

STRATEGIC LEADERSHIP AND FIRM PERFORMANCE:
A STUDY OF NIGERIAN CASHEW EXPORTING SMES.

1. Hope N. Nzewi(hn.nzewi@unizik.edu.ng),
Department of business Administration, Nnamdi Azikiwe University, Awka.

2. Ibrahim, Mohammed Audu, (unimifather@yahoo.com),
Department of Business Administration, Nnamdi Azikiwe University, Awka.

3. Obianuju M. Chiekezie(om.chiekezie@unizik.edu.ng)
Department of Business Administration, Nnamdi Azikiwe University, Awka,

Abstract

Here, the researchers examined how leadership enhances the performance of selected Cashew exporting firms in Kogi state, Nigeria. This study is significant since the outcomes will contribute to the body of knowledge in the field of Strategic leadership and SME's firm performance in Kogi state. The objective of this study is to investigate strategic leadership in terms of different leadership styles and test their effects, particularly on SMEs performance relatively to cashew export companies in Nigeria. The sample is consisted of members who are working in managerial and non-managerial positions in different offices of the companies in Kogi state. A total of 112 completed responses were used for analyses. For hypothesis testing, the first hypothesis is partially supported as only relationship-oriented and transformational leadership styles are significantly correlated to firm performance. The second hypothesis compared to other leadership styles transformational leadership has a greater effect on firm performance. Considering the means of leadership styles, it is clear that the most common leadership style is relationship-oriented. This study can be repeated by increasing the number of participants.

Keywords: Transformational leadership, Relationship-oriented Leadership, Firm performance

Section one: Introduction

1.1 Background to the study

While they dominate in terms of absolute numbers, SMEs are also important because they are key drivers of employability and economic growth in every nation. The importance of SMEs to world economies is well documented (Birch 1989; Storey 1994). SMEs (firms with 200 or less employees) make up the largest business sector in every world economy (Culkin & Smith 2000), and governments around the globe are increasingly promoting and supporting SME growth, in their own ways, as part of their overall national development strategy (Abdullah & bin Bakar 2000).

As in any kind of organization, Knowledge of strategic leadership is essential as the role has become more critical and the complex demands have increased in SMEs. As the roles of strategic leaders expand, we need to understand how these leaders have the greatest positive impact on firm performance. This study is significant since the outcomes will contribute to the body of knowledge in the field of leadership and SME's firm performance in Kogi state, Nigeria. Razak (2010) suggested that a development of good leadership is one of the driving forces for the success of SMEs in the future, and evidences suggest that inadequate leadership and management skills as primary factors contributing towards the failure of SMEs (Davies et al., 2002). The aim in this study is to investigate the strategic leadership styles in terms of different leadership styles and test the effect of each independently on firm performance.

1.2 Statement of the Problem

Development of good leadership is one of the driving forces for the success of SMEs in the future. Evidences suggest that inadequate leadership and management skills are the primary factors contributing towards the failure of SMEs (Davies et al., 2002). As in any kind of organization, Knowledge of strategic leadership is essential as the role has become more critical, overly demanding and the complex demands have increased in SMEs. As the roles of strategic leaders expand, one needs to understand how these leaders have the greatest positive impact on firm performance. Absence of this would

result poor performance on the part of the organisation. The studied firms seem to lack the implementation of these leadership styles aforementioned. Consequently, the non-implementation has boomeranged on the studied firms. This therefore provides the basis for which this research is being carried out.

1.3 Objective of the study

The major objective of this study is to ascertain the nature of the relationship that exists between strategic leadership styles and firm performance in the selected firms.

Specifically it is designed to

1. Determine the nature of the relationship that exists between Strategic leadership and firm performance.
2. Examine the nature of the relationship that exists between transformational leadership and firm performance.

1.4 Statement of Hypotheses

Accordingly the following hypotheses are proposed

H1 : There is a positive relationship between strategic leadership styles and firm performance.

H2 : Transformational leadership style has a significant positive effect on firm performance.

