

# Effects of strategic leadership styles on organisational development in small and medium enterprises (SMEs) in Lagos, Nigeria

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## ABSTRACT

The study examined the effects of strategic leadership styles on organisational development in Small and Medium Enterprises; with a view to highlight the link between strategic leadership and the development of small and medium enterprises in Nigeria. The study was conducted in Lagos state. Data for the study were generated through the use of structured questionnaire and administered on operators of SMEs in the study area. A two-stage sampling technique was used for the study. At the first stage, a total number of 3,900 SMEs registered with National Association of Small and Medium Scale Enterprises (NASME); Small and Medium Enterprises and Distributive Group of Lagos Chamber of Commerce and Industry (LCCI); and Nigerian American Chamber of Commerce (NACC) in Lagos State were purposively selected. At the second stage, a total of three hundred and ninety (390) SMEs were randomly sampled with a sample fraction of 10%. Data collected were analyzed using the mean, standard deviation and analysis of variance. The study revealed that supportive, inspirational and commanding leadership styles are statistically significant leadership styles influencing organisational development in SMEs, hence, concluded that supportive, inspirational and commanding leadership styles of the strategic leadership styles were determinants of the success of SMEs in Nigeria.

**Keywords:** Strategic leadership, organisation development, marketing concentration strategies, SMEs.

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## INTRODUCTION

The small business sector is recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2001). Small and Medium Scale Enterprise (SMEs) are engine of economic growth, job creation, poverty reduction and catalysts for socio-economic transformation in developing countries. They have not only been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris et al., 2006a, b) but also a veritable tool for the achievement of national economic objectives at

low investment cost as well as the development of entrepreneurial capability and indigenous technology. Ogujiuba et al. (2004) in their work, observe that apart from increasing per capita income and output, SMEs create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resource utilisation considered important to engineering economic development and growth.

This explains the reason why policy makers at various levels of government in Nigeria have continued to focus

attention at boosting the performance of small firms particularly those engaged in using local raw materials as input for industrial production. Many of these attentions have come in the form of institutional framework and financial support. Despite, SMEs have not performed well because of what Onugu (2005) identified as managerial and marketing problems among others. Thus, SMEs must prepare and adapt to the fast changing business environment. Suffice to say that efforts of SMEs operators must be geared toward organisation development (OD) activities. The choice of OD is necessary because it focuses on managing emerging change.

In implementing organisation development intervention, the SMEs can take these three marketing concentration strategies for growth: the small business operators can develop new markets for its products, which involves expanding from a local or a regional market to a national or international market (Levratto, 2002); they can come in form of product innovation that deals with creating new products for present and prospective customers (Roper and Love, 2002); and lastly, can deal with the development of the firm's networks or relational capital which implies collaboration and partnerships with customers, suppliers, distributors, competitors and other organisations such as consulting firms and research centres (Gulati, 1998). The use of collaborations is essential to SMEs since they cannot possess all the necessary resources but can share with others human, financial, and relational capital to effectively engage in market growth strategies.

According to Kotey and Meredith (1997), fundamental choices available to SMEs in terms of organisational development are made by their CEO/owner-manager or founder. There is no gainsaying therefore to reason that entrepreneurs' knowledge and skills, as well as their strategic orientation with respect to new markets, new products, and new technologies will influence the organisation. In turn, this level should have an impact on the firm's performance in terms of growth, productivity, profitability as well as overall contribution to the nation's economy. This view consent to Abbas and Asghar (2010) assertion that, launching radical changes and maintaining it requires different leadership styles orientation with risk taking attitude. Thus, Bennis (1995) in Abbas and Asghar (2010) identified four leadership styles: commanding, logical, inspirational, and supportive that has strong relation with the development of change.

Undertaking this research has been justified on the basis of the identification of the gap in literature of organisational development intervention in SMEs. While the importance of SMEs to nations' economic growth is recognised, researchers have not only provided a clear link between strategic leadership and organisational performance as development measures of SMEs but also the expected role of strategic leadership styles in changing the future economic importance of SMEs and

the potential value to the economy of Nigeria.

The potentials and opportunities for SMEs to rebound and play a crucial role in the economic growth and development plans of Nigeria are enormous (Onugu, 2005). Improved understanding of strategic leadership and its effect on the development of SMEs will help them to meet these performance expectations-contributions to growth, vision 20:2020, and the millennium development goals. Hence, this study seeks to analyse the effect of strategic leadership styles on organisational development in Small and Medium Enterprises (SMEs).

