1. **TITLE OF PROPOSED DISSERTATION:**
Organisational Leadership Strategies in Indigenous Companies in a Developing Economy.

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6. **BACKGROUND INFORMATION ON SUBJECT:**
Strategic Leadership is a process, which allows management to be proactive rather than reactive in shaping its own future. A focused organizational leader provides and establishes visionary leadership to his organization. He understands and appreciates the dynamic nature of business management. He formulates responsive options to the changes in the management environment. He develops viable strategies based upon sustainable competitive advantages. A good organizational leader develops a proactive approach to strategic management, whereby management rather than just identifying and responding to change, anticipates or even create the change. Unfortunately the lack of these qualities is the bane of indigenous business organizations in developing countries. It is therefore expected that the findings of this study will go a long way in improving the leadership class.

Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is human factor, which binds a group together and motivates it towards its goals, David (1986). Robbins, (2000) defines leadership as the ability of superiors to direct, guide and motivate people towards the attainment of given set of goals in an organization. The source of influence may be formal such as that provided by the possession of managing rank in an organization or informally outside the organization structure. Most organizational theorists agree that effective leadership is one of the most important contributors to overall organizational success. Thus the quality of an organisation’s leadership determines the quality of the
organization itself.

The natural qualities of an individual in the environment in which he operates on daily events as they unfold coupled with other factors do influence his leadership pattern. Leaders are not as such born, but are in fact made. A manager may be a boss but not necessarily a leader. Armstrong (2001) laid out four main characteristics of transformational leadership when he discussed the transformational leadership of sports teams’ coaches, emphasizing: ethical behaviour, sharing a vision and goals, improving performance through charismatic leadership and leading by example. This shows a simplified version of the components of transformational leadership provided by Bass (1995), which also has four elements intellectual stimulation, individual consideration, inspirational leadership and idealized influence. Though, many leadership researchers have argued in support of effective leadership having a positive impact on behaviour with in organizations, especially transformational leadership’s role in improving many factors of organization.

7. STATEMENT OF THE PROBLEM:
An organization that has no good leadership is like a ship on the high sea without a captain. Resources both man and material will be bound to be wasted despite their scarce nature. If organization leaders are developed, economic development and growth in developing countries will be enhanced. There has been on unending controversy as to the transferability of management principles and theories, Gonzales and Macmillan (1961), Oberg (1962) Harbison and Myers (1959) and Negandi and Estafan (1962) Given the fact, that most widely dispersed management theories and Techniques are based on western ideologies and value systems, their “uncritical Transfer to developing countries has in many ways contributed to organizational Inefficiency and ineffectiveness” (Kanungo and Jaeger 1990).

In management, there is a consensus that the contingency approach to leadership is most appropriate. Leadership style adopted should depend on the values and personality of the leader, the subordinates and the organizational culture. The challenges of the study is to unearthen the role of culture in shaping the leadership strategies of indigenous organizational leaders in developing countries and their effectiveness in helping achieve organization objectives.

8. OBJECTIVES OF THE RESEARCH:
The objectives of this research will include:
a. To determine the various types of leadership strategies adopted by managers in indigenous companies in developing nations with Nigeria as a case study.

b. To determine the predominant leadership strategies adopted by managers in indigenous companies in developing nations.

c. To ascertain the environmental forces influencing the adoption of such strategies.

d. To determine the efficiency of such strategies in achieving organizational objectives
in these organizations.

e. To suggest alternative strategies where necessary to improve leadership effectiveness.

9. THE RESEARCH PROBLEMS:
Many business leaders give lip service to human talent as the under utilized asset in their companies while they continue to look for answers in technology and spreadsheet.

The wealth of talent that lies in the people will be studied. How would the tremendous Power in experience, knowledge and internal motivation be released?
What is the relationship between empowerment, technology, financial acumen and human innovation?

10. THE RESEARCH METHODOLOGY:
The study will draw its sample from firms located in Lagos metropolis as Lagos is the largest industrial city in Nigeria. The industrial sectors will be aggregated and a representative sample of each group will be selected.

The data will be collated using structured questionnaires grouped into three areas to Elicit information from chief executives, managers and supervisors and operational persons.

The population of the study will be the whole indigenous companies in the business and service sectors of the Nigerian economy.
Sample: A total of six indigenous companies will be selected. Three each from both sectors.
Research methodology- Questionnaires supported with personal interview will be the main source of data for the research. Stratified random sampling method will be adopted. The companies will first be stratified on the basis of economic sectors and thereafter samples will be randomly selected.

The data collected will be analyzed using percentages while the hypothesis will be analyzed using correlation analysis and chi-square at the appropriate level of confidence (0.05-0.01).

6.1 INSTRUMENTS/TOOLS TO BE USED:

6.10 QUESTIONNAIRE: Questionnaires would be sent out to the chief executives of indigenous organizations during this research process.

6.11 PERSONAL INTERVIEWS: One on one personal interviews would be conducted with leading officials and executives of indigenous organizations towards unraveling the research problem.

6.12 LIBRARY RESEARCH: Information would be sourced from across libraries and
on the internet.

6.13 SAMPLING PROCEDURE: Stratified and random sampling methods would be used to investigate the research problem.

11. THE RATIONALE FOR THE RESEARCH:
Shortage of successful, efficiently and effectively managed organization has been a disturbing phenomenon in Nigeria. Consequently the country endowed with abundant resources cannot translate to affective demand of simple goods and services, which the consumer need. It is the aim of this study to identify the factors that mitigate against effective organizational growth and national growth and develop models for predicting the future organizational leadership needs in Nigeria.

The following research questions are also relevant to this study:

1. What leadership strategies are adopted by organizational leaders in indigenous companies in developing nations?
2. Which of these strategies predominate(s)?
3. What environmental constraint(s) influence the adoption of these strategies?
4. How efficacious have these been in achieving organizational objectives?
5. What alternatives or modifications could be suggested to improve organizational effectiveness.
6. Are there organizational environmental differences between Nigeria and other countries?
7. What are the keys to leadership?
8. What are the most important ingredients for leadership?
9. What is the ultimate test for leadership?
10. What are the indispensable qualities of leadership?

12. STATEMENT OF HYPOTHESIS:
The following hypothesis will guide the study and also facilitate the data collection. Thus the following hypothesis will be tested:-

H1. The success of an organization depends on the appropriateness of leadership strategies.
H2. The leadership strategies of indigenous companies in Nigeria are dictated by the nature of the environment of business.
H3. The characteristics of the leader influence the success of meeting organizational objectives of indigenous companies.
H4. There is no relationship between empowerment and organizational leadership.
H5. Every employee responds positively to encouragement.
H6. Factors such as influence, priorities, integrity, positive change, attitude, vision and people are not the major determinants of organizational leadership effectiveness.

13. STATISTICAL METHODS I INTEND TO USE TO PROVE THE
HYPOTHESIS: Chi-square and Correlation Analysis.

14. **LEVEL OF SIGNIFICANCE** I INTEND TO PROVE MY HYPOTHESIS: .05

15. **EXPECTED FINDINGS:**
   1. Certain personal characteristics are imperative in organizational leadership development.
   2. Leadership climates or environments can be created
   3. Leadership characteristics can be acquired
   4. Certain environmental characteristics are imperative for effective organizational leadership.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study
Strategic Leadership is a process, which allows management to be proactive rather than reactive in shaping its own future. A focused organizational leader provides and establishes visionary leadership to his organization. He understands and appreciates the dynamic nature of business management. He formulates responsive options to the changes in the management environment. He develops viable strategies based upon sustainable competitive advantages. A good organizational leader develops a proactive approach to strategic management, rather than just identifying and responding to change, anticipates or even creates the change. Unfortunately the lack of these qualities is the bane of indigenous business organizations in developing countries.

Responsible corporate governance is therefore directed towards improvement in the management or scarce organizational resources and in the long-run improve the standard of living of the society. As rightly entrenched in the 1999 constitution, Nigeria as a state shall direct its policy and material resources towards promoting planned and balanced economic development, harnessing and distribution material resources to serve community, preventing the concentration of wealth and providing sustainable and adequate welfare for all citizens. (Section 16 (2) a – d.)
A number of micro-economic policies have been designed and implemented to stabilize the economy, stimulate growth, reduce poverty and improve the standard of living. Such policies like debt conversion, deregulation, flexible exchange, liberalization, privatisation and commercialisation to mention just a few, are usually some of the conditions offered by the international financial institutions such as the International Monetary Fund (IMF) and the World Bank Group. The achievement of these policies is predicted on the stance of fiscal and monetary policies. The pursuit of such policies like deregulation and privatisation are also very crucial for a sound economic management.

Meanwhile, most of these economic management tools are increasingly becoming ineffective due to the burden of external debt, faulty policy decisions, neglect of real sectors, excessive deployment of resources into financial sectors, political and social instability, high rate of corruption, poor attitude to work, poor corporate leadership insincerity of developed countries towards improvement in the standard of living of developing countries and so on.

The Central Bank Annual Report in 2004 reported a dwindling performance of the domestic economy. In 2003, the economy was characterized by problems as in the previous years. Monetary expansion was excessive, giving rise to high demand pressure on foreign exchange and persistent depreciation of the Naira in all segments of the market. Besides, the continued structural bottlenecks in the economy frustrated the high expectation of a quick economic recovery. Furthermore, the depressed economy has continued to worsen the problem of poverty and unemployment particularly among high school and university graduates (CBN, 2004).
Perhaps the latest World Development Report could be more frightening in that Nigeria is reported as one of the poorest countries in the world despite her abundant natural resources. While Ghana recorded an improvement from 36.7 percent to 29.9 percent in poverty reduction, Nigeria witnessed an increase in poverty, from 42.8 percent to 65.5 percent of her population (World Development Report, 2000/2001).

In addition, Nigeria’s export earning decreased from 14,500 million dollars in 1990 to 9,855 million dollars in 1998; at the time her import expenditure increased from 6,909 million dollars in 1990 to 133,77 million dollars in 1998 (World Development Report 2001/2002).

To crown it up Nigeria is rated among the most corrupt countries in the world by Transparency International.

The implication of this development is the need for the government to look inward for the attainment of the desired industrial and technological progress. Internally generated revenue must be mobilized for profitable investment and deployed to the real sectors of the economy. The limited resources must be prudently used to eradicate poverty. To grow out of poverty, jobs must be created and to create jobs, indigenous entrepreneurship must be stimulated, supported and sustained.

Attempts of developed and developing countries to eradicate poverty initially focused on the development of large scale industries, based on the traditional economy of scale. This theory is predicated on the assumption that “big is better” while “small is bad” and formed the cornerstone of modern economy for the better part of the 20th Century (ADCG, 2000). Indeed, the rapid decline of small enterprises became an index of industrialisation (Owalah, 2001). Small enterprises were seen as outmoded and synonymous with technological and economic backwardness. Ironically, almost all the businesses were “small before
they became big”. Recently, this view has changed and the important role of small and medium enterprises in industrial and economic development has been recognized (Nnanna, 2001).

Development strategists have advocated the progressive use of SMEs to accelerate the pace of economic growth especially in the developing countries. In the process, entrepreneurship education and promotion of entrepreneurial spirit has received adequate attention in several countries, particularly the so-called “Asian Tigers”.

In the developed and the developing countries, there are excellent examples of initiatives to promote indigenous entrepreneurship in small and medium enterprises. The main purpose is usually to reduce youth unemployment through appropriate education and training and other complementary measures. Other underlying reasons for this type of initiative include the desire to establish an enterprise culture (Britain), a need to assist minorities (Canada), the need to develop alternatives to stagnant sector of the economy (Canada), desire to reduce national dependence on imported goods and foreign enterprises (e.g. Malawi), rural transformation (e.g. Sierra Leone) and encouraging independence and self employment (Nigeria). Rao, Wright and Mukherjeo, 1990).

Typically, entrepreneurship development follows a cycle consisting of stimulating, supporting and sustaining activities (Fadahunsi, 1992). The stimulating activities ensure the supply of entrepreneurs ready to take initiatives and organize their enterprises by risk taking through awareness programmes. The supporting activities however, provide infrastructures and resources like information, finance, technology, ability and skills for enterprise launching. The sustaining activities refer to those efforts that facilitate the growth and continuity through expansion,
modernization, diversification, technology and provision of enabling environment for growth and survival of small and medium scale enterprises.

Perhaps belatedly, most nations in Africa (Nigeria in particular) are now concerned with supporting entrepreneurship development in small and medium enterprises. Typically, actions of the government take the form of policy initiatives and directives to some organisations to act as executing agencies with responsibility for facilitating and coordinating policy implementation. Examples of such institutions are the Business Advisory Services (BSA) in the Gambia, Malaysia Ministry of Youth and Sports and Entrepreneurship Development Programmes, Malawi Entrepreneurship Development Institute, and the Gambia Technical Institute and so on.

In recognition of the role of indigenous SMEs in the promotion of economic growth and development, the Nigerian government has put in place various measures and schemes to assist the indigenous SMEs. Some of the recent initiatives designed to promote the development of small and medium enterprises (SMEs) include:

- Mandatory minimum credit allocation to small-scale and medium enterprises. (SMEs).
- Establishment of development financial institutions to channel long-term low cost funds to the sector.
- Introduction of other specialized schemes including World Bank SME I and SME II loan programme.
- Family Economic Advancement Programmes, (FEAP).
- Mandatory 10% banks pre-tax profit for equity participation in small and medium enterprises.
- Merging of all SME/industry financing agencies into one agency – The Bank of Industry.
- Setting up Small and Medium Industrial Development Agency (SMIDA), an umbrella agency to coordinate the development of SME sector.
- Establishment of a National Credit Guarantee Scheme for SMEs to facilitate access to credit without stringent collateral requirements.

In addition, institutional support agencies for the development of small and medium enterprises, include industrial Development Centres (IDCs), the National Association of Chambers of Commerce, Industry and Agriculture (NACCIMA), the National Association of Small Scale Industrial (NASSI) and the National Economic Reconstruction Fund (NERFUND). The others are the People Bank, Community Banks, Commercial Banks, Merchant Banks, Employment, Center for Management Development (CMD), and the Federal Institute of Industrial Research, Oshodi (FIIRO) (Asa and Balogun; 1997, Owualah, 1999; and Ojo, 1995).

Studies on small and medium enterprises for example have shown that entrepreneurship development in small and medium enterprises is a viable means of promoting self reliance in economic development as well as accelerating the pace of industrial an technological progress through the promotion of small and medium enterprises and encouraging entrepreneurial spirit and skills in these business ventures. Small and medium enterprises (SMEs) development has generally been discussed against the background of poverty, under employment, diversification in economy, rural/urban imbalance, regional dispersion of industrial growth and long term contribution which entrepreneurship in small and medium enterprises can make in resolving and eliminating some of these problems. (Sule, 1986; World Bank, 1995, Essien, 2001, Nnanna, 2001). Without effective corporate leadership these objectives are exercises in futility.
1.2 Statement of the Problem

An organization that has no good leadership is like a ship on the high sea without a captain. Resources both man and material will be bound to the wasted despite their scarce nature. If organizational leaders are developed, economic development and growth in developing countries will be enhanced. There has been an unending controversy as to the transferability of management principles and theories, Gonzales and Macmillan (1961), Oberg (1962) Harbison and Myers (1959) and Negandi and Estafan (1962). Given the fact, that most widely dispersed management theories and techniques are based on western ideologies and value systems, their “uncritical transfer to developing countries has in many ways contributed to organizational inefficiency and ineffectiveness” (Kanungo and Jaeger 1990).

In management, there is a consensus that the contingency approach to leadership is most appropriate. Leadership style adopted should depend on the values and personality of the leader, the subordinates and the organizational culture. The challenge of the study is to unearthen the role of culture in shaping the leadership strategies of indigenous organizational leaders in developing counties and their effectiveness in helping achieve organizational objectives.

Today, SMEs represent about 90 percent of the industrial sector in terms of the number of enterprises; however, they contribute a meagre 1 percent of the Gross Domestic Product (GDP), (N.I.P.C. 2004). This is insignificant when compared to Indonesia, Thailand and Indian where SMEs contribute almost 40 percent of the GDP. Whilst SMEs are an important part of the business landscape in any country, in Nigeria, a combination of factors tend to have stultified their rapid development to the extent of compromising SMEs ability to contribute optimally
towards economic revitalization, which has recorded a success in several countries.

At this time, the global challenge to development efforts in both developed and developing countries make it imperative for governmental organisations, and the business community to dig beyond the surface to see how much corporate leadership indeed propels growth and development.

Literature on small and medium enterprises (SMEs) and entrepreneurship development is replete with recommendations and strategies on how to improve the sector. Hardly can one find a country that does not include the development of small and medium industrial sector as a focus for economic development. In some countries, the development of small and medium enterprises forms part of conditions for securing World Bank and International Monetary Fund facilities (Rao, Wright and Mukherjee, 1990). However, it is an open fact that most of these strategies performed abysmally or failed.

The success or failure of any SME is neither an abstract phenomenon nor a matter of gamble. Good corporate management is a factor that determines success. Despite government efforts to promote and develop the small and medium enterprises as a means of enhancing industrial development in Nigeria, the sector’s growth has been hampered by a multitude of problems. However, the most intractable of these problems are poor access to capital, poor management practices and lack of corporate leadership.

In today’s competitive environment, running a small business professionally is not just a good idea; it is a requirement for survival. (Ehrenfield, 1995). According to a National Economic Reconstruction Fund (NERFUND) survey, management is
the root of financial problems. Management and leadership problems constitute the most important problem for small and medium scale enterprises.

These problems are manifested from the period of conception and promotion of a project. The inability of entrepreneurs to understand fully the project they are into will consequently result in low commitment of banks and other investors to the success of the business (NERFUND, 1995).

Corporate Leadership and Management problems manifest in organizational practices of small and medium enterprises. Poor record keeping, poor credit management, poor inventory control, poor working capital, poor raw materials planning, over concentration of authority on one questionable person and poor motivation lack of integrity, to mention just a few as are symptoms of poor management and leadership in small and lack of trust medium businesses.

Management and corporate leadership writers and practitioners have offered numerous suggestions (Koontz, 1961; Glueck, 1980; Ansoff, 1988; Watermberg 1996; Hills and Jones. 1995), Maxwell 1998 on how to improve organizational effectiveness in the light of dynamic and competitive nature of the contemporary business world. Some of these suggestions centre on effective corporate leadership and cooperate planning and control techniques. For instance, Watermberg (1996) maintained that managers and entrepreneurs steering the affairs of contemporary organisations would require more than the traditional management practices of planning, organizing, staffing, directing and controlling in order to cope with the challenges of the environment. In addition, they must provide the necessary corporate leadership to improve the process by which the desired result is achieved.
Meanwhile, as the need for effective management practices remains unchallenged, it is reasonable to maintain that a well-managed enterprise cannot run away from social responsibility. A business should recognize the need to function in a socially responsible manner. As rightly observed by Drucker (1979) “A healthy business cannot exist in a sick society … it must be interested in the societal problems even though the cause of the society’s sickness is made up of management thinking”.

Owualah (1999) suggested two approaches to broad management problems faced by Nigerian small and medium enterprises. One of them relates to managing their external environment whose terrain has been tremendously disfigured by the impact of the Structural Adjustment Programme Programme (SAP) and its aftermath. The other is managing their internal environment, which has been complicated by the on going adjustments in their external environment. Specifically, management practices of small and medium enterprises need to be determined and the extent to which these practices work well in the enterprises analysed.

Although there has been a proliferation of literature on the relationship between corporate leadership and organizational effectiveness, most of them are either foreign based or lack empirical data to justify the relevance of management in SMEs. In fact, majority of empirically based literature focuses on management practices in large corporations on the premise that the findings could be generalized to other categories of business enterprises. Given the significant role of SMEs in Nigerian’s economic development, there is definitely a need to fill the above research gap.

Therefore, this research addresses two primary questions:
(i) What is the state-of-the-art of indigenous SMEs corporate leadership practices?

(ii) Is there a relationship between these practices and the corporate effectiveness of indigenous SMEs?

1.3 Purpose of Study
The main purpose of this study is to examine empirically the relationship between corporate leadership practices and organizational effectiveness of indigenous small and medium Enterprises (SMEs). Specifically, the study is designed to achieve the following:
- Analyse the leadership styles of Nigerian indigenous SMEs.
- Identify the performance of indigenous SMEs in social responsibility.
- Examine the level of performance of indigenous SMEs.
- Determine the relationship, if any, between employee job satisfaction and organizational commitment in indigenous SMEs.
- Determine the relationship, if any, among measures of organizational effectiveness of indigenous SMEs, job satisfaction organizational commitment and corporate leadership.
- Determine the predominant leadership strategies adopted by manager of indigenous companies.

1.4 Justification for the Choice of Small and Medium Enterprises
Many business leaders give lip service to human talent as the under utilized asset in their companies while they continue to look for answers in technology and spread sheets.

The wealth of talent that lies in the people will be studied. How would the tremendous power in experience, knowledge and internal motivation be released?
What is the relationship between empowerment, technology, financial acumen and human innovation?

It is generally accepted in most developing countries that specialized leadership training for small and medium entrepreneurs as well as for developing the entrepreneurs on management techniques is desirable. Training on leadership practices has emerged as a powerful intervention for accelerating development in the developed world. The same can apply to the developing nations.

Leadership is the spirit of any organization. The relationship between leadership and organization is that of a soul and body. The former provides direction and energy whereas the latter processes the input and gives output. Development of small and medium enterprises will therefore require effective management practices and availability of resources.

Given the increasing competitive thrust of the global environment, small and medium enterprises are likely to face even greater threats for survival. It is therefore important for these indigenous enterprises how to survive downturns as they “stave off” threats.

1.5 Research Questions and Hypotheses
To address the research problem empirically, a conceptual and prepositional foundation that will help appreciate the relative importance and possible relationship between selected management practices and organizational effectiveness of small and medium enterprises i.e. Necessary. Briefly, the major research questions and hypotheses are stated below.

**Research Questions**
This research is designed to provide answers to the following research questions:
1. What leadership strategies are adopted by organizational leaders in indigenous companies in developing nations as Nigeria?

2. What environmental constraints(s) influence the adoption of these strategies?

3. How efficacious have these been in achieving organizational objectives?

4. To what extent are Nigerian indigenous companies socially responsible and ethical in their operations?

5. Are management control techniques used in Nigerian indigenous companies?

6. Are Nigerian indigenous companies effective in their operations?

7. Is there any relationship between the various economic measures of organizational effectiveness and the corporate leadership?

8. Is there any relationship between job satisfaction, organizational commitment, performance and the corporate leadership?

9. What are the implications of all the above on the leadership of indigenous companies and for improving their performance?

**Research Hypotheses**

To provide answers to some of the research questions, an attempt was made to explore the relationship among variables highlighted in the study. These are:

- Management practices (Independent Variables) and
- Organizational effectiveness (Dependent Variables).

Hence, the main focus of the study can be summarized in the following hypothesized relationships.

1. Leadership styles and effectiveness of indigenous enterprises are significantly related.

2. The success of an organization depends on the appropriateness of leadership strategies.
3. The leadership strategies of indigenous companies in Nigeria are dictated by the nature of the environment of business.
4. The characteristics of the leader influence the success of meeting organizational objectives of indigenous companies.
5. Factors such as influence, priorities, integrity, positive change, attitude, vision and people are directly related to organizational leadership effectiveness.
6. Correlates of leadership empowerment (Authority, Training, Confidence, Responsibility, Technology, Reasonable autonomy, Resources etc) influence leadership style.

