ISSN 2286-4822
www.euacademic.org

EUROPEAN ACADEMIC RESEARCH
Vol. IX, Issue 7/ October 2021

Impact Factor: 3.4546 (UIF)
DRJI Value: 5.9 (B+)

# Leadership Styles and Performance Effectiveness of Family Businesses in South East, Nigeria

EJIKE, KENNETH AGBIRIOGU
Department of Management
Faculty of Management Sciences
University of Port Harcourt
Prof. B. C. ONUOHA
Department of Management
Faculty of Management Sciences
University of Port Harcourt

**ABSTRACT**

This study is on leadership styles and performance effectiveness of family businesses in South East, Nigeria. The study adopted the survey research design. Two null hypotheses were formulated from the study variables. The target population for the study comprised of all owners of family businesses in South Eastern Nigeria. However, due to the large nature of the target population, the study was restricted to key city centres in the five states that makes up the South Eastern region (Abia State, Anambra State, Ebonyi State, Enugu State and Imo State). A total of 3,045 copies of the study instrument were distributed to the owners, managers and supervisors of family businesses in these city centres. Two testable null hypotheses were formulated, and the Spearman Rank Order Correlation Coefficient was applied to test the stated hypotheses at 0.05 level of significance. Of the copies of questionnaire distributed, 2,745 usable copies were retrieved and analyzed, and the outcome revealed a significant positive relationship between leadership styles and family business effectiveness. It was concluded that small businesses, especially family businesses survive and thrive on the wings of effective leadership. As such, owners, managers and supervisors of family businesses should develop their leadership competence in order to know the appropriate style of leadership to adopt in every given situation in their businesses. It is therefore recommended that owners, managers and supervisors of family businesses should: make themselves open to learning, unlearning and relearning of contemporary leadership and management skills that are useful for effectively and efficiently harnessing sustainable business growth and development; and allow more room for workers inputs in decision making by working cooperatively and adaptively with the family business team, and develop the culture of involving/consulting specialists form outside.

***Keywords:*** Leadership Styles, Family Business, Effectiveness, Participatory Leadership, Transformational Leadership

## INTRODUCTION

Family-owned businesses have increasingly piqued the interest of academics over the years because of their success in delivering results. There are several qualitative and quantitative studies that prove this, because these sorts of businesses account for over 70% of the global economy, create employment, and aid in economic development (Onwuka, 2018). Performance is defined as the difference between the actual and expected results (i.e. goals and objectives). According to Daft (2000; as cited in Akparep et al., 2019), organisational performance refers to a company's ability to fulfil its goals through the efficient and effective use of resources. Consequently, it is possible to characterise the performance of a family-owned business by looking at how efficiently and effectively it can deploy resources (both human and nonhuman) toward reaching predetermined goals.

The volatile, unpredictable, complex, and ambiguous (VUCA) nature of today's corporate environment causes many interruptions that harm an organization's ability to execute. This can be attributed to external causes such as rapid technological advancements, regional and global market trends, or internal variables such as organisational culture, human resource practises, motivation levels, and so forth. (Haque et al., 2015; Igbaekemen & Odivwri, 2015). Jeremy et al. (2012) and Klein et al. (2013) found that leadership style has a significant influence on a company's ability to fulfil its goals, which is in accordance with Sadia and Aman's (2018) conclusion that leadership is an important driver of corporate success. As a result, organisations rely heavily on their employees to meet their goals, and as a leader, you have the job of clearly outlining those goals to your team and encouraging them to act in a way that will help you meet them. Or, to put it another way, companies require a strong sense of direction to help them succeed.

Leadership style is a shorthand term for the way a leader goes about fulfilling their responsibilities (Armstrong, 2012). Examples of leadership styles include autocratic leadership, democratic leadership or participatory leadership, transformational leadership, charismatic leadership, and laissez-faire leadership. The focus of this essay is on participatory and transformational leadership styles. The transformational leadership strategy is centred on developing subordinates and meeting their expectations (Top et al., 2020). Change management recognises the need for it, creates a vision to guide it, and inspires employees to put it into action. Participatory leadership techniques are often known as democratic leadership styles. As an alternative to command-and-control management, this type of leadership encourages employees to participate in the decision-making process (Bhargavi & Yaseen, 2016; Nwokocha & Iheriohanwa, 2015).

