# The Dimensional Context of Leadership Impact on the Organizational Performance of Selected Manufacturing Companies in Lagos State, Nigeria

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#### **Abstract**

This research looks at how different types of leadership affect organizational productivity. Three hundred and seventy-two respondents were surveyed using an adopted and validated questionnaire. The results show that the majority of those surveyed were married and male, with the highest working experience being 9 years and above, as well as possessing a bachelor's degree as their educational qualification. With the exception of the laissez-faire leadership style (LZS; = -0.094, t = -1.029, p 0.05), the ordinary least square (OLS) regression result shows that leadership style positively affects operational performance with an adjusted R2 value of 0.415, which is positively significant at 5% (ALS; = 0.358, t = 3.062; DLS; = 0.376, t = 3.229, p 0.05). So, the R-squared value of 0.440 shows that the style of leadership only explained 44% of the difference.

Keywords: Autocratic; Democratic; Laissez-faire; Leadership; Operational performance; PLS-SEM

#### 1. Introduction

Influencing the behavior of another person or group requires a display of leadership. A leader is someone who guides the group's interactions with one another. When people work together under the guidance of a strong leader, they are able to accomplish more than they could on their own. It is crucial for a leader to be able to unite their followers behind a shared goal. Leadership is focused on the growth, development, and expansion of one's followers' abilities (Klein et al. 2013). Leaders have a responsibility to help their staff members grow personally and professionally by focusing on their values, motivation, and morale as well as their abilities (Sougui et al., 2015). To some extent, this method can help followers succeed in the business world as they go about their daily lives. This will inspire those who follow you to think outside the box and adapt easily to shifting social, technological, and environmental norms (Khan et al., 2014).

Organizational effectiveness is directly related to strong leadership. Leaders shape their teams' morale, adaptability to change, and productivity. Their influence extends to the efficiency and effectiveness of the methods used by the organization. It's vital to remember that leadership may emerge at any level of a company, not just the upper echelons (Igbaekemen and Odivwri, 2015). In this way, leaders have an effect on everyone and facilitate the attainment of team and corporate goals. However, it is also true that, at any

given time, the right leadership style can greatly improve an organization's output. Strong leadership is crucial for any group's success. Companies today depend heavily on the leadership of their executives. How a manager interacts with their employees and peers, as well as how they carry out their responsibilities as a leader, are all aspects of their leadership style.

Organizational performance is comprised of beliefs and values that have been evaluated in terms of how they affect the achievement of organizational objectives. Management, and especially line management, can demonstrate their approach to and mastery of the resources at their disposal by virtue of their behavior or attitude. However, good leadership skills help to improve this ability. Organizational performance is a critical factor in the development and longevity of economies worldwide. If a business wants to succeed by providing high-quality goods and services, it needs strong leaders who can inspire their teams to achieve their full potential and accomplish the organization's stated goals.

The competency of the leaders appointed is another issue affecting leadership fashion in organizations. Some of their appointments are usually unqualified. What happens to a group when its leaders are qualified but lack the skills necessary to employ an effective leadership style and guide its members to the achievement of their stated goals? This means that rather than "round pegs in round holes," some of these organizations have "round pegs in a square hole." When this happens, it's inevitable that the leaders' words and actions will have an impact on the organization's mission and vision. To put it another way, this is the exact pitfall that this research work will be dealing with and proposing solutions to. Hence, the aim of this study entails investigating the effect of various leadership styles on operational performance of some manufacturing companies.

#### 2. Literature Review

## Leadership, Leadership Style and Performance

To be a good manager, you need to be able to get your employees to work together toward a single goal. Leadership is concerned with the growth and satisfaction of those you lead. Managers who adopt a transformational leadership style put equal emphasis on their employees' skill development and the cultivation of their values, motivation, and ethics. Leadership determines organizational norms in terms of values, culture, responsiveness to change, and employee motivation. They have a major bearing on how institutions plan, carry out, and evaluate their strategies. One does not need to be in the upper echelons of an organization to be considered a leader. While this may be true, there is a trait that all great leaders have in common. It is a constant source of pressure for them to fully utilize the company's most valuable and expensive resources. There are various leadership styles, which are explained below:

# Autocratic Leadership

To many, an autocratic leader is someone who knows exactly where he stands and who doesn't put much stock in his employees. Natural autocrats are the epitome of authority and tradition. Their success depends on the obedience of their subordinates to the orders of their superiors (Al Khajeh, 2018). Like most autocratic leaders, they consider themselves above the law (Longe, 2014). The dictator thinks it's fair to pay workers in advance for their services and that this is the only way to keep them motivated. The success or failure of the organization is dependent on the decisions made by a single individual at the top. Autocratic regimes rely heavily on the consent and criticism of the governed for their survival. Those in autocratic positions of power tend to make choices based on their own preferences and ideals without ever seeking the opinions of or heeding the concerns of their subordinates. An autocratic leader must have full control over the people who follow him or her.