1.6 Significance of the Study

This study will help contribute to a better understanding of the concept of strategic management as it result to firms performance. The outcome of this study will also help to support management of an organisation in designing policies for strategic leadership among individual employee, groups and the organization. This topic is worthy of investigation due to a shortage of conceptual and empirical research on the topics of strategic leadership and firm performance, particularly in the North Central and especially in Kogi state. Currently, the link between strategic leadership and Firm Performance has not received sufficient attention from researchers in the North Central, Nigeria. This seems partly due to the recent development of the concept in the region as

well as the fact that the gap between both fields requires in-depth study and investigation. This study, therefore, seeks to address this gap in both the strategic leadership and Firm Performance literature by conducting a quantitative research on cashew exporting SMEs in Kogi state.

1.7 Scope of the Study

The scope of the study consist of top, middle and junior level member of staff and major marketers of the cashew oxporting firms in Kogi state.

1.8 Limitations of the Study

This research work was hindered by inability to retrieve all the administered copies of questionnaire. This was as a result of in accessibility of some of the officers in the studied firms.

Section Two: Review of Related Literature

2.1 Strategic Leadership Styles

A comprehensive leadership review by House and Aditya (1997) described the body of strategic leadership research as pivotal to firm survival across the univers. However, there is scarcity of research on the relationship of strategic leadership with organizational performance (House & Aditya, 1997). A recent review has also called for more research on strategic leadership (Gardner et. al, 2010). The literature provides several perspectives that help define strategic leadership for greater understanding. One perspective focuses on “executives who have overall, primary responsibility for an organization, their characteristics as regards what they do, how they do it, and particularly, how they affect organizational outcomes” (Finkelstein et al., 2009). These researchers have defined the scope of strategic leadership to include CEOs, the heads of business units, TMTs, boards of directors (Finkelsteinet al., 2009), and dominant coalitions (Boal & Hooijberg, 2000). Hambrick (2007) has defined strategic leadership as being concerned with the entire scope of activities and strategic choices of the individuals at the pinnacle of the organization. This definition emphasizes the relational aspects in terms of both strategic

and symbolic activities (Cannella, 2001). For the purpose of this article, we will view strategic leadership as being concerned with the leadership of-organizations as opposed to in-organizations (Boal & Hooijberg, 2000). Several leadership styles are relevant to strategic leadership, particularly those that focus on leader behaviour and that have been the subject of more recent investigation. Here, it is aimed to examine the more established behavioral styles of transactional, transformational, and paternalistic leadership.

2.2 Transformational leadership

Transformational leadership emphasizes inspiration, challenge, motivation, vision, personal development and superior performance by followers. There is also considerable evidence that transformational leadership is effective, and it is positively related to subordinate satisfaction, motivation, and performance (Bass, 1999). As to the transactional approach, it makes a strong link between leadership and the ability to motivate goal accomplishment and improved performance through reward structures. An emphasis is therefore placed on effective interpersonal communication and contingent reinforcement (Bass, 1985).

These leaders are good at traditional, core management functions such as planning and budgeting and generally focus on the impersonal aspects of job performance. Transformational leadership emphasizes the importance of followers in the leadership process and goes beyond traditional transactional models, and also broadens leadership to include a focus on proper follower development (Northouse, 2001). This approach also places a strong emphasis on morals and values (Bass and Steidlmeier, 1999). Understanding the various leadership styles including their potential benefits and limitations will help organizations and leaders improve performance and respond to the changes in resources, technologies, marketing methods, and distribution systems because of market globalization. Fikret-Pasa and her colleagues (2001) found that four types of universal leader behaviours were dominant in Nigerian organizations:

Transactional and team-oriented', 'Paternalistic and considerate', 'Laissez-faire' and 'Autocratic and hierarchical'.

2.3 paternalistic Leadership style

In the context of the study, besides transformational and transactional leaderships, paternalistic style is taken in consideration as a strategic leadership style. Paternalism is a complex construct that has controversial descriptions (Aycan, 2005). It is defined by Aycan (2005) as 'the principle or system of governing or controlling a country, group of employees, etc. in a manner suggesting a father's relationship with his children.' This definition implies that paternalism occurs in a dyadic and hierarchical relationship between a superior and subordinate positions, and that there is a role differentiation in this dependent relationship (Aycan, 2005). That is, the paternalistic superior behaves in such a way as to create a family atmosphere at the workplace, establishes close and individualized relationships with his or her subordinates, and involves in non-work domain in his or her relationships with his or her followers.