Even though several studies have looked at how successful leadership styles are in family businesses, none have focused on Nigeria's South Eastern region, where most family businesses are located (the hub of family business activities in Nigeria). So this research intends to address this information void by investigating the link between leadership styles and family business effectiveness in the South East Asian region and Nigeria.

## Statement of the Problem

Wherever you travel in the world or how successful a family business may be (even in Nigeria), a family's age-old battles for harmony, health, and longevity have remained its Achilles heel. According to the Family Business Institute, few family firms survive to the third generation, let alone the fourth or beyond. Even those who succeed in reaching that level frequently find their worth decline when the balance of power shifts at the top (Fernández-Aráoz et al., 2015). Numerous arguments have been advanced for the collapse of family-owned businesses. Conflicts between family members and non-family members, nepotism, and the difficulty of prioritising the business over the family or the family over the business have all been mentioned as causes for the demise of family firms (De Witt, 2015). In general, poor leadership is the greatest impediment to family business success. The fact that the majority of family firms are plagued by ineffective leadership exemplifies families' reluctance to adapt or take risks. This is demonstrated by the fact that the majority of family firms lack appropriate or inefficient planning, communication, and succession planning, as well as an authoritarian or paternalistic culture (Beaver, 2003; Onuoha, 2012; Venter & Farrington, 2009). As such, and in an attempt to provide a realistic solution, this research will examine the relationship between leadership styles and family business success in the South East and Nigeria.

## LITERATURE REVIEW

### Leadership Styles

The leadership style relates to how a manager carries out his or her leadership responsibilities and how a management chooses to interact with personnel (Mullins, 2000). Scholl (2000) defined leadership style as the pattern of behaviour used by a leader to influence group members and make decisions on mission strategy and group operations. It is a method and approach for providing direction, achieving goals, and motivating people. Leadership style is defined by Jeremy et al. (2012) as "the set of qualities, characteristics, abilities, and behaviours that leaders deploy while engaging with their subordinates." Any organisation that employs the appropriate leadership style(s) in conjunction with other operational characteristics stands a better chance of achieving its organisational goals. The leadership style(s) of an organisation have a considerable influence on the culture of the business. This has an impact on the organization's performance, either directly or indirectly (Haque et al., 2015; Klein et al., 2013).

### Transformational leadership style and Family Business Performance Effectiveness

A transformational leadership style is one in which the leader acts as a role model for his or her employees, motivating and challenging them to become more involved in their work. Transformational leaders connect with people, delegate duties, get to know their staff, and work hard to figure out how to get the best out of them, ultimately improving the company's performance (Popa, 2012). Scholars in the field of family business hold varying opinions on the need of transformative leadership in family enterprises. According to some experts, family businesses provide an excellent setting for transformational leadership, and family business leadership may be similar to transformational leadership (Poutziouris et al., 2002; Tagiuri & Davis, 1996). The second group of experts argues that transformational leadership will be regarded as a threat to the traditional family business structure, and hence will be undesirable by both family business owners and employees (Avolio & Bass, 2004; Bass, 1990; Emery & Barker, 2007). Thus we hypothesize that:

*$H_{01}$: There is no relationship between transformational leadership and family business performance* effectiveness.

**Participatory Leadership style and Family Business Performance Effectiveness**

Participatory leadership encourages employees to participate in the decision-making process of the company (Nwokocha & Iheriohanma, 2015). In a democratic system, decision-making is decentralised, and outstanding performance is recognised and rewarded, according to Puni et al. (2014). Nwokocha and Iheriohanma (2015), on the other hand, suggest that when a leader relies on the contributions of employees or subordinates, there is a danger of subordinates making poor decisions. It might be claimed that this has a negative impact on the organisation and encourages personnel turnover. As a consequence, all parties engaged are required to explore ideas and make shared decisions. Participation is an important tool for family businesses since it improves interpersonal adaptability and change processes. Participatory leadership, according to this study, would provide better results because it allows varied viewpoints to be heard and incorporates people in ways that are more likely to engender vitalizing commitment and happiness. As such, we hypothesize that:

*$H_{02}$: Participatory Leadership style does not have any influence on family business performance* effectiveness.