Autocratic leadership can be effective in times of crisis if the group being led is relatively homogeneous and the leader is knowledgeable, logical, and well-versed in the needs of his or her subordinates. In order to prevent an incident, extra precautions may need to be taken. Autocratic leadership has many drawbacks, such as its tendency to antagonize people and wipe the organization clean of lifelong allegiance and cooperation and its subordinates' unwillingness to cultivate the satisfaction of achievement. However, there are circumstances where autocracy is warranted. When the organization is in the midst of a crisis or there is an immediate issue that needs to be addressed, this is crucial (Bhargavi and Yaseen, 2016). Lack of participation, originality, and improvement are common results of autocratic leadership (Al Khajeh, 2018). However, it is possible to portray the majority of those who support autocratic leaders as merely biding their time until the collapse that this leadership is causing.

## Democratic or Participative Leadership

In a democratic leadership structure, followers have a larger voice in making decisions. The focus of this type of leadership is on achieving goals and developing people (Bhargavi and Yaseen, 2016). Staff members are more likely to take part in making decisions when a company's leaders adopt a more democratic style (Nwokocha and Iheriohanma, 2015). The democratic leader acts as a facilitator for group decision-making. A critical approach is taken when making arguments or offering compliments, and this helps foster a culture of accountability among members of the community. The leader consults with the team until he or she gives out orders that allow everyone to act independently (Bhargavi and Yaseen, 2016). The higher-ups want their workers to make the most of their initiative and keep making valuable contributions, so they tell them to do so. Leaders also coach followers on how to succeed in their roles.

When a leader is democratic, team members feel more like they have a stake in the outcome and are more likely to take risks and get positive feedback for their ideas. The transition to a more democratic form of government has many positive outcomes. Staff involvement and dedication will increase, as will their concern for the current project's outcome. A more democratic approach to leading a group is thought to increase

productivity. When everyone in a group is well-informed and willing to contribute their knowledge, democratic leadership thrives. It is also important that everyone has ample time to offer input, brainstorm potential solutions, and ultimately settle on the best course of action.

# Laissez-Faire Leadership

French for "let it be," laissez-faire is also known as "hands-off style" (Nwokocha and Iheriohanma, 2015). It entails arranging coworkers in whatever order suits one's fancy, without regard to any predetermined standards or procedures. The laissez-faire leader doesn't bother managing his employees and thus has to make do with the few hard workers he has. It was argued that leaders who practice "laissez faire" assume their employees can take care of themselves, so they don't bother investing in their professional development. While this may work in a command-and-control environment, it has been shown to be ineffective in more democratic settings, such as the financial industry or non-governmental organizations (NGOs), where employees are expected to actively participate in decision-making and carry out assigned tasks. This style of leadership is characterized by not taking responsibility, not being there when it's needed, and not taking responsibility for failure.

Leaders communicate and encourage group members to reach a common goal. Thus, a leader must be connected to their group. This implies good management. Leadership is said to affect a company's finances, employee satisfaction, and mission. Some believe strong leaders inspire and empower their teams (Bhargavi and Yaseen, 2016). Leaders must be effective to inspire employees to advance in the company. Leadership style affects organizational productivity. A company's leadership often drives growth and competitive advantage (Al Khajeh, 2018). Due to the leadership style, the organization may more efficiently achieve its goals by tying employee success to expected incentives and providing the resources they need. Without good leadership, mistakes and failures are more likely. Leadership, incentives, and opportunities can create, spread, and change an organization's culture. In today's competitive environment, mobile workers who are always on the move but always linked via rapid digital communications are their employers' greatest advantage. However, the following hypotheses can be debated:

H<sub>1</sub>: autocratic leadership styles do have a significant effect on organizational performance.

H<sub>2</sub>: democratic leadership styles do have a significant effect on organizational performance.

H<sub>3</sub>: Laissez-faire leadership styles do have a significant effect on organizational performance.

