnover; in South Africa, by turnover, gross asset value and the number of employees. In India, any industrial undertaking with fixed assets less than 10 million Rupees is classed as small-scale. In many cases, these classifications are enshrined in legislation, e.g., in South Africa by the National Small Business Act (1996) and related Amendment Bill (2003). The SME and micro-enterprise (ME) sector encompasses a very broad range of firms, from established traditional family businesses employing over a hundred people to "survivalist" self-employed people working in informal micro enterprises. While the upper end of the range is comparable across developed countries.

There is no generally accepted definition of a small business because the classification of businesses into large-scale or small-scale is a subjective and qualitative judgment. In countries such as the USA, Britain, and Canada, small-scale business is defined in terms of annual turnover and the number of paid employees. In Britain, small-scale business is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid employees. In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen paid-up capital and 100 employees, and those in the retail and service trades with 10 million yen paid-up capital and 50 employees.

In Nigeria, there is no clear-cut definition that distinguishes a purely small-scale enterprise from a medium-scale enterprise. The Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira. In the 1990 budget, the federal government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not to exceed 500,000 naira, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at 10 million naira. While Section 37b(2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with; an annual turnover of not more than 2 million naira; or net asset value of not more than 1 million naira.

For the purposes of this study, small and medium-scale enterprises are defined as those with investments in machinery and equipment not exceeding 500,000 naira and 2 million naira, respectively, with not more than 50 and 100 paid employees, respectively. This definition does not reflect the characteristics of typical Nigerian small-scale enterprises in terms of their capital base and number of employees.

2.5.1 Classification of Small and Medium Enterprises: SMEs are firms that employ fewer than 250 people and play a vital part in the economy of most Countries. In the UK in 2004, the Department for Trade and Industries (DTI) reported that of the 4.3 million business enterprises in the UK, 99.9% were small to medium sized (skillsinyourbusiness.com, 2007). And the SMEs accounted for more than half (58%) of all UK employment (small enterprises accounting for 46.8%; medium-sized enterprises accounting for 11.7%). In addition more than half (51.3%) of the UK's estimated

business turnover of £2,400 billion small enterprises accounted for over 37% of the earnings while medium-sized enterprises accounted for 14.3%. In the European Union, SMEs are seen as largely essential for European employment. Each year, one million new SMEs are set up in the European Union more so the SMEs account for 99.8% of all companies and 65% of business turnover in the European Union.

While in Latin America the government is beginning to realize that SMEs are the true job creators, as well as important players in technology supply chains. CEDA (2005) reported that majority of Chile's SMEs are micros, which are defined as having a turnover of less than \$75,000 while the number of SMEs has increased by 50,000 since 2001 which led to creation of 95% of total employment (CEDA, 2005). In America report by skillsinyourbusiness.com (2007) stated that there are approximately 23 million small businesses in the US. These they stated employ more than 50 % of the private workforce and generate more than half of the nation's gross domestic product (GDP). Several reports had indicated that the world's best-performing economies, notably Taiwan and Hong Kong, are very heavily based on small enterprises. In Hong Kong for instance in 2005, a total of almost 270,000 SMEs accounted for over 50% of employment, providing job opportunities to almost 1.2 million people. The majority of enterprises were in the services sector, specifically import and export, and wholesale and retail trade. (Government of Hong Kong Trade and Industry Department, 2006). In Japan, where SMEs are defined as establishments employing between four and 299 employees with a turnover of less than 100 million yen, they represented 99.7% of all enterprises, with retail and manufacturing being the most popular industries (skillsinyourbusiness.com. 2007).

In Africa it has been reported that SMEs are flourishing. In Nigeria for example, SMEs are the backbone to the economy with 97% of all businesses in Nigeria employing less than 100 employees (Federal Office of Statistics, 2002). Looking at the earlier definition of SMEs, it means that 97 % of all businesses in Nigeria are "small businesses". The SME sector provides, on average, 50 % of Nigeria's employment, and 50 % of its industrial output. In much of the developing world, the private economy almost entirely comprises SMEs. In many cases, they are the only realistic employment opportunity for communities.

2.5.2 Importance or relevance of SMEs to the economy: Despite the difficulty of SME's classification, it is clear that the SME sector is highly significant in most economies. For example, in Chile, SMEs account for about 100,000 out of a total of nearly 650,000 production units. Together with medium scale enterprises (MEs), they account for 99 % of Chilean enterprises. MEs and SMEs account for about 50 % of Chilean employment, but less than four per cent of exports, In India, the small scale industrial sector accounts for 95 % of all industrial units, 49 % of manufacturing output, 34 % of exports, 50 % of GDP, and 65 % of employment. In South Africa, it is estimated that about 80 % of the formal business sector and 95 % of the total business sector (including informal) can be considered to be SMEs or MEs, accounting for about 46 % of total economic activity, 84 % of private employment and 97.5 % of all newly registered businesses. It has been opined that although SMEs individual social and environmental impacts are small, their cumulative impacts are highly significant. In South Africa, small-scale activity in various sectors—including mining and is associated with numerous negative social and environmental impacts (IUCN, 2004). In skillsforbusiness (2007) report, SMEs in Nigeria is the main engine of economic growth and a major factor in

promoting private sector development and partnership. In Nigeria, SMEs have been credited with improved living standards, and brought about substantial local capital formation that achieved high level of productivity and capability. Furthermore, SMEs are believed to be the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria (skillsforbusiness, 2007). This is manifested in the sector contributing 30% to global GDP, and employment generation capacity of about 58% of the global working population to mention but a few (skillsforbusiness, 2007). Therefore, the role SMEs play as a principal safety net for the bulk of the population in developing economies such as Nigeria cannot be overstressed. In addition, the employment opportunities they provide reduce rural-urban migration and allows for even development (skillsforbusiness, 2007).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design is the basic plan which guides the data collection and analysis phases of the project. The survey method is used for the purpose of this research. The researcher intends to show the method of data collection used as well as the sources of data. The study will employ the use of both descriptive and inferential tools in which questionnaires are administered to respondents and where the respondents could neither read nor write an interview is conducted.