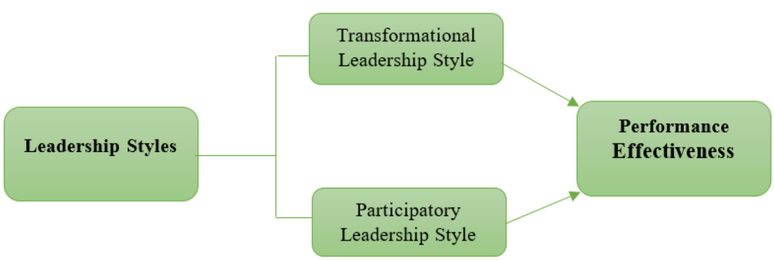


**Figure 1.1:** A Model of the nexus between Leadership Styles and Performance Effectiveness of Family Businesses

**Source:** The dimensions of the predictor variable and items employed in measuring the criterion variable were obtained from the works of Bruni *et al.* (2018), and Utrilla and Torraleja (2012), respectively.

## THEORETICAL FRAMEWORK

### Dynamic Capabilities Theory

The Dynamic Capability Theory (DCT) developed by Trice and Beyer (1993) served as a foundation for this inquiry. In order to obtain a competitive edge, enhance overall performance, and thrive in a dynamic and complex business environment, an organisation must have the capability or aptitude to acquire, create, and utilise resources efficiently, according to Trice and Beyer's (1993) Dynamic Capabilities Theory. Small firms (especially family businesses) face the weight of today's VUCA business climate, as previously stated. Resources must be handled appropriately to avoid the trans-general curse that afflicts the majority of family-owned businesses, necessitating dynamic leadership with high effectiveness and professionalism.

### Methodology

The study adopted the survey research design as it allows the researcher to collect wide range of data across place and time (Baridam, 2001). The target population for the study comprised of all owners of family businesses in South Eastern Nigeria. However, due to the large nature of the target population, the study was restricted to key city centres in the five states that makes up the South Eastern region (Abia State, Anambra State, Ebonyi State, Enugu State and Imo State). A total of 3,045 copies of the study instrument were distributed to the owners, managers and supervisors of family businesses in these city centres. The Spearman Rank Order Correlation Coefficient was applied to test the stated hypotheses at 0.05 level of significance. The study satisfied face and content validity and met the Cronbach alpha reliability threshold of 0.70 (Hair et al., 1998). Of the copies of questionnaire distributed, 2,745 usable copies were retrieved and analyzed.

## RESULTS AND DISCUSSION

### Bivariate Level Analyses: Test of Hypotheses

This section is concerned with testing stated hypotheses, using Spearman's rank order correlation coefficient statistical tool and the p-values obtained.

**Decision Rule:** reject null hypothesis if p-value obtained is less than the alpha value (0.05/95% level of significance) and accept null hypotheses when p-value is greater than the alpha value.

**Table 1:** Test of relationship between Transformational Leadership Style and Performance **($H0_1$)**

| | | | Transformational Leadership Style | Performance Effectiveness |
|---|---|---|---|---|
| Spearman's rho | Transformational Leadership Style | Correlation Coefficient | 1.000 | .905** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 2,745 | 2,745 |
| | Performance Effectiveness | Correlation Coefficient | .905** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 2,745 | 2,745 |
| **. Correlation is significant at the 0.05 level (2-tailed). | | | | |

SPSS output, Version 20 – Field Survey, 2021

Table 1 shows Spearman's rho correlation analysis to find out the relationship between transformational leadership style and performance effectiveness among 2,745 participants. A strong positive correlation coefficient value was reported between variables which is statistically significant (rho = .905, p = .000< 0.05 (alpha value).

**Decision:** Hence; we reject the null hypothesis ($H0_1$) that states that there is no relationship between transformational leadership and family business performance effectiveness. And we accept the alternate; there is a significant relationship between transformational leadership and family business performance effectiveness ($HA_1$).

