

Effect of Leadership Styles on Organizational Performance in Selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria

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Abstract

This study examined the effect of leadership styles on organizational performance in selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria. The study utilized the survey research design using structured questionnaire to collate primary data from managers and employees of the selected Microfinance Banks in Makurdi Metropolis, Benue State Nigeria. The population is made up of fifty (50) respondents from the study area. Multistage sampling was used to select the sector and the corresponding respondents for the study. The multiple linear regression analysis was used to examine the extent of the effect of leadership styles on the performance of the selected Microfinance in the study area. The results of the study indicate that democratic leadership style (DEMO) has a positive effect on performance of selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria (PFMF) and the effect is statistically significant ($p < 0.05$) and in line with a priori expectation. This implies that a unit increase in democratic leadership style (DEMO) will lead to a corresponding increase in performance of selected Microfinance Banks in the study area by a margin of forty (40) percent. Autocratic leadership style (AUTO) had a positive effect on performance of selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria (PFMF) and the effect is statistically significant ($p < 0.05$) and in line with a priori expectation. This means that a unit increase in Autocratic leadership style (AUTO) will lead to a corresponding increase in organizational performance by 39.0 percent. A negative effect exists between Laissez faire leadership style (LIAZ) has a negative effect on performance of selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria (PFMF) and the effect is statistically significant ($p < 0.05$) and not in line with a priori expectation. This means that a unit increase in Laissez-faire leadership style (LIAZ) will result to a corresponding decrease in performance of selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria (PFMF) by a margin of 38.2 percent. It was concluded that the study concludes that democratic leadership style and a mix of autocratic leadership style in a short term are more appropriate in inducing the effectiveness of employees and thus improving the performance of Microfinance Banks in the study area. It was recommended among others that given the widely documented ineffectiveness of laissez-faire leadership styles and the results of this study, it is recommended that managers should discard this leadership style so as to improve organizational performance.

Keywords: Democratic, Autocratic, Laissez-faire, Performance, Microfinance, Benue, Nigeria.

I Introduction

The main objectives of any given organisation are profit making and attainment of maturity and liquidity status. In the pursuit of these objectives, organisations allocate scarce resources to competing ends. In the process they provide employment, provide goods and services, purchase goods and services and, thus, contribute to the growth of the society and economy at large. In most Nigerian organisational settings, the effectiveness of this process is greatly determined by the availability of and access to personnel, finance, machinery, raw material and possibility of making their goods and services available to their immediate community and the nation at large. The extent to which members of an organization contribute in harnessing the resources of the organization equally depends on how well the leaders of the organization understand and adopt appropriate leadership style in performing their roles as managers and leaders. Thus, efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance depends, to a large extent, on how leadership style, among other factors moderates these variables. Taffinder (2006) considers leadership within the context of organisation as the action of managers of the organisation to contribute their best to the purpose of the organisation. Organisational Performance has been defined as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results.

Organisational performance is the organisation's ability to attain its goals by using resources in an efficient and effective manner. Organisational performance comprises the actual output or results of an organisation as measured against its intended outputs. Performance was a broader indicator that could include productivity as well as quality, consistency and other factors. Further indirect support comes from a review of leaderless groups by (Adeyemi, 2010).

The study was anchored on trait theory of leadership which makes the manager aware of their strengths and weaknesses and thus get an understanding of how they can develop their leadership qualities. Most research showed that leadership style has a significant relation with organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organisational performance, depending on the variables used by researchers (Fu-Jin, Shieh and Tang, 2010). In the literature, leadership has been identified as an important subject in the field of organizational behaviour. A leadership style is a leader's style of providing direction, implementing plans, and motivating people. There are many different leadership styles that can be exhibited by leaders in the political, business or other fields. McGrath and MacMillan (2000) report that there is significant relationship between leadership styles and organizational performance. Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Sun (2002) compares leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organisational performance in both schools and enterprises. Leadership style refers to a kind of relationship whereby someone uses his ways and methods to make many people work together for a common task. In modern leadership theories, five (5) leadership styles have been presented, including (i) charismatic leadership, (ii) transactional leadership, (iii) transformational leadership, (iv) visionary leadership, and (v) culture-based leadership.

The democratic leadership is where the focus of power is more with group as a whole and there is greater interaction within the group. The leadership functions are shared with members of the group and the manager is more or less part of a team. The group members have a greater say in decision-making, determination of policy, implementation of system and procedures. Autocratic form of leadership is one in which the policies or decisions are determined and taken solely by the leader. In this form of leadership, the technique and steps of activities to be carried out are dictated by the authority or leader. Steps to be taken in the future are always uncertain to a large extent. In laissez-fair leadership the manager observes that members of the group are working well on their own (Adeyemi, 2010). The manager consciously makes a decision to pass the focus of power to members, to allow them freedom of action and not to interfere, but is readily available if help is needed. The Laissez- fair leader has little or no idea of his own and lacks the self-confidence to manage the affair of the organization for effective service delivery. Researchers found that children under delegative leadership, also known as laissez-fair leadership, were the least productive of all three (3) groups. The children in this group also made more demands on the leader, showed little cooperation and were unable to work independently. Delegative leaders offer little or no guidance to group members and leave decision-making up to group members. While this style can be effective in situations where group members are highly qualified in an area of expertise, it often leads to poorly defined roles and a lack of motivation. Bass (2004) proposed that democratic leadership might intrinsically foster more job satisfaction, given its ability to impart a sense of mission and intellectual stimulation. Transformational leaders tend to encourage and motivate their followers to take on more responsibility and autonomy thereby enhancing employees' sense of accomplishment and satisfaction with their job (Fu-Jin, Shieh and Tang, 2010).