1.6 Delimitation of the Study
This correlation research is interested in two major variables:
- Corporate Leadership practices
- Organizational performance.

Each of these two areas is sufficiently large for a full study. For instance, corporate practices in organizations will cover areas such as planning, organizing, staffing, leading, and controlling as well as organizational practices aimed at achieving favourable relationship with the environment. However, the scope of this research is to concentrate on selected corporate practices of strategic planning, leadership styles, social responsibility and control techniques, and examine the nature of relationship between these practices and organizational effectiveness of indigenous enterprises in Lagos State.

Organizational effectiveness as used in the study covers some conventional business and behavioural measures of effectiveness. A total of ten measures of economic effectiveness will be employed. The scope of organizational
effectiveness measurement will be limited only to these ten. This does not suggest that the measures are exhaustive.

Also, participating firms will be chosen from indigenous small and medium enterprises, operating within Lagos State. Corporate leadership practices of large corporations are not included in this research.

In summary, the study is limited in scope with the understanding that neither time nor money would allow for a comprehensive study of corporate practices in Nigerian organizations.

1.7 **Significance of Study**

After many years of neglect, most developing countries now appreciate the linkage between the development of small and medium enterprises and industrial progress. Studies on Nigerian indigenous small and medium enterprises are therefore increasing. Majority of these studies concentrates on problems of SMEs, particularly financing and institutional arrangements. The present study attempts to add to the existing ones by probing into the leadership practices of indigenous SMEs, which is considered as the neglected area of this sub-sector.

In fact, despite the growing literature on SMEs, there is dearth of local studies on management practices in small-scale sub-sector. This is however, not surprising in view of the fact that the concept of management and its practices are popular in the large-scale sub-sector. However, irrespective of the size of an organization, it is open fact that management is essential for organizational success.

Research and experience have shown that corporate leadership is a major challenge in the growth and development of the indigenous SMEs. Provision of adequate funds and creation of enabling environment for indigenous SMEs may
yield little or no result. Indigenous SME operators are deficient in managerial know-how. In the contemporary Nigerian business environment, it is not an understatement that many owners of small and medium enterprises lack the requisite managerial and leadership skills in planning, control, marketing, finance personnel, production and others.

Practically, the study will be useful to individual entrepreneurs and government. Small and medium entrepreneurs will be exposed to the usefulness of some management practices. Through the findings of the present study, indigenous SME operators will become more knowledgeable and successful in the management of their enterprises.

Theoretically, it will add to the existing knowledge on small and medium scale enterprises by providing empirical evidence on indigenous SME leadership and management practices and their relationship with organizational effectiveness. It will suggest direction useful to individual enterprises and government.

Small and medium operators as professional managers/business owners are now increasingly aware of the need to articulate and apply right management concepts and techniques. As rightly remarked by Damachi (1981) that the need for developing countries to industrialize as a means of accelerating the pace of economic development can only be achieved through coordinated effort of many persons towards common objectives. This will require the adoption of appropriate management practices and availability of competent managers who can achieve results through others.

To the government, the various programmes designed to stimulate, sustain and support entrepreneurship development will be enhanced. By highlighting the
importance of management, the study will provide the focus for training programmes on entrepreneurship development in small and medium enterprises.

The significance of management training as an effective means of tackling the adverse consequences of low management competence in indigenous SMEs can only be appreciated if the rate of business failure in this sub-sector is carefully analysed. Training cannot be conducted in haphazard manner, rather it must be systematic, planned and implemented. A systematic training of indigenous SME operators will commence with the analysis of training needs which this study intends to unveil.

1.8 Operational Definitions of Some Key Terms
The study employed the following definitions for the key terms highlighted below:

i. **Autocratic Style:** Allowing group members to operate under closed monitoring through uniform procedures, little freedom, and push for increased production.

ii. **Behavioural Effectiveness:** work attitudes, that is, job satisfaction and organizational commitment of employees.

iii. **Economic Effectiveness:** profitability, sales growth, competitive strength of an organization, operating efficiency (Dhandwalla 1995).

iv. **Entrepreneur:** The person who perceives investment opportunities and organizes resources to sustain the growth of small and medium enterprises. (Lawal, 1993)

v. **Entrepreneurship Development:** The various programmes designed for stimulating, sustaining and supporting investment in small and medium enterprises. (Fadahunsi, 1992).

vi. **Indigenous Small and Medium Enterprise:** An enterprise with investment of N1.5 million but not more than N200 workers.
vii. **Job Satisfaction**: A global feeling about the job or related constellation of attitudes about various aspects or facets of the job. (Spector, 1997).

viii. **Leader**: A leader is one that direct or has authority over others.

ix. **Leadership Style**: The leadership styles adopted by the entrepreneurs in decision-making, conflict resolution, communication, motivation and delegation of authority. (Sergroveni, Metzens, and Busdan, (1967).

x. **Leadership**: Leadership is the act of going along to guide and show the way.

xi. **Management Practices**: Operationally defined as the use of leadership styles, strategic planning, management control techniques and involvement in social responsibility activities to improve organizational effectiveness..

xii. **Organizational Commitment**: The degree to which an employee identifies with the objectives of his organization. (Holman, 2002).

xiii. **Organizational effectiveness**: Ability of an organization to achieve its objectives and meet the needs of its various stakeholders. (Khandwalla, 1995).

xiv. **Participative Style**: Allowing for group members’ freedom, use of initiative, self-direction and control in decision-making.

xv. **Planning Practices**: Written plans for more than 3 years. It incorporates objectives, strategies and monitoring system to deal with future challenges. (rue and Lindsay, 1980).

xvi. **Social Responsibility**: Involvement in social action programmes, such as business ethics, urban affairs, consumer affairs and environmental affairs. (Buetcher, and Shlty, 1976).

1.9 **Summary of Chapter**

This chapter dealt with the introduction. It reviewed various efforts made by developed and developing countries to encourage entrepreneurship, development in small and medium enterprises because of the linkages between these enterprises
and industrial growth. It, however, noted the inadequacies of corporate leadership practices of indigenous SMEs and the dearth of local literature on this issue. The chapter further highlighted the objectives, research questions, hypotheses, scope, limitations and the significance of the study. The operational definitions of some concepts used in this study were also provided.

The next chapter provides the theoretical framework by explaining the key concepts of the study, reviewing related literature and developing models to unveil and refine existing knowledge on the study.

In other words, organizational effectiveness of indigenous small and medium-scale enterprises are proposed to be contingent on leadership practices. The main dependent variables of the study (organizational effectiveness) can be explained in terms of economic and behavioural indicators. The economic indicators include productivity and profitability of small and medium-scale enterprises. For instance, average gross profit per employee and average net profit per employee. Behavioural indicators include employee satisfaction and organizational commitment.

The independent variables of the study are the planning system; leadership styles control practices and involvement in social responsibility.

**References**


CHAPTER TWO
LITERATURE

2.0 Theoretical Background and Review of Relevant Literature

The dearth of empirical studies on Nigerian management practices, particularly on entrepreneurship development of small and medium enterprises has been a major constraint. It is necessary to note that majority of studies on SMEs merely describe the inadequacies in management practices with no empirical data. Hence the primary objective of this research is to provide empirical data. Hence the primary objective of this research is to provide empirical studies on management practices of the SME sub-sector.

This chapter has been structured into the following seven main sections:
- Section one discusses some theories relating to the research.
- Section two describes the models of the research.
- Section three provides the conceptual framework for the independent variables of the research i.e. some management practices.
- The conceptual framework for the dependent variables of organizational effectiveness is discussed in section four.
- In section five, the conceptual framework of the behavioural effectiveness of work attitudes is addressed.
- Section six is a review of entrepreneurship development in Nigerian small and medium enterprises.
- The last section attempts to summarize the knowledge gained from the various literature as applicable to the present study.
2.1 **Theory of the Research**
Scientific research rests on two major components: theory and empirical research. Establishing a connection between these two has been a subject of controversy among social scientists. (Frank Fort –Nachmias and Nachmias, 1996). According to one major school of thought, they should come first, to be followed by research. This is often referred to as the theory – then research strategy. (Popper, 1968). In this regard, a theory is acting as a logical – deductive system. In sharp contrast to the theory-then-research strategy, Merton (1968) proposed research-then-theory strategy, which implies new problems for theory, calls for new theoretical formulations that lead to the refinement of existing theories and serve the function of verification.

The contention of the investigator is to integrate the two approaches. Theories would be developed and after the research, results used for refinement of some existing theories.

This research is based on the proposition that management practices affect organizational effectiveness, an implication that organizational effectiveness is contingent on sound management practices. One of the most important goals of organizations is customer satisfaction. To achieve this, an entrepreneur must manage the business to provide the required goods and services.

2.2.1. **Management Practices: Theoretical Framework**
Management writers and practitioners have offered numerous suggestions on how to improve organizational effectiveness through management practices. Some of these centre on the need for competent managers and appropriate management techniques in restoring and maintaining corporate and national success. Koontz, (1961) recognised managerial know how as the crucial element for economic
growth. The great economist Schumpeter referred to managers and entrepreneurs as “engine of growth”. Peter Drucker, a well-known management consultant, calls management the life-giving organ of the enterprises body (Glueck, 1980). Ansoff (1988) believed that development of conducive corporate policy and the return to the “basis” of good management practice will produce spectacular results for organisations.

The relative success of Japan has been attributed to her distinctive management styles and techniques that mirror her cultural background (Negandi, Eshgli and Yuen, 1985; Ouchi, 1981; Pascale and Anthos 1984; Wood, Hall and Asumi, 1983; and Yoshida, 1989).

Unameka (1981) holds that the transformation of the developing economy into industrialized economy requires fashioning out a very liberal policy toward the adaptation of management methods, philosophies, techniques and practices that are known to help the attainment of high productivity levels in the industrialized nations.

Perhaps, a better approach to understanding the process by which organisations attain success is to examine the basic elements of management functions, the principles and practices governing effective utilization of human, money, material, technology and time resources.

The management functions developed by Guilick (1937) from Fayol’s (1949) planning, forecasting, commanding, directing, coordinating and controlling still have universal application and acceptance despite strong attacks by some management writers like Mintzberg, (1975). Prodle and Bennett (1975) have argued that mere performance of these functions does not make managers effective unless they achieve results within the constraints and opportunities of the
culture and environment. This emphasises the relative effectiveness of appropriate management practices of organizational growth and survival.

Management scholars and practitioners have developed a variety of techniques to assist managers in achieving results. Such techniques include time management, delegation of authority, strategic planning, management by objectives, forecasting, financial analyses, quantitative techniques and manpower development (Drucker, 1974; Gardner, 1965).

Bello (1986) emphasized the need for professional managers in African countries to utilize these modern management techniques. Inegbenobor (1987) also attributed the ineffectiveness of Nigerian organisations to inappropriateness of management techniques in use. He believe that development in Japan, China, Indonesia, Malaysia, and other countries witnessing accelerated industrialisation is due to their ability to adapt organization and management practices to their cultures.

2.2.2. **Management Practices: Historical Perspective**

Studies on management practices are either prescriptive (Fayol, 1949), or descriptive (Mintzberg, 1975). The analysis of management practices may rest on development o models (Boyalziz, 1982; Farmer and Richman, 1964; Iyanda, 1987; Koontz, 1972; Neghandi, and Estafen, 1965) or systematic observation and research into the types of people in management jobs (Morse and Wanger, 1976).

Although, the practice of management dated back to pre-historical time, a systematic study of management commenced in the 19th century. Since this period, attempts have been made by practitioners and writers from different disciplines to develop principles and practices that underline organizational effectiveness.
The variety of approaches to management thought has led to what Koontz (1961) described as “management Theory Jungle”. To cut through the jungle and bring light to some issues and problems of management theory, management writers like (Koontz, 1978; Stoner, 1978, Haynes, Massie and Wallace, 1975) have classified the various contributions into schools of thought.

Haynes, Massie and Wallance (1975) regarded the early management writers who attempted to establish a set of organizational principles that appeared to them as universal in application as the classical school. The Social Scientists who questioned the assumptions of the classical school between 1930 and 1960 on the basis of empirical research and considered human elements as the most important factor in the work place are known as the organic Scholl (Stoner 1978).

With lines drawn between the conflicting theories, studies led by Burns and Stalkers (1961). Woodward (1965), Lawrence and Lorsch (1967) revealed that the two extremes are neither completely valid nor invalid but that organizational theory must include what Mary Parker Follet called the “Law of Situation” (Haynes, et al 1975).

Stoner, Freeman and Gilbert (1995) extended the approach to management of organisations by developing the “dynamic engagement approach”. This theory is based and the premise that time and human relationships are forcing management to rethink traditional approaches in the face of constant rapid changes. Six different themes about management of organisations that emerged under the umbrella of dynamic engagements are:

- **New Organizational Environment.** The idea that environment does not comprise fixed and impersonal forces. Rather, it is a complex, dynamic web of people interacting with one another.
- **Ethics and Social Responsibility.** Paying attention to values that guide people in their organisations, the corporate culture and value held by people outside the organisation.

- **Globalisation.** Recognizing that the world is at the doorstep of managers.

- **Investing and Re-inventing Organisation.** Continually searching for ways to unleash the creative potential of employees and managers – reengineering.

- **Culture and Multi-Culturalism.** Recognizing the various perspectives and values that people of different cultural background bring into their organizations.

- **Quality Management.** Integrating Total Quality Management (TQM) culture into the operations of organisations.

2.2.3. **American Management Practices as the Standard for the World**

Akinnusi (1981) noted that the science and art of management owes its development to America. Koontz (1961) had earlier stated this view by commenting that management role is sometimes discussed in relation to American management principally because her per capita income is achieved through effective management and more so that America is generally credited with pioneering an increasing number of modern management practices. Such practices include: case studies, game theory, role playing, management grid, management by exception, management by objectives, performance appraisal, strategic planning, systematic quality and inventory control and so on.

Like tangible goods these theories and techniques have been exported to developed and developing countries. Little wonder that the evolution of comparative management as a new field of study has been traced to the pioneering work of
Gonzalez and Millian (1961) who explored the feasibility of transferring and applying American Management philosophies abroad.

2.2.4. Management Practices of Developed Nations

Management writers have questioned the extent to which American management practices are useful for managers in developed and developing countries. Hofsted (1980) has argued that people are conditioned and constrained by their national culture. He therefore casts doubt on the universality of management theories and in particular the transferability of American management theories and techniques outside the American cultures.

Petot (1961) argued in favour of culture-bound techniques by remarking, “management is a known action and behaviour. Human and social habits – sociological cultures differ in different countries. It is too easily forgotten that like institutions, the concepts and a fortiori, the methods and techniques cannot be transferred from one people to another”.

Britain, the first European country to adopt American management techniques, realized that despite the similarities between American and British managers in attitudes, values and managerial skills. American management techniques were at variant with British culture. (Moris, 1976:94).

In other parts of Western Europe, the reaction to American management practices was similar to that to Britain (Stiefel and Paplofozoz, 1974). If Britain and European countries with their identical cultural background are facing problems in adopting American management practices, the problem will not be easily surmountable for developing countries with different cultures.
Stiefel and Paplofozoz (1974) have identified three stages in the successful application of American management practices. The first stage is that of infatuation with the techniques. This is characterized by indiscriminate use of them. The second stage is that of sober reflection associated with shocking discoveries and unfulfilled hopes. This leads to the third stage, which is a conscious adoption, modification and innovation of management techniques.

2.2.5. **Lesson From Japan**

Traditionally, American management practices are widely accepted as the standard for the world, however, the recent development in Japan has been drawing a great deal of attention for management scholars to determine the validity and reliability of American management practices being standard for the world (Maidique, 1985).

Japan, a former developing country has been successful in joining the group of industrialized nations. Kahn and Pepper (1979), maintained that Japan’s GNP was the third highest in the world and extrapolating the current trends, it would be number one by the year 2000. Japan has virtually no natural resources yet it supports over 115 million people, and has an investment rate as well as a GNP rate which is twice as that so US (Vogel 1980:20).

The success of Japan in a competitive world after the Second World War was as a result of various influences and factors such as strong governments, good leadership in economic planning, Edwards Deming concept of quality control, and the Japanese holistic cultural background (Yoshida, 1989). Management writers like Ouchi (1981), Geneem and Moscow (1984), Pasclae and Anthos (1984), Wood, Hall and Azumi (1986) and Maidique (1983) believed that Japanese unique
management style has provided the basic foundation upon which her gigantic technological innovativeness and sagacity are based.

The uniqueness of Japanese management style can be viewed from her holistic approach to management problems as opposed to American analytical approach. The analytical approach takes the position that if we understand each part very well, we will also understand the entirety very well. On the other hand, the holistic approach takes the position that even if each part is perfect the whole may not be perfect (Yoshida, 1989). In a simple language, American managers need measurable performance for a specific period, whereas, Japanese managers determine what their relationship with customers, employees, the local community and competitors and then action they take should automatically follow.

The analytic approach of American management leads to division of work and delegation of authority and responsibility. Each division or department of typical American firms operates and functions according to well-defined operational procedures and often these divisions are in competition with each other. Japanese management style requires decisions to be made by consensus rather than particular individuals. Sometimes, there is no clear-cut connection between responsibility and authority thus, providing the basic orientation for cooperation among units and individuals.

2.2.6. Management Practices in Developing Countries

Management as a pervasive function has been recently recognised as the most crucial element for industrialisation. As clearly commented by Koontz (1961), “Assuring development was thought to be one of transforming capital, technology and education from developed to developing countries, but recently, transfer of managerial know-how has been considered as crucial to economic development”.

Several studies have been conducted to determine how feasible and useful it is to transfer the “management know-how” of industrialized nations into industrial enterprises in the developing countries. The results reveal mixed findings and recommendations.

Neghandi (1981) carried out one of such studies. She examined the feasibility and utility of transferring advanced management practices to industrial enterprises in Taiwan. The research carried out in twenty-seven firms in Taiwan; nine US subsidiaries, seven Japanese subsidiaries and eleven local firms showed that many advanced management practices found in United States industries are not necessarily dysfunctional or useless when applied to enterprises in Taiwan or to enterprises in other developing countries.

Waldmals (1981) descriptive study of management practices in Pakistan showed that modern management practices of decentralized decision-making process and strategic planning are ill-practiced due to shortages of qualified manpower, nepotism, different standard of integrity, family pre-eminence and excessive government control of business environment.

The utilization of modern management techniques of management by objective (M.B.O.) pay-off matrix and decision tree has been demonstrated by Zahrudeen (1985) to be useful in the management of higher institutions in Nigeria. He contended that utilisation of these techniques in all organisations; particularly management of institutions could to a great extent assist in achieving some measures of improved performance and better monitoring.

Ekpo-Uffot (1986) designed a study aimed at exploring the relationship between the practices of personnel functions and productivity. In a judgemental sampling techniques, the study of ten business organisations in Lagos revealed that both in
terms of volume of activity and importance attached to the functions; of compensation ad discipline, management of labour union relations and training and development dominate the personnel management practices in participating organisations while personnel engagement, personnel research and preparation of organizational context are relatively weak and at the bottom are work motivation, productivity and quality of work life.

It is worthy to note that one will not find something African or Nigerian in the Nigerian management practices, despite the fact that lots of management functions of planning, discipline, motivation and conflict resolution had been performed before colonization. Inegbenebor (1987) attributed this to the transplantation of colonial institutions in Nigeria during the 19th Century. These institutions adopted American management concepts and practices through their Colonial personnel who dominated the management hierarchy. Even the so-called technical assistance for human resources during the period concentrated mainly on the propagation of techniques, practise, methods and procedures that were used in the “experts” home countries. This situation according to Udo-Ada (1986) is one of the vicious circles in which Africa finds herself and which have impeded the development of her management thought.

To solve this problem Inegbenebor (1987) offered three fundamental suggestions. The first is that the management practices of the transferring society should be adapted to the values and other cultural traits of the receiving society. Alternatively, the values of the receiving society should be altered. The third option is a compromise strategy, which requires management practices and values of the transferring and receiving society to mutually adjust to one another until and acceptable level of equilibrium is achieved. These suggestions can be regarded as extension of Iyanda’s (1987) universality of Management and Culture bond options for improving Management Effectiveness in Contemporary Organisations.
Meanwhile, a close examination of the Nigerian management practices will reveal that the country is still at the second stage of management practices development as classified by Stiefel and Paplofozoz (1974). The indications that Nigeria has recognized the need for giving greater attention to cultural factors in management development can be noticed from the following developments:

The attempts made by the government to establish indigenous training institutions like Centre for management development (CMD), Administrative Staff College of Nigeria (ASCON) and Industrial Training Fund (ITF) as a means of boosting participation of Nigerians in the ownership and control of Nigerian business enterprises.

The call by Nigerian management writers, (Ejifor 1984; Maduabum, 1985 and Iyanda 1987), for indigenising management concepts.

### 2.2 Models of the Research

Closely related to the idea of theory is the concept of models. To conceptualise the empirical properties of the research, the investigator intends to test four models. One general and three specific models described as Model I, II, III and IV.

#### 2.2.1 Model I

The general model represents the relationship among the main empirical phenomena of the study. The phenomena could be treated as dependent, and independent variables of the research.

**Figure 1: A General Model of Leadership Practices and Organizational Effectiveness**
Source: Developed by the Investigator.

In the model, organizational effectiveness is contingent on corporate leadership practices; leadership practices are the independent variables; organizational commitment, job satisfaction and organizational effectiveness represent the dependent variables.

Organizational effectiveness can also affect the two main work attitudes: job satisfaction and organizational commitment. The model also predicts interrelationship between work attitudes (i.e. job satisfaction and organizational commitment) and corporate leadership practices.

In summary, the main possible relationship among the empirical properties of the study can be illustrated as follows in figure 2.1A.

Figure 2: Possible Relationship among variables of the study
Job satisfaction and organizational commitment are work attitudes affecting organizational effectiveness. Increasing job satisfaction is important for its humanitarian value and financial benefits. Job satisfaction is the condition for establishing a healthy organizational environment. Individuals who are satisfied with their jobs will give their best in terms of knowledge, ability and health to their jobs of which they spend most of their time.

Organizational members who are committed to their organisations believe in what their organisations are doing, are proud of what these organizations stand for and are more likely to go above and beyond the call of duty to help their organizations to succeed. Hence, organizational commitment may also affect the level of effectiveness in organizations.

Similarly, effective leadership practices can also affect organizational commitment and job satisfaction and vise versa. Commitment and job satisfaction will enable manager to discharge their responsibility effectively. It is probably much easier for managers to plan, organize and control activities of employees if they (employees) are committed to the organization and satisfied can enhance commitment of employees and job satisfaction. Behaviourally, individuals want to be associated with success, hence employees in high performing organisations are likely to be more committed and satisfied with their jobs.

2.2.2 Model II
The Model II indicates the various dimensions of leadership practices and organizational effectiveness. Figure II reveals how leadership practices can be analysed and their effect on organizational effectiveness determined. Leadership
Leadership practices of any organization influence organizational effectiveness. For an organisation so achieve meaningful success, application of appropriate leadership techniques is essential. Organizational effectiveness has been divided into economic measures, and alternative measure. These measures are subjective in nature due to the absence of accurate, timely and efficient records on organizational effectiveness of small and medium enterprises. These measures emphasize the conventional business indicators and behavioural measures of effectiveness.

Five of these measures are conventional business indicators namely profitability, growth rate of sales/revenue, financial strength, operating efficiency and performance stability over a period of time. Two of the criteria are related to stakeholders’ goodwill, staff moral and public image and goodwill for the organisation. Two are merely systemic criteria, namely adaptability and innovativeness. Both are vital for surviving and propelling in a turbulent environment. The tenth is social impact through pioneering new products etc.