Table 2: Test of relationship between Participatory Leadership and Performance Effectiveness **($H0_2$)**

| | | | Participatory Leadership | Performance Effectiveness |
|---|---|---|---|---|
| Spearman's rho | Participatory Leadership | Correlation Coefficient | 1.000 | .866** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 2,745 | 2,745 |
| | Performance Effectiveness | Correlation Coefficient | .866** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 2,745 | 2,745 |
| **. Correlation is significant at the 0.05evel (2-tailed). | | | | |

SPSS output, Version 20 – Field Survey, 2021

Table 2 shows Spearman's rho correlation analysis to find out the relationship between participatory leadership and performance effectiveness among 2,745 participants. A strong positive correlation coefficient value was reported between variables which is statistically significant (rho = .866, p = .000< 0.05 (alpha value).

**Decision:** Hence; we reject the null hypothesis ($H0_2$) that states that there is no significant relationship between participatory leadership styles does not have any influence on family business performance effectiveness. And we accept the alternate; participatory leadership style has a significant influence on family business performance effectiveness. ($HA_2$).

## DISCUSSION OF FINDINGS

The study looked at the relationship between leadership styles and the effectiveness of family businesses in the country's south-east. Based on two previously stated assumptions, the results of the tests indicated a significant correlation between leadership styles (transformational leadership and participatory leadership styles) and the profitability of family businesses. Several scholarly ideas concerning the relationship between these parameters have been proposed, and this one verifies them. According to experts, a transformational leadership style comprises the adoption of a defined vision for the organisation, which is more typical in family businesses than non-family businesses (Vallejo, 2009). Conger and Kanungo (1994) Onuoha (2012) discovered that the leadership and managerial talents of family company owners, managers, and supervisors play a critical role in maintaining the smooth running of these organisations in a research titled "Professionalizing family enterprises in the South-East Region of Nigeria."

Another study discovered a substantial and positive association between participative leadership and corporate performance. Sorenson (2000), for example, contends that participatory leadership benefits small family businesses financially. Many family businesses lack participative leadership, which promotes change and incorporates different points of view into decision-making. Participatory leadership also looks for alternatives and allows for flexibility. It also results in commitment. In other words, the study's findings support earlier arguments that leadership styles and family business performance are connected.

## CONCLUSION AND RECOMMENDATION

The data and discussion make it plausible to conclude that small businesses, particularly family-owned businesses, are able to endure and grow under the direction of successful leaders. Therefore, owners, managers, and supervisors of family businesses should improve their leadership abilities so that they can identify which leadership style to employ in any given situation inside their organisations. As a result, the following recommendations are made:

i. Those involved in the ownership, management, and supervision of family businesses subject themselves to the process of learning about, unlearning from, and relearning current leadership and management talents that are critical to effectively achieving sustained corporate growth and development. Taking part in corporate presentations and seminars, together with refresher training, can help you achieve this goal.

ii. Those in charge of running family businesses should provide more room for employees' engagement in decision-making by working constructively and adaptably with their family business team, and they should build a culture that involves and consults specialists from outside the organisation..

## REFERENCES

1. Akparep, J. Y., Jengre, E., & Mogre, A. A. (2019). The influence of leadership style on organizational performance at TumaKavi Development Association, Tamale, Northern Region of Ghana. *Open Journal of Leadership, 8*(1), 1-22.
2. Armstrong, M. (2012). *Armstrong's handbook of management and leadership: Developing effective people skills for better leadership and management (3rd ed.).* Kogan Page.
3. Avolio, B. J. & Bass, B. M. (2004). *Multifactor leadership questionnaire.* (University of Nebraska and SUNY Binghamton).
4. Bass, B. M. (1990). From transactional to transformational leadership: Learning to share the vision. *Organizational Dynamics, 18*(3), 19-36.
5. Beaver, G. (2003). Small firms: owners and entrepreneurs. *Strategic Change, 12*(4), 177-183.
6. Bhargavi, S. & Yaseen, A. (2016). Leadership styles and organizational performance. *Strategic Management Quarterly, 4*(1), 87-117.