3.2 Population of the Study

The population will involve the management staff (executive directors and non executive directors) and employees of the five firms under consideration: Wampa bakery has 8 management staff and 71 employees, Jimeta bakery has 6 management staff and 62 employees, Cleanstar laundry services has a manager and 3 employees, Frankbytes ventures has 3 management staff and 15 employees while lovely and edible enterprises has 2 management staff and 8 employees. The total population is therefore made up of 21 management staff and 158 employees.

3.3 Sample of the study

The sample for this study is drawn from all the 21 management staff and 79 employees in the five firms under study which will form the sample for the study. Thereafter one hundred (100) respondents will be drawn from Wampa and Jimeta Bakeries, Cleanstar laundry services, Frankbytes ventures and Lovely and Edible enterprise to be used.

3.4 Sampling Technique

The stratified random sampling technique was employed to select the respondents after purposive sampling of the study population according to number of employees in each firm. The samples were initially grouped into strata and then a sample selected from each stratum.

3.5 Methods of Data Collection

Collection of data is done with the use of questionnaires to obtain primary data. In situations where respondents could neither read nor write personal interview is held in the most common language (Hausa) as understood by him/her and his/her opinion is scored on the questionnaire. The allocation of the questionnaire is based on the number of staff in each firm.

- i. Primary data refers to the first hand information to be obtained by the researcher from the field e.g. questionnaire, interview.
- ii. Secondary data refers to information which has already been obtained by someone who did not actually observe the event e.g. books, journal.

3.6 Method of Data Presentation and Analysis

The researcher intends to use the data collected which when analyzed is presented in descriptive forms using means, frequency, tables and charts. While inferential tools such as regression analysis, chi-square is used to describe the relationship between the dependent (y) and independent variables (x's) as they affect small and medium enterprises (SMEs) in the firms. The Statistical Package for Social Sciences (SPSS) version 13 was used to run the regression analysis using the four functional forms (Cob-Douglas, exponential, linear) and as well as the chi-square.

a) Descriptive statistics:

This will be used to determine objectives (i), (iv) and (v).

b) Inferential statistics:

This will be used to achieve objectives (ii) and (iii)

i Chi Square

$$X^2 = \sum_{j=1}^k (o_j - e_j)^2$$

where, X^2 = the chi-square (calculated value)

$J = (1, 2, 3, \dots, k)$, number of observations

o = observed value

e = expected value

df = degree of freedom (no. of class-1)

Rules:

Accept Null Hypothesis if the p-value is > 0.05

Reject Null Hypothesis if the p-value is < 0.05

ii Multiple regression: The inferential statistics will involve the use of multiple regression to determine the effect of socio-economic variables on employee performance. This will also be used to capture objective (iii) the data will be analyzed using Statistical Package for Social Sciences (SPSS v13).

$$Y = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + \dots + b_n X_n + u_i$$

Where Y = Organization effectiveness (0=agree, 1=disagree, 2= abstain)

X_1 = Age in years

X_2 = gender (0=male, 1 =female)

X_3 = most important motivator (0=leadership, 1=salary, 2=job satisfaction)

X_4 = educational level (0=no education, 1=primary etc)

- X₅ = participation in management (0 = no participation, 1 = active participation etc)
- X₆ = job category (1=clerical, 2= clerk, 3 =technical, 4=sales)
- X₇ = salary per month (N)
- X₈ = job time (per day) hrs
- X₉ = type of industry (0= bakery,1=laundry, 2= service)
- X₁₀ = leaderships style (1=autocratic, 2=participative, 3= Laissez-Faire)
- u_i = error term
- b = coefficient of independent variables to be estimated.

The criteria to be used for selecting the equation contained economic criterion, econometric criterion and statistical criterion.

3.7 Instrument of Data Analysis

After the data is collected, checked, processed and subjected to a statistical analysis taking into account each of the specific objective of the study. Statistical tools like percentages and mean score will be used to analyze objectives one, four and five; multiple regression will be used to analyze objective three and chi square will be used to analyze objective two.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Data Presentation and Analysis

In this research work, 100 questionnaires were distributed to respondents in the five different firms out of which 85 were duly completed and returned. This implies that the analysis here is 85 per cent reliable. The individual questionnaires were sorted manually and information of each of the five selected firms extracted and tabulated accordingly as shown below. Descriptive statistics was used and Chi square and Regression analysis employed to be able to derive some inferences from the study.

Table 4.1: Distribution of Respondents according to Firms

Firm	Frequency	Percentage (%)
Frankbyte	15	17.65
Lovely and Edible	21	24.71
Cleanstar	25	29.41
Jimeta Bakery	11	12.94
Wampa Bakery	13	15.29
Total	85	100.00

Source: Field Survey, 2011

Table 4.1 above shows the percentage distribution of responses from the five firms under study. Here, it could be deduced that Cleanstar had the highest number of respondents 25 (29.41%) and the least number of respondents came from Jimeta Bakery 11 (12.94%).