**Figure 2.2. Corporate Leadership Practices And Organizational Effectiveness Interface.**
Model II suggests four main relationships between corporate leadership practices and organizational effectiveness:
- Leadership styles and organizational effectiveness
- Planning system and organizational effectiveness
- Management control and organizational effectiveness
- Social responsibility and organizational effectiveness

2.2.3 Model III
Model III specifically depicts the interface between work attitudes (organizational commitment and job satisfaction) and organizational effectiveness.

Figure 2.3 Organizational Commitments, Job Satisfaction and Organizational Effectiveness Model.

[Diagram showing organizational commitment, job satisfaction, and organizational effectiveness with bidirectional arrows]

Source: Developed by the Investigator

This model suggests possible linkages between work attitudes (organizational commitment and job satisfaction) and organizational effectiveness. It also indicates a reciprocal relationship between those variables. In other words, as
organizational commitment and job satisfaction lead to organizational effectiveness, organizational effectiveness also can result into high level of job satisfaction and commitment.

### 2.2.4 Model IV

Model IV suggests an interface between corporate leadership practices and work attitudes (organizational commitment and job satisfaction). This relationship is shown in figure IV below.

**Figure 2.4 Corporate Leadership Practices and Work Attitudes Interface.**

![Diagram of Corporate Leadership Practices and Work Attitudes Interface](source: Developed by the Investigator)

The foregoing model implies that corporate leadership practices of leadership styles, planning system, management control and social responsibility affect work attitudes (i.e. organizational commitment and job satisfaction). Similarly, work attitudes will also affect leadership practices.

In conclusion, it is important to emphasize that these models are merely partial accounts of developments of organizational effectiveness. In fact, they are derived from Likerts (1967) model of causal intervening – Output variable. The amount of variance that leadership practices will account for in organizational effectiveness...
remains an unanswered question until experiments are designed to test the empirical relationships suggested by these models. Meanwhile, a survey can be conducted to determine associations among these variables, which may or may not have been previously examined.

Finally, it would be logical to expect some significant relationship between these sets of variables. Since corporate leadership practices are designed to enhance productive capacity in conjunction with other factors of product, in small and medium enterprises, a relationship is unconsciously assumed to justify expenditure on leadership practices. Hence, there is need for empirical data to justify this assumption.

2.3 Conceptual Framework: Management Practices in Small and Medium Enterprises (SMEs)

Any living collectivity, not just human beings apply leadership processes. Queen, Forbes to increase their stock, ladies in waiting look after the needs of the Queen Bee, Warrior bees defend and Forger bees gather honey form flowers. No one has much freedom to decide; leadership takes place by programming behaviour or by functional specialisation.

Leadership in human collectivities is far more complex because human beings have variety of gals. A single decision-maker would have to bear for too many dimensions in his/her mind for continuous success and wide range of expertise need to be availed by organisations to make reasonable decisions. Inevitably, leadership becomes a group effort. This dynamism gives rise to the adoption of leadership techniques known as practices.

Before launching into the specifics of this study, it is important to review and explain the concepts that are the building blocks for the models of the study.
These concepts include, leadership styles, management control, social responsibility, organizational effectiveness and so on that constitute the focus of the study.

2.3.1 Planning System

Numerous researchers and executives have advocated planning for growth and survival of organisations in the dynamic contemporary business environment. Financial institutions invariably request a business plan when a firm is trying to borrow money or it is the “thing” business owners are taught to produce at training courses?

- How effective are these plans in screening out the potential failures stopping them from starting?
- How many small and medium entrepreneurs complete a business plan and then decide not to venture into a business project as the plan shows the business to be non-viable?
- Given the high failure rate of many SMEs, is there a need for more realistic plans prior to the commencement of business activities?

All these questions suggest that SMEs which plan ahead and have a formal business plan do appear to have superior performance compared to those who refuse to plan (Joyce, Seaman and Woods, 1996), as clearly revelled in the common adage “to fail to plan is to plant to fail”. Strategic planning is one of the important management techniques used in contemporary organisations to cope with environmental challenges.

Over the past decades, researchers have developed models of formal strategic planning. Steiner (1967) provided a thorough conceptualisation of strategic planning. Planning as an attitude and a process is concerned with the future consequences of current decisions. Formal strategic planning links short,
intermediate and long-range plans. Strategic planning does not attempt to make future decisions or even forecast future events. It needs not to replace managerial initiative and judgement with massive, detailed sets of plan (Steiner, 1967).

Meanwhile, The structure and process of planning for business can be shown in Figure 2.5 below.

**Fig. 2.5. Structure and Process of Planning For Business**

![Diagram of Planning Process]


For Steiner (1967), planning system of a business has four basic foundations: fundamental business purpose, assessment of environment, assessment of...
resources and values of the management. The planning commences with strategic planning, followed by a medium range planning in which detailed coordinated and comprehensive plans are made for selected functions of business. The detail of medium range plan is not usually deep enough for current operations; hence a separate set of short-range plans in usually secured to provide detailed guides for all organizational activities over the short-run within a year.

A few years ago, business could be established and maintained by reacting to current events. This reactive style of management was enough for growth and survival. However, today changes happen fast and come from many directions. Business owners need to be proactive rather than being reactive. Instead of reacting to situation as it changes, environmental forces must be analysed and resource – allocation decisions made.

Although there has been a proliferation of literature on formal planning in the recent years, considerable disagreement exits in the business community as to its import. Some scholars have shown proof of the apparent advantage of planning notably to improve the relationship between the organization and environment, ability to improve financial performance and identify future marketing opportunities and threats. (Bracker, Keats and Pearson; 1988, Woo et al 1989, Kinsella; 1993; Thune and Hume, 1970, Herold, 1972). Others have concluded that there is no consistent association between planning process and organizational performance. (Compell, 1990, Crepeynt, 1986; Robinson and Pearse, 1983).

Woods (1979) examined the relationship between formal planning procedures, and financial performance for a sample of large U.S. banks, it was found that the sample banks that engaged in comprehensive long range planning significantly out performed those that had no formal planning system. They also outperformed randomly selected control groups. Similarly, study of 93 U.S. manufacturing
firms revealed that formal planners, who took strategic management approach, outperformed low planners in forms of financial criteria that measured sales, assets, earnings per share and earning growth. The planners were also more accurate in predicting the outcome of major strategic actions (Brandenburg et al, 1970).

Meanwhile, in a more refined approach towards establishing relationship between strategic planning and performance, Kudia (1980) reported that statistical tests did not indicate significant differences in the returns earned by shareholders of planning and non-planning firms. In other words, using a totally different methodology to adequately control extraneous variables, the findings of the study revealed no relationship between formal planning and performance.

Also, in a study of manufacturing firms in several North-eastern states of the U.S. O’Neill et al found that the relationship between planning and performance was complex and that planning did not improve performance in all environments. Interestingly, they found that in the dynamic environment, analysis depressed performance, whilst control encouraged performance and that the planning function, then is the ticket to post-entrepreneurial stage, but is not guarantee of a strong performance. O’Neill and his colleagues also found that age – a surrogate of experience, had a positive effect on performance in dynamic environment.

Miller (1994) provided a synthetic of opinions using metal analytic data drawn from 26 previously published studies on strategic planning and firm performance over the decade, the results suggest that strategic planning positively influence firm performance and that methods and factors employed are primarily responsible for the inconsistencies in the literature.

Planning and Organization Effectiveness in Small and Medium Enterprises
To many people, planning is something meant only for big organizations, but it is equally applicable to small businesses. Planning is matching the strengths with available opportunities. To do this effectively, there is need for environmental analysis, understanding business strengths and weaknesses and developing a clear vision, mission goals and strategy for the small business. There is relatively little literature available regarding strategic planning in small and medium enterprises. Most literature concentrate on strategic planning in large-scale enterprises.

SMEs that engage in strategic planning employ it at varying degrees of completeness. Sexton and Auken (1985) identified the four levels of strategic planning in small and medium enterprises as: strategic planning at zero level (i.e. no strategic planning), strategic planning at level 1 (i.e. knowledge of sales but not profit) strategic planning at level 2 (i.e. knowledge of sales and profit) and strategic planning of level 3 (i.e. knowledge of sales and profit and adopting measures to achieve the projected sales and profits).

Numerous management researchers have advocated strategic planning as a viable tool for improving operational efficiency of SMEs. (Stagner, 1963; Armstrong, 1982; Ansoff, 1991; Robinson 1982). Armstrong and Kotler, (1996); Robinson and Pearse (1982) Study’s on “Outside-based” strategic planning found that performance of small and medium enterprises engaging in outside-based strategic planning was significantly higher than those which did not. A study conducted by McClean (1992) also supported the view that small firms could use formal strategic planning successfully. Kotler and Armstrong (1995) also described how dramatic and strategic marketing planning actions have transformed Levi Strau into a vigorous and profitable company. In a study conducted by Runelt (1991), the research evidence suggests that firm level affects company resources, capability and strategies account for most of the variance in profit rates across industry and that industry effects are relatively unimportant.
Robinson’s (1982) study of 101 small retail services and manufacturing firms over a 30 year period found a significant improvement in sales, profitability and productivity among those businesses engaging in strategic planning when compared to firms without systematic planning activities.

Strategic planning correlates positively with other performance indices of small and medium enterprises. Apart from this simple correlation, survey of 87 small firms in Midland in the United Kingdom by Breaver and Ross (2000) revealed behaviour in the small firms. They observed that a central finding in this enquiry was that the principal value of strategic planning to those firms that practiced and valued it was that they had a framework for their assessments of overall performance, bearing in mind that assessment often triggers the managerial will to improve”…. Planning facilitates comparison with alternative futures and opportunities. In essence, it was found that the most dynamic and progressive firms embarked on strategic management as a way of nurturing their own entrepreneurship motivation”. (Breaver and Ross 2000).

The foregoing observation is consistent with the views of Wheelen and Hunger (1995) and Shirly 1989 that successful entrepreneurs require strategic planning. However, despite the intuitive appeal of these arguments, some researchers have maintained that explicit strategic planning is dysfunctional, or at best irrelevant (Cappel, 1990, Greenly, 1986, Leontiades and Texel, 1980).

Hence, some small and medium enterprise owners’ managers may not be keen in planning. As Curran (1996) noted that such decisions revolve around the entrepreneur with little reliance on formal planning except where they are harnessed to the entrepreneur’s vision./ in support of the view that small firms do not plan strategically, Wheelen and Hunger (1995) provided four main reasons:
- Not enough time
- Fear that planning may affect the ability of the firm to respond flexibly and quickly to new opportunities.
- Lack of skills in strategic planning
- Lack of trust and openness.

Empirical Evidence on Strategic Planning in Nigerian Small and Medium Enterprises

Empirical studies on strategic planning in small and medium enterprises are limited mainly because data are difficult to obtain and to some extent notoriously unreliable. However, most of these studies pointed to the dysfunctional consequences of too little planning. Atinosan (1998) surveyed 40 entrepreneurs in Ondo State of Nigeria and found that they perceive planning as pivotal to successful running of these small businesses. However, only four of these respondents agree that business manager’s plan. Most of the respondents believe that planning is a function that must be left to big business. These findings are consistent with those of Imanyi (1993) where a survey of 225 organised small businesses revealed that 50% of Nigerian small entrepreneurs carried out strategic planning and 75% of these reported profit implying that the practice of strategic planning has enormous potential for rapid growth in Nigeria.

In summary, given the importance of planning, it is expected that planning practice is imperative for all small and medium enterprises in Nigeria and there is need for empirical evidence to justify its relevance.

2.3.2 Leadership
Leadership is an elusive concept. Like many complex ideas, it is deceptively easy to use in everyday conversation. Everyone talk about it, few understand it. Most people want it; few achieve it. What is this intriguing subject called “Leadership”? Perhaps, because most of us want to be leaders, we become emotionally involved when trying to define leadership. Or, perhaps because we know one who is a leader, we try to copy his or her behaviour and describe leadership as a “personality”. A common idea that runs through most definition is the notion that leadership involves influence in one form or the other. (Yurki, 1994). The very idea of leadership presupposes the existence of follower. The activity of leadership cannot be carried out without followers to lead and what leaders do is to influence the behaviour, beliefs and feelings of group members in an intended direction (Wright and Taylor, 1994).

Maxwell ( ) defines leadership as “influence”. “He who thinketh he leadeth and hath no one following him is only taking a walk”. Georges, defined leadership as the ability to obtain followers. Notable persons like Marin Luther King, Jr., and Winston Churchill were all leaders whose value systems and management abilities were very different, but each had followers. Most people defined leadership as ability to achieve a position, not to get followers. Therefore, they go after a position, or title and upon their arrival they think they have become a leader. This type of thinking creates two common problems: those who possess the ‘status’ of a leader and who often experience the frustration of few followers, and those who lack the proper titles may not see themselves as leaders and therefore do not develop their leadership skills. Good leadership begets good followership. Good leaders take their followers from where they are to where they have not been, they follow them.

Everyone influences someone Sociologists tell us that even the most introverted individual will influence ten thousand other people during his or her lifetime. That
means that all of us are leading in some areas, while in other areas we are being led. No one is excluded from being a leader or follower. Realizing one’s potential as a leader is one’s responsibility. In any given situation at any given group there is a prominent influencer. Yet most good leaders focus on creating leaders not followers. Maxwell summarized the powers of influencer thus:

Some writers have however given the impression that leadership is synonymous with management. This assumption may be incorrect (Zaleznik, 1990). Leaders are not only found in the managerial hierarchy but also in informal work groups. The difference between leadership and management has been stated ad follows:

“Leadership is a part of management but not all of it … Leadership is the ability to persuade others to seek defined objective, enthusiastically. It is the human factor, which binds a group together, motivates it towards goals. Management activities such as planning, organizing and decision-making are dormant cocoons until the leader triggers the power of motivation in people and guide them toward goals”. (Davis, 1967).

Ultimately, Caldwell (2003) clarifies the difference between these two concepts in his following analysis of change leaders and change managers.

“Change leaders are those executives or seniors managers at the very top of the organization who envision, initiate or sponsor strategic change of a far reaching or transformational motive. In contrast change managers are those middle level managers and functional specialists who carry forward and build support for change within business units and key functions” (Caldwell, 2003).

Corporate leadership is needed to reshape organizational culture, propose a challenging vision of the future and set a performance improvement target, (Day 1994). Deshapaude et al (1993) viewed leadership as a key element that shapes
corporate culture, whereas, Slater and Narver (1995) identify it as a key component of organizational climate, which is a critical element of a learning organisation.

Various leadership researches have generated the trait, behavioural, situational and the power-influence approaches to leadership (Chang, Polsa and Cheu, 2003; Politis, 2001). Among the various leadership styles suggested by these approaches, autocratic and participative styles are most common. A participative leadership style encourages members to participate in decision-making and exercise discretion on how to perform their tasks. An autocratic leadership provides for specific directions to subordinates by organizing the necessary functions to be performed, specifying rules, regulations and procedures to be followed, clarifying expectations, scheduling work activities, establishing communication network and evaluating the work group performance (Chang, Polse and Chue, 2003; Robbins, 1996).

Managers at all levels and in all kinds of organizations have their own personal leadership styles, which determines not only how they lead their subordinates but also how they execute other management tasks. Apart from the managers’ personal leadership styles, some research evidences suggest that leadership styles also vary among countries and cultures. For instance, research evidence suggests that European managers tend to be more humanistic or people oriented than both Japanese and American managers. The collectivist culture in Japan places prime emphasis on the group rather than the individual, so the importance of individuals’ own personality, needs, and desires is minimized. Organisations in the United States tend to be very person oriented and thus tend to downplay the importance of individual employee’s needs and desires. (Jones George and Hill, 2000).
Although effective leadership is widely recognized as one of business most pressing problems, there is surprisingly little “agreement on what makes an effective leaders”.

The literature on leadership is full of perceptions regarding effective leadership. The first systematic attempt to describe successful leadership focused on identifying personal characteristics that were responsible for effective leadership. A common belief is that leaders were born, not made. Around the turn of the 19th century, Max Weber brought into vogue the bureaucratic mode of management that stressed efficiency, equity and accountability (Weber, 1946). About the same time, Henri Fayol laid the foundation of the professional management school (Fayol, 1949). For many decades thereafter, writers on management prescribed the professional leadership style of management. Initially, this consisted of “principles” culled from experience (Barnard 1943). Later in the fifties, writers with training in social and industrial psychology began to advocate participative style of leadership (Likert, 1961). MacGregor’s (1951) participative style of management was reinforced by human resource and organizational development. Sporadically, management scholars and practitioners have also been extolling the entrepreneurial mode of leadership that create new industrial, and transform old ones. (Schumpeter, 1934 and Mintzberg, 1973). The growing awareness of social responsibility of organisations and efficacy of enlightened self-interest has led to formalization of altruistic modes of management (Khandawalla, 1992). In the seventies and the eighties, the economic success of Japan led to a lively interest in the paternalistic Japanese style of management (Pascale and Authos, 1981). The concern with having to cope with breakthroughs of technological and market change has led to the identification of the flexibility and teamwork oriented organic style of management (Burns and Stalkers, 1961, and Khandwalla, 1992).
There is considerable evidence that participative leadership styles are necessary for job satisfaction and performance. (Mitchell, Syer and Weed, 1975; Ruyon, 1973; Wroom, 1960: Coch and & French, 1948). Organisations whose leaders were perceived to practice a supportive style of leadership emphasis goals and facilitate interaction between their subordinates, through participative process, the unit costs of new business tended to be lower than in those with more authoritarian or liaise faire modes of leadership (Boer, 1966).

In Khandwalla’s (1979) study of 103 Canadian companies participative management style, was significantly associated with an index of subjectively rated effectiveness based on five criteria. Some Indian researchers also indicated that participative style is associated with staff productivity and job satisfaction (Singh, Warner and Das, 1979).

Stogdills (1974) conducted a survey to determine relationship between leadership, job and follower ship satisfaction and productivity. Tow sets of leadership were compared; “person oriented” leadership and “work oriented” leadership. The survey indicated that under certain circumstances both persons oriented and work oriented leadership behaviour may be related positively to group productivity but equally, in other circumstances, neither may be.

Fisher and Edward (1988) carried out a meta-analysis of consideration and initiating structure. Meta-analysis is a statistical technique, which allows the averaging of correlation coefficients from different studies. The researchers derived separate mean correlations, for three of the scale, which are used to measure consideration and initiating structures. Two of the scales produced quite similar results, there were low to moderate positive correlation between both consideration and initiating structures and job performance, high positive correlation between consideration and the satisfaction measures and moderately
positive correlation between initiating structure and satisfaction measures. The third scale, the Supervisory Behaviour Description Questionnaire yielded similar results to the other two. In the case of consideration, however, the result for initiating structure differed markedly with low negative correlation being found in the case of both the performance and the satisfaction measures.

The foregoing research results have suggested that leadership styles may influence performance irrespective of national culture (Brownwell and Dunck, 1991; Shaw et al, 1996; and Law et al 1995). However, recent researchers have suggested the need for organisations to adopt their management practices to the culture in which they operate (Newman and Nollen, 1996).

Participation was found as an important dimension of work unit management among firms in US. (Denison and Mishra, 1995; Morris and Pavett, 1992). The efficiency of participation in Mexico was doubtful (Morris and Pavett, 1992). The message of these conflicting findings to practicing managers is clear, adapt your management styles to suit the environment – when in Rome, do as the Romans do,

**Leadership Styles in Nigeria**

Meanwhile, some important questions such as: Are Nigerian entrepreneurs authoritarian or participative in their leadership styles? What effect will these styles have on the performance of their enterprises and so on need to be addressed empirically?

The challenges of strategic leadership have never been more daunting than in the contemporary Nigerian business environment. Attracting investors and a workforce that has many choices and infusing culture and practices throughout the organization in a way that the firm lives in are just a few of the challenges that demand for a strategic leadership in Nigeria.
In relating the Theory X and Theory Y styles of leadership to Nigerian situation, it has been said that the Nigerian leadership conforms to the view expressed by Taylor (1911) in his scientific management theory, (Eze, 1995). This means that Nigerian leaders and managers share Macgregor’s assumptions of Theory X.

An experimental research on 102 management personnel comprising a control group of 48 and experimental group of 54 as well as 60 managers and 42 supervisors showed that Nigeria leadership is mainly authoritarian and information about effective leadership helps to reduce authoritarian view. In addition, the higher the Nigerian manager in organization level, the less autocratic he will be (Eze, 1988).

It should be noted that while many studies exist on the effects of participative management in large firms, far less in known about the implications of participative and autocratic leadership styles in small and medium-scale enterprises. If the idea of universality of management is upheld, the findings of previous studies can be generalized to small and medium-scale enterprises. However, it will be necessary to conduct an empirical study on leadership in the small and medium-scale sub sector to confirm this generalisation.

2.3.3 Control
After strategies are set and plans are made, management primary task is to take steps to ensure that plans are carried out or if conditions warrant that plans are modified. Control therefore is a critical function of management.

Control is devoid of commonly accepted framework or typology. The notion of control is sometimes confused with the notion of management. This may be dangerous and fallacious. To lead is not to control. In differentiating the two concepts, Malhotra (2001) maintained that success of knowledge management
system could often result from propagating and nurturing the autonomy and self-control of organisations members, instead of exerting external influence to modify or manipulate their knowledge creating ad knowledge sharing behaviour.

Control can be defined in three ways: as a system, a management function and as a process. Systems theorists have described a management control systems as a “cybernetic” system in which information is obtained from sources within the system – feedback, and makes possible the alteration of the system towards its goals. Control as a managerial function, seeks to anticipate, plan and take corrective actions as needed. Control as a process makes sure that intended results are consistently achieved (Lawal, 1993). The process of control can be summarized as a process of maintaining, evaluating and providing feedback (Dornbush and Scott, 1975; March and Simon, 1958).

Control as a monitoring process basically focuses on two kinds of phenomena, which can be monitored or controlled at different levels in organization. These are behaviour and outputs, which result from behaviour. As clearly suggested by Ouchi, (1978) that in hierarchical organisations, the top level management must not only arrange a mechanism for controlling subordinates, they must also arrange a mechanism whereby their subordinates are sure to maintain control over the level below them and so on to successively lower levels.

Meanwhile, the basic control process wherever is found and whatever it controls involves the following four steps:
- Establishing predictors’ objectives
- Establishing standards of performance
- Evaluating results against standards.
- Action to reinforce the positive and correct the negative results. (Lawal 1993, Glueck, 1980).
Despite the absence of typology of organizational control, some writers (Kirsch, 1996; Henderson and Lee 1992; Crlikorshi, 1991; 1976) have interpreted control in terms of the influence exerted on the subordinates to see compliance with organizational goals.

Traditionally, managers relied on the use of external control rather than self-control. Argris (1990) referred to the transition from traditional external control mechanism to the paradigm of self-control as the “current revolution” in management theory.

Variety of control techniques used by contemporary manager to cope with differing problems and elements of their organisations include quality control, systematic control, inventory control, budgeting and financial ratios to mention just a few. (Jones, George and Hill, 2000; Bedeian, 1987; Stoner, Gilbreth and Freeman, 1995).

Effective control techniques according to Donnelly, Gibson and Ivancevich (1995) must have standards, information and corrective actions. Table 2.1. presents comparison of these techniques in terms of the standards, information and corrective action relevant for each one.