2.4 Firm performance.

Firm performance is one of the most important constructs in management research. According to Richard & Devinney (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). In this study, taking into account the commercial sector, we intend to concentrate on the following eleven firm performance outcomes; Qualified labour, Overall profitability, Return on sales, Product/service quality, Sales growth, Job satisfaction of employees, Commitment of employees, Customer satisfaction, Market share growth, Return on assets, and New product/service development capability.

Qualified labour is the aggregate of skilled human physical and mental effort used in creation of goods and services. The benefits of having the best trained workers using the most advanced technology can be nullified by employees who do not use their energy and

skills for the benefit of the organization. Without employee commitment, there can be no improvement in any area of business activity. According to Meyer and Allen(1990), the definition of commitment is a psychological state that binds the individual to the organization. No organizations in today's competitive world can perform at peak levels unless each employee is committed to the organizations' objectives and works as an effective team member. Job satisfaction is essential for organizations interested in developing and retaining productive employees for organizational success (Siegel & Lane, 1974). It is defined by Locke as a pleasurable and positive emotional state caused by the appraisal of one's job or job experience (1976). Such a definition suggests that job satisfaction contains an affective component (emotional state) and a non-affective or cognitive component (appraisal) (Organ, 1988).

New product/service development capability is the process of converting knowledge and ideas into better ways of doing business or into new or improved products and services that are valued by the community. Product/service quality is the excellence of the product or service –the serviceability and value that customers gain by purchasing the product or service. Customer satisfaction is a measure of the degree to which a product or service meets the customer's expectations. Sales growth is the increase in sales over specific period of time, often but not necessarily annually. Market share growth is the percentage of the total sales of a given type of product or service that are attributable to a given company. Return on sales is a measure of a company's profitability. Equal to a fiscal year's pre-tax income divided by total sales. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Overall profitability is company's ability to generate revenues in excess of the costs incurred in producing those revenues.

An examination of the literature in the fields of organizational performance considered that there are two major variables studied on the relationship between organizational culture and leadership styles.

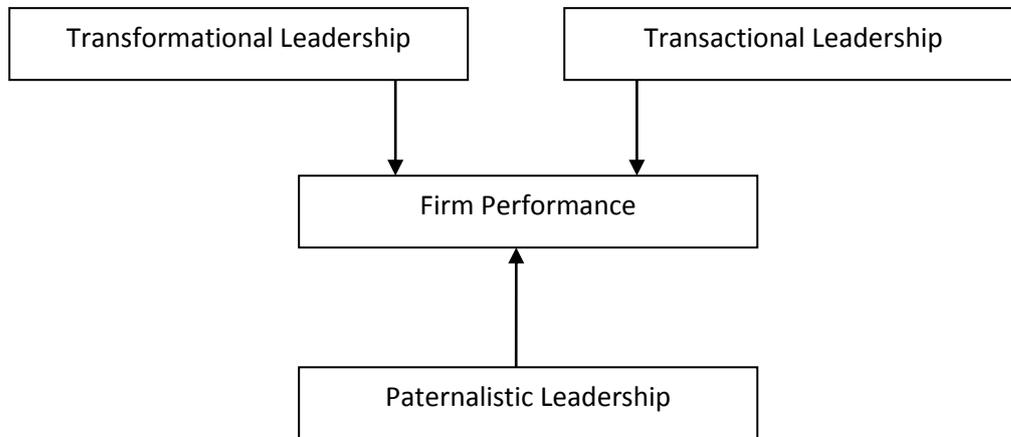


Figure 1. Research Model

Section Three: Methodology

Population of the Study

The study population consists of the two cashew exporting companies in Kogi State. Data were collected from the two companies comprising West African Produce Nig. Ltd (WAPLNG), with a total population of 112 (WAPLNG, 2021) and Mujabila Agro Nig. Ltd, with total workforce of 87 (MUNG, 2021). The total population of the study is 199 employees.