## 3. Methodology

This study focuses on manufacturing firms based in Lagos State, Nigeria's most populous state and home to several manufacturing company headquarters. This cross-sectional descriptive survey used quantitative data to characterize phenomena. A literature-based research instrument was used to gather relevant data. Based on existing manufacturing

companies, fifty were selected using purposeful and convenience sampling, while 10 employees were randomly selected from each firm selected to arrive at a 500-person sample size for the study. Using SPSS and SmartPLS, the collected data is analyzed using descriptive statistics like frequency and percentage, as well as inferential statistics like correlation, regression, and "partial least square structural equation modeling" (PLS-SEM).

### 4. Results and Discussion

This section took an in-depth look at the leadership styles practiced by organization, with emphasis on interaction between performance and diverse leadership styles. While five hundred (500) questionnaires were sent out, only 372 were valid upon receiving the findings, indicating a 74% response rate. Three hundred and seventy-two participants were recruited from some elected manufacturing companies in Lagos State. Of the total population, men made up 69.1% and women made up 30.9%. The median age ranged from 31 to 40 years old, while the youngest were between the ages of 20 and 30. All of the workers surveyed had at least a high school diploma; 29.8 percent had a BSC or HND; 20 percent had an OND or NCE; and 21.3% had a postgraduate degree. The marital status profile shows that most of the people who answered were married and had a lot of responsibilities. Statistics on cadre of position showed that the bulk of the respondents (36.0%) occupied the intermediate level of management, followed by the lower (junior) rank, and the remainder (31.5%) occupied the senior or top rank classification. Finally, years of experience indicated the respondents' level of honed professional skills. More than forty-two percent (42.5%), on average) had nine years of experience or more, whereas just four percent (27.7%) had less than four years of relevant work experience. Hence, the demographic profile is provided in Table 1 below:

**Table 1:** Demographic profile of the respondents

Variables	Categories	Freq (n=372)	Percentage
Gender	Male	257	69.1
	Female	115	30.9
Age	20- 30 years	78	21.0
_	31 - 40 years	89	23.9
	41 - 50 years	116	31.2
	Above 50 years	89	23.9
Marital Status	Single	121	32.5
	Married	240	64.5
	Divorced	11	3.0
Educational Qualification	O' level	87	23.4
	OND/NCE	95	25.5
	BSc/HND	111	29.8
	Postgraduate	79	21.3
Position	Senior Cadre	117	31.5
	Middle cadre	134	36.0
	Lower cadre	121	32.5
Years of Experience	1-4 years	103	27.7
<del>-</del>	5-8 years	111	29.8
	9 years & above	158	42.5

Source: Author survey and computation

**Table 2:** Correlation for the observed and latent variables

Variables	Mean	SD	ALS	DLS	LZS	OP
Autocratic Leadership Style (ALS)	4.469	1.186	1	0.632	0.020	0.595
Democratic Leadership Style (DLS)	4.538	0.946		1	0.044	0.619
Laissez-faire Leadership style (LZS)	4.274	0.581			1	-0.085
Operational Performance (OP)	4.436	1.163				1

Survey: Author's computation
Note: SD =Standard deviation

**Table 3:** OLS result of leadership styles on operational performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
	(Constant)	2.192	2.386		.919	.361
	AUTOCRATIC	.344	.112	.358	3.062	.003
	DEMOCRATIC	.383	.119	.376	3.229	.002
	LAISSEZ-FAIRE	088	.086	094	-1.029	.307

Note: Dependent variable: OPERATIONAL PERFORMANCE, P \*\*\* < 0.05

**Table 4:** Regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663a	.440	.415	2.892

Note: a implies predictors: (Constant), LAISSEZ-FAIRE, DEMOCRATIC, AUTOCRATIC

# Hypotheses Testing

Andersen and Gerbing's (1988) two-stage PLS model explored measurement and structural models. Convergent validity was tested for the measurement model. An instrument assessing the same idea is valid if multiple items agree. Convergent validity determined factor loading ( $(\lambda)$ , average variance extracted (AVE), and composite reliability (CR).

As stated by Igbaria et al. (1995) and Lin and Wang (2012), all items have outer loadings above 0.5, and for composite reliability and its sister metrics (Cronbach's alpha and rho A), all constructions supplied values above the threshold of 0.7 (2015). The measurement model's item-construct structure converges. The Democratic leadership type has the lowest AVE (0.586). As proven in prior studies, the construct's convergent validity is still adequate (Olaleye et al., 2021; Fornell and Larcker, 1981). Table 5 summarizes the findings.