**Table 2.1: Control Techniques, Standards, Information and Corrective Action**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Techniques</th>
<th>Standards</th>
<th>Information</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Job description</td>
<td>Job specification – skills, experience, education, earning on job success.</td>
<td>Test scores, credentials; background data.</td>
<td>Hire/no hire; remedial training</td>
</tr>
<tr>
<td></td>
<td>2 Selection</td>
<td>Job specification – skills, experience, education, learning on job success.</td>
<td>Test scores, credentials, and background data</td>
<td>Place/no place; remedial training</td>
</tr>
<tr>
<td>---</td>
<td>--------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>3</td>
<td>Material inspection</td>
<td>Percent of number defective within alternate limits.</td>
<td>Sampling of input</td>
<td>Accept, reject; or retest.</td>
</tr>
<tr>
<td>4</td>
<td>Capital budgeting</td>
<td>Simple rate of return, payback period, discounted rate of return.</td>
<td>Projected cost, revenue, and engineering data.</td>
<td>Accept; reject</td>
</tr>
<tr>
<td>5</td>
<td>Financial budgeting</td>
<td>Requirements arising out of the forecasting step of planning.</td>
<td>Projected cost, revenue and engineering data</td>
<td>Accept, reject and revise.</td>
</tr>
<tr>
<td>6</td>
<td>Direction</td>
<td>Required job behaviour and end results</td>
<td>Plans and job specifications</td>
<td>Change plans and/or job specifications, train; the people.</td>
</tr>
<tr>
<td>7</td>
<td>Financial statement analysis</td>
<td>Relevant date found in trade, banking and rule of thumb sources</td>
<td>Balance sheet, income statement</td>
<td>Revise inputs; revise direction</td>
</tr>
<tr>
<td>8</td>
<td>Standard cost analysis</td>
<td>Percent of number defective consistent with marketing strategy</td>
<td>Cost accounting system</td>
<td>Revise inputs; revise direction</td>
</tr>
<tr>
<td>9</td>
<td>Quality control</td>
<td>Job-related performance criteria</td>
<td>Sampling procedure</td>
<td>Revise inputs; revise direction</td>
</tr>
<tr>
<td>10</td>
<td>Employee performance evaluation</td>
<td>Managerial observations; self-response</td>
<td>Retain, replace personnel, change and assigned jobs</td>
<td></td>
</tr>
</tbody>
</table>


Empirical Evidence Management Control Practices
A review of some literature on control practice will indicate that controls are necessary for accomplishing organizational objectives.

Table 2.2 summarizes the relationship between control and organizational effectiveness.

<table>
<thead>
<tr>
<th>Researcher(s)</th>
<th>Setting</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farns and Butterfield (1972)</td>
<td>16 banks in Brazil</td>
<td>The greater the control, the greater the effectiveness. Effectiveness is greater if the manager at a lower level perceives the manager at the next level as having greater control over him or her than is actually the case.</td>
</tr>
<tr>
<td>Lawrence and Lorsch (1970)</td>
<td>6 American companies</td>
<td>The greater the control, the more effective the firm. But the firms in stable industries use conservation control mechanisms, those in volatile industries use liberal mechanisms.</td>
</tr>
<tr>
<td>Woodward (1970)</td>
<td>100 British companies</td>
<td>Effective control leads to organizational effectiveness. The control mechanisms vary. However, effective small-batch firms use behavioural control based on single measures at effectiveness. Effective automated firms use mechanical controls (output controls) in mass production both behavioural and output controls are used but on an infrequent (not continuous) basis.</td>
</tr>
<tr>
<td>Bell (1965)</td>
<td>204 Employees in 30 departments of a Connecticut Hospital</td>
<td>Control leads to effectiveness. The more routine, the job, the greater the use of behaviour at control (personal supervision). The more volatile, the greater the use of output controls. This confirms the Ouichi and Maguire study.</td>
</tr>
<tr>
<td>Khandwalla (1992)</td>
<td>80 Large</td>
<td>The more volatile the environment (as</td>
</tr>
</tbody>
</table>
American films measured by type of competition), the greater the control in effective business.

<table>
<thead>
<tr>
<th>Source</th>
<th>Study Details</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tannanbaum (1968)</td>
<td>104 Leagues of Women voters Units.</td>
<td>The greater the amount of control, the greater the effectiveness</td>
</tr>
<tr>
<td>Bowers. (1983)</td>
<td>40 Life Insurance Agencies</td>
<td>The greater the amount of control, the greater the effectiveness as measured by job satisfaction and organization development (not by growth, sales, or turnover). Greater control costs more, too.</td>
</tr>
<tr>
<td>Turcatte (1970)</td>
<td>2 state government agencies</td>
<td>Higher performance is found where output measures are clear, the control level executives are clear, the control system emphasises and helps achieve high output. No all measures of output are equally high.</td>
</tr>
<tr>
<td>McMahan and Fernt (1973)</td>
<td>2,537 Line managers in 12 plants of a large and successful mass production technology firm.</td>
<td>The greater the control, the greater the effectiveness.</td>
</tr>
</tbody>
</table>


As can be noted, most of the research has shown that good control leads to greater organizational effectiveness. In fact, Glueck (1980) rationalized the need for control in organizations in the following remark “if we lived in a perfect world where all managed plans were fulfilled, control would not be necessary. But the world is far from perfect. Factors in the environment change, these changes affect organizational plans. Employees make mistakes. And not all employees are motivated to achieve the results needed to keep the enterprises on its planned course. They may not do their jobs at all. So control is necessary to resolve problems and adjust plans and objective, or take corrective action as need arises”.
Management Control Practices In Nigeria: Empirical Evidence

Nigerian firms are evidently aware of management control system. A survey of inventory control practices by Melodi, (1995) revealed that participating firms have knowledge of modern inventory systems or policies but have not appreciated the application of modern tools of making inventory decisions befitting the policies adopted. Nevertheless, this shows that Nigerian firms are not just at the ready state to use the modern inventory planning systems but with adopting accompanying tools that are founded on operations research/management science techniques of which mostly are application of mathematical models with added advantage of programme decision as practiced in the industrializing countries from which the technology used was borrowed.

Inegbengbor’s (1991) study on management practices in Nigerian private companies indicated that Nigerian firms use some control techniques occasionally. Similarly, an attempt to examine the degree of fit between size and structural variables in small and medium enterprises also recommended increase in the use of control measures to achieve high economic performance in these enterprises (Inegbengbor, 1995).

The implementation of Total Quality Management (TQM) in Nigerian firms is relatively new; the study carried out by Okolie (1996) through the use of questionnaire and interview where necessary to clarify some key issues critical to successful implementation of quality control initiative showed that current position of TQM implementation in Nigeria is encouraging. Despite the fact that this management philosophy s relatively new in the country, most of the companies followed a similar approach in organizing their implementation. They had a management structure for the programme at the head of which was a Quality Control or a steering committee, they appointed coordinators or facilitators and set up Quality Improvement teams and clearly defined participatory roles for
everyone in the programme. All these companies gave quality training to employees and introduced the programme company made. However, they differed in areas relating to how improvement opportunities were identified (Okolie, 1996).

Meanwhile, it should be noted that Nigerian small and medium enterprises stand at the threshold of a new era in the globalise world. Perhaps, never before has it had, at the same time, so many problems and bright prospects for the future. There is need for control in indigenous SMEs to solve organizational problems and realize the prospects. The primary problem, therefore is to establish empirically the relationship between control practices and organizational effectiveness of Nigerian indigenous SMEs.

2.3.4 Social Responsibility Practices

In the recent years, globalisation, increased influence of companies, retrenchment and repositioning, war for talents, growth of global civil society activities and increased importance of intangible assets have led to an explosion of interest in corporate social responsibility and the phrase “being a responsible corporate citizen” has become a managerial cliché, (Boston College for C. R. 2002). Top management of organisations are ultimately involved in drawing up a new charter of responsibility for its relation with stakeholders to demonstrate that the enlightened corporation is no longer prepared to tolerate long-run excessive external costs. Most contemporary managers are looking for empathy with society rather than alienation. It is not surprising that many of them have decided that time is now ripe for a new interpretation of the duties and responsibilities of corporation.

Professional managers have realized that profits are necessary but not sufficient condition for healthy corporate society. For instance, a large number of contemporary organisations have introduced employee ownership scheme. Such
developments do not mean that these companies are becoming less profit conscious. In fact, quite contrary, more and more companies are realizing that employees, who dedicate their lives to the company, deserve to benefit from the wealth-creating potential of the corporation.

The basic drivers of corporate social responsibility consist of:

- **Value**: a value shift for not only wealth creation but also for social and environmental goods.
- **Strategy**: being more socially and environmentally responsible is important for strategic development of a company.
- **Public pressure**: pressure groups, consumers, media, the state and other public bodies are pressing companies to become more socially responsible (Zedek, Pruzan and Evans, 1997).

Despite the placement of external responsibility at the forefront of corporate leadership attention, a lot of issues remained unresolved. Such questions as: What is social responsibility? To whom should an organisation be socially responsible? Should business be socially responsible and do socially responsible corporations perform better financially than socially irresponsible corporations? All these questions have significant implications for the management of organisations and the investment decisions of individuals and institutions.

**Definitions of Social Responsibility**

Social responsibility is a nebulous concept that has been described in a number of ways. Most writers on social responsibility see the concept as the disposition of an organisation to exhibit “missionary” rather than “mercenary” attitudes toward the society. Social responsibility is variously defined as.
“The intelligent and objective concern, which restrains individual or corporate behaviour from ultimately destructive activities no matter how immediately profitable, ad leads to the direction of the positive contribution to human betterment. (Andrew, 1977).

The obligation of the businessmen to pursue those policies, to make decisions or to follow those lines of actions, which are desirable in terms of objectives and values of the society. (Luthans and Hodgets (1976).

“The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (World Business Council for Sustainable Development, 2001).

“Being socially responsible means not only fulfilling legal expectations but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders’ (The European Economic Commission, 2001).

“Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business” (Business for Social Responsibility).

Imoisili (1985) noted that the major limitation of some of these conceptions about social responsibility is the failure to take into account organisation’s ability to become “missionaries” i.e. company should be able, before it becomes willing to be socially responsible? He believed three basic questions must be answered to properly understand social responsibility:

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i. Who determines what action of an organization to perform social responsibility?

ii. Where should be the “arena” for the organization to perform social responsibility activities?

iii. What should be the organization’s motives?

Perhaps, the most instructive way towards clarity in examining the doctrine of social responsibility is to ask precisely what it implies and for whom.

**Facets of Social Responsibility**

Presumably, corporate executives as agents of the owners are to be responsibility for conducting the business in accordance with the desire of the owners while conforming to the basic rules of the society. The responsibility has three broad facets (Ikpeze 1981).

Firstly, outright clarity to social courses i.e. contribution to development programmes such as education, art and culture. This does not necessarily make direct impact on the profitability of the charitable firm.

Secondly, elimination of social costs. Business operations are sometimes hazardous to the environment. Raw materials, transformation processes, finished products and by-products of companies may constitute external diseconomies for other businesses as well as pose health or safety hazards. Offending firms are therefore expected to eliminate the social costs created by their operations.

The third facet of social responsibility is the adoption and observance of ethical codes aimed at reducing business malpractices e.g. product misrepresentation, racial discrimination and sex discrimination in hiring. Business ethics provide
guidelines as to what is good, right or moral in commercial dealing most business decisions have ethical implications; managers conscientiously or unconscientiously follow ethical guidelines.

In summary, Nigeria business organisations and other types of business seen in many actions domains can pursue social responsibility in areas such as: concern for ecology and environment, commitment to quality, truth in advertisement, customer satisfaction and education. Other concerns include service to community needs, fair employment practices, progressive labour relations, employment assistance and corporate philanthropy (Ogbeuchi 1998). The strength of an organisation’s commitment to corporate social responsibility ranges from low to high. At the low end of the range is an obstructionist approach (fight the social demands), which reflects mainly economic priorities. A defensive approach (“do the minimum legally required”) indicates the least commitment to ethical behaviour. It seeks to protect the organisation by doing the minimum legally required to satisfy expectation. Accommodative approach (“Do the minimum ethically required”) is an acknowledgement of the need to support social responsibility. Organisations adopting such strategy accept their social responsibility role and try to satisfy criteria of economic, legal and ethical responsibility.

Finally, the proactive approach (assume leadership in social initiatives) is designed to meet all the criteria of social performance. Managers taking a proactive approach activity embrace the need to behave in socially responsible and go out of their ways to learn about the needs of different stakeholders and are willing to utilize organizational resources to pursue the interest of the stakeholders (Jones George an Hills, 2000; Ogbeuchi, 1998).

Social Responsibility And Organizational Effectiveness
Empirical results of the relationship between social responsibility and corporate performance have been inconclusive. One of the reasons for lack of consensus is the absence of meaningful measures of corporate social responsibility (Stanwick and Stanwick 1998; Arlow and Cannon, 1983).

In a survey of 130 large manufacturing firms, Wokutch and Spencer (1983) classified participating firms under four main groups on the basis of crime involvement and philanthropic contributions. These groups correspond to the following behavioural categories:

- Saints: No crime/high contributions
- Pharises: No crime/low contributions
- Cynics/Repenters: Crime/high contributions
- Sinners: Crime/lower contributions.

An analysis of the financial performance of these groups revealed that the sinners performed significantly worse than the other groups on both performance measures. Consistent with this finding are studies conducted by Anderson and Frankle, (1980); Bowman, (1978); and Belkaoni, (1976). These studies revealed that the cost of having a high level of social responsibility was more offset by the increased benefits in employees’ morale and productivity.

Two main explanations offered by Wokutcht and Spencer (1987) to support the positive relationship between corporate social responsibility and performance are the fact that sinners may have been penalized in the market place for their social performance and socially responsible corporations are rewarded in the market place. The second is the effect of the industry on the relationship between corporate social responsibility and financial performance. Meanwhile, Ingram and Fraiser (1983) and Freedman and Jaggi (1985) reported a negative relationship by
supporting the view that the cost of being socially responsible forces out firms into an unfavourable position.

In summary, the Table 2.3 below provides the synopsis of studies on social responsibility and organizational effectiveness interface.

Table 2.3: Summary of Findings on Relationship Between Social Responsibility and Performance

<table>
<thead>
<tr>
<th>S/N</th>
<th>RESEARCHER</th>
<th>SETTING</th>
<th>PERFORMANCE CRITERIA</th>
<th>FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Moskowitz, M (1972)</td>
<td>14 firms</td>
<td>Stock price</td>
<td>High corporate socially responsible firms out performed.</td>
</tr>
<tr>
<td>2</td>
<td>Bradgon and Martins (1972)</td>
<td>17 firms</td>
<td>ROCE</td>
<td>The better and pollution index, the higher the ROCE.</td>
</tr>
<tr>
<td>3</td>
<td>Bowman and Haire (1975)</td>
<td>82 food processing firms</td>
<td>Five year ROE</td>
<td>Existence of You shaped performance curve. The highest performance, firms found in the middle range of corporate social responsibility</td>
</tr>
<tr>
<td>4</td>
<td>Parket and Filbirt (1975)</td>
<td>96 firms</td>
<td>Absolute net income profit making ROE, EPS</td>
<td>On all 4 measures, net income, the 80% CRS firms profit making proved to be more productive</td>
</tr>
<tr>
<td>5</td>
<td>Heinz (1979)</td>
<td>29 firms</td>
<td>Several measures</td>
<td>A significant positive relationship between ROE and CSR</td>
</tr>
</tbody>
</table>
Sturdivant and Ginge (1977) 67 firms 10 years EPS High CSR firms outperformed low CSR firms.

Alexander and Bucihol (1972) Replicating previous studies EPS CRS has no effect on returns.

Aboit and Mossesn (1979) 500 firms 10 years performance CRS has no effect on returns.

Aupperle Carrol and Hartford (1985) 241 Executives ROA for 5 years No relationship between performance and CSR.

Source: Developed by the Author

Measurement of Corporate Social Responsibility
There are lack of meaningful measures of corporate social irresponsibility, measures frequently used in the past included:
- Moskowitz (1972) ratings of socially responsible and socially irresponsible firms.
- Executive and student rating of corporate social responsibility
- Content analysis of corporate annual reports
- Pollution performance rating published by the Council of Economic priorities (Wokurtch and Spencer, 1987).

Most of these measures suffer from one form of weaknesses or the other. For instance, raters may not have adequate information on performance of organisations, the content analysis of annual reports may provide inaccurate measures of corporate social responsibility, and pollution performance rating only captures one dimension of social responsibility construct thereby reducing its content or face validity.
For the purpose of this study, corporate social responsibility can be viewed in terms of responsiveness of businesses to stakeholders, legal, ethical, social and environmental expectations (Raymond and Forstater, 2002 and Buechthier and Shetty, 1976).

Responsible to Whom
Modern business organisation is the forum for the society’s interplay of sometimes conflicting goals and interest and as rightly put by Davis and Bloomstrom (1966) today’s business is expected to be:

i. A better pale for investment
ii. A better place for work
iii. A better supporter of ethical ideas
iv. A better company to buy from
v. A better company to sell to
vi. A better taxpayer and supporter of government
vii. A better neighbour to the community
viii. A better contributor to social goals, public interest and human progress.

The implication of Davis and Bloomstrom’s conception of business is that business enterprises should be responsible to the stakeholders rather than the shareholders. The stakeholders are individuals or groups who are affected directly or indirectly by the organization pursuits of its goals. There are two categories of stakeholders: internal stakeholders which including owners, suppliers competitors, public interest associations, protest groups and government agencies.

King and Cleland (1978) provided a summary of claims of different stakeholders on an organization in the following table 2.4.

**Table 2.4: A Claimant View of Company Responsibility**

<table>
<thead>
<tr>
<th>CLAIMANT</th>
<th>NATURE OF THE CLAIM</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholder</td>
<td>Participation in distribution of profits, additional stock offerings assets on liquidation, vote of stock; inspection of company books, transfer of stock; election of board of directors; and such additional rights as established in the contract with the corporation.</td>
</tr>
<tr>
<td>Creditors</td>
<td>Legal proportion of interest departments due and return of principal from the investment. Security of pledged assets; priority in event of liquidation. Subsume in some management and owner prerogatives if certain conditions exist within the company (such as default of interest)</td>
</tr>
<tr>
<td>Employees</td>
<td>Economic, social and psychological satisfaction in the place of employment. Freedom from arbitrary and capricious behaviour on the part of company officials. Share in fringe benefits, freedom to join union and participate in collective bargaining, individual freedom in offering up their services through an employment contract. Adequate working conditions.</td>
</tr>
<tr>
<td>Customers</td>
<td>Service provided with the product; technical data to use the product; suitable warranties; spare parts to support the product during customer use; R &amp; D leading to product improvement; facilitation of consumer credit.</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Continuing source of business; timely consummation of trade credit obligations; professional relationship in contracting for, purchasing, and receiving goods and services.</td>
</tr>
<tr>
<td>Governments</td>
<td>Taxes, income property, etc. fair competition and adherence to the letter and intent of public policy dealing with the requirements of fair and free competition. Legal obligation of businessmen and business organisation; adherence to antitrust laws.</td>
</tr>
<tr>
<td>Unions</td>
<td>Recognition as the regulating agent for employees. Opportunity to perpetuate the union as a participant to the business organisation.</td>
</tr>
<tr>
<td>Competitors</td>
<td>Norms established by society and the industry for competitive conduct. Business statesmanship on the part of peers.</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Place of productive and healthful employment in the community. Participation of company officials in community affairs; regular employment; fair play; purchase of reasonable portion of products of the local community, interest in and support of local government and support of cultural and charity projects.</td>
</tr>
<tr>
<td>The General Public</td>
<td>Participation in and contribution to society as a whole; creative communications between government and business units designed to reciprocal understanding; bear fair proportion of the burden of government and society. Fair price for products and advancement of state of the art technology, which the product line involves.</td>
</tr>
</tbody>
</table>
An organization cannot always satisfy the claims of all stakeholders. The claims of different groups may conflict and in practice few organizations have the resources to manage all stakeholders (Hill and Jones, 1995). Often organizations must make a choice by conducting stakeholder impact analysis. Macmillian and Jones (1986) suggested a typical stakeholder impact analysis involving the following steps:

- Identify the stakeholders
- Identify stakeholders’ interest and concerns.
- As a result, identify what claims stakeholders are likely to make on the organisation.
- Identifying the stakeholders that are most important from organisation’s perspective.
- Identifying the resulting strategic challenges.

The foregoing analysis enables organizations to identify stakeholders most critical to their survival and allows for the explicit incorporation of their claims into mission statement.

**Should Business Organisations Be Socially Responsible?**

Almost everyone agrees that the purpose of business institution is to organize group efforts toward achieving the goal of material well-being and higher living standards. However, arguments centre on what social groups business is responsible to and how far the responsibility should extend purely beyond material concern.
Two major schools of thought exist at opposite extremes of a continuum. They are the restrictive and expansionist views. The restrictive school is made up of proponents of profit maximization while the other school consists of writers who believe that business has to be socially responsible.

The restrictive school emphasized the need for separation of social institutions; the separation of the mosque/church and the state, and as much as possible the separation of the government and the business. These writers maintained that the business of the mosque/church is religion, the business of the state is government and the business of business is business. The most prominent of social responsibility is the Nobel Prize Winner in Economics, Friedman (1970) who commented that “only people can have social responsibility; a company is an artificial being and in this sense has artificial responsibilities, but business as a whole cannot be said to have responsibilities, even in this vague sense”.

**The Monotonist/Pluralist Debate on social Responsibility**

The monotonic view emphasizes maximization of shareholder wealth. Shareholders claim the corporation’s heart. This shareholder-centric focus of corporate law is often referred to as shareholder primacy” (Smith 1998). The objective reduces to calculations of short-term results for shareholders. Legal mandates must be followed, but most other extra-shareholders considerations are verboten as reflecting inappropriate social or political considerations, violations of innate property rights, or, even worse, as a subterfuge that allows managers to act in furtherance of their own personal interests.. Based upon a view of a corporation as a nexus of contracts, this approach eschews public intervention in support of non-shareholder obligations (Frank et al 1991). Working from a foundation of liberty, monotonists assume that on-shareholders with an interest in corporate decisions can either explicitly contract to protect their interests, or can be treated as having implicitly contracted with shareholders to represent their interests.
Milton Friedman is strongly identified with the monotonic position.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.

The pluralistic view, on the other hand, emphasizes broader constituencies or stakeholders of the corporation variously, bondholders, suppliers, distributors, creditors, local communities, consumers, users, state and federal governments, special interest groups etc and has even been extended by some include a general obligation to act consistently with the general needs of society (Nikkel 1995). This view is supported in two distinct ways. First, pluralists argue that management has an ethical obligation to act in furtherance of the interests of stakeholders. The obligation is supported by analysis that is based on a specific ethical theory (for example, Kantian ethics) or on a particularized conception of justice or rights. Advocates of ethically based, fiduciary-like obligations to stakeholders have been gone so far as to ask (w)hat’s (s)pecial (a)bout (s)hareholders? (Boathright 1994). Alternatively, a persuasive argument is made that firms will be more successful in achieving their primary objective of enhancing shareholder wealth by adequately reflecting stakeholder interest (Eipstein 1987). The pluralistic view is operationalized in the academic management literature under the rubric of corporate social responsiveness. Corporate social responsiveness focuses on the ability and readiness of a corporation to respond to stakeholders”. The literature identifies
strategies and processes, such as crisis management term, that firms can implement to ensure that proper responses occur.