Table 4.2: Distribution of Respondents according to Gender

Gender	Frequency	Percentage (%)
Male	37	43.50
Female	48	56.50
Total	85	100.00

Source: Field Survey, 2011

In table 4.2 it is clear that the highest numbers of respondents were females 48 (56.50%) while males made up the remaining 37 (43.50%), a clear indication that female employees outweigh their male counterparts in the five firms. This high number of females could point to the fact that bakery and catering services often require more females than males due to the nature of the business.

Table 4.3 Distribution of Respondents according to Age

Age	Frequency	Percentage (%)
< 20 years	5	5.88
20 -29 years	23	27.06
30- 39 years	44	51.76
40 – 49 years	12	14.12
>50	1	1.18
Total	85	100.00

Source: Field Survey, 2011

Table 4.3 clearly indicates that out of the 85 respondents from the 5 different firms under study, 5.88% were < 20 years, 27.06% were in the age range of 20-29, 51.76% aged between 30-39, 14.12% aged between 40-49 and 1.18% aged >50. It is obvious that employees in the age range 30-39 are the majority of respondents. It is clear that 44

responses (51.76 %) indicated that most of the employees are in their active youthful years which are consistent with this type of business that is labour intensive.

Table 4.4: Distribution of Respondents according to Employment

Nature of employment	Frequency	Percentage (%)
Permanent	47	55.30
Temporary	26	30.60
Contract	12	14.10
Total	85	100.00

Source: Field Survey, 2011

In table 4.4 above, highest percentage of the respondents are those whose employment was on permanent basis (55.30%) while contract staff occupied the least percentage (14.10%). This result clearly depicts the fact that most employers in Nigeria have permanent staff due to existing labour regulations against casualization or contract labour.

Table 4.5: Distribution of Respondents according to Educational level

Nature of employment	Frequency	Percentage (%)
Non formal	5	5.90
Primary	11	12.90
Secondary	50	58.80
Tertiary	19	22.40
Total	85	100.00

Source: Field Survey, 2011

Table 4.5 above shows respondents based on their educational background. In an ascending manner, those that had secondary education were 58.80%, tertiary education 22.40%, primary education 12.90% and the non-formal education occupied the least with

5.90%. This finding could be related to reports by Ajibefun and Aderinola (2003) that educated farmers are expected to be more receptive to improved farming techniques and therefore showed higher level of technical efficiency than farmers with less education. Hence more education by employees means it can play a significant role in skill acquisition and knowledge transfer as reported by Ogundele (2003).

Table 4.6: Distribution of Respondents according to nature of business

Nature of employment	Frequency	Percentage (%)
Bakery	22	25.90
Laundry	25	29.40
Catering	38	44
Total	85	100.00

Source: Field Survey, 2011

Table 4.6 above shows that of the total respondents, caterers were the highest with 44% while the least 25.90% are those who are in bakery.

Table 4.7: Distribution of responses on whether managers permits self-discretion

Nature of employment	Frequency	Percentage (%)
Strongly disagree	4	4.70
Disagree	14	16.50
Undecided	21	24.70
Agree	21	24.70
Strongly agree	25	29.40
Total	85	100.00

Source: Field Survey, 2011

Table 4.7 above showed a picture occupying the extremes in that respondents who strongly agree that their managers permit self-discretion were the highest with 29.40% whereas those who strongly disagree occupied the least percentage (4.70%). This type of leadership most common in the five firms is democratic in nature as the manager gives them freedom or ability in decisions.

Table 4.8: Distribution of responses based on participation in decision making

Nature of employment	Frequency	Percentage (%)
Strongly disagree	3	3.50
Disagree	6	7.10
Undecided	15	17.60
Agree	38	44.70
Strongly agree	23	27.10
Total	85	100.00

Source: Field Survey, 2011

Table 4.8 above showed those who agree that they had ever participated in the decision making process of their respective organizations were the highest (44.7%) while those who strongly disagree were the least (3.5%). In addition to this, those who strongly agree (27.1%) were next in line and this clearly showed that leadership in the 5 firms under study concurs with the report of Chen and Tjosvold (2006) who reported that participation and its importance by American and Chinese managers in China. Their research reveals that participation management is about involving employees in the decision making process where the employees feel that they have the opportunity to discuss problems and can influence organizational decisions. The overall impact of participation is increased employee job performance and low turnover.

Table 4.9: Distribution of responses on coercion to discharging their responsibilities

Nature of employment	Frequency	Percentage (%)
Strongly disagree	7	8.23
Disagree	21	24.71
Undecided	11	12.94
Agree	28	32.94
Strongly agree	18	21.18
Total	85	100.00

Source: Field Survey, 2011

In table 4.9 above, it is appears that most a times employees were being coerced by the leadership of their respective organizations to be able to discharge their responsibilities as evidenced by the highest number of those who agree (32.94%) though those who disagree to that were second in line (24.71%) and those who strongly agree to that occupied the centre stage (21.18%). Huczynski and Buchanan (2007) showed that this picture depicts the fact that the path-goal theory of leadership as developed by Robert House (Huczynski and Buchanan, 2007). According to them, House put it that the essence of the theory is "the meta proposition that leaders, to be effective, engage in behaviors that complement subordinates' environments and abilities in a manner that compensates for deficiencies and is instrumental to subordinate satisfaction and individual and work unit performance but by being directive, participative, supportive and at times achievement oriented.