3.3 Sample Size and Sampling Techniques

The sample size consist of 133 participants which were drawn from the population using taro Yamane formula $n= N/(1+ N (e^2))$,

Where:

n=Sample size,

N=Population,

e=error margin at 0.05).

$$n = N / (1 + N(e^2))$$

$$n = \frac{199}{1 + 199(0.05)^2}$$

$$= \frac{199}{1 + 199(0.0025)}$$

$$= \frac{1058}{1 + 0.4975}$$

$$= \frac{1058}{1.4975}$$

$$= 133 \text{ Respondents}$$

Proportionate stratified random sampling technique was used to select the participant. Bowley population allocation formula, nN_h/N , was used; where n =Sample size, N_h = Population of each organisation, N =Total Population

This is to determine the number of participants to be drawn from each organization. Hence 75 participants were drawn from West African Produce Ltd while 58 participants were drawn from Mujabila Agro ltd.

3.1 Sample and Data Collection

The study is applied to Cashew export companies in Nigeria with concentration on Kogi State. An electronic on-line link which contains the questionnaire is sent to the managers of several departments. Through these managers, the link is conveyed to the participants, who are the employees of the companies. The sample is consisted of members who are

working in managerial and non-managerial job positions in different offices of the companies. A total of 112 complete responses were used for analyses. In terms of demographic characteristics, it is seen that 56% of the sample consists of male participants. The mean of the sample' age is 28. The biggest part (60%) of the participants belongs to the 20 to 55 year group. Lastly, non-managerial participants take 68% of the sample. The questionnaire was consisted of five parts. Transformational-transactional leadership styles; Bass and Avolio's Multifactor Leadership Questionnaire was used. MLQ was developed in 1985 to measure both transformational and transactional leader behavior and to investigate the nature of the relationship between these leadership styles and work unit effectiveness and satisfaction. This questionnaire contains 3 scales; transformational leadership, transactional leadership, laissez faire leadership and 30 items. For paternalistic leadership, the 21-item scale developed by Aycaan (2005) is used. For firm performance, the nine performance indicators were adapted from Barringer and Bluedorn (1999), and Wiklund and Shepherd (2003). In addition to these nine indicators, commitment of employee and qualified labour were applied in close collaboration with company managers. Respondents were asked to compare with a competitor of their own firm over recently years, using five-point scales anchored at low to high. Lastly some demographic characteristics were asked in order to make difference analyses.

Section Four: Analyses and Results

Results of this study were evaluated using the Statistical Package for the Social Sciences (SPSS) version 16.0 for Windows. For the entire statistical analysis, significance level of 0.05 was taken into consideration. Descriptive statistics was used to present the main characteristics of the sample. For the factor structure of the scales, factor analysis was performed with principal components model and for such, factor loadings were taken into consideration. For the internal consistency of the scales, reliability analysis was performed and coefficient alphas were taken into consideration. Before the regression analysis, in order to test the relationships among factors and the variables, bivariate

correlations were conducted. To test the hypotheses, multiple and simple regression analyses were used.

Table 1: Means, Standard Deviations and Correlations of the study Variables

Measures	Mean	SD	1	2	3	4	5	6
1. Transformational leadership	4.22	1.07	1					
2. Relationship-oriented leadership	4.31	1.00	.81**	1				
3. Mgt. Byavoidance	2.44	.92	-.36	-.25	1			
4. Firm Performance	3.44	.62	.31**	.28**	-.22	1		
5. Quantitative Performance	3.62	.61	.10	.04	-.16	.84**	1	
6. Qualitative Performance	3.22	.71	.42	.40**	-.19	.88**	.50**	1

** Correlation is significant at the 0.01 level (2-tailed)

Lastly, to test the demographic differences of the variables, some non parametric tests are used as the sample groups did not provide the normality condition. In this study all the items related to strategic leadership (transformational, transactional and paternalistic leadership) were taken together in the factor analysis. It was seen that KMO value was 0.94 and Bartlett's Test of Sphericity was significant ($p = 0.000 < 0.001$). This indicated that the data was adequate and appropriate to conduct factor analysis. As a result of factor analysis of all leadership items, revealed three factors named Transformational leadership, Relationship-oriented leadership, and Management by avoidance leadership. The results show that those three factors explain the %57.22 of the total variance. As to reliability analysis, the three factors (Cronbach's α transformational = 0.88, α relationship oriented = 0.93, α avoidance = 0.82) indicate high internal consistency. For firm performance, the factor analysis (KMO=0.86 , Barlett's Test of Sphericity=3152.96, $p=,000$) revealed two factors, as Quantitative performance (QuanP) and Qualitative

performance (QualP). These factors are seen to explain the 67.7% variance of the scale. The Cronbach alpha values for these factors are respectively 0.92 and 0.83.