The debate between monotonists and pluralists has run on for decades, and while its character and some of the specific issues have changed, it remains essentially a debate over the extent to which corporations should be governed to achieve objectives other than maximizing shareholder wealth”. As a starting point, it should be noted that no serious writings advocate the two extreme positions on the monotonic-pluralistic continuum. At one extreme is the position that nothing should ever constrain shareholder wealth maximization. At the other extreme is the position that corporations should be managed solely to benefit non-shareholder stakeholders. Rational people do not advocate the position that corporations have an unconstrained obligation to do whatever it takes to increase shareholder wealth (for example, hiring a hitman to murder a key witness against the firm in a major product liability case). Nor do rational people expect publicly held corporations to be operated in furtherance of social or altruistic objectives with little or no concern for the interests of investors.

Where, then, on the continuum does the proper position lie? Should managers seek to balance the long-term and short-term welfare of shareholders? Prefer one to the other? Or toward the opposite end, actively seek to “balance the interest of all the firm’s constituencies” in every decision, a position criticized by A. A. Sommer, Jr. (Schipani and Walsh 1997). Part of the reason for the divergence in viewpoints concerning corporate responsibility stems from the wide variety of activities that fall within its purview. Actions implicating the question of for whom the corporation is to be managed include such things as (1) engaging in corporate giving and philanthropy: (2) considering community interests in deciding on plant location or closure; (3) rejecting premiums offered in hostile takeovers; (4)
making products safer than the law requires; and (5) putting in environmental controls beyond what the law requires.

Davis (1973) identified the following as some of the arguments put forward by the proponents of the profit maximisation doctrine.

i. Profit maximization doctrine rests on the fact that business is economic unit and economic values are the sole criteria used to measure success.

ii. The cost of social involvement will drive out marginal firms in future

iii. Lack of social skills to perform social responsibility

iv. Dilution of business primary purpose

v. Weakened international balance of payment

vi. Overloading the business with additional social responsibility

vii. Lack of accountability, which makes more for business executives responsibilities for areas where they are not accountable

viii. Lack of broad support of the shareholders.

At the other side of the continuum is the school made up of idealists or expansionist. The school believed that environment problems are created by the business and as such held responsible for their externalities. The assertion of the school is that corporation should be multi purpose business.

As once observed by Drucker (1974), “a healthy business cannot exist in a sick society … It must be interested in societal problems even though the cause of society’s sickness is made of management thinking”.

Arguments for social responsibility, include:

i. Long run profit maximization

ii. Enhanced public image

iii. Desire to maintain long-range viability of the business as an institution

iv. Avoiding restrictive regulations of the government

v. Need to operate within the socio-cultural norm
vi. To adopt the philosophy of “let the business try”

vii. The argument that the business has resources useful for the society.

viii. Social responsibility can be converted to profit in future, (David 1973).

It is worthy to note that social responsibility is dependent on profitability, the ability of business concerns to be actively involved in social functions require availability of funds. Organisations that operate at losses cannot dream of involvement in social responsibility functions.

**Corporate Social Responsibility of Small and Medium Enterprises**

Larger companies have been the primary drivers of corporate social responsibility for a number of reasons. However, this does not imply that corporate social responsibility is irrelevant or not practiced by small businesses. As clearly remarked by Draper, (2000), “The fact that small businesses have a heightened requirements for good, multi-skilled employees, strong personal relationships and successful local engagement means that small firms can be a good environment for corporate social responsibility to flourish”. CR is increasingly involving SMEs both as suppliers to large corporations and as recipients of local and foreign aids.

It is worth noting that many of the pioneering practices that are now part of the mainstream CSR were pioneered by SMEs and community driven enterprises, driven by personal and ethical commitment. For example, early pioneers of social accounting were SMEs, (Draper, 2000; Raynard and Forstater, 2002). SMEs in developed countries have also been active on environmental side, demonstrating the financial viability of organic farming, recycling and wind power machines to mention just a few of the innovations (Raynard and Folstarter, 2002).

Comparative studies have revealed that SMEs generally “score” less than larger enterprises. But, this may reflect a lack of formal policies and CSR language on
the part of SMEs as much as actual differences in performance (Center for Social market, 2004). However, a study, which focused on corporate citizenship of European SMEs did not report significant difference between small and large enterprises on CSR. The research found out that:
- SMEs tend to prioritise CSR issues and concentrate on one or two key issues.
- SMEs tend to focus to a greater extent on local issues and programmes.
- SMEs tend to be more active in CSR where they have greater networks of relations increased focus on quality, links with foreign countries (CERFT Group, 2001).

CSR is clearly affecting SMEs in developing countries through direct supply chain relationships as well as the development of legislation, and international standardization and certification, the interaction between SMEs and CSR in developing countries is an important issue to only for SMEs and those supporting their development but for al stakeholders driving CSR forward.

While the focus on SMEs is welcomed and overdue, there is need to assess the CSR of Nigeria SMEs and its potential influence on their effectiveness..

2.4 Organizational Effectiveness
Over the past years, the issue of organizational effectiveness has been a major concern to corporate executives and entrepreneurs. As a result, many researchers have successfully addressed many key issues in organizational effectiveness. The popularity of organizational effectiveness can be attributed to a number of actors; high among these contributory factors is the fact that contemporary organisations play an ever-increasing role in the growth and survival of any society. It should be noted that the increase in the number of studies pertaining to organizational effectiveness has resulted into a number of debates. However, the primary concern of the present study is to focus on definition, criteria for effectiveness, organizational correlates of effectiveness, and empirical evidence of
organizational effectiveness in the indigenous Nigerian small and medium enterprises (SMEs).

2.4.1 Definitions of Organizational Effectiveness

The concept of organizational effectiveness despite its popularity is among the most elusive and controversial in the organizational theory literature. Organizational effectiveness, the main dependent variable of the study has been defined differently. Varieties of approach to the definition of organizational effectiveness have emerged from different conceptualisations of organisation. Cameroun (1981) identified four main approaches to defining organizational effectiveness that have received particular attention in the following models:

- **Goal Model:** This defines effectiveness as the extent to which an organisation accomplished its goals, one problem with this approach is that an organisation may be judged outside its domain. Writers who consider organisation as a purposeful collectivity perceive effectiveness as how fully an organisation is able to achieve its purpose. (Miles, 1980).

- **System Resource Model:** This focuses on the ability of an organisation to obtain needed resources. However, an organisation may prove to be effective even when inputs are not optimal and when competitive advantage in the resource market does not exist. Those who viewed an organisation as a living system argue that effectiveness should be judged in terms of how successfully an organisation acquires the needed resources and how effectively the inputs are transformed into marketers’ outputs (Katz and Kahn 1966).

Provan (1980) noted that system model is based heavily on the assumption that organizational effectiveness should be measured form macro perspective. This view has the following shortcomings:
(i) The idea of optimisation as an important component of effectiveness as conceptualised by researchers holding the system approach, yet they demonstrate little concern for measurement of optimisation (Webb, 1974).

(ii) They expressed the need for general measures of effectiveness, but none has developed these measures.

(iii) Price (1972) is of the opinion that the frame of reference used in the analysis process by the system researchers is somehow confusing

- Process Model: Effectiveness is equated with the internal organizational health, efficiency or well-oiled internal processes and procedure. However, organisations may be effective when the organizational health is low or the internal processes are questionable.

- Ecological or Participant Satisfaction Model: Effectiveness is defined in terms of degree to which needs and expectations of strategic constituencies are met by organisations. Humanistic writers define effectiveness as how fully organisations contribute to meeting the needs of staff and clientee, (Agris, 1964). Meanwhile, organisations may ignore strategic constituencies and yet achieve the desired level of success.

**Effectiveness and Efficiency**

There is a growing requirement for business operations to offer Value for Money (VFM). However, the two E’s (efficiency and effectiveness) do have a part to play in performance measure of organisations. No management team would like to argue that they are nothing but effective and efficient. Effectiveness and efficiency are Barnards (1943) metrics of organizational performance and are always at the core of the internal administration’s argument. As rightly put by Drucker (1967), efficiency means, “doing things rightly” and effectiveness means, “doing the right thing”. Managers who are able to minimize costs in achieving goals are rated efficient and attainment of desired goals is considered as effective.
Wilson and Chua (1993) maintained that organisations might be:

i. Both efficient and effective
ii. Neither efficient nor efficient
iii. Effective but not efficient
iv. Efficient but not effective.

Ayagi (2001) posited that effectiveness and efficiency in management of resources are crucial for all organisations. Whatever resources – physical human and financial, will come to nothing unless they are managed efficiently and effectively. Many Nigerian organizations and institutions have vanished or are in the process of being scrapped because of bad management of resources.

Although a balance between effectiveness and efficiency is the key to competitiveness today. However, no amount of efficiency can make up for lack of effectiveness, Drucker (1964) maintained that effectiveness is the key to organizational success. Before focusing on doing things efficiently, doing the right thing must be assured.

To demonstrate the relative strength of effectiveness over efficiency, Drucker (1967) pointed out that to concentrate on efficiency, as a measure of effectiveness could be limiting and dangerous. It can result in:

i. Doing things rightly rather than doing the right thing.
ii. Safeguarding resources rather than optimising resources utilization.
iii. Lowering costs rather than increasing profit.
iv. Minimizing risks rather than maximizing opportunities.

In recent times, additional dimensions have been given to organizational effectiveness. Scholars, like Drucker (1981) who are worried about economic growth and innovation use the tract records on growth and entrepreneurship to
judge effectiveness Kreitner (1995) has introduced a time dimension in organizational effectiveness to build a workable definition. Consequently, organizational effectiveness is defined as meeting organizational objectives, and prevailing societal expectations in the near future. This is shown in the Figure 26 below.

Fig 2.6: The Time Dimension of Organizational Effectiveness

<table>
<thead>
<tr>
<th>Time Dimension</th>
<th>Near future ( Appropriately 1 year)</th>
<th>Intermediate Future</th>
<th>Distance Future (Approximately 5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must be:</td>
<td>The organization</td>
<td>The organization</td>
<td>The organization</td>
</tr>
<tr>
<td></td>
<td>Effective in accomplishing</td>
<td>Must be</td>
<td>Must be</td>
</tr>
<tr>
<td></td>
<td>Its purpose(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effective in the acquisition and use of limited resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectiveness Criteria</td>
<td>Adaptive to new opportunities and obstacles.</td>
<td></td>
<td>Capable of survival in a world of uncertainties</td>
</tr>
<tr>
<td></td>
<td>Capability of developing the ability of its members and of itself.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
It is in the near future that organizations have to produce goods or render services, use resources efficiently and satisfy both the insiders and outsiders with their activities.

Writers such as economists, who are concerned about the use of scarce resources, judge effectiveness in terms of how efficiently organisations use their resources (Williamson and Ouchi, 1985). Scholars especially in developing societies who are interested in socio-economic development tend to judge effectiveness on the basis of the organization’s contribution to socio-economic development (Drucker, 1985).

In summary, today’s effective organizations need to strike a generally acceptance balance between organizational and societal goals. Therefore, the study will define effectiveness as the ability to make profit, grow, survive and adapt to environmental challenges. This is consistent with Kwandwalla (1905), operationalization of the concept of effectiveness.

2.4.2 Criteria For Organizational Effectiveness

The foregoing discussion of organizational effectiveness indicates the presence of criterion problem. Hence, objective comparisons are difficult in the absence of criteria acceptable for consistent and valued measurement.

Definition of effectiveness based on goal accomplishment or on productivity are the most widely need, productivity is one of the most commonly used criteria of effectiveness and to this end, can be conceived as a component of organizational effectiveness (Gbadamosi 1997).

Traditionally, financial measures have been used as indicators that help managers make use of financial data and decide on how their organizations are performing. Standard indicators include profit marginal return on capital employed, current
rate, acid test ratio gearing ratio, collection period, stock turnover ratios (Joyce and Woods, 2001) etc. These financial results are usually presented in figures and charts to demonstrate the level of effectiveness. This can also be done over a five-year period and targets compared with actual figures.

In recent times, financial performance indices are benchmarked to evaluate organization’s position against competitors. Benchmarking is the comparison of performance ratios of an organization with those of the competitors. It involves carrying out research and even doing observations on the performance of rival firms (Joyces and Woods, 2001).

De Kluyrer (2000) suggested that cost benchmarking is relevant for comparing a company’s performance with other companies. The methodology is fairly logical. A company selects activities to be benchmarked, identified performance measures and key rivals, then collects and analyses costs and performance data.

Meanwhile, Kaplan and Norton (1992) argued that financial indicators of performance were more appropriate for the needs of industrial age but today’s non-financial indicators of performance are also needed. This is in concert with Imoisili (1977) that performance measures must incorporate both economic and non-economic (behavioural) dimensions. The former determines the net result of an organization with its environment. The latter specifies an organization’s ability to maintain a reward system. An organization has to do well (effective) in these two areas if it hopes to adapt to a changing world.

The Society of Management Accountants of Canada (SMAC) in 1994 put forward the following examples of performance indicators:

1. Environmental indicators
   - Hours of community service
• Hours of industry activities
• Percentage use of recyclable materials
• Amount of pollutant discharge
• Accidents and injuries resulting from product or services
• Fines/violations of government regulations

(ii) Market and customer indicators
• Share of market
• New and lost customers
• Customer satisfaction or dissatisfaction indices
• Quality performance
• Delivery performance
• Response time
• Market/channel/customer profitability
• Warranties, claims, return

(iii) Competitor Indicators
• Share of marketing(s)
• Customer satisfaction or dissatisfaction indices
• Quality performance
• Delivery performance
• Price performance
• New product development cycle time
• Proportion of new products
• Financial performance

(iv) Internal business process indicators
  • Product development cycle time
  • Number of new products
Manufacturing cycle time
Inventory turns
Order-to-delivery response time
Sales (production) per employee
Non-quality measures
Reinvestment indicators
Safety performance

(v) Human Resources Indicators
- Employee morale
- Applications/acceptance ratio
- Development house per employee
- Employee competence measures
- Employee flexibility measures
- Employee suggestions
- Turnover ratios.

(vi) Financial Indicators
- Revenue growth
- Market(s)/customer(s) profitability
- Product profitability
- Return on sales
- Working capital turnover
- Economic value added
- Return on capital
- Return on equity
- Cash flows.
The foregoing indicators according to Joyce and Wood (2001) are not by any means comprehensive, but they offer a broad view of key performance indicators that provide:

- An internal and external perspective;
- A broad view of performance;
- A reflection of the human factors involved;
- A financial viewpoint; and
- A view of the complexity of the measures.

It is important that any set of performance indicators is selected to reflect a matrix of the critical success factors that are established to meet the objective of the business and changes in the manner in which companies will be required to operate.

To Kaplan and Norton (1992), four categories of performance indicators are required for success in contemporary business environment. They include:

- Customer perspective: How do customer see us?
- Internal perspective: In what must we excel?
- Innovation and learning perspective: Can we continue to improve and greater values?
- Financial perspective: How do we look to the shareholders?

These categories center on performance evaluation using a combination of financial and non-financial indicators, otherwise known as “balanced score care”. An example of balanced scorecard in the hotel sector as suggested by Brander and McDonal (1995), is given in the Figure 2.7:

**FIGURE 2.7: BALANCES SCORE CARD IN THE HOTEL SECTOR**

<table>
<thead>
<tr>
<th>Innovation and learning perspective:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSFs</td>
</tr>
<tr>
<td>POSSIBLE MEASURES</td>
</tr>
<tr>
<td>New markets identified</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Staff Development</td>
</tr>
<tr>
<td>Customer perspective:</td>
</tr>
<tr>
<td>CSFs</td>
</tr>
<tr>
<td>Before selecting the hotel:</td>
</tr>
<tr>
<td>Value for money</td>
</tr>
<tr>
<td>Range of services offered</td>
</tr>
<tr>
<td>Quality of contact/response</td>
</tr>
<tr>
<td>During stay in hotel:</td>
</tr>
<tr>
<td>Quality of service</td>
</tr>
<tr>
<td>Internal business perspective:</td>
</tr>
<tr>
<td>CSFs</td>
</tr>
<tr>
<td>Teamwork and co-ordination</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Staff development</td>
</tr>
<tr>
<td>Financial perspective:</td>
</tr>
<tr>
<td>CSFs</td>
</tr>
<tr>
<td>Hotel profitability-both absolute and relative to the capital invested</td>
</tr>
<tr>
<td>Sales achieved – with particular reference to Sales mix and the volume/rate trade off.</td>
</tr>
<tr>
<td>Management of working capital – especially of Stocks and returns</td>
</tr>
<tr>
<td>Ability to react to changing markets.</td>
</tr>
</tbody>
</table>

Source: Brander Brown and McDonnel, 1995, p. 10

2.4.3 FACTORS AFFECTING ORGANIZATIONAL EFFECTIVENESS
There is no single factor or mix of factors, which guarantee organizational effectiveness. Armstrong (1994) identified the following contributory factors, for success (effectiveness of organizations):

- Clearly defined goals and strategy to accomplish them.
- A value system, which emphasizes performance, productivity, quality, customer service, teamwork, flexibility etc.
- Strong visionary leadership.
- Well-motivated committed, skilled and flexible workforce.
- A powerful management team.
- Effective teamwork.
- Capability to manage and indeed strive on change.
- A sound financial base and good system for management accounting and cost control.

Pascale and Anthos (1981) in the analysis of the art of Japanese management suggested the following as success factors:

- Strategy-the plan to reach identified goals.
- Structure-the characteristics of organization structure.
- System-the routine for processing and communicating information
- Staff-category of people engaged.
- Style-managers’ behaviour in goal accomplishment.
- Skills-capabilities of key people
- Super-ordinate goals- significant meaning of the guiding concepts with which the organization imbibes its members.

An analysis of seventy-five highly effective enterprises by Peter and Waterman (1981) identified eight characteristics of excellent companies as:

- A bias for action.
- Close to customer.
- Autonomy and entrepreneurship
- Productivity through people.
- Hard on value desire.
- Stick to the thinking.
- Simple form to lean staff.
- Simultaneously loose-tight properties.

2.4.4 Organizational Correlated Of Effectiveness
Studies on organizational effectiveness are replete with attempts made to demonstrate the relationship between the variable and other concepts. Nearly 200 years ago Adams Smith investigated the relationship between job design and job performance. In a comparison of relative effectiveness of different ways of organizational productivity, smith found that performance of factories in which workers specialized in only one or a few tasks was much greater than performance of factory in which each worker performed all 18 pin making tasks (Smith, 1982). At the turn of the nineteenth century, a group of writers tried to make management more scientific by applying engineering approaches to job design, the group focused on the effective performance of employees’ tasks. A number of persons were involved in developing this approach (Taylor 1911; Gantt 1913; Gilbreth 1917). Around the time of the World War II certain people began to reflect their experience as managers and to describe and define managerial tasks and principles required for effective performance. Prominent among these were Fayol 1949; Guillick 1937; Bannard 1938; and Weber 1946).

Between 1930 and 1960 social scientists questioned the assumption presented above on the basis of empirical research and considered the human element as the most important factor that contributes to organizational effectiveness Mayo 1946; and Roethlisberger and Dickson (1939) were examples of human relation writer
who believed that management should focus on people for attainment of organizational effectiveness.

With lines drawn between the conflicting theories, studies conducted by Burns and Stalkers (1961), Wood Ward (1965), Lawrence and Lorsh (1961) and Morse and Lorsh (1961) revealed that neither of two extremes was valid but organizational effectiveness is contingent on a number of situational variables. Woodward (1965) classified industries into custom, mass and process and found that technology was a major component affecting organizational structure. A study of 100 manufacturing firms revealed that managers in successful firms violated the classical principles while those that adhered to the principles were not successful. Puzzled by the inconsistency, the relationship between technology and structure was examined. The study revealed that more profitable organizations tended to adapt structure consistent with the requirements of the technological environment.

Lawrence and Lorsh (1961) adopted a system view of organizational effectiveness. A comparative study of six electronic firms in the same industry found a relationship between the extent to which the state of differentiation and integration met requirements of environment and the relative economic performance, the findings of Lawrence and Lorsh could be summarized as follow:

- Organizations operating within dynamic environment require a high degree of differentiation and integration.
- Organizations operating within less dynamic environment will be low in differentiation and high integration.
- In highly differentiated organizations, conflict resolution is difficult to achieve.
- High performing organizations tend to develop more effective means of dealing with conflict.
- Middle level managers perform integration functions in highly dynamic environment.
Morse and Lorsh’s (1961) article on “Beyond Theory y” explained more fully the relationship between organizational structure and task. The writers found that highly successful organizations despite their differences in formal characteristics had properly fitted between task and organization structure than their less successful counterparts. This is an indication that organizational effectiveness depends on the adoption of appropriate organizational structure.

As mentioned above, there is little consistent agreement in organizational theory literature with regards to factors that account for effectiveness. The common use of goal model may have a great deal to with this controversy (Reiman, 1975). Different factors are likely to predict effectiveness in achieving varying goals of organizations.

Nevertheless, some agreements seem to have emerged that certain factors, internal and external to the organizational setting, should be considered as potential contributors to organizational effectiveness.

2.5.5. Organizational Effectiveness in Nigeria: Empirical Evidence

Prolonged economic recession occasioned by the collapse of the world oil market from early 1980’s fall in foreign exchange, excessive dependence on import, dysfunctional social and economic infrastructure, precedent fall in capacity utilization and neglect of agriculture among others have affected organizational effectiveness in Nigeria, particularly small and medium enterprises.

Adedeji’s (1989) studies on financial performance of quoted companies in Nigeria over a period of 1980-1987 revealed a dwindling organizational effectiveness in Nigeria. The study examined three aspects of organizational effectiveness: profitability, liquidity and financial risks or leverage. Data from 54 companies drawn from 13 industries involved in financial, manufacturing, commercial and
service sectors of the economy showed that profitability and liquidity of the participating companies had deteriorated over the years. In general, the companies seemed to have resorted to the use of more debt to make up for shortcoming in earnings. It was further revealed that participating companies appeared to have been substituting long term with short term/overdraft and trade credit, thereby shortening the maturities of their debt over the study period.

A subsequent study also confirmed the fall in organizational effectiveness in Nigerian firms. The research conducted by Oshoba (1989) on food and beverage and metal industry revealed that only 30% of respondents indicated that they had productivity. About 11% recorded no growth while more than half (57%) recorded dwindling productivity. In the same vein, Manufacturers Association of Nigeria also reported a downward trend in productivity of manufacturing companies. Similarly, an ad-hoc study conducted during 1989 indicated that on the average, there was little rise in productivity of Nigerian organization (Enitn and Akinlo 1996).

The negative trend in performance of Nigeria organizations has been a major concern for government and management practitioners. Giwa (1994) identified three intervening factors for management of organizational effectiveness in a problematic, unstable, inhospitable and un-conducive environment as internal, external and sound management judgment. The key factors in attaining organizational effectiveness according to Oshunleye (1994) include change management, effective teamwork, training, motivation and mobilization, cost control, culture of maintenance and planning for the business. Anyanwu (1998) maintained that productivity in Nigeria’s manufacturing industries can be improved through upgrading of technological capacity, reducing costs of production, increasing investment, reducing dependence on imports, stimulating demand for manufacturers, rehabilitation and development of infrastructure.
2.5.6 Measures of Organizational Effectiveness

Over the years, accountants have developed standard financial indicators to assess organizational effectiveness. These indicators are computed from the balance sheet and profit or loss account. The former is concerned with an organization’s financial position (asset and liabilities) and the latter shows the financial performance (sales and costs) of an organization.

Standard financial indicators include:

- **Profit margin, profit less costs**: The profit margin as a percentage of sales.
- **Current ratio**: This is calculated by dividing current assets by current liabilities.
- **Acid test ratio**: Capital gearing in borrowings divided by equity shareholders funds.
- **Collection period**: This is the value of trade debtors divided by annual sales.
- **Stock turnover ratio**: This is the cost of sales divided by total assets (Joyce and Wood, 2001).