Table 4.10: Distribution of responses on how leaders are elected

Nature of employment	Frequency	Percentage (%)
Strongly disagree	12	14.10
Disagree	16	18.80
Undecided	14	16.50
Agree	20	23.50
Strongly agree	23	27.10
Total	85	100.00

Source: Field Survey, 2011

In table 4.10 above, those who strongly agree (27.1%) and agree (23.5%) that leaders in their respective firms are elected were the highest whereas those who strongly disagree to that were the least (14.1%). This shows that in the firms leadership is participative or democratic as such the leaders will be able to command respect and guide them to specific task which defines leadership.

Table 4.11: Distribution of responses on having joint consultative committee with their employers

Nature of employment	Frequency	Percentage (%)
Strongly disagree	20	23.50
Disagree	6	7.10
Undecided	31	36.50
Agree	16	18.80
Strongly agree	12	14.10
Total	85	100.00

Source: Field Survey, 2011

It is interesting to note that the responses in table 4.11 above clearly showed that the undecided responses have the highest percentage 36.50 followed by those that strongly disagree 23.50% while the least percentage of 6% are those who disagree. It could be deduced here that leaders do not have consultative committee, and going by the other two responses of disagree and strongly disagree summed up shows that majority of the agreed. Therefore this depicts situational style of leadership which is in part dependent on characteristic of the situation in which he/she functions as put forward by Herbert Spencer (1884).

Table 4.12: Distribution of responses on work force's regular meetings

Nature of employment	Frequency	Percentage (%)
Strongly disagree	9	10.59
Disagree	11	12.94
Undecided	11	12.94
Agree	42	49.41
Strongly agree	12	14.12
Total	85	100.00

Source: Field Survey, 2011

In table 4.12, those that positively responded as to the work force having regular meetings were the highest 49.41% while the least percentage 10.59% went to those who strongly disagree with that. Regular consultation or meeting is part of principles of management with the aim of planning, control, planning and evaluation so as to achieve set target as put forward by Fayol's (1949).

Table 4.13: Distribution of responses on whether there are problem solving groups

Nature of employment	Frequency	Percentage (%)
Strongly disagree	10	11.80
Disagree	3	3.50
Undecided	28	32.90
Agree	27	31.80
Strongly agree	17	20.00
Total	85	100.00

Source: Field Survey, 2011

In table 4.13 above, it is obvious that those who are undecided as to whether there are problems solving groups in their organizations formed greater part of the responses having 32.90% while the least percentage of the responses were those who disagree with that (3.50%). This trend implies that since most of the respondent in the firm as shown by the response in table 4.10 which is participative may have led to no need for problem solving groups.

Table 4.14: Distribution of responses on staff attitude surveys by employers

Nature of employment	Frequency	Percentage (%)
Strongly disagree	3	3.53
Disagree	3	3.53
Undecided	21	24.71
Agree	45	52.94
Strongly agree	13	15.29
Total	85	100.00

Source: Field Survey, 2011

In table 4.14 above, those who agree that there are staff attitude surveys conducted by their employers were the highest with 52.94% while the least responses on that came from two of the groups: those who strongly disagree as well as those who disagree, each with 3.53% respectively. This finding buttresses the fact in table 4.10 that the leadership in the firms is participative and democratic. Kurt Lewin states that democratic style leaders can win the cooperation of their group and can motivate them effectively and positively.

Table 4.15: Distribution of responses on employee forms part in team briefings

Nature of employment	Frequency	Percentage (%)
Strongly disagree	5	5.90
Disagree	2	2.40
Undecided	16	18.80
Agree	14	48.20
Strongly agree	21	24.70
Total	85	100.00

Source: Field Survey, 2011

It is obvious in table 4.15 above that while the undecided were 18.80%, those who agree had the highest percentage with 48.20% while the least percentage 2.40 % went to those who outwardly disagree. Adopting this type of principle by leaders or managers are all attributes of democracy in the firms studied.

Table 4.16: Distribution of responses based on work force

Nature of employment	Frequency	Percentage (%)
Strongly disagree	5	5.90
Disagree	5	5.90
Undecided	17	20.00
Agree	28	32.90
Strongly agree	30	35.30
Total	85	100.00

Source: Field Survey, 2011

Table 4.16 above clearly showed that those respondents who agree that their work force are involved at a participatory level in their respective firms are the highest with 35.30% followed by those who agree 32.90% while the least percentage were those who strongly disagree and those who disagree respectively each with 5.9%.

Table 4.17: Distribution of responses on responsibility and team work of employees

Nature of employment	Frequency	Percentage (%)
Strongly disagree	10	11.76
Disagree	9	10.59
Undecided	9	10.59
Agree	21	24.71
Strongly agree	36	42.35
Total	85	100.00

Source: Field Survey, 2011

Table 4.17 above shows that those respondents who strongly agree that responsibility and team work exists between them and their employers have the highest percentage 42.35% while the least percentage was shared between those who disagree to that and those who were undecided each with 10.59%.

Table 4.18: Distribution of responses on judgement and resourcefulness

Nature of employment	Frequency	Percentage (%)
Strongly disagree	4	4.70
Disagree	20	23.50
Undecided	12	14.10
Agree	22	25.90
Strongly agree	27	31.80
Total	85	100.00

Source: Field Survey, 2011

In table 4.18 above, it is clear that those who strongly agree had the highest percentage 31.80% followed by those who agree with 25.90% while the least percentage were those who strongly disagree with 4.70%.