7. Bruni, E., Cortellazzo, L., Bonesso, S., & Gerli, F. (2018). *Leadership style scale: Conceptualization and initial validation.* (A Working Paper, Università Ca' Foscari Venezia).
8. De Witt, A. (2015). *Influence of leadership styles on the business performance of family businesses in the Eastern Cape.* (A Masters Thesis, Nelson Mandela Metropolitan University).
9. Emery, C. R. & Barker, K. J. (2007). The effect of transactional and transformatinal leadership styles on the organizational commitment and job satisfaction of customer contact personnel. *Journal of Organizational Culture, Communication and Conflict, 11*(1), 77-90.
10. Fernández-Aráoz, C., Iqbal, S., & Ritter, J. (2015). *Leadership lessons from great family businesses.* Harvard Business Review. https://hbr.org/amp/2015/04/leadership-lessons-from-great-family-businesses
11. Hair Jr., J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (1998). Multivariate Data Analysis (5th ed.). Upper Saddle River, NJ: Prentice Hall.
12. Haque, A. U., Faizan, R., Zehra, N., Baloch, A., Nadda, V., & Riaz, F. (2015). Leading leadership style to motivate cultural-oriented female employees in IT sector of developing country: IT sectors' responses from Pakistan. *International Journal of Academic Research in Business and Social Sciences, 5*(9), 280-302.
13. Igbaekemen, G. O. & Odivwri, J. E. (2015). Impact of leadership style on organization performance: A critical literature review. *Arabian Journal of Business and Management Review, 5*(5), 1-7.
14. Jeremy, M., Melinde, C., & Ciller, V. (2012). Perceived leadership style and employee participation in a manufacturing company in the Democratic Republic of Congo. *African Journal of Business Management, 6*(15)*,* 5389-5398.
15. Klein, A. S., Cooke, R. A., & Wallis, J. (2013). The impact of leadership styles on organizational culture and firm effectiveness: An empirical study. *Journal of Management & Organization, 19*(3), 241-254.
16. Mbah, F. J. A. (2016). *Leadership style and Performance of Small and Medium size enterprises in Cameroon.* (A Masters Thesis, University of Yaounde II, Cameroon).
17. Mullins L. J., (2000). *Management and organisational behaviour.* Pitman Publishers.
18. Nwokocha, I. & Iheriohanma, E. B. J. (2015). Nexus between leadership styles, employee retention and performance in organizations. *European Scientific Journal, 11*(13), 186-209.
19. Onuoha, B. C. (2012). Professionalizing family businesses in the South-East Region of Nigeria. *International Business and Management, 5*(1), 153-161.
20. Onwuka, E. (2018). *Nigeria: Governance of family business series 1 – Introduction to family business.* Mondaq. https://www.mondaq.com/nigeria/corporate-governance/755378/governance-of-family-business-series-1-introduction-to-family-business
21. Poutziouris, P., Wang, Y., & Chan, S. (2002). Chinese entrepreneurship: The development of small family firms in China. *Journal of Small Business and Enterprise Development, 9*(4), 383, 2002.
22. Puni, A., Ofei, S. B., & Okoe, A. (2014). The effect of leadership styles on firm performance in Ghana. *International Journal of Marketing Studies, 6*(1), 177-185.

23. Sadia, A. & Aman, A. (2018). Transformational leadership and organizational performance; the mediating role of organizational innovation. *SEISENSE Journal of Management, 1*(3), 59-75.
24. Sorenson, R. L. (2000). The contribution of leadership style and practices to family and business success. *Family Business Review, 13*(3), 183–200.
25. Tagiuri, R. & Davis, J. (1996). Bivalent attributes of the family firm. *Family Business Review, 9*(2), 199-208.
26. Top, C., Abdullah, B. M. S., & Faraj, A. H. M. (2020). Transformational Leadership Impact on Employees Performance. *Eurasian Journal of Management & Social Sciences, 1*(1), 49-59
27. Utrilla, P. N. & Torraleja, F. A. G. (2012). Family businesses: How to measure their performance. *African Journal of Business Management, 6*(12), 4612-4621.
28. Venter, E. & Farrington, S. M. (2009). The nature of family businesses and their importance for economic development. *New Contree, 58*(1), 131-153.