The behavioural measures put forward by Imoisili (1977) as alternatives to economic indicators include:

- Employees’ turnover. Voluntary resignation, less hiring divided by average employment size.
- Ability to retain management, Management hiring less resignation divided by management size.
2.5 Job Satisfaction

The study of job satisfaction is not new in management and organizational behaviour. The famous Hawthorne Experiments conducted by Elton Mayo (1935) at Western Electric Company in 1920’s made industrial psychologists to be keenly interested in examining the effect of physical conditions and equipment design on productivity. Since these experiments, there has been growing interest of organizational behaviour researchers and consultants in three work attitudes: job involvement, job satisfaction and organizational commitment. In the field of job satisfaction, there has been a move away from the approaches adopted by Herzberg (1987) and Maslow (1970) where researchers attempted to define and measure job satisfaction for a passive group of subjects to action research and interventionist approach where researchers work directly with the group concerned.

Despite the numerous studies on the nature, causes and correlates of job satisfaction, the concept has become a controversial issue. In fact there is no universal approach to the study of job satisfaction, job satisfaction problems are multidimensional and require managers and researchers to draw on a wide variety of theories and research tools in order to clarify and investigate the particular nature of the problem. The choice of the right approach will be contingent on the nature of the organization.

Meanwhile, the review of literature on job satisfaction will address the following:
- Definitions of job satisfaction
- Factors affecting job satisfaction.
Definitions of Job Satisfaction

The concept of job satisfaction has been defined differently. The following are few examples:

- “The reaction of workers against the role they play in their works’ (Vroom, 1967).
- “An individual’s general attitude towards his or her job. A person with high level of job satisfaction holds positive attitude towards the job, while a person who is dissatisfied with his/her job holds negative attitude about the job”. (Robins, 1998).
- “The sense of well-being, good feeling and positive mental state that emerges in an incumbent worker when he obtains reward consequent upon his job performance ...” Eze (1995).
- “A person’s attitude towards the job” (Baridam and Neachukwu, 1985).
- “It is a pleasurable or positive emotional state resulting from the appraisal of one’s job and work experience. Low satisfaction is always associated with poor performance and thus it is an important concept for managers” (Lui, Ngo and Tsang, 2001).

In light of the foregoing definitions, job satisfaction is defined as the totality of feelings and beliefs individuals have about their current jobs. Individuals who are satisfied with their jobs have experiences such as interesting work, job security, authority, responsibility, good working conditions and nice co-workers.

Measurements of Job Satisfaction
There are various measures of job satisfaction; Scorpello and Vacampell (1983) grouped these measures into two main categories. The first one measures overall job satisfaction (e.g. Galling Question, Hopewell job Satisfaction Questions and Job-in General Face State). For example, all things considered, how satisfied are you with your job? The second category is a measure of satisfaction with various components of the job (e.g. Job Descriptive Index (JDI), Minnesota Satisfaction Questionnaire, University of Michigan Research Survey Centre, Quality of Employment Survey, etc).

The usefulness of each of these measures will depend on situation. For example, policy makers may be interested in the overall level of satisfaction. Also, individuals may employ the general assessment of some kind when deciding whether to quit a job or stay. On the other hand, a facet measure may be useful when trying to improve jobs of employees. These two measures are by no means equivalent measures (Sloan, Davis and Lotamst, 1976 and Smith, Kendall and Hulim 1969).

**Factors Affecting Job Satisfaction**

Studies on job satisfaction have identified many factors affecting these work attitudes. Herzberg (1981) puts forward his famous two-factor theory of satisfaction by claiming that factors, which cause job satisfaction, are separate and distinct from those causing dissatisfaction. The factors causing satisfaction are basically high-level factors such as those relating to satisfaction with the job itself, e.g. achievement, recognition, job itself, responsibility, promotion and other intrinsic factors. Factors which cause dissatisfaction, are concerned with the working conditions, e.g. salary, supervision etc. in fact, recent studies have shown a direct correlation between staff satisfaction and patient satisfaction (Kalderberg and Regrut, 1999).
Age affects job satisfaction; studies conducted by Davis (1988) proved that older workers are more satisfied. This finding is consistent with Kose (1985) who found meaningful relationship between age and job satisfaction. The level of management can also affect job satisfaction. The higher the level, the more satisfied the employee (Cumming and Berger, 1974). In addition, threat of unemployment may be a source of dissatisfaction (Flint, 1995).

**Job Satisfaction And Productivity**

A number of studies have tried to establish the relationship between job satisfaction and various job behaviour and outcomes, such as productivity, absenteeism, labour turnover, individual accidents and so on.

Early prescriptive theorists suggest that job satisfaction lead directly to effective performance. A happy worker is a good worker (Vroom, 1964). The major problems associated with the early studies on job satisfaction and the low correlation reported and the inability of research designs to establish the cause-effect relationship. Hence, the influence of extraneous variables could not be ruled out (Robin, 1998).

In the study conducted by Ostroff (1992), job satisfaction and organizational overall performance were found to be positively related that is, organizations with more satisfied employees tend to be more effective than organizations with unsatisfied employees. Hellriegel, Slocum and Woodman (1995) maintained that job satisfaction does not necessarily lead an individual to perform a specific task well. But it is important for several reasons; satisfaction represents outcome of work experience, so, high level of dissatisfaction helps managers to identify organizational problems that need attention. In addition, job dissatisfaction is strongly linked to absenteeism, turnover and mental health problem (Minner
This supports Vroom’s (1964) idea that job satisfaction does necessarily lead to positive performance.

**Job Satisfaction and other Job Behaviours.**

Job satisfaction plays a major role in virtually all turnover theories (Lee et al, 1999) and operates as a predictor in most studies on turnover (Dickier, Rexinowshi and Harrinson, 1996), numerous reviews have revealed a negative relationship between job satisfaction and turnover (Cotton and Tuttle, 1986; Mobley et al, 1979). In the various meta-analysis, a negative relationship between job satisfaction and turnover was also reported. For example, r of – 0.24 (Tatt and Meger, 1993) – 0.28 (Sted and Ovalle, 1984) –0.18 (Hom et al, 1992) and 0 0.19 (Hom and Griffeth, 1995).

In recent times, the influence of moderating variables on job satisfaction and turnover has been discovered. For example, longitudinal analysis of 5506 individuals with time independent covariate and repeated turnover events had shown that the effects of job satisfaction and unemployment rate on turnover were moderated by education, cognitive ability and occupation specific training (Trevor, 2001).

Also, a consistent negative but moderate relationship between job satisfaction and absenteeism was reported in a number of studies (McShama, 1984; Hacket and Guron, 1985; Steel and Reutch, 1995). Job satisfaction may also diminish irregular attendance at work, replacement of workers within a cycle or even the rate of accidents (Kahn, 1973).
Job Satisfaction In Developed and Developing Countries

Lincoln (1989) conducted a comparative analysis of work attitudes in the United States and Japan. Data were gathered from 8,300 employees of 106 factories in the U.S. and Japan in an effort to identify possible productivity differences in the two countries. The study revealed the following among other things:

- Commitment to the companies was same for employees in the two countries.
- Important differences in average job satisfaction score between two groups of factory workers were reported.
- Certain organizational practices such as participative management, quality circles and training opportunities has the same positive effective on job satisfaction and organizational commitment in both Japanese and the U.S. factories.
- Contrary to their expectation, the United States firms reported higher satisfaction than Japanese firms.

The study of job satisfaction is not new in Nigeria. A study of job satisfaction of village Extension Agents (VEA) working on Agricultural Development Programmes in Ogun State indicated a significant relationship between motivation – hygiene factors and satisfaction. (Apantaku and Apantaku, 1997). Baridern and Nwachukwu (1995) also conducted a study of job satisfaction of female secretarial staff in government and educational institutions in Nigeria and United States. Data drawn from 214 full-time staff revealed the following findings:

- Respondents with post secondary education were more satisfied with their work, promotion, policies and pay than those with only primary education.
- Secretaries working in educational institutions were more satisfied with promotion and pay than those working in government in the two countries.
As a person gets older, satisfaction with pay and co-workers declines, with more experience, satisfaction with pay and co-workers increases.

2.5.1 Organizational Commitment

Another major work attitude of value for understanding organizational behaviour is commitment to organization. The concept of organizational commitment has received increased attention in recent times. Meyer et al, (1989), maintained that this development can be attributed to the fact that evidence in research literature have demonstrated that organizational commitment reduces turnover and increases performance (Angle and Perry, 1881).

As employees become committed to organization, the following characteristics will be exhibited:
- Strong belief on an acceptance of organizational goals and values.
- A willingness to exert considerable effort on behalf of the organization and
- A strong desire to maintain membership in the organization (Mowday et al, 1987; Mathins and Jac, 1990).

Although approaches to organizational commitment may vary considerably however, current literature on organizational commitment has focused on different aspects such as definition, types, antecedents and consequences. The provide the require theoretical framework, the following issues are addressed:
- Definition of organizational commitment.
- Distinction between job satisfaction and commitment.
- Correlates of organizational commitment.
- Organizational commitment in developed and developing countries.
Definitions of Organizational Commitment

Organizational commitment has been defined in a number of ways. Many of the definitions of organizational commitment focus on commitment – related behaviour. For example, someone becoming “bound by the actions or behaviour” that exceeds formal and or normative exportation. Another trend that emerges from available theory is to define commitment in terms of attitude – when the goals of the organizational and those of individuals become increasingly integrated and congruent.

Meanwhile, two different definitions are popular in empirical literature (Okorie, 1995). The one provided by Porter et al, (1974) and his associates. They conceptualised commitment as “the strength of an individual’s identification with the involvement in a particular organization”. Berker (1960) provides the second definition by conceptualising organizational commitment as “the tendency to engage in consistent lines of activity because of the perceived costs of doing otherwise”.

Allen and Meyer (1990) provided a comprehensive definition of organizational commitment by describing the concept in terms of three major components; affective, continuance and normative commitment.

Affective commitment is emotional attachment to the organization on the part of the employees. Continuance commitment relates to the costs that employees associate with living an organization, normative commitment pertains to employees feeling of obligations to remain within the organization.

For the purpose of the study, organizational commitment is defined as the relative strength of an individual’s identification with and involvement in a particular organization. It can be characterized by at lest three related factors:

- A strong belief in and acceptance of the organization’s goals and values.
- A willingness to exert considerable effort on behalf of the organization and
- A strong desire to maintain membership.

**Organizational Commitment And Job Satisfaction**

As an attitude, commitment differs from the concept of job satisfaction in several ways. First, commitment as a construct is more global reflecting general affective response to the organization as a whole. Job satisfaction on the other hand reflects one’s response either to one’s job or to certain aspect of one’s job. Hence, commitment emphasizes attachment to employing organizations its goals and values, while satisfaction focuses on the specific tasks environment where an employee performs his or her duties.

Second, organizational commitment is usually more stable over time than job satisfaction. As day-to-day events they affect job satisfaction such transitory events may not cause an employee to seriously re-evaluate his attachment to the organization (Mowday, Steers and Porters, 1979).

Third, organizational commitment goes beyond loyalty to an active contribution in accomplishing organizational goals.

As with job satisfaction, the sources of organizational commitment may vary from person to person. In addition, management practitioners and researchers are interested in the antecedents and consequences of job satisfaction and organizational commitment.

Meanwhile, there is certainly a chicken-and-egg debate over issues regarding the relationship between satisfaction and organizational commitment. Some writers have assumed that job satisfaction is a determinant of organizational commitment. (Osagbemi, 2000; Youself, 1998; Angle and Perry, 1978; Beanchman 1974; Wakofelid, 1982; Batemana and Stresser, 1984). However, Curry et al, found that there is no support for casual linkage between job satisfaction and organizational
commitment and that analysis of data did not indicate job satisfaction as a
determinant of commitment or commitment as a determinant of job satisfaction.

**Correlates of Organizational Commitment**

Current literature on organizational commitment has focused on different types of
commitment and their antecedents and consequences. Personal characteristics
have been considered antecedents of organizational commitment.

Organizational commitment is positively related to such desirable outcomes as job
satisfaction (Monday, Porter and Steers, 1979) and attendance (Matthew and
Zajac, 1990) and negatively related to absenteeism and turnover (Clegg, 1983;
Cotton and Tuttle, 1986).

Allen and Mayer (1990) maintained that prior work on organizational commitment
did not distinguish among individual foci (targets) and bases, (motive) of
commitments. In a study of graduate students, it was found that commitment to
supervisors was positively related to performance than was commitment to
organization. Further internationalisation of supervisors and organizational values
was associated with performance but identification with these foci was not.

Beth et al, (1995) extended the study on organizational commitment and
performance by evaluating the relative strength of financial requirements on this
relationship. In two different organizations, it was found that a strong correlation
existed between performance and organizational commitment for employees with
relatively low financial requirements. The research evidence suggests that
workers with low financial requirements may experience greater pressure to
maintain cognitive balance between their attitude and behaviour than employees
with large financial requirements.
Organizational commitment in theory has impact on turnover. Simply stated the stronger the commitment of an employee, the less likely the person is to quit. Strong commitment is often correlated with low absenteeism and relatively high productivity. Attendance at work is usually higher for employees with strong organizational commitment. Furthermore, committed individuals tend to be more goals directed and waste no time while at work with a positive impact on typical productivity measures (Robins, 1998). In a study of job security as a predictor of commitment, a significant positive relationship was found to exist (Yousef, 1998). Also, subsequent study by Yousef (2000) revealed that leadership behaviour was affected by commitment, which was affected by job satisfaction and job performance.

Meanwhile, the quantitative summaries of findings provided by Cohan, (1993) have demonstrated few large correlations between organizational commitment and turnover. One explanation for this is that other variables probably moderate this relationship.

Organizational Commitment in Nigerian Firms
In the Nigerian environment, empirical studies on organizational commitment are scanty. The study conducted by Okorie (1995) to determine the existence of affective commitment in Nigerian organizations and the relationship between affective and continuance commitment and performance revealed that affective commitment as negatively related and continuance commitment positively related to performance. It was also concluded that in Nigerian organizations, affective commitment as non-existent. A recent study survey of work attitude in new and old generation insurance firms revealed low level of job satisfaction and organizational commitment in the Nigerian insurance industry as well as insignificant differences in work attitude. Hence, the contemporary belief that Nigerian exhibit low level of work attitudes may still be valid in contemporary insurance firms (Lawal and Olufawo, 2003).
2.5.2 Entrepreneurship Development In Indigenous Nigerian Small And Medium Enterprises

Knowledge directly relevant to entrepreneurship development of Nigerian Small and Medium Enterprises (SMEs) has not kept pace with the proliferation of this sub-sector. Writings and research on this subject tend to concentrate on review of entrepreneurship development. Inegbenebor (1990) categorized literature on Nigerian entrepreneurship into two main groups: macro and micro perspectives of Nigerian entrepreneurship development.

The first category deals with the socio-economic factors that account for the underdevelopment of Nigerian entrepreneurship. The second category discusses organizational practices and factors associated with their performance.

The rest of this section will review entrepreneurship in Nigerian small and medium enterprises from both the micro and macro perspectives. The main issues to be addressed will include:

- Conceptual framework.
- Strategic importance of small and medium enterprises in developed and developing countries.
- Entrepreneurship development initiatives.
- Major constraints of small and medium enterprises sub-sector.

2.6 Entrepreneurship in Small and Medium Enterprises: Conceptual Framework.

At the heart of innovation and product development are entrepreneurs. The term “entrepreneur” although is a common term remains one of the most difficult concepts, to define. Much depends on whether the term is used to describe capacity to innovate or whether it refers to ability to organize and manage a
business concern. The American Heritage Dictionary by Webster, describes an entrepreneur as one who organizes, operates and essentially assesses the risks of a business venue. An entrepreneurship leader is a manager who is in the forefront of innovation in shaping organization for present and future growth and profitability (Enwrom, 1994).

John Schumpeter referred to entrepreneurs as “creative destruction” by the innovator. To Peter Drucker, an entrepreneur is the only one who always searches for change, responds to it and exploits it as an opportunity. (Fadahunsi, 1992) and Glueck (1980) defined an entrepreneur as “an individual who creates a new firm and continues to manage it until it is successful”.

In summary, an entrepreneur is a person who identifies business opportunities and organized the required resources to initiate successful business activity. An entrepreneur is different from a manager who only plans, organized and controls a business idea after it has been successfully initiated by the entrepreneur.

The main functions performed by entrepreneurs include:

- Searching for and discovering new information.
- Translating new information into new markets, techniques and goods.
- Seeking and developing economic opportunities.
- Evaluating economic opportunities.
- Marshalling the financial resources necessary for the enterprise.
- Making time-binding arrangements.
- Taking ultimate responsibility for management.
- Providing for motivational system within the firm.
- Providing leadership for the work group.
- Bearing the risk for the business. (Fadaunsi, 1992).
It needs to be emphasized that effective performance of these functions will be dependent on entrepreneurship characteristics such as innovations, human relations, energy, initiative, willingness to take risks, ability to organize, good personality, technical competence, administrative ability, good judgment, restraint, communication ability, leadership qualities, patience, pre-ownership experience and so on.

Entrepreneurship according to Waliter (1989) can be defined in terms of the following three essentials and linked attributes:

i. Ability to perceive profitable business opportunities.
ii. Willingness to act on what is perceived and
iii. The necessary organizing skills associated with the project.

Therefore, entrepreneurship refers to the act or process of identifying business opportunities and organizing to initiate a successful business activity.

Entrepreneurs draw special profiles, which non-entrepreneurs do not possess. Figure 2.8 provides detailed information on the various characteristics and profiles of entrepreneurs. A close look at the profile will reveal that entrepreneurs exist in any given society irrespective of the level of development.

**Figure 2.8a: Entrepreneurship Profile**

<table>
<thead>
<tr>
<th>CHARACTERISTICS CHART</th>
</tr>
</thead>
<tbody>
<tr>
<td>SELF CONFIDENCE</td>
</tr>
<tr>
<td>TASK RESULT ORIENTED</td>
</tr>
<tr>
<td>RISK TAKER</td>
</tr>
<tr>
<td>LEADERSHIP</td>
</tr>
<tr>
<td>ORIGINALITY</td>
</tr>
</tbody>
</table>
Entrepreneurship is different from management and entrepreneurship. Adapting the views of Jones, George and Hill (2000), entrepreneurship involves mobilization of resources to take advantage of an opportunity to provide customers with new or improved goods or services. Management is the ongoing coordination of the production process. Entrepreneurship refers to one of the ways of making organizations to be adaptive. It is the practice of corporate entrepreneurship where managers begin and develop new business ventures within the structure of an existing organization. An entrepreneur may be a manager, scientist or researcher who works inside an existing organization and notice opportunities for product improvements and is responsible for managing the product development process.

Meanwhile it should be noted that entrepreneurs are of two categories. These are: craft entrepreneur (who exploits and utilized personal skills) and opportunistic entrepreneur (who is interested in having the business grow and expand).

**Small and Medium Business**

Over the years, there have been attempts at defining what constitutes a small business. Scholars, experts and institutions looking for an objective definition of small business have used a variety of criteria, including number of employees investment, sales volume, net worth, profitability and so on (Anyanwu, 2001; Lawal et al, 1998, Desal, 2000). However, the most commonly used are size of employment and investment. In the U.S.A. a small business is one, which has less than 500 employees, in the U.K. it is less than 200 workers, in Germany, less than
300 workers, in Sweden and Italy, less than 50 and 500 employees respectively. (Igninsi, 2020).

According to Kibera (1996) and K’obony (1990) Kenya defined small business as a business that employs between 10 – 50 persons and in Tanzania, SIDO defined small business to be those with at most 50 employees while the ESR Fmicro enterprises survey and Tanzania Small Business Programme study defined small enterprises to have maximum of 9 employees (Nchimbi, 1999).

In some countries, both employment and investment are taken to account. For instance, in Japan, investment in small industries undertaken should not exceed 100 million Yen (US $800,000) and not more than 300 workers.

In countries like China, sectional definitions of small-scale industry were adopted as follows:

- Iron and steel: Output less 100,000 tonnes per year
- Textile capacity less than 25,000 spindles per year
- Watches capacity less than 400,000 pieces per year.
- Cement capacity less than 200,000 tonnes per year.

In Australia, small business is defined qualitatively as “a business which one or two persons are required to make all the critical management decisions, finance, accounting, personnel, purchasing, marketing without the aid of internal specialist and with specific knowledge in only one or two functional areas (Wiltchine Committee, 1971).

In the U.S., the Committee for Economic Development (CED) also defined small business qualitatively as one which possesses at least two of the following: managers are owners of capital employed and the ownership is held by an
individual or small group, area of operation is mainly local and the relative size of the firm within its industry must be small.

In summary, the Table 2.5 below provides inter-country comparison of small business definitions.

Table 2.5: Inter-Country Comparison Of SMEs Definitions

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment Ceiling</th>
<th>Employment Ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6.0 million Rupees (US$170,000)</td>
<td>No restriction</td>
</tr>
<tr>
<td>Indonesia</td>
<td>150 million Rupiah (US$85,000)</td>
<td>No restriction</td>
</tr>
<tr>
<td>Japan</td>
<td>100 million Yen (US$800,000)</td>
<td>300</td>
</tr>
<tr>
<td>Korea (South)</td>
<td>500 Million Won (US$730,000)</td>
<td>300</td>
</tr>
<tr>
<td>Malaysia</td>
<td>250,000 MS (US$100,000)</td>
<td>No restriction</td>
</tr>
<tr>
<td>Philippines</td>
<td>1 million Peso (US$45,000)</td>
<td>99</td>
</tr>
<tr>
<td>U.K.</td>
<td>No restriction</td>
<td>199</td>
</tr>
<tr>
<td>U.S.A</td>
<td>No restriction</td>
<td>99</td>
</tr>
</tbody>
</table>


Sega Publicatons.

It should be noted that the definitions of small and medium enterprises in Nigeria have not been stable over time. It has been reviewed from time to time as both movements in exchange rate and the level of inflation enhances the variations. Despite these variations, various definitions provide the respective countries and agencies necessary framework for administration of policy measures aimed at promoting small and medium enterprises sub-sector.

Table 2.6 provides a summary of definitions of SMEs by some Entrepreneurship Development Institutions.

Table 2.6: Definition of SMEs by Some Institutions.

<table>
<thead>
<tr>
<th>S/N</th>
<th>INSITUTION</th>
<th>INVESTMENT CEILING</th>
<th>EMPLOYMENT CEILING</th>
</tr>
</thead>
</table>

115
1. International Financial Corporation (ITC) &lt;N2.5M 10 – 100
2. Central Bank of Nigeria (CBN) &lt;N150M &lt;100
3. Nigerian Associates of Small-Scale Industrialists (NASSI). &lt;N40M &lt;500
4. Federal Ministry of Industry (FMI) &lt;200M &lt;300
5. National Council for Industry (NCI) &lt;N200M &lt;300
6. National Economic Reconstruction (NERFUND). &lt;N10m N/A
7. Companies and Allied Matters Degree (CAMD) 2M N/A
8. Nigerian Associates of Small and Medium Enterprises (NASME). &lt;N150M &lt;100

Source: Complied by the Author.

### 2.6.1 Life Cycle of Small and Medium Enterprises

In general, the ideal life cycle of small and medium enterprises as posited by Udho (1999) can be divided into four phases viz: start up, accelerated growth, stable growth and maturity.

Start up usually lasts for a period of one to three years during which the founder supervises the whole business activities that may be carried out by family members, friends or a small umber of employees.