Table 4.19: Distribution of responses on whether supervision by employers is too strict

Nature of employment	Frequency	Percentage (%)
Strongly disagree	7	8.23
Disagree	12	14.12
Undecided	14	16.47
Agree	28	32.94
Strongly agree	24	28.24
Total	85	100.00

Source: Field Survey, 2011

In table 4.19, the highest percentages are those who strongly agree that supervision by their employers is too strict while those that disagree had the least percentage. This shows that supervision is an integral and indispensable part of leadership, because the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task need to be strict. This is elucidated by McGregor's theory X and Y which states that the average human being has an inherent dislike of work and will avoid it if he can (McGregor, 1960).

Table 4.20: Distribution of responses on employee's development

Nature of employment	Frequency	Percentage (%)
Strongly disagree	2	2.30
Disagree	10	11.80
Undecided	26	30.60
Agree	18	21.20
Strongly agree	28	32.90
Total	85	100.00

Source: Field Survey, 2011

The responses to questions in table 4.20 clearly showed that those who strongly agree with the statement that there's ample pavement of employee's development had the highest percentage 32.90% whereas those who strongly disagree occupied the least with 2.30%. This result means that employees in the department can improve their skills and knowledge in the firms. Latest studies states that organizations invest in Human Resource Development interventions to update and skill the employees in order to attain job performance, job satisfaction and job involvement. These skills can be imparted by providing necessary technical/non-technical training and coaching (Rowold, 2008).

Table 4.21: Distribution of responses on whether leaderships are appointed or nominated

Nature of employment	Frequency	Percentage (%)
Strongly disagree	26	30.6
Disagree	20	23.5
Undecided	5	5.9
Agree	14	16.5
Strongly agree	20	23.5
Total	85	100.0

Source: Field Survey, 2011

The responses in table 4.21 above clearly showed that the highest percentage are those who strongly disagree (30.60%) to the statement that leaderships are appointed or nominated without recourse to their ability and organizational demand followed by those who strongly agree (23.50%) while the least are those who are undecided with 5.90%. This result concurs with findings of Hwang who suggests that ability to build competencies and leaders must develop ways to develop employees to further increase competencies for members to develop the required know how and expertise.

Table 4.22: Distribution of responses on parity between power and authority

Nature of employment	Frequency	Percentage (%)
Strongly disagree	11	12.90
Disagree	21	24.70
Undecided	21	24.70
Agree	19	22.40
Strongly agree	13	15.30
Total	85	100.00

Source: Field Survey, 2011

In table 4.22 above, the highest responses came from those who disagree and those are undecided each with 24.70% while the least responses came from those who strongly disagree with 12.90%.

Table 4.23: Distribution of responses on training and re-training of leaders

Nature of employment	Frequency	Percentage (%)
Strongly disagree	6	7.06
Disagree	17	20.00
Undecided	23	27.06
Agree	23	27.06
Strongly agree	16	18.82
Total	85	100.00

Source: Field Survey, 2011

In table 4.23 above, those who responded with highest percentage as to whether leaders are encouraged to go for training and re-training are the undecided (27.06%) and those who agree (27.06%) while the least percentage went to those who strongly disagree

(7.06%). Therefore, leadership development can be imparted through experiential, vicarious and transformational learning and it is imparted as leaders influences the people and motivate employees well (Popper, 2005).

Table 4.24: Distribution of responses on whether the relationship between the leader and the led is cordial

Nature of employment	Frequency	Percentage (%)
Strongly disagree	7	8.24
Disagree	6	7.06
Undecided	15	17.65
Agree	33	38.82
Strongly agree	24	28.23
Total	85	100.00

Source: Field Survey, 2011

In table 4.24 above, those who agree are 38.82% while the least percentage was those who disagree having 7.06%. This is an indication of the cordial relationship and leadership that is dispose to employees. Bartram and Casimir (2007) opined that organizational members who share a mutually beneficial and satisfying work experience meeting both social and personal growth needs had significant positive correlations with both performance and satisfaction in Pakistan.

Table 4.25: Distribution of responses on participation of respondents in decision making

Nature of employment	Frequency	Percentage (%)
Strongly disagree	6	7.10
Disagree	11	12.90
Undecided	8	9.40
Agree	37	43.50
Strongly agree	23	27.10
Total	85	100.00

Source: Field Survey, 2011

In table 4.25 above, those who responded with highest percentage are those who agree (43.50%) that they are involved in decision making in their respective firms while the least percentage (7.10%) went to those who strongly disagree with that. The agreement by majority of the employees in the five firms is supported by Lam *et al.* (2002) who stated that the overall impact of participation through decision making increase employee job performance.

Table 4.26: Distribution of responses on organisational effectiveness

Nature of employment	Frequency	Percentage (%)
Strongly disagree	3	3.53
Disagree	6	7.06
Undecided	6	7.06
Agree	36	42.35
Strongly agree	34	40.00
Total	85	100.00

Source: Field Survey, 2011

Respondents in table 4.26 above who agree that their organizational effectiveness is very well had the highest percentage of 42.35% while the least percentage went to those who strongly disagree to that statement with 3.53%. This shows that democratic leadership as revealed from the findings in study leads to effectiveness; this has also been reported by Lam *et al.* (2007) who said that it makes employees to use their skills in problem solving in their organization.