## Discriminant Validity

Fornell and Larcker (1981) defined discriminant validity, inter-construct correlation values, and each construct's square root of AVEs. Table 6 shows the inter-construct correlation and square root of all diagonal AVEs. Since the square root of AVE is higher than the inter-concept correlation of each concept, the measurement model is valid in terms of being able to distinguish between different ideas.

 Table 5: Measurement model

	Convergent vali	dity	Internal cons	sistency		
Latent Variables	Indicators	Loadings(λ)	Cronbach's Alpha	rho_A reliability indices	Composite Reliability	Average Variance Extracted
AUTOCRATIC LEADERSHIP STYLE (ALS)	ALS1	0.852***	0.896	0.915	0.923	0.707
	ALS2	0.896***				
	ALS3	0.870***				
	ALS4	0.793***				
	ALS5	0.788***				
DEMOCRATIC LEADERSHIP STYLE (DLS)	DLS1	0.777***	0.825	0.830	0.876	0.586
	DLS2	0.770***				
	DLS3	0.774***				
	DLS4	0.772***				
	DLS5	0.733***				
LAISSEZ-FAIRE LEADERSHIP STYLE (LZS)	LZS1	0.823***	0.820	0.915	0.854	0.597
· · ·	LZS2	0.899***				
	LZS3	0.656***				
	LZS4	-				
	LZS5	0.688***				
OPERATIONAL PERFORMANCE (OP)	OP1	0.862***	0.889	0.907	0.923	0.751
	OP2	0.922***				
	OP3	0.814***				
	OP4	0.865***				

Note: - of LZS4 with inadequate loadings is deleted

**Table 6**: Discriminant validity (Fornell and Larcker's (1981) criterion)

Variables	ALS	DLS	LZS	OP
Autocratic Leadership Style (ALS)	0.841			
Democratic Leadership Style (DLS)	0.632	0.765		
Laissez-faire Leadership style (LZS)	0.020	0.044	0.773	
Operational Performance (OP)	0.595	0.619	-0.085	0.866

Source: Authors Computation

 Table 7: Structural model multicollinearity (inner VIF values)

Variables	Operational Performance
Autocratic Leadership Style (ALS)	1.667
Democratic Leadership Style (DLS)	1.669
Laissez-faire Leadership Style (LZS)	1.002

Source: Author's Computation

#### Structural Model

The direct effects of the predictor variable on the outcome variables show how different leadership styles affect operational performance. Autocratic leadership style is positively and significantly related to operational performance (H1:  $\beta$  = 0.338, t = 2.536, p 0.05), as is democratic leadership style (H2:  $\beta$  = 0.411, t = 4.007, p 0.05), while laissez-faire leadership style had a negative and insignificant effect. The estimation of coefficients of the determinant (R²) in the hypotheses shows that leadership styles (ALS, DLS, and LZS) can explain and interpret operational performance by 46.4%, with democratic leadership styles (DLS) having the highest magnitude of the concerned path coefficient (0.411), followed by autocratic leadership styles (0.338), and an adverse effect from laissez-faire (-0.110). Finally, the R-squared of 0.441 explains 44.1% of operational performance changes, leaving 55.9% to external factors.

Furthermore, Sullivan and Feinn (2012) suggested reporting substantive significance (f2) to show the magnitude of the observed effects. Table 8 shows direct path effect sizes. According to effect sizes, path (DLS) had a moderate effect size because the f2 value fell within Cohen's (1988) limit of 0.15-0.35, whereas two other paths (ALS and LZS) had a low antecedent effect of leadership styles on operational performance because their values fell within the low effect threshold (0.02-0.15).

Table 8: Path analysis result

	Model fit summary		RMR = 0.065	NFI = 0.718		Chi-Square = 237.036	
Hypotheses	Relationship	Std. Beta	a T-Value	p-value	F <sup>2</sup>	$R^2$	Decision
H1	ALS → <b>OP</b>	0.338	2.536	0.012***	0.128	0.464	Supported
H2	DLS → <b>OP</b>	0.411	4.007	0.000***	0.189	0.464	Supported
Н3	LZS → <b>OP</b>	-0.110	0.749	0.454	0.023	0.464	Not Supported

# Discussion of Findings

Hypothesis one revealed a positive relationship between an autocratic leadership style and operational performance. The study also said that managers recognize achievement by making unilateral decisions on key functions in the company, that they care more about getting the job done at all costs, that they pay close attention to work for reward purposes, and that they pay well for loyalty, even though its importance is said to come from employees having a clear understanding of the vision.