The phase of accelerated growth usually lasts three to four years. During this period, the founder or a management expert handles management. At this point, a
The stable growth phase typically has duration of two to five years. During this period, management expertise and the corporate organization are divided into numerous departments and inflow of sable, long-term venture capital from corporate investors begins to appear.

Finally, the phase of maturity that may start after years of beginning in the business involves the same type of management as stable growth phase but sources of funding may become more diverse.

2.6.2 Strategic Importance of Small and Medium Enterprises

It is often argued that government should promote SMEs because of their greater economic benefits compared to large firms – in terms of job creation, efficiency and growth (Hallberg, 2000).

In reality, small and medium enterprises constitute the bedrock of any given economy; the industrial feed socks and the engine of production for bigger industries. The thriving economies of the world attest to the utility of carefully structured SMSs. In Japan, for instance, the bulk of manufacturing is at the SMEs level. This situation is also obtainable in the “Asian Tigers” (i.e Malaysia, Taiwan, South Korea, Singapore, etc).

In developing African countries like Nigeria, an objective assessment of SMEs suffers from paucity of adequate information. However, some insight on their contribution to development of these countries can be derived from the limited indicative statistics and findings of few previous studies and official publications.
The effort to combat poverty and unemployment in Africa and improve the standard of living can only be successful by creating jobs in SMEs at national and regional level, both in the rural and urban areas (Iginsi, 2002). Large-scale industries have failed in generating employment opportunities required in African countries, unemployment has been on the increase due to wave of down sizing in government and large corporate organizations in an attempt to survive in the global competitive economy.

The alternative path for African societies involves shifting economic activities out of the traditional government or large corporations into developing SMEs in rural and urban communities. This will serve as economic empowerment for the local entrepreneurs and make small business operators to participate actively in job creation. SMEs have long history of involvement in job creation worldwide. Research findings confirm that while large firms have been reducing employment in order to cope with the challenges of globalization, small firms have been participating in job creation (Davis et al, 1995; Konings, 1995; Bais et al, 1997; Wagner, 1995 and Rutashobaya et al, 2000).

In developing countries in Africa, small business enterprises have their own unique role, according to the International Labour Organization (ILO) estimate, 70% of people in sub-Saharan Africa rely on small and informal establishments. Table 2.7 below provides some evidence supporting the significance of small businesses in provision of employment.

**Table 2.7: Share of Small Firms in Employment Creation in Some African Countries.**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>% SHARE OF SMALL FIRMS IN TOTAL WAGE EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>85</td>
</tr>
<tr>
<td>Kenya</td>
<td>59</td>
</tr>
<tr>
<td>Nigeria</td>
<td>48</td>
</tr>
<tr>
<td>Country</td>
<td>Value</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>95</td>
</tr>
<tr>
<td>Tanzania</td>
<td>57</td>
</tr>
<tr>
<td>Uganda</td>
<td>62</td>
</tr>
<tr>
<td>Zambia</td>
<td>84</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>53</td>
</tr>
</tbody>
</table>

**Source: Bendera, O.M. (1997)**

Similarly, the 1988 Census of business conducted by the Federal Office of Statistics (FOS) revealed that small-scale industrialists contributed about 70% of the 220,000 industrial establishments surveyed and accounted for over 70% of the industrial employment as well as 10% - 15% of the manufacturing output.

Apart from employment generation, Nigerian SMEs also contributed in the following areas:

- Rural transformation.
- Promotion of indigenous technology
- Promotion of indigenous entrepreneurship
- Utilization of local resources
- Dispersion of economic activities
- Mobilization of savings
- Revenue generation
- Contribution to Gross Domestic Product, etc (Lawal et al, 1998).

In spite of the foregoing strategic advantages of SMEs, some analysts have argued that many assumed strategic benefits of small firms may be “myth” rather than “reality”. The following provides critical review of these arguments and their empirical evidence:

Employment: In most developing countries, micro enterprises and small-scale enterprises account for the majority of firms and a large share of the employment. The relative importance of small business varies significantly across countries and
within a given country, across stages of development over time. A comparative study of manufacturing firms by Snadgross and Briggs (1996) shows a common pattern in the transformation of the size distribution of firms as industrialization. As clearly indicated in Figure 2.8, small-scale enterprises play a declining role as countries develop.

**Labour Intensity:** Small firms employ a large share of the labour force in many developing countries. Theoretically, SMEs are regarded to be more labour intensive than large firms. However, some research evidence suggests that many SMEs are in fact more capital intensive (Little, Mazubar and Page, 1987). Labour intensity exhibits more variation across industries than among firm-sized groups within industries (Snodgrass and Biggs, 1996).

**Job Creation:** It is often argued that SMEs are important for employment growth. This conviction has not been supported by empirical evidence, while job creation rates are substantially higher for small firms, so are gross destruction rates. SMEs exhibit high birth rates and high death rates and many small firms fail to grow (Davis, Haltiwagner, Schuh, 1993). Halhwanger (199), Storey and Johnsen (1987).

**Efficiency:** Most studies of developing countries show that the smallest firms are least efficient and there is some evidence that both small and large firms are relatively inefficient compared to medium-scale firms (Little, Mazumdar and Page, 1987).

It is often argued that SMEs are more innovative than larger firms probably due to the adoption of “niche strategies”, such as high product quality, flexibility and responsibility to customer needs as means of competing with large-scale businesses (Snodgrass and Biggs 1996). However, Acs, Morck and Young (1999)
found that these innovations often take time, and larger firms may have more resources to adopt and implement them.

**Wages and Benefits:** Although, research evidence suggests that larger employers offer better jobs in terms of working conditions than SMEs. (David, Haltiwanger and Schuh, (1993). There is some evidence that this disparity narrows as industrialization proceeds (Snodgrass and Biggs, 1996).

**Social, Political and Equity Justifications:** SMEs are often said to contribute to a more equal distribution of income or wealth. However, SME owners and workers are unlikely to be the poorest of the poor, so that SME promotion may not be the most effective poverty alleviation instrument. In reality, the desire of governments to promote SMEs is often based on social and political considerations rather than economic grounds.

In conclusion, the argument for SME promotion on grounds of job creation process of SMEs or of their greater efficiency and growth is supported by conflicting empirical evidence, making it difficult to be justified. Rather, developing country governments should be interested in SMEs because they account for large share of firms and employment - in other words, because “they are there” (Little, Mazumdar and Page, 1987).

**Fig. 2.8b: Distribution of Employment by Firm Size**
2.6.3 Indigenous Entrepreneurship Development Initiatives In Nigeria

As small and medium enterprises are the building blocks for entrepreneurship, innovation, growth and development, most developing countries have adopted deliberate policy of promoting and encouraging SMEs as a strategy for accelerated industrialisation. Nigeria has accorded highest priority to fostering the development of SMEs. Successive administrations over the years employed monetary, fiscal and industrial measures at the macro (i.e. financing) and micro (i.e. capacity building) levels, to assist the development of SMEs.

SMEs cannot operate successfully without these measures. Actually, they must interact with some relevant agencies responsible for designing and implementing organisations provide supporting role for the development of SMEs. The interventions in support of SMEs are usually provided through these support agencies and specialised institutions. The interventions in support of SMEs are usually provided through these support agencies and specialised institutions. The Federal Government, State Governments, Private Organisations and International Institutions over the years have been in the vanguard of determining the operating environment for SMEs by stimulating, supporting and sustaining a virile SME sub-sector. These interventions can be represented in the figure below:

**Figure 2.8c: SMEs and Support Agencies**
Federal Government

The Federal government has been in the forefront of SMEs development. The following are examples of some of the federal government initiatives in SME development.

- Provision of local finance through agencies such as Federal Ministry of Industry, central Bank, NIDB, NBCI and NEXIM to mention just a few.
- Facilitating and guaranteeing external finance through international institutions willing and capable of assisting SMEs
- Establishing agencies such as NEFUND, NDE, etc.
- Designing national development plan for supporting SMEs e.g. 2nd National Development Centres (IDCs). Third National Development Pla of 1975-1980 provided N33 million for operation of IDCs and establishment of small-Scale Industry Credit-Scheme (SSICS) provided N20 million for its operation. The fourth development plan provided N295 million for SSICs (Udeh, 1999).

Central Bank of Nigeria

As the government and the apex bank of Nigeria, apart from its development functions, the bank has been responsible for implementation of various government monetary policies on SMEs. The bank has an SME unit charged with
the responsibility of monitoring programmes designed for SMEs. The following are examples of CBN roles in the development of SMEs as highlighted by Sanusi (2001):

- Enforcement of CBN statutory monetary guidelines usually in favour of SMEs
- Mandatory minimum credit allocation by banks to SMEs.
- Introduction of other specialised schemes for SMEs (e.g. family Economic Advancement Programme (FEAP), Agricultural Credit Guarantee Scheme Fund (ACGSF), etc.
- Collaboration with international organisations for implementation of programmes designed for the development of SMEs and
- The recent 10% pre-profit tax of banks for equity investment in SMEs.

**Small And Medium Industries Equity Scheme**

SMIS is a voluntary initiative of the Bankers Committee whose membership includes all the Managing Directors and Chief Executive Officers (MD/CEs) of banks in Nigeria which require all licensed banks in Nigeria to set aside 10% of their Profit Before tax (PBT) for equity investment in and promotion of small and medium enterprises.

The scheme which commenced on June 19, 2001 aims among other things to assist the establishment of new, viable SMEs projects, thereby stimulating economic growth, developing local technology, promoting indigenous entrepreneurship and generating employment (Nigerian Business Information, 2003).

As at 31st May 2003, a total of N14.6 billion had been set aside by banks for equity investment under the scheme. Despite the rapid accumulation of resources, however, only N4.3 billion or 29.4 per cent of the fund has been invested so far (Sanusi, 2003).
Nigerian Industrial Development Banks (NIDB)
Originally established to finance medium and large industrial enterprise, however, shifted its emphasis to SMEs in line with the current industrial policy. The bank disbursed a total of N174.6 million to SSES from 1980-1988 and was also responsible for the bulk of delivery to SMEs under SME II loan scheme. The disbursement to SME sub-sector has been low since 1989 due to some financial and other constants (Essien, 2001).

Nigerian Bank For Commerce and Industry (NDCI)
This was set up by the federal government in 1973 to provide among other things financial services to indigenous business community particular SMEs. It administered SMEI World Bank Loan. NBCI approved a total number of 792 projects with a credit value amounting to N965.5 million between 1973 and 1989. The bank has however suffered management and major operational problems culminating into its state of insolvency since 1989.

Peoples’ Bank of Nigeria
It was established in 1990 to provide credit requirements to under-privileged Nigerians and accept deposit from the same group. The bank loans in most cases are non-collateralised and are channel to micro enterprises.

In spite of the bank’s growth in loan and advances portfolio, it has been bedevilled with problems of inadequate funding. Recently, the Federal Government has merged the operations of the Peoples’ Bank, NIDB and NBCI into Nigerian Agricultural Development Bank to improve their efficiency and make them relevant in the contemporary society.

Community Banks
They were introduced in 1990 to perform banking functions as well as rural development - oriented non-banking functions. Their banking functions
encompass providing effective banking services to small and micro enterprises in the rural as well as urban areas.

Poor management, high interest rate, unfavourable macro and economic environment, absence of skilled and experienced manpower and distress in the banking system have been attributed to the not-too impressive performance of the community banks (Owualah, 1999).

**National Economic Reconstruction Fund (NERFUND)**

NERFUND was established in 1989 to provide soft medium to long-term funds for wholly Nigerian owned SMEs in manufacturing, industrial services, equipment leasing and other auxiliary services. CBN and African Development Bank (ADB) contributed the funds. The institutions funded a total number of 474 projects between 1989 and 1995. While from 1996 - 1998, only, 87 projects were approved. From inception, NERFUND disbursed about US$ 144.9m and N681.5 million to approved projects.

**Nigerian Expert Promotion Council (NEPC)**

This was set up in 1975 but reorganised and strengthened several times thereafter. The main functions of NEPC remain to: spearhead national effort in export development and promotion, advise an assist the government in the identification of export oriented industries, stimulate the growth of non-traditional (value added) exports from Nigeria and assist the government in the creation of necessary export infrastructure.

NEPC has designed these objectives through Export Credit Guarantee Scheme for administering various financial incentive packages for exporters and potential exporters. In addition, the Council collaborates with the organised private sector
such as Association of Nigeria Exporters (ANE) and World Trade Centre of Nigeria (WTCN) (Ogwi, 1998).

**Nigerian Export - Import Bank (NEXIM)**

NEXIM was established in 1990 to manage credit facilities introduced for boosting export of non-oil products. The facilities offered by NEXIM include Export stimulation loan (for acquisition of capital equipment), Foreign Input Facilities (FIF) (for access to foreign exchange) and Refinancing and Rediscounting Facility RRF (for receiving financing while waiting to collect export proceeds).

In addition to these facilities, others introduced by NEXIM are Price Guarantee Facilities (PGF), Export Credit Guarantee Facility (ECGF), Manufacturing in Bond Guarantee Facility (MBGF), and Mutual Guarantee Facility (MGF).

**Export Processing Zone (EPZ)**

EPZ in Nigeria is an attempt to copy the successful steps in export marketing achieved by Asia - Tigers such as: Taiwan, Singapore, South Korea, Hong Kong and Malaysia.

An EPZ is a clearly delineated area within a country but operating outside the country’s custom barriers. The area is supposed to enjoy special and favourable treatments with respect to importation of raw materials and intermediate goods, exportation, taxation and importation.
The zone is a fenced zone consisting mainly export-oriented industries benefiting from incentives such as location advantage, exemption from financial, state and local government levies and rents, free land during construction, access to raw materials, relaxed export procedures, banks and telecommunication, etc the benefits to be derived from EPZ as presented by Kalu (1998) include:

- Forming a network to link Nigeria more effectively with international community.
- Creation of jobs
- Sources of foreign exchange.
- Diversification of Nigeria export.
- Stimulation of domestic industry
- Encouraging technology transfer
- Encouraging private foreign investors.

**Industrial Development Centres (IDC)**

IDC was the first systematic effort of the Federal Government for supporting small-scale industries. The Federal Government in Owerri and Zaria set up IDCs in 1963 and 1967 respectively. The main objectives of IDCs according to Owualah (1999) incline; provision of small-scale industrialists with wherewithal to effectively use available resources, increase in wages, improvement in standard of living and upgrading quality of products.

To achieve these objectives, IDCs focus on the following:

- Feasibility of project appraisal
- Post investment appraisal
- Entrepreneurship development training programme
- Provision of central workshop
- Development of prototype
- Research and development.
As at 1985, there were 14 IDCs throughout Nigeria with others planned for the rest of administration states of the country. Since their establishment, they have not achieved any meaningful and long lasting results due to inadequacy of fund. IDCs are all established in state capitals/urban areas hence, they are not invariably easily and readily accessible to rural dwellers, (Abass, 1995).

**National Directorate Of Employment (NDE)**

NDE was established in 1986 to curb the high rate of unemployment in the country. The main categories of employment programmes of the Directorate are: Graduate Employment Programme, National Youth Employment and Vocational Skill Development Programme, Special Public Work and Agricultural Programme.

The Directorate has made some remarkable achievements since its establishment. For example, training of 210,750 youths, provision of loan, and collaboration with participating banks in disbursement of loans. In all, over 1.6 million employment opportunities have been created (Lawal et al, 1998).

**Manufacturers’ Association Of Nigeria (MAN)**

The association was formed in 1971 through the initiative of Ikeja and Apapa manufacturers. Its membership spans throughout the states of the federation. The main benefits of MAN include:

- Establishment of Manufacturers’ Bank to provide financial services for members and non-members.
- Provision of professional advice
- Ensuring that products of members are of high quality
- Campaigning for made in Nigeria goods
- Battling against high interest rate and excessive taxes and levies.
• Representational role
• Watching to the government
• Engaging in constant dialogue to solve members’ problems.

Meanwhile, the association has been criticised for focusing on large and foreign partners and not sufficiently catering for the interest of SMEs.

Nigerian Association Of Chambers Of Commerce, Industry, Mines And Agriculture (NACCIMA)
NACCIMA was established in 1960, although the first primary chamber of commerce i.e. Lagos Chamber of Commerce was established in 1881.

The contributions of NACCIMA to growth and development of SMEs include:
• Provision of data bank of information relating to commerce and industry.
• Organising trade fairs to publicise members’ products.
• Relating with government and providing suggestions on how to improve commerce and industry
• Relating with private sectors and other organised private sectors
• Promotion of technological advancement through collaboration with research institutes FIRRO, NISER, etc
• Promotion of tourism.

Nigerian Association Of Small-Scale Industrialists (NASSI)
The association was formed in 1978 to cater for the needs of small-scale industries. The association draws its membership from industrialists engaging in agro-allied, food, chemical, paints, textile and garment, printing, furniture, building materials, candles, soaps and detergents to mention just a few.

The benefits of NASSI to SMEs include:
Information on plant and equipment
Information on manufacturing standards.
Information on market
Training programmes
Financing of members.
Organization of seminars
Library services
Representational role (Lawal et al, 1998).

State And Local Governments
In each state of the federation particularly ministry of commerce, industries and cooperatives, there are industrial units charged with the responsibility of promoting and developing of small and medium enterprises. Such units collaborate with the Federal Government and other industrial associations in the implementation of government policies and programmes. For instance, in social states ministry of commerce and industry, commercial and industrial policies of the government and laid down and implemented through four main divisions headed by Directors. These divisions are industrial, commercial, small-scale industries and business apprentice training centre (BATC).

International Organizations
Apart from the initiative of government and industrial associations, other international and financial institutions are also involved in entrepreneurship development. IMF provided a loan of US$270 million in 1988 for promoting SMEs in Nigeria to be administered by CBN. United Nations Development Programme (UNDP), African Development Bank (ADB), International Labour Organization (ILO), etc, have also supported entrepreneurship development in SMEs.
The cornerstone for World Bank strategy for promoting SMEs as rightly stated by Schiffer and Wader (2000) is to level the playing field that is, to create an environment that gives equal opportunities to all business enterprises irrespective of sizes.

2.6.4 MAJOR CONSTRAINTS AFFECTING SME
Despite the efforts made by the various governments, industrial association and antenatal organizations to fund and provide an enabling environment for growth and development of SMEs, appreciable success has not been made. For instance, the findings of study conducted by Schiffer and Wader (2000) reveal the following:

- Firm’s size matters. SMEs generally report significantly more problems than large organizations.
- Relationship between size and obstacle is decreasing i.e. SMEs face more obstacles than large-scale business.

Some of the problems affecting performance of SMEs include inadequate capital, lack of good management, inadequate functional education, competition, personal characteristics, poor financial management, employment and over reliance on relatives, lack of planning, inadequate infrastructure, unstable government policy, marketing problem, absence of business connection, over existence of credit, inventory problem, lack of raw materials, low productivity of employees, inadequacy of extension service department, unethical practices, location problems, wrong choice of business, lack of experience and so on (Owualah, 1999; Lawal et al, 1998).
An empirical study conducted by CBN and NIDB on the status of SMEI and SMEII beneficiaries encountered problem of funding and to a limited extent succeeded addressing the funding requirements of SSI.

**Table 2.6: Problems of SME I and SME II Beneficiaries**

<table>
<thead>
<tr>
<th>S/N</th>
<th>PROBLEMS</th>
<th>% OF RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Restricted access to finance (including working</td>
<td>80</td>
</tr>
<tr>
<td>2</td>
<td>Difficulties in input procurement</td>
<td>76.7</td>
</tr>
<tr>
<td>3</td>
<td>Weak infrastructural facilities</td>
<td>75.0</td>
</tr>
<tr>
<td>4</td>
<td>Poor demand for finished goods</td>
<td>70.0</td>
</tr>
<tr>
<td>5</td>
<td>Inadequate collateral securities</td>
<td>54.0</td>
</tr>
<tr>
<td>6</td>
<td>Delay in disbursement of approved fund</td>
<td>52.0</td>
</tr>
<tr>
<td>7</td>
<td>Restricted access to land</td>
<td>50.0</td>
</tr>
<tr>
<td>8</td>
<td>Distress in the banking sector</td>
<td>22.0</td>
</tr>
</tbody>
</table>

*Source: CBN and NIDB’s Survey on the Status of SME I and SME II Beneficiaries, 1997*

In fact, contemporary SMEs are no longer competing in a local but global market and in such a competitive scenario; SMES may emerge victorious by changing the tactics of warfare. First, by getting a clear vision of the future; mission of intent, purpose of the enterprise and values; second, being armed with robust processes; third, ensuring strategic infrastructure; fourth, ensuring timely implementation and fifth, employing people with focus on total customer satisfaction.

All these tactics will require exposure of SMEs to entrepreneurship training and other capacity building programmes, so as to improve productivity through effective and efficient management practices.

**2.7 Summary of the Chapter**
There is dearth of empirical studies on management practices and organizational effectiveness of Nigerian small and medium enterprises. The investigator integrates the theory then - research and research - then theory approaches by developing theories and models with the view of modifying them on the basis of empirical findings.

Management has been recognised as the life wire in attaining corporate industrial success. The developed countries of the world attained industrial growth through effective and efficient management of available resources. Theoretically, management development is attributed to the role of American organisations in transferring managerial know-how to developed and developing countries. However, in recent times, the lessons from Japan and other industrialised world like the “Asian Tigers” have demonstrated the need for adaptation of management training developing counties. Management techniques like technology should not be adopted but adjusted to sit the environment.

Management is proposed to affect organizational variables particularly organizational effectiveness. Management is important in attainment of corporate success, business performance and work attitudes. An organization applying appropriate management practices will likely experience effectiveness and committed workers.

To demonstrate the utility of management practices, empirical studies on planning, leadership, management control and social responsibility were reviewed. The review of literature on these variables revealed a number of conflicting ideas. Theoretically, all these variables are considered to be necessary for attainment of organizational effective. Empirically, they produce mixed results. For instance, as strategic planning has been considered as a way of improving organizational
performance, other researchers do not expect a significant correlation between this variable and organizational performance.

Participative leadership style is usually acknowledged to produce high productivity, job satisfaction and organizational commitment. The strategies of total quality management, management by objectives, industrial democracy, quality circle, organizational development and so on are founded and implemented on the basis of participative management style. Despite the quest for adoption of participative management style in organizations, empirical studies have revealed that the most effective leadership is contingent on situation.

Management control is required to put an organisation on course. Organisations encounter different problems hence will require different control techniques. Like other management practices, the effectiveness of control techniques will be dependent on the situations.

Social responsibility is an extension of the business interest beyond the realm of profit maximisation. Recent developments have placed social responsibility at the doorstep of contemporary organisations. While some writers believe in the efficacy of corporate social responsibility as a means of growth and survival, other writers consider it as irrelevant in business management.

Meanwhile, poor management practices have been recognized as one of the major factors affecting entrepreneurship development in Nigerian small and medium enterprises. These problems have manifested in poor planning, lack of financial control, concentration of authority, low motivation, poor leadership, inability to maintain cordial relationship with the members of the environment and so on. This probably explains why capacity building programmes on small and medium enterprises focus on management training.
The success of such training programmes will depend on provision of requisite, management training needs for small and medium business operators. Therefore, there is need to empirically determine the usefulness of selected management practices. In the next chapter, the methodology for conducting such empirical investigation and the effect of selected management practices of organizational effectiveness of small and medium enterprises are discussed.