Table 4.27: Distribution of responses on provision for overtime

Nature of employment	Frequency	Percentage (%)
Strongly disagree	12	14.12
Disagree	10	11.76
Undecided	13	15.30
Agree	31	36.47
Strongly agree	19	22.35
Total	85	100.00

Source: Field Survey, 2011

In table 4.27 above, 36.47% of the respondents agree that their organization allows for overtime whereas 11.76% of the respondents disagree with that. The agreement by most respondents to overtime could be understood from the fact that in bakery and catering enterprise, most of them carry out their activity even after the closing hour of 4 (four) in the evening and sometimes late at night.

Table 4.28: Distribution of responses on if employee should be given performance target and be expected to meet them

Nature of employment	Frequency	Percentage (%)
Strongly disagree	2	2.40
Disagree	8	9.40
Undecided	17	20.00
Agree	45	52.90
Strongly agree	13	15.30
Total	85	100.00

Source: Field Survey, 2011

Table 4.28 above showed responses from employee on whether performance target should be given to them and be expected to meet them. The highest number of respondents (52.90%) agrees with that while 2.40% strongly disagree with that. It could be said that without target setting it would be difficult to meet task or achieve organisational goals as McGregor X theory states that the average human prefers to be directed, dislikes responsibility, is unambiguous, and desires security above everything. Hence the need for target setting which will also help in planning and control whether there is deviation from target and what could be responsible.

Table 4.29: Distribution of responses on whether firms counsels employee

Nature of employment	Frequency	Percentage (%)
Strongly disagree	1	1.20
Disagree	7	8.20
Undecided	21	24.70
Agree	35	41.20
Strongly agree	21	24.70
Total	85	100.00

Source: Field Survey, 2011

Responses shown in table 4.29 above indicated that the highest percentage (41.20%) came from those who agree that the firms counsels employee while the least percentage (1.20%) was from those who strongly disagree to that.

Table 4.30: Distribution of responses on provision of opportunity for improvement to employees

Nature of employment	Frequency	Percentage (%)
Strongly disagree	7	8.2
Disagree	6	7.1
Undecided	9	10.6
Agree	31	36.5
Strongly agree	32	37.6
Total	85	100.0

Source: Field Survey, 2011

The result in table 4.30 concurs with the fact that firms allow opportunity for improvements to employees as 37.6% representing 32 respondents strongly agree while 31 respondents (36.5%) agree while 8.2 % strongly disagree.

Table 4.31: Distribution of responses on prompt payment of salaries

Nature of employment	Frequency	Percentage (%)
Strongly disagree	9	10.60
Disagree	12	14.10
Undecided	16	18.80
Agree	18	21.20
Strongly agree	30	35.30
Total	85	100.00

Source: Field Survey, 2011

Table 4.31 above showed responses from employees as regards to whether they get their salaries as at when due. Those who strongly agree are the highest with 35.30% while the least are those who strongly disagree with 10.6%. This result supports Herzberg's first component in his approach to motivation theory in the hygiene theory where he states that salary could lead to higher motivation or dissatisfaction.

Hypotheses

First Hypothesis: Null (H_0) states that “there is no significant relationship between leadership style and employee performance in the SMEs”.

Second Hypothesis: Null (H_0) states that “there is no significant relationship between the type of enterprise and leadership style in the SMEs”.

4.3 Chi-Square (χ^2)

The chi-square (χ^2) test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. A chi-square test is used in this study to test if there is a relationship between

organizational effectiveness and relationship between managers and employees. The tables 4.32 and 4.33 are the cross tabulation of the two hypotheses and summary of the chi square tests.

Decision Rule

If the computed value of chi square (χ^2) is greater than the tabulated value at 95% degree of freedom, the null hypothesis (H_0) should be rejected.

Table 4.32: D1 * F2 cross tabulation Hypothesis I

F2	D1					TOTAL
	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	
Strongly disagree		2			1	3
Disagree	1	1	2	1	1	6
Undecided	2			1	3	6
Agree	3	4	4	13	12	36
Strongly Agree	4	2	3	6	19	34
TOTAL	10	9	9	21	36	85

Table 4.33: D1 * A5 cross tabulation Hypothesis II

A5	D1					TOTAL
	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	
Bakery	1	1	4	8	8	22
Laundry	6	5	1	6	7	25
Catering	3	3	4	7	21	38
TOTAL	10	9	9	21	36	85

The cross tabulation of the summary to determine the predominant type of leadership common in the five SMEs in relation to employee performance (Table 4.32)

shows that the employees agree that the type of leadership in the five business (firms) is democratic as supported by the number of respondents with 36 agreeing (42.4%) and 34 strongly agreeing (40%).

Table 4.34: Chi Square Tests Hypothesis I

	Value	Df	Asymp. Sig. (2-sided)
Pearson's chi square	24.550	16	0.078
Likelihood ratio	20.669	16	0.192
Linear-by-linear association	3.709	1	0.054
N of valid cases	85		

Looking at the chi square tests result in table 4.34, the result of the computed chi square value of 24.55 ($P=0.05$) with 95 df clearly shows that it is greater than the tabular value of 0.078 ($P=0.05$) thus we reject the Null hypothesis which states that: "there is no significant relationship between leadership style and employee performance in the SMEs". This clearly implies that leadership style does influence employee performance. This is supported by (Gadot, 2007) who states that an effective leadership can be immense with regard to employee performance as the important building block of an organization.