## LITERATURE REVIEW

The importance of competent leadership for planning and implementing a significant organisation change effort cannot be overemphasised. As individual predestination is determined by his DNA, so, the predestination of every organisation small business inclusive is contingent on its genetic code for growth and survival (Glaser, 2006).

Taking a look at the global business environment today, one would find that competition is complex, challenging, and filled with competitive threats and opportunities for firms. It is only organisations with effective leadership practices, as Ireland and Hitt (2002) maintained, that can help to enhance performance since they would be able to bring about change in the turbulent business environment (Burke, 2002). Moreover, organisations are a reflection of their top-level leaders (Hambrick and Mason, 1984). Since the way top-level (executives) have an impact on organizational performance through their leadership (Phipps and Burbach, 2010) have been stressed in the field of strategic leadership, this work adopts the strategic leadership paradigm in order not to focus on the characteristics of the relationship between leaders and their immediate followers but, rather, on how the CEOs of the firm influences the strategic process of organizational development.

Hitt et al. (2005) define strategic leadership as the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary. Ireland and Hitt (1999) believe that strategic leadership may prove to be one of the most critical issues facing organizations. They further contend that without strategic leadership, the probability that an organization can achieve superior or even satisfactory performance when confronting the challenges of the global economy will be greatly reduced. Strategic leadership entails the creation of an environment that will support the achievement of organizational goals and the role of monitoring the external environment to take advantage of opportunities and to defend against threats (Gortner et al., 1987). It involves making decisions regarding the organization's products, services and markets, the selection of executives, the allocation of resources to primary

organizational components, and the formulation of organizational goals and strategies (House and Aditya, 1997).

Goleman et al. (2002) argue that to be a strategic leader in a successful organization, there is need to ensure that all participants are aligned with a common vision, with shared objectives and goals to which people can be dedicated. Alignment means everyone's work forms part of the pursuit of a larger purpose embodied in the products or services provided by the organization. This alignment means that everyone has been convinced that they make a difference to the success of the organization (Mungong, 2007).

Hitt et al. (2005) believe that expressions of vision and mission are essential characteristics of strategic leadership. What it means is that strategic leadership discards discredited systems and desires instead maximize employee support and cooperation in proactive ways, so that together they can assist an organization to achieve its perceived vision. This, however, requires a methodology that is pragmatic, efficient and suitable throughout the organization.

In other words, no matter how inspiring a vision strategic leadership may have of their organization, such visions can only be translated into reality by the action of the people. It is for this reason that strategic leadership needs to be aware of the impact that its creative power has on current and future corporate success.

It has been suggested that organization leaders have roles to play in order to implement a clear vision that capitalise on change: open communication, create an atmosphere that values uniqueness and diversity, marshal the wonders of individual imagination, ask others within the teams and across divisions for guidance in making headway toward common goal, nurture innovation that leads to inspired breakthrough, and encourage all to speak up (Glaser, 2006).

It is through leadership that organizational members are able to achieve senior management's ideal vision of the future organization. The extent of the gap between the current organization and the ideal organization can have an impact on the success of the change initiatives. If the gap is sufficiently large, change efforts are likely to be frustrating and potentially devastating, because members will perceive the change either too threatening or impossible to achieve (Hitt et al., 1996).

Organisational development and change require leadership that will articulate an organisational vision for sustaining the change. Therefore, the articulation of an organizational vision is vital. According to Collins and Porras (1996), organizations that enjoy enduring success have core values (essential and enduring tenets of organisation) and a core purpose (organisation reasons for being) that remain fixed while their business strategies and practices endlessly adapt to a changing world.

Among the research works on strategic leadership and organisational performance are stated as follows: For

instance, Saiwongpanya (2007) examined the relationship between strategic leadership and organisational success focusing on the Private Industrial Sector in Lampang, Thailand. Both the qualitative and quantitative method of data collection was used. Descriptive statistics as frequency, percentage, mode, and cross tabulation, inferential statistics with Chi-square test statistics, and ANOVA test statistics were used for analysing the data. An important result to emerge from this research is that the greater the complexity and competition the greater the need for strategic leadership style. Conversely, the simpler the industry and lower the competition, the lesser the need for strategic leadership. Moreover, strategic leadership is the significance for every category of private industry in Lampang, which enhances management effectiveness and organisational success. They require all elements of strategic leadership framework: visionary leadership; charismatic leadership; and transformational leadership for managing the organisation. Though the study maintained that the greater the complexity the greater the need for strategic leadership style, it did not unearth which strategic leadership style(s) would be more appropriate for dealing with changing business competitive landscape.