Improper leadership styles in most organizations have negative effects on the subordinates as well as the achievement of the organization objectives. The reasons for poor performance in organizations have become a very important subject of study in the face of the deteriorating economic situation in recent day Nigeria. The leadership style in an organization is one of the factors that play a significant role in enhancing or retarding the

interest and commitment of the individuals in the organization. In order to achieve the desired objectives, there must be an interaction between employers and employees. The leadership style that characterizes the interaction between managers (or leaders) and their staff members (or followers) is most important in terms of employee's efficiency, job satisfaction and performance. The employee's perception of leadership behaviour is an important predictor of employee job performance. Through their education, training, and experience, managers develop their personal leadership style (Hersey, Blanchard and Johnson, 2001). This leadership style is a fundamental concern of managers and researchers due to its effect on subordinates who, it is suggested, work more effectively and productively when their managers adopt a specific leadership style. It is as a result of the above problems that the researcher is motivated to investigate the effect of leadership styles on organizational performance in selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria. The specific objectives are to: examine the effect of democratic leadership style on performance of selected Microfinance Banks in Makurdi Metropolis Benue State, Nigeria, determine the effect of autocratic leadership style on performance of selected Microfinance Banks in Makurdi Metropolis, Benue State Nigeria and investigate the effect of Laissez faire leadership style on performance of selected Microfinance Banks in Makurdi Metropolis, Benue State Nigeria.

II Methodology

Research Design

A survey research design was used for the study. Survey research design involves the collection of information from a sample of three (3) Microfinance Banks in Makurdi Metropolis of Benue State, Nigeria. The following Microfinance Banks were studied namely; Algreb Microfinance, Lapo Microfinance and Zion Microfinance Banks respectively. The total population of the study consist of fifty (50) respondents made up of both employees and managers of the selected Microfinance Banks in Makurdi Metropolis Benue State, Nigeria. Multistage sampling was used to select the target audience for the study. At the first stage, purposive sampling was used to select three (7) out of the many Microfinance banks in Makurdi Metropolis, Benue State Nigeria. At the second stage, simple random sampling was used to select the respondents from each of the selected banks. The instrument for data collection is a structured questionnaire.

Table 1: Kaiser-Meyer-Olkin and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.898
Approx. Chi-Square		7.924
Bartlett's Test of Sphericity	Df	6
	Sig.	.002

Source: SPSS Result, 2020

The Kaiser-Meyer-Olkin and Bartlett's test for sampling adequacy values shows that the sample used for the study is adequate as the factor analysis indicates that the KMO (Kaiser-Meyer-Olkin) measure for the study's four (4) variable items is 0.898 with Barlett's Test of Sphericity (BTS) value to be six (6) at a level of significance $p = 0.008$.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.541	38.515	38.515	1.541	38.515	38.515	1.395	34.868	34.868
2	1.195	29.884	68.399	1.195	29.884	68.399	1.341	33.531	68.399
3	.981	24.514	92.913						
4	.283	7.087	100.000						

Extraction Method: Principal Component Analysis.

Source: SPSS Result, 2020

that laissez-faire leadership was associated with the highest rates of truancy and delinquency and with the slowest modifications in performance.

IV Conclusion and Recommendations

This study has investigated the effect of leadership style on the performance of selected Microfinance Banks in Makurdi Metropolis, Benue State, Nigeria. The study found that democratic leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organisational performance. It was identified that leadership style affects the attainment of organizational goals through organizing, leading, controlling organizational resources. The perceptions of followers are equally important factors in the success of the organization's performance. This is one of the reasons why managers are obviously important to an individual's career and employees' performance. Managers have served as important sources of performance feedback and as leadership models for their subordinates. This study found that democratic leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance employee effectiveness and hence organizational performance.

The study concludes that democratic leadership style and a mix of autocratic leadership style in a short term are more appropriate in inducing the effectiveness of employees and thus improving the performance of Microfinance Banks in the study area. Based on the results of the study, it is recommended that; i) managers of the selected Microfinance Banks should adopt the most effective leadership style to effect reward and recognition. ii) managers should: guide, direct and inspire subordinates achieve more through innovative approach to handling task and challenging job at workplace, iii) given the widely documented ineffectiveness of laissez-faire leadership styles and the results of this study, it is recommended that managers should discard this leadership style so as to improve organizational performance.

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