To examine the relationships between variables, bivariate correlation analysis is done. It is seen in Table 1, a weak positive relationship between firm performance and relationship-oriented leadership has been found ($r = 0.28$, $p < 0.01$). Firm performance is found to have a stronger relationship with transformational leadership ($r = 0.31$, $p < 0.01$). Whereas management by avoidance leadership is negatively correlated with firm performance ($r = -0.22$, $p < 0.01$). Among the factors of firm performance only QualP is seen to have significant relationships strategic leadership styles. (relationship-oriented= 0.4, transformational= 0.42; $p < 0.01$). In this sense the first hypothesis of the research, which suggests a significant relationship between strategic leadership styles and firm performance is partially supported.

In order to test the second hypothesis which assumes that transformational leadership has a stronger positive effect on firm performance compared to other leadership styles, multiple regression analysis was conducted. Table 2 shows the equation model of the relationship between independent and dependent variable. This analysis included all the three leadership styles in order to see their effects on firm performance. As a result, it is seen that only transformational leadership contributes significantly to the variable of firm performance ($\beta = 0.318$, $p = 0.000 < 0.05$).

The analysis indicated that transformational leadership was accounted for 10% of the amount of the variation in the dependent variable of firm performance. According to this result, hypothesis H2 is said to be supported.

Table 2: Results of Multiple Regression Analysis for Qualitative Performance

Dependent Variable: Firm Performance				
Independent Variable: Transformational L., Relationship-oriented L., Management by Avoidance L				
	Variables	Beta	t	p
Model 1	Transformational Leadership	.318	4.10	.000
R2=.10; F=16.839; p=.00				

Besides firm performance, its factors were also included in another multiple regression analysis to see their contributions to the dependent variable (Table 3). When the analysis was conducted it is found that transformational leadership explains significantly qualitative performance ($\beta=0.425$, $p = 0.000 < 0.05$).

Table 3: Results of Multiple Regression Analysis for Qualitative Performance

Dependent Variable: Qualitative Performance				
Independent Variable: Transformational L., Relationship-oriented L., Management by Avoidance				
	Variables	Beta	t	p
Model 1	Transformational L	.425	5.75	.000
R2=.17; F=33.072; p=.00				

Section Five: Summary of Findings, Conclusion and Recommendations.

5.1 Summary of Findings

Several leadership styles are relevant to strategic leadership, particularly those that focus on leader behaviour called behaviour-oriented and that have been the subject of more recent investigation. In this study, the more established behavioural styles of

transactional, transformational, and paternalistic leaderships were interrogated in a Nigerian Cashew SMEs.

In this study; transformational, transactional and paternalistic leadership styles were conducted together in the factor analysis. But it is seen that different strategic leadership styles such relationship-oriented, and management by avoidance styles were rightly revealed. This result shows that in Nigeria SMEs, paternalistic leaders can be perceived as relationship-oriented or passive leaders. In terms of hypothesis testing, the first hypothesis of the study is partially supported as only relationship-oriented and transformational leadership styles are significantly related to firm performance. As to the second hypothesis, it can be said that it is fully supported.

5.2 Conclusion

Compared to other leadership styles transformational leadership has a stronger effect on firm performance. When the means of leadership styles are considered, it is clear that in three companies most common leadership style is relationship-oriented. This result is in accordance with literature review. Transformational leaders create a clear picture of the future state that is both optimistic and attainable, encourage others to raise their expectations, reduce complexity to key issues and uses simple language to convey the mission in competitive markets such as Turkey. The reaction of the followers is increased willingness to exert extra effort so as to try to achieve the mission (Shackleton, 1995). This study relies on perceptions of the respondents about the behaviour of their respective firms.

5.3 Recommendations

Sequel to the findings, the following recommendations were made:

1. Cashew exporting companies need to improve on relationship oriented leadership style as it tends to implement participative management approach. This would go a long way make the employees feel important in the organisation.
2. The studied firms should compliment strategic leadership with both transformational and relationship oriented leadership styles

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