The cross tabulation of the summary to determine the relationship between type of enterprise and leadership style in the five SMEs is presented in table 4.33. The descriptive shows that the catering services had the highest responses of 21 respondents as strongly agree as having a relationship between type of enterprise and leadership style, while the least response of 8 was in bakery.

Table 4.35: Chi Square Tests Hypothesis II

	Value	Df	Asymp. Sig. (2-sided)
Pearson's chi square	17.385	12	0.136
Likelihood ratio	17.933	12	0.118
Linear-by-linear association	0.895	1	0.344
N of valid cases	85		

On the second hypothesis the chi square is 17.39 (P=0.05) with 95 df as shown in table 4.35, the distribution of responses shows that 36 strongly agree that there is no significant relationship between type of enterprise and leadership style in the SMEs, 21 respondents agree to the same fact while those that strongly disagree had 10 respondents (Table 4.33). Therefore going by the computed χ^2 (chi square) value of 17.39 (P=0.05), as compared to the tabular value of 0.136 (P=0.05) we conclude by rejecting the Null hypothesis which states: "There is no significant relationship between the type of enterprise and leadership style in the SMEs". This is buttressed by the descriptive shown in Table 4.10 where all the respondents said the leadership is democratic.

4.4 Regression Analysis

In order to identify the relationship between leadership style and employee performance of the selected firms, the data were subjected to multiple regression analysis. The results obtained from the estimation of the linear regression equation shown in table 4.36, shows that the linear production function gave the best fit equation based on the statistical, econometric and economic criteria. Out of the ten (10) independent variables used, three (3) were significant. These are salary, decision making, and type of firm or business, were significant at 0.05 level. Out of the three, type of firm or business, has a negative sign indicating that the type of business from among the five firms could have negative impact on employee performance among the five (5) firms studied. On the other

hand, age, educational level, nature of employment and gender shows that leadership style and employee performance were not a significant factor. The regression model was highly significant at 0.01 level as indicated in F-statistics. This signifies that the whole equation was the best fit. The estimated R^2 (coefficient of multiple determination) revealed that 46.7 % of the variation in the relationship of leadership style on employee performance was explained by the variables used in the model.

Table 4.36: Summary of Regression Analysis

Predictors	Coefficient	F	R-Square
Constant	3.374 (3.172)**	2.069	0.467
X1	0.03181 (-0.133)		
X2	0.07492 (-0.536)		
X3	0.05174 (-0.312)		
X4	0.07513 (0.494)		
X5	-0.278 (-1.312)		
X6	0.160 (1.368)		
X7	0.270 (2.650)**		
X8	0.117 (1.675)**		
X9	0.02653 (0.725)		
X10	-0.262 (-1.745)**		

Figures in parenthesis are t-values

**= significant at 5%,

Source: From Analyzed data sheet of 2011 Field Survey

4.5 Research Findings

After testing the hypotheses, it was discovered that there was a significant relationship between leadership style and employee performance, and also type of enterprise and leadership style in the SMEs. It was also discovered that out of the 10 independent variables used, salary was found to be a motivating factor as supported by Herzberg's first component in his approach to motivation in the Hygiene theory; the theory stated that salary could lead to a higher motivation or dissatisfaction. Participating in decision making and type of business influenced the overall performance of employees. Furthermore, age, educational level, nature of employment and gender were not significant on employee performance.

4.6 Discussions on Findings

Based on the field data, it was clear that motivation enhances organizational effectiveness and that leadership style should be democratic/participative in the five SMEs studied. In addition, the type of enterprise and leadership style is a major contributor to the performance of SMEs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study was undertaken to find the effect of leadership style and employee performance in SMEs in Yola, Adamawa State. The objectives were to determine the leadership style in these firms, to determine the impact of leadership style in relation to employee performance in the SMEs under study, as well as to ascertain the relationship of enterprise with a particular leadership style and to determine the interpersonal relationship of the managers and employee. The hypotheses tested during the course of the study are: there is no significant relationship between leadership style and employee performance in the SMEs and there is no significant relationship between type of enterprise and leadership style in the SMEs all stated in the null form. The result of the study revealed that majority of the respondents representing 56.50% are females, and most of the respondents were within the age bracket of 30-39 years (52%), while 55% of them are on permanent employment. The result further revealed that greater part of the respondents had secondary education representing 59% with 45% of the respondents agreeing that they participated in decision making process in the firms. The Chi square test of the hypotheses revealed that the computed values (24.55 and 17.39) for the first and second hypotheses at ($P=0.05$, 95 degree of freedom) are greater than the tabulated values (0.078 and 0.136) at ($P=0.05$, 95 degree of freedom). This implied that leadership style did influence employee performance and that there was significant relationship between type of enterprise and leadership style in the SMEs for the first and second hypotheses respectively. The regression analysis of the factors influencing the relationship between leadership style and employee performance showed that three (3) out

of the ten (10) independent variables used were significant: salary, decision making, and type of firm or business. This means that improving the three variables by respective leaders in the five firms, would translate to greater employee performance. It then concluded that the predominant type of leadership in the five firms was participative democracy, that leadership style had effect on employee performance and also type of enterprise had effect on leadership style. It therefore recommends that for workers to put in their best in any organisation, leaders should be democratic and involve workers in decision making.