This result supports prior studies' findings that leadership styles significantly enhance operational performance (Rahman et al., 2018). Moreover, by confirming democratic style as a leadership pattern, this paper empirically validates prior conceptual outcomes (Al Khajeh, 2018; Hilton et al., 2021). Employees care more about how well they do their jobs when they are involved in making decisions and when they know what the company's long-term goals are. This encourages them to come up with new ways to do their jobs, do their jobs, find mentors to help them do better, and be asked for their input on important company decisions. The intercorrelations of the latent and observed variables (leadership styles and operational performance) are shown in Table 2. Explicitly, autocratic leadership style is positively related to operational performance (r = 0.595, p.01) with a moderate effect size, as is democratic leadership style (r = 0.619, p.01), while laissez-faire leadership style was found to have an adverse relationship (r = -0.085, p > .01).

In addition, the ordinary least square (OLS) regression result illustrates that leadership style has a positive influence on operational performance with an adjusted  $R^2$  value of 0.415, which is positively significant at 5% (ALS; = 0.358, t = 3.062; DLS; = 0.376, t = 3.229; p 0.05), with the exception of the laissez-faire leadership style (LZS; = -0.094, t = -1.029). Accordingly, the R-squared value of 0.440 indicates that the leadership style only explains 44%, while the remaining 56% is due to unaccounted variables or components.

Finally, based on the outcome of the nexus between a laissez-faire style of leadership and operational performance, evidence revealed that the adverse association is a result of neglecting the tasks for employees; where supervision and direction are missing, productivity tends to be low. Hence, higher performance tends to be recorded once the management decides to reduce the rate of abandoning work for the subordinate. That is, there is a clear need for supervision and monitoring.

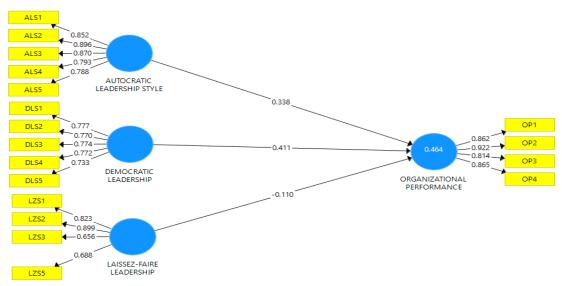


Figure 1: Structural model on paths

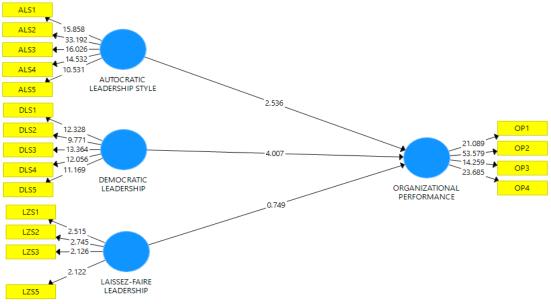


Figure 2: t-statistics

## 5. Conclusions and Recommendations

According to the findings summarized above, the impact of leadership styles on organizational performance cannot be overlooked or treated lightly. Leaders or individuals in power should therefore ensure the proper definition and effective implementation of leadership styles so as to improve the growth, development, and performance of the organization, which will in turn develop the economy. It has also been observed that employees' performance is a direct result of leaders' management styles. From the data, it was clear that autocratic leadership was the most common type of management. However,

with a little percentage of democratic leadership style, this implies that the workers will not be efficient and effective as the leader is not giving them the opportunity to express and show the level of their intelligence, skills, and opinions.

This style (autocratic leadership style) should be reviewed and adjusted in light of new leadership trends such as authentic, transformational, transactional, pace-setting, and so on. These suggestions were made in light of the results and findings:

- i. Leaders should ensure that they adopt the situational leadership style, where the situation of the organization determines the leadership style to make use of. This will ensure efficiency on the part of the workers and also increase the level of productivity at firms, which will in turn boost the rate of economic development.
- ii. Leaders should give room for suggestions and ideas from their workers or followers. This will provide such employees with a sense of belonging. By doing so, they will give productive ideas and suggestions that leaders can find useful if they are considered.
- iii. It is important that leaders subject themselves to evaluation from the workers. This will expose such a leader's strengths and weaknesses pertaining to any leadership style he decides to make use of. This will therefore help such a leader make certain adjustments.
- iv. This research work suggests that further studies should capture lager scope of study population including wider ranges of geographical locations to check further, leadership styles influence on organizational performance.

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