Wanasika (2008) integrates essential strategic leader characteristics necessary to effectively manage globalization and steer the organization towards better strategic focus with respect to environmental turbulence. Essential strategic leader characteristics are future orientation, propensity to take action, propensity to take risks, and absorptive capacity. Though the study maintained that combinatory effects of strategic leader characteristics are essential for effective strategic focus, it did not make known the interactive effects of these variables and how they are interrelated.

## METHODOLOGY

The study was carried out in Lagos State, Nigeria. Data for this study were generated through the use of structured questionnaire. The copies of the questionnaire were administered on operators of SMEs engaged in production activities in the study area. A two-stage sampling technique was used for the study. At the first stage, a total number of 3,900 SMEs registered with National Association of Small and Medium Scale Enterprises (NASME); Small and Medium Enterprises and Distributive Group of Lagos Chamber of Commerce and Industry (LCCI); and Nigeria and American Chamber of Commerce (NACC) in Lagos State were purposively selected.

At the second stage, a total of three hundred and ninety (390) SMEs were randomly sampled out of 3,900 SMEs with a sample fraction of 10%. The data collected were analysed using descriptive analysis to characterize the respondents and the sampled firms while analysis of variance was used to measure the effect of strategic leadership styles on organisational development in Small and Medium Enterprises (SMEs). Strategic leadership style was measured on four leadership styles: logical, inspirational, commanding, and supportive styles. Organizational development was measured on three variables; markets, products and network. Market dimension was determined by increasing sales of existing

**Table 1.** Organizational development in SMEs (n = 280).

Variable	Mean	Standard deviation	Minimum	Maximum
Strategic Orientation				
Development of new markets and products	5.27	0.25	1	5
Introduction of new technologies	3.49	1.01	2	3
Development of networks				
Distribution partnerships	2.25	0.85	1	4
Design and R&D partnerships	1.64	0.56	1	3
Marketing partnerships	3.56	0.76	1	5
Development of Markets				
Sales exported / sales	4.64	1.12	2	4
Frequency of prospecting for new markets	2.32	0.22	2	4
Development of products				
Product R&D budget / sales	4.53	0.87	1	4
No. of R&D employees / no. of employees	3.65	0.65	1	5
Sales of new and modified products / sales	2.34	1.32	2	3

products to existing markets (market penetration) and finding new markets for existing products (market development).

Products dimension was determined by creation of new products for existing markets (product development), and creating new products while for new markets (diversification). The level of network development was measured by the number of distribution, marketing, design and R&D partnerships established by a firm with customers, suppliers and other third-parties such as research centres. The motivation for the measurement of these variables is based on similar studies such as St-Pierre (2003), Raymond and St-Pierre (2003) and St-Pierre and Mathieu (2003).

## RESULTS AND DISCUSSION

Table 1 shows the descriptive statistics of variables of organizational development via development of networks, development of markets, and development of products. The strategic orientation of sampled SMEs as measured by development of new markets and products has a mean value of 5.27; standard deviation of 0.25, introduction of new technologies has a mean value of 3.49 and standard deviation of 1.01. Specifically on development of networks, distribution partnership had a mean value of 2.25, standard deviation of 0.85, a minimum value of 1 and maximum of 4. Design and research development partnership had a mean value of 1.64, S.D of 0.56, minimum of 1 and maximum of 3, development of marketing partnership had a mean value of 3.56, S.D of 0.76, minimum of 1 and maximum of 5.

Considering the development of market, sales had a mean value of 4.64, S.D. of 1.12, minimum of 2 and maximum of 4. Frequency of prospecting for new markets had an average value of 2, standard deviation of 0.22, a minimum level of 2 and maximum of 4. On the development of products, product R&D budget/sales had a mean value of 4.53, S.D of 0.87, minimum of 1 and maximum of 4. The average number of R&D employees

stood at an average of 3.65, standard deviation of 0.65, a minimum of 1 and maximum of 5 while the sales of new and modified products/sales had a mean value 2.34, S.D of 1.32 minimum of 2 and maximum of 3. It is inferred from the above that the practices related to the development of networks are being employed to a relatively low extent. The developments of markets are being pursued to a high extent except the frequency of prospecting for new market. Product developments are also being pursued to a reasonable level except that product research and development budget and average number of research and development employees are low.