5.2 Conclusion

In this research, findings indicate that the predominant type of leadership in the enterprises studied is participative democracy. As evidenced by the fact that results of the computed chi square test (24.55 and 17.39) for the first and second hypotheses at $P=0.05$, 95 degree of freedom are greater than the tabulated (0.078 and 0.136) at ($P=0.05$, 95 degree of freedom) hence rejecting the two null hypotheses. This clearly shows that leadership styles have effect on employee performance and that type of enterprise is related to leadership style respectively. Furthermore, Regression analysis was employed to analyse factors influencing the relationship between leadership style and employee performance. The result of the regression analysis clearly indicates that three (3) out of the ten (10) independent variables used were found to be significant: salary, decision making, and type of firm or business. It could be deduced here that improving on these three variables by leaders in the respective firms, will translate to greater employee performance.

Finally, the recommendations outlined above, when properly implemented, would greatly help SME operators improve on their leadership and managerial styles, greater employee performance and enhance high productivity in return.

5.3 Recommendations

Based on the findings from this study, the following recommendations are aimed at improving leadership style and employee performance in SMEs in Adamawa State:

- (i) Leadership in SMEs should be democratic so that employees would be able to put in their best with a view to achieving the desired goals of their respective firms
- (ii) Employees should be involved in decision making so as to motivate them to exert their maximum effort in their respective jobs
- (iii) Payment of salary should be regular and timely as it was found to be a motivating factor in employee performance
- (iv) Training and staff development should be encouraged as this would further booster their morale and give them sense of belonging
- (v) Feedback channels should be provided between the leadership of firms and their employees; this would enable employee know his strength and weaknesses and presumably motivate him improve on his performance.

Other recommendations include:

- (vi) Further study is needed in these enterprises to be able to elicit additional factors that motivate employee performance. This is in view of the fact that employee performance must be recognised and rewarded.
- (vii) There is need for research on a wider scale to cover other types of businesses and to include larger number of respondents to be able to power future studies

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APPENDIX

School of Management and Information Technology,
Modibbo Adama University of Technology, Yola.

09- 07-2010

Dear Respondent,

TO WHOM IT MAY CONCERN

I am a Postgraduate student (Masters in Business Administration) in the Department of Management Technology, Modibbo Adama University of Technology, Yola, currently undergoing a research work on **Leadership Style and Employee Performance in Some Selected Small and Medium Scale Enterprises (SMEs)** in Yola Adamawa State. I wish to solicit for your cooperation in providing me with the useful information as required in the questionnaire to the best of your knowledge to enable me carry out a successful research work on the topic.

The information is for the purpose of academic work. I solemnly declare that the information provided will be used only for the above mentioned purpose alone and your responses shall be treated with utmost confidentiality.

Thank you

Fadimatu Jalal-Eddeen

(Researcher)

RESEARCH QUESTIONNAIRE

SECTION A: PERSONAL INFORMATION

Please select from below the option that best describe your opinion

1. **Gender:** (a) male [] (b) female []

2. **Age:**
 - a) below 20 years []
 - b) 20 – 29 years []
 - c) 30 – 39 years []
 - d) 40 – 49 years []
 - e) 50 and above []

3. **Nature of employment**
 - a) Permanent staff []
 - b) Temporary staff []
 - c) Contract staff []

4. **Educational Level**
 - a) Non formal []
 - b) Primary level []
 - c) Secondary level []
 - d) Tertiary level []

5. **Type of Business**
 - a) Bakery []
 - b) Laundry services []
 - c) Catering services []

SECTION B: GENERAL INFORMATION ON ORGANISATION

In your own opinion, please use the following responses from 1-5 to answer where:

1. Strongly Disagree
2. Disagree
3. Undecided
4. Agree
5. Strongly Agree

S/No	QUESTIONS	RESPONSES				
		1	2	3	4	5
1	Manager permits self discretion					
2	Participation in decision making in my organization					
3	Employees are most a times being coerced to go about discharging my responsibilities					
4	Leaders in firms are normally elected					

C	INVOLVEMENT AND PARTICIPATION					
1	Joint consultative committee					
2	Regular meetings of workforce					
3	Problem solving groups such as quality circles					
4	Staff attitudes surveys					
5	Team briefing					
6	Workforce					
D	ASSESSMENT OF INTERPERSONAL RELATIONSHIP OF MANAGERS AND EMPLOYEES					
1	Developing responsibility and team work in employees					
2	There is judgement and resourcefulness in getting work done					
3	Supervision is too strict					
4	There are ample pavement of employee's development					

SECTION E: SOME PROBLEMS OF LEADERSHIP IN SMEs

S/No	QUESTIONS	RESPONSES				
		1	2	3	4	5
1	Leaderships are appointed/nominated without recourse to their ability and the organizational demand					
2	There is no parity between power and authority					
3	Leaders are encouraged to go for training and retraining					
4	The relationship between the leaders and the led is cordial.					

SECTION F: EMPLOYEE MOTIVATION

Tick in the option that best describes your opinion for the question that follows; where

1. Very dissatisfied
2. Not satisfied
3. Neither satisfied nor dissatisfied
4. Satisfied
5. Very satisfied

S/No	QUESTION	RESPONSES				
		1	2	3	4	5
a	Involvement in decision-making in the firm					
b	There is organizational effectiveness					

Tick in the option that best describes your opinion for the question that follows; where

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

S/No	QUESTION	RESPONSES				
		1	2	3	4	5
c	Firm allows overtime?					
d	Employees are given performance targets and are expected to meet them					
e	Firm counsels employees					
f	Firm allows opportunity for improvement to employees					
g	Prompt payment of salaries					