### Leadership styles in SMEs

Four different type of leadership style were identified. These are commanding leadership style, logical leadership style, inspirational leadership style and supportive leadership style. Each of these styles has certain differentiating characteristics that were identified and analysed in Tables 2, 3, 4 and 5

Table 6 shows the influence of strategic leadership styles on organizational development in SMEs. The result shows that supportive leadership style ( $F = 210.96$ ,  $p < 0.05$ ), inspirational leadership style ( $F = 42.81$ ,  $p < 0.05$ ), and commanding leadership style ( $F = 5.55$ ,  $p < 0.05$ ) were statistically significant leadership styles influencing organizational development in SMEs.

### Conclusion

Based on the above result, the study concluded that supportive, inspirational and commanding leadership styles of the strategic leadership styles which have been found statistically significant in influencing organisational

**Table 2.** Mean of commanding leadership style.

Commanding leadership style	Mean
Establishing objectives	3.75
Strong work ethic	3.69
show loyalty	3.57
Provide incentives	3.24
Show initiative	3.33
Maintain control	3.38
Be self confident	3.55
Insist on meeting goals	3.07
Personal status	3.64
Concrete actions	3.43
Hard driving	3.26
Accomplishment	3.21
Following orders	3.39
Have well defined plans	3.27
Take charge	3.56
Are efficient and achieve result	3.76
Work hard	3.42

Source: Data analysis, 2013.

**Table 4.** Mean of inspirational leadership style.

Inspirational leadership style	Mean
Making goals exciting	3.11
Values people with new ideas	3.10
Recognize my contribution	3.57
Create a feeling trust	4.61
Feel a sense of job ownership	3.78
Facilitate restructuring	4.24
Have daring ideas	3.26
Rely on the team approach	3.24
Dignity and respect	3.11
Understanding people's need	3.43
Creative	3.25
Radical development	3.58
Having broad vision	3.63
Open minded	3.47
Creating opportunities	3.47
Encourage collaboration	3.26
Network with my colleagues	4.11
Are imaginative	2.43
Expect cooperation	3.28

development were determinants of the success of SMEs in Nigeria.

### Limitation and future research

This study is limited by sample size and low response

**Table 3.** Mean of logical leadership style.

Logical leadership style	Mean
Specifying new directions	3.55
Adapts easily to development	3.49
Be reliable	3.36
Rely on logical arguments	3.33
Preserve in their work	3.29
Achieve objectives	3.32
Be logical	3.28
Offer challenging assignments	3.26
Job fulfilment	3.17
The right timing	3.24
Competent	3.32
Responsibility	3.46
Being a good problem solver	3.18
Thorough	3.62
Consistent plans	3.35
Insist on quality output	3.45
Explore my options	3.65
Are flexible	3.22
Plan ahead	3.20
Be accurate	2.97

**Table 5.** Mean of supportive leadership style.

Supportive leadership style	Mean
Listening to people	3.55
Provides support	3.49
Be team players	3.36
Enable performance	3.33
Participate with others	3.29
Assure responsibility	3.43
Work well with colleagues	3.27
Assure fair rewards	3.24
Acceptance	3.37
A feeling of security	3.21
Effective communication	1.32
Personal growth	3.27
Being a team player	2.42
Sensitive	3.97
A feeling of trust	1.98
Build shared values	4.01
Consult with others	2.06
Are dependable	3.62
Learn from others	3.43
Appreciate others	3.33

Source: Data analysis, 2013.

rate of the respondents. More importantly, due to the fact that the method of survey was self administered and the researchers were grouped into areas to cover the various

**Table 6.** Effects of strategic leadership styles on organizational development in SMEs.

S/N	Propositions	Df	Mean square	F	Sig
		1	247.648		
i	Supportive leadership style	329 330	1.174	210.957	0.000*
		1	61.948		
ii	Inspirational leadership style	326 327	1.447	42.805	0.000*
		1	0.127		
iii	Logical leadership style	326 327	1.463	0.087	0.769
		1	0.712		
iv	Commanding leadership style	324 325	1.293	5.551	0.003*

Source: Data analysis, 2013.

SMEs groups, a few instances were that the researchers helped the respondents understand the questions which may have caused biases in generating quality responses.

Beside, the operators and owner/managers were not ready to disclose information which could have made the results more robust. Hence, it is suggested that various SMEs controlling bodies should maintain a research unit with various educational institutions for enhancing research activities in Nigeria.

Future research should use the same research issues addressed to replicate this study in different entity that constitute SMEs (medium, small, family, and micro). Furthermore, advanced research study should address the issues identified with more elaborate research design.

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