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CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter presents detailed information on methodology for collecting the
requisite data. The research methodology can be best described by being divided
into the following segments: research scope, research method and design, data
collection methods variables of the study, statement of operational hypotheses,
description of population and sampling plan, data collection instrument, analytical
tools and limitations of methodology.
3.1 Research Geographical Scope

The setting for the research are the states of Lagos and Nnewi in Anambra. Lagos State is situated in the South Western part of Nigeria. It is boarded by the Atlantic Ocean in the South, with that swamp mangrove forest along the coastal line and in the Northeast and West by Ogun State. Lagos State occupies an area of 3,345 square kilometers and has the population, which is put at 5,685,781 by the 1991 census of the Nigerian Population Census (NPC). The state is the commercial nerve center of the country. With its vintage position it has the major seaport. The cosmopolitan nature of the state as well as its small landmark does not encourage exclusive agricultural activities. Hence, it has the largest concentration of different industries. (NPC, 1991).

Nnewi is the located in Anambra. It is at the center of the industrial cities of Onitsha and Aba, all in the South East. Nnewi houses more entrepreneurs than any other city in Nigeria. It is the nerve center of business across the Niger.

Collectively, the foregoing characteristics of Lagos and Nnewi justify them as the basis for our research setting. Our focus is on management practices and organizational effectiveness of indigenous businesses in Nigeria, primarily because of the dearth of research in this area.

The Corporate Affairs Commission estimated that about 90% of all Nigerian businesses in 2001 employed less than 50 people. Similarly, a study conducted by the International Finance Corporation during the same period estimated that 96% of all Nigerian businesses are SMEs. As at 2001, Nigerian Association of Small-Scale Industrial (NASSI) had over 20,000 registered members all over the federation. The Nigerian Association of Small, Medium Enterprises (NASME) founded with two classes of membership also had 300 direct and nearly 5,000 indirect memberships. (N.I.P.C., 2004).
The foregoing presents the enormous potentials and opportunities for both local and foreign entrepreneurs. Small and medium enterprises therefore justify the selection of the indigenous business sub-sector as our focus.

3.2 Research Method and Design
This study is a correlation research concerned with assessing relationship among the variables of the study: management leadership practices and organizational effectiveness. The research did not necessarily establish a cause-effect relationship. A cross-sectional survey design was also employed to assess the characteristics of indigenous enterprises across different industries operating in Lagos and Nnewi. Writers like Asika (1994), Osuala (2001), Folarin (1999), Offo (1994), Ogunleye (2000), and MacMillan and Schumacher (2001) have justified the use of correlation research in determining whether a relationship exists between or among variables.

Cross sectional design is perhaps the most predominant employed in the social sciences and identified with survey research design. It is used to structure research process for eliciting useful information particularly where data must be collected from a defined population to describe the present condition of the population using the variables under study (Asika, 1991).

3.3 Data Collection Methods and Unit of Analysis
Data for the study were initially gathered through the primary and secondary sources. The primary data were generated through self-administered questionnaire titled “Research Instrument on Corporate Leadership Practices and Organizational Effectiveness of Indigenous Enterprises”. The instrument was administered on 418 participating firms to determine their management leadership practices while the secondary data were generated by mean of content analysis of financial report
of participating firms. Because of the difficulty encountered in generating requisite data on financial performance, particularly smaller firms exclusive use of self-administered questionnaire to generate data on relevant variables was adopted. The chief executive officers of participating firms were requested to rate their performance relative to competitors on a number of effectiveness measures.

All data for the study were analyzed at two levels. At the primary level, the scores of individual employees in participating firms on job satisfaction and organizational commitment were obtained and aggregated to obtain the scores at organizational level of analysis. There is however organizational level of analysis where responses of participating firms on management practices and effectiveness criteria were used to constitute one level of analysis.

3.4 Variables of the Research

The main variables of interest in this study were corporate leadership practices and organizational effectiveness. The independent variables of corporate leadership practices include:

i. Corporate leadership practices
ii. Strategic planning
iii. Management control and
iv. Involvement in social responsibility

The dependent variables of organizational effectiveness were divided into economic and behavioural performance. Organizational commitment and job satisfaction were considered as the major indices of behavioural performances. The economic measures of effectiveness included profit growth, sales growth, potential for growth and competitive strength to mention just a few.

3.5 Restatement of Operational Hypotheses
The main operational hypotheses guiding this investigation can be restated in the following null hypothesis:

i. Leadership styles and effectiveness of indigenous enterprises are significantly related.

ii. The success of an organization depends on the appropriateness of leadership strategies.

iii. The leadership strategies of indigenous companies in Nigeria are dictated by the nature of the environment of business.

iv. The characteristics of the leader influence the success of meeting organizational objectives of indigenous companies.

v. Factors such as influence, priorities, integrity, positive change, attitude, vision and people are directly related to organizational leadership effectiveness.

vi. Correlates of leadership empowerment (Authority, Training, Confidence, Responsibility, Technology, Reasonable autonomy, Resources etc) influence leadership style.

3.6 **Description of Population and Sampling Plans**

A survey research collects data from the population. The population of the study comprises indigenous small and medium enterprises operating within Lagos State and Nnewi. The selection of Lagos was based on the fact that despite the movement of the seat of administration to Abuja, the Lagos state still maintains its role as the commercial nerve center.

Meanwhile, comprehensive and up-to-data statistics on indigenous enterprises are rarely available. The Lagos State Ministry of Commerce and Industry was approached for detailed information on indigenous in Lagos. The request was directed to the Lagos State branch in the Nigerian Association of Small-Scale
Industrialists (NASSI) in Matori on the premise that government programmes on SMEs development are executed in collaboration with NASSI – the umbrella body for SMEs in Lagos.

As at December 2002, approximately 300 enterprises representing the population of interest were registered with NASSI. A self-administered questionnaire was administered to indigenous businesses spread all over Lagos State and Nnewi. Some of the same questionnaire was used in both locations. Firms are concentrated in Matori, Oyingbo and Isolo Industrial Areas. A total number of 200 copies of questionnaires were returned and properly filled and subsequently used for the analysis. The enterprises which did not participate were apathy and reluctant to divulge information. Some adduced reasons such as management policy and suspicion to justify their lack of cooperation. In each of the participating firms, given employees were selected randomly for measurement of job satisfaction and organizational commitment. The samples were chosen purposively and randomly to guarantee the provision of balanced information.

A correlation research should have a minimum of twenty subjects. In research comparing groups, there should be at least minimum of fifty subjects in each group. (Mcmillian and Schumacher, 2001). In total, 200 small and medium firms participated in the study. Enterprises included in the study were defined as any entity with a maximum asset based of N200 million excluding land and working capital and with the number of staff employed by these enterprises not less than 10 and more than 300.

3.7 Data Collection Instrument
The primary instruments for the study were two sets of structured questionnaires. The first set of questionnaire was six-part and designed to collect information on the following relevant variables:
Section A – Corporate Leadership Practices: These were measured by means of 18-itemed self-assessment styles, adopted form Sergioranmi, Metsus and Busdan (1969). Items in the instrument requested respondents to indicate how they would behave in some situations. Out of the total 18-items, 9 items measured autocratic style while the remaining 9 measured participative style. The items were evaluated on a 5-point scale. No report of reliability was made. The scale had an alpha of 0.66 and 0.67 for autocratic and democratic styles.

Section B – Planning System: This was measured by adapting the planning questionnaire developed by Lindsay and Rue (1980). Items on the instrument were open questions eliciting the extent of planning in participating firms. Data gathered were years of planning, content, evaluation, information system and other variables related to planning system. The coefficient alpha reliability for this scale was 0.82.

Section C – Social Responsiveness: Involvement in social actions was determined by requesting participating respondents to indicate the extent of their involvement in social action programmes such as businesses ethics, urban affairs and environmental affairs. The instrument developed by Bultcher and Shelly (1976) was adapted. Items in the instrument were scored on a 4-point scale. No report of reliability was given. The reliability coefficient for this instrument was 0.83.

Section D – Management Control: The use of management control technique was examined by adapting and modifying Inegbenobor (1991) measurement of sophisticated control techniques. Alpha reliability coefficient was 0.76.
Section E – Organizational and Individual Background Information: The following demographic variables of participating entrepreneurs were sought for the purpose of the study:

- Sex.
- Age bracket
- Marital status
- Martial status
- Ethnic group
- Educational qualifications

In addition, the following data on the features of participating enterprises were also sought:

- Area of operation
- Number of employees
- Age of the organization
- Location

Section F – Organizational Performance: This was measured subjectively by means of a scale adapted from Khandwalla (1995). Respondents were requested to rate performance of their firms relative to competitors on the scale ranging from 1 (low) to 5 (high) performance. The main effectiveness criteria used were:

- Public growth
- Sales growth
- Financial strength
- Operating efficiency
- Performance stability
- Public image
- Staff morale
• Adaptability
• Innovativeness
• Social impact

The reliability coefficient was 0.76.

The second set of questionnaire measured behavioural effectiveness of participating respondents. Based on Lincoln (1989) scale, a 10 – item scale was developed specifically to measure work attitudes of employees; organizational commitment and job satisfaction. The four items measuring job satisfaction were short form of Minnesota Satisfaction Questionnaire, which asked respondents to rate the different aspects of their job or a five-point scale anchored from strongly agree (SA) to strongly disagree (SD). The items represented intrinsic and extrinsic satisfaction with the job.

Example:

❖ All in all, I am satisfied with my job.

|       | SA | A | UD | D | SD |

❖ My job does measure up to the kind of job I wanted when I first took it.

|       | SA | A | UD | D | SD |

The scale had an alpha value of 0.80 for the present sample, which demonstrated adequate reliability.

Organizational commitment was measured in terms of emotional desired-based constructs referred to as affective commitment. Six items measuring commitment were adapted from Allen and Meyer (1990) original scale.
Examples of these items:

- I am proud to work for this company
- I would turn down another job for more pay in order to stay in this company.

Respondents rate each item on a five-point ranging from strongly agree to strongly disagree. The reliability coefficient was 0.81 indicating high reliability.

The measures of job satisfaction and organizational commitment were administered to individual employees in the participating firms. The total scores of employees in each participating firm were averaged to determine the behaviour effectiveness of the participating organizations on job satisfaction and organizational commitment.

3.8 Reliability and Validity of Measures

Fundamental to the integrity of the data generated is the quality of data. Hence before proceeding on analysis, the evidence for the reliability and validity were sought.

Reliability: It is the dependability of the measuring instrument and was conducted by means of Cronbatch alpha Test. This test proceeds by associating each research measurement item with every other measurement items and obtaining the average inter-correlation for all the paired associations (Asika 1991). In view of the lengthy and tedious nature of the test, Statistical Packages for Social Science (SPSS) was employed.
The Cronbatch Alpha Test coefficients were autocratic style 0.67; participative style 0.66; planning system 0.82; social responsibility involvement 0.83; control practices 0.76; effectiveness 0.76; job satisfaction 0.81; organizational commitment 0.80. These results suggest that the single item measures of management practices and organizational effectiveness possess adequate reliability.

An alpha level of 0.70 or above is generally considered acceptable (Cronbach, 1951). All the measures in the study exceeded the minimum threshold with the exception of autocratic (x = 0.66) and democratic (x = .67) leadership styles measures. Although, the alpha levels for these measures were slightly below the minimum levels, they did not preclude these variables from further analysis. However, they suggest caution when interpreting results. (Barringer and Bludom, 1999).

**Validity:** This is also concerned with the quality of the measuring instrument. It is used to ascertain that the measuring instrument measures what it is supposed to measure. Assessment of validity include theoretical and observant meaningfulness discriminant validity and convergent validity (Binning and Barret 1989; and Barringer and Bluedom 1999; and Venkatriamn and Grant 1986), the following is the description of some of these forms of validity ad they relate to the study.

**Theoretical Validity:** This validity can only be established by ensuring that the measures of variables are from well-grounded theory. The management practices and organizational effectiveness measures have strong literature bases to support the theoretical validity of these variables. The instrument was developed to incorporate a variety of multi-item measure and indicators of the conceptual framework.
Another form of theoretical validity is the content validity. The investigator after constructing the questionnaire administered the instrument to management writers and practitioners (mostly university lecturers and SME operators) in order to determine the extent to which the item statements are related to the variables of study. The suggestions of these experts were incorporated in the final draft. The instrument was also given to a protest of managers involved in SMEs. The pretest results were used to further refine the questionnaire.

**Convergent Validity or Multi-Trait/Multi-Method Matrix Validity:** This is the conception of validity from the idea that different methods of measuring the same property should yield similar results. This validity is usually applied to access the construct validity. Campbell and Ficke (1951) suggested construct validation involving correlation matrices. The higher correlation among different measures of variables as indicated in table 12 and Table 13 demonstrate a good convergent validity across separate measures of the constructs of the study.

In summary, the various tests reported above indicate that the measures used in this study to a large extent have good reliability and validity.

### 3.9 Analytical Tools

To empirically answer research questions test hypotheses of the study, the following statistical tools were used:

1. Descriptive statistics such as percentage, mean, mode, median and standard deviation were employed on the data generated from the study. Descriptive statistics deal with the study of the distribution of the variables of the study, such as profiles of respondents, organizations, groups and any other subject. The aim of this group of statistics is to summarize study data using measures of central tendency (Odugbemi and Oyesiku, 2000; Asika 1991, Osuagwu 1999).
Statistical measures that reflect a “typical” or an average characteristics of a frequency distribution are referred to as measures of central tendency. The three measures of central tendency most commonly used in research are the mode, the median and the arithmetic mean (Frank and Altheen 1995 Jaccard and Beeker 1990; Asika, 1991; Kidder and Judd, 1986).

Descriptive analysis can be quantitative and qualitative (Asika, 1991). Qualitative analysis such as percentage was applied to verbally summarize the demographic profiles of responding employees and organizations. Quantitative analysis such as means, median, mode and other measures of central tendency were applied to describe management practices, and organizational effectiveness of participating organizations.

ii. T-test statistics was also used to examine the difference between some measures of leadership styles. The leadership styles were measured by nine-item statements each describing the leadership behaviour of participating SME operators.

In order to test the hypothesis individual mean, group mean and standard deviation were computed. A correlated group, t-test was used to determine whether there was significant difference in leadership styles. The difference between these leadership styles, to some extent meets the condition for correlated group t-test. The scores of participating respondents on autocratic and participative served as a variable and the survey design involved a within subject variables (Jaccard & Backer 1990).

iii. Product Moment Correlation ® was employed to ascertain the association between each pair of the variables and also inter-correlation among them. Correlation analysis is one of the most widely used statistical methods in social and management research (Oyesiku 1995, Oyesiku and Omitogun, 1999. Odugbemi and Oyesiku; 2001 and Osuagwu, 1999). This can be
attributed to the fact that research in applied sciences particularly social and management sciences are often concerned with relationship between and among variables in the data set.

Although, product moment correlation is an interval statistics, business statisticians have disagreed on the importance of the distinction between ordinal and internal scales and the legitimacy of using interval statistic for business research that may in fact be ordinal (Osuagwu, 1999. Winner and Dominic, 1987. Kiddler and Judd, 1986 McNemar, 1972). In fact, proper assignment of numerical values to the different categories of study variables would allow for application of product moment correlation an internal statistic. (Abelson and Turkey 1970; Labovitz, 1970).

iv. Multiple regression analysis was used to examine the cumulative influence of some explanatory variables. The technique is also common in business research situation where some or all, of the independent variables, are not susceptible to direct control (Osuagwu, 1999).

The technique of multiple regressions is appropriate for solving problems involving two or more independent variables. To examine the combined effect of all independent variables, a measure of coefficient of determination denoted by R2 was employed R2 indicates the correlation between all independent variable of management practices taken together with the dependent variables of organizational effectiveness, job satisfaction and organizational commitment.

v. F-test was employed to test the overall significance of observed multiple regression coefficients. The statistical significance of determinant coefficients is really based on T-test results. This was computed to determine if in the population the independent variables of management practices as a whole would significantly contribute to the prediction of the
criterion variables of organizational effectiveness (Ary, Jeel and Razaviech 1996).

Data processing and analysis of the study were carried out with the aid of computer using Statistical Packages for Social Sciences (SPSS) software. In addition, all the statistical tests and analyses were conducted at the conventional 95% of confidence (i.e. significance level P < 0.05).

3.10 Limitations of Methodology

Despite the relevance of the study in theory and practice, it is not without limitations.

First the central premise of the study assumed that organizational effectiveness was contingent on management is only one of the factors affecting organizational success. Other extra managerial factors have considerable impact on organizational effectiveness. Ejifor (1984) echoes this view by dividing the hypothetical population of Nigerian organizations into four main groups namely:

i. Success positive (i.e. well managed and effective),
ii. Success failure (i.e. mismanaged and ineffective)
iii. Failure positive (i.e. mismanaged and effective)
iv. Success negative (i.e. well managed and ineffective)

The presence of groups iii & iv according to him underlines the fact that management is only one of the factors affecting organizational performance. Hence, correlation of management practices with organizational effectiveness left the question of role of competent managers and environment unmeasured.

Second, a correlational study only determines the extent of relationship without establishing the cause-effect relationship. This will not guarantee the elimination of extraneous variables that affect generalizations of findings.
Third, selection of participating firms from manufacturing establishments in Lagos and Nnewi would not provide adequate representation of indigenous enterprises in Nigeria, although this would to some extent minimize the influence of extraneous variables.

Fourth, the correlation of some management practices with indices of organizational effectiveness did not fully address the effect of management practices on organizational performance of indigenous.

All these limitations will to some extent constrain generalizations of findings. Notwithstanding, it is hoped that the study would find application in the Nigerian small and medium enterprises, and provide the building blocks for more detailed and elaborate research.

3.11 Summary of the Chapter
This chapter discussed the method adopted by the investigator in generating the required data. It explained the research setting, correlational and cross-sectional research design used and justified their adoption. In addition, the chapter provided detailed information on the population, sample size, data collection instrument, analytical tools, measurement of variables and the limitations of research methodology.

In the next chapter, statistical tools will be applied on the data for analysis, presentation and discussion.

References


CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction
This chapter is divided into six sections. Section one focuses on the characteristics of participating respondents by analyzing the demographic profile of respondents and responding firms. The next section presents the analysis of the research questions relating to the study by determining the state of the art of management practices in Nigerian small and medium enterprises. Section three examines organizational effectiveness of participating firms.

In section four, the operational hypotheses are tested by means of Pearson Product Moment Correlation. In section five, the results of the multiple regression analysis are presented to demonstrate the strength of relationship between organizational
effectiveness and the combination of the management practices. The concluding section provides a summary of findings.

The employees in participating firms constitute individual unit of analysis and the participating indigenous firms constitute organizational level of analysis. The presentation of data is based on the research questions and hypotheses of study.

4.1 Demographic Profile of Respondents

The characteristics of participating respondents in terms of the biographical data and organizational characteristics are presented in tables I and II. The profile is presented for two reasons. First, to provide the background information of the respondents who filled the questionnaire. Second, to reveal the features of the participating firms.

The demographic profile of participating respondents representing 408 small and medium enterprises and 1246 employees are presented in Table I.

Table 1: Classification of Respondents’ Background Data

N = 1764 (418 Indigenous Operators and 1346 Employees)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Respondents’ Background Data</th>
<th>Firms</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>1264</td>
<td>71.66</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>500</td>
<td>28.34</td>
<td></td>
</tr>
<tr>
<td>2. Marital Status:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>830</td>
<td>47.05</td>
<td></td>
</tr>
<tr>
<td>Divorced/Separated/Widowed</td>
<td>18</td>
<td>1.02</td>
<td></td>
</tr>
<tr>
<td>Married:</td>
<td>916</td>
<td>51.93</td>
<td></td>
</tr>
<tr>
<td>3. Age:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 – 0</td>
<td>24</td>
<td>1.36</td>
<td></td>
</tr>
<tr>
<td>20 – 24</td>
<td>214</td>
<td>12.13</td>
<td></td>
</tr>
<tr>
<td>25 – 29</td>
<td>474</td>
<td>26.87</td>
<td></td>
</tr>
<tr>
<td>30 – 34</td>
<td>418</td>
<td>23.10</td>
<td></td>
</tr>
<tr>
<td>35 – 39</td>
<td>274</td>
<td>15.53</td>
<td></td>
</tr>
<tr>
<td>Age Group</td>
<td>Number</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>40 – 44</td>
<td>206</td>
<td>11.68</td>
<td></td>
</tr>
<tr>
<td>45 – 49</td>
<td>104</td>
<td>5.90</td>
<td></td>
</tr>
<tr>
<td>50 and above</td>
<td>50</td>
<td>2.83</td>
<td></td>
</tr>
</tbody>
</table>

4. **Ethnic Group:**

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hausa</td>
<td>48</td>
<td>2.72</td>
</tr>
<tr>
<td>Igbo</td>
<td>332</td>
<td>18.82</td>
</tr>
<tr>
<td>Yoruba</td>
<td>1172</td>
<td>66.44</td>
</tr>
<tr>
<td>Others</td>
<td>212</td>
<td>12.82</td>
</tr>
</tbody>
</table>

5. **Educational Qualifications:**

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>8</td>
<td>.45</td>
</tr>
<tr>
<td>Primary Six</td>
<td>26</td>
<td>1.10</td>
</tr>
<tr>
<td>Secondary</td>
<td>314</td>
<td>17.80</td>
</tr>
<tr>
<td>NCE/OND/HSC/GCE A’L</td>
<td>494</td>
<td>28.00</td>
</tr>
<tr>
<td>HND/B.Sc.</td>
<td>536</td>
<td>30.39</td>
</tr>
<tr>
<td>Professional Certificate</td>
<td>84</td>
<td>4.76</td>
</tr>
<tr>
<td>Master Degree</td>
<td>120</td>
<td>6.80</td>
</tr>
<tr>
<td>1st Degree and Professional</td>
<td>136</td>
<td>7.71</td>
</tr>
<tr>
<td>Master Degree and Professional and above</td>
<td>42</td>
<td>2.38</td>
</tr>
</tbody>
</table>

Source: field Survey, 2006

**Individual Characteristics**

Participating respondents consisted of 1764 individuals with age range 20 – 60 years. Mean 36, Mode 35, most respondents that is 98% had at least post primary education. The group 71.66% male and 28.34% female with 47.05% single, 51.93% married and 1.02% divorced/widowed/separated. Majority of respondents had Yoruba origin 66.44%, Igbo 18.8%, Hausa 2.72% and others 12.02%.

**Organizational Characteristics**

The areas of activities of respondents were categorized into 11. all the industry groups were fairly represented by the sampled firms. Majority (45.45 percent) of the sampled responding firms were manufacturing establishments. These firms had staff strength ranging from 10 – 100 with a mean of 14 and mode of 25. The age of participating firms ranged between 5 – 20 years. The mean age of existence was approximately 10 years.
Table II: Classification Data of Responding Nigerian Indigenous Firms N= 418

<table>
<thead>
<tr>
<th>Responding Firms</th>
<th>Firms</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Area of Responsibility:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Manufacturing (Fabrication)</td>
<td>190</td>
<td>45.45</td>
</tr>
<tr>
<td>• Electronic</td>
<td>6</td>
<td>1.44</td>
</tr>
<tr>
<td>• Agro-Allied</td>
<td>6</td>
<td>1.44</td>
</tr>
<tr>
<td>• Leather and Footwear</td>
<td>6</td>
<td>1.44</td>
</tr>
<tr>
<td>• Glass and Ceramic</td>
<td>2</td>
<td>.58</td>
</tr>
<tr>
<td>• Furniture</td>
<td>22</td>
<td>5.26</td>
</tr>
<tr>
<td>• Nylon Production</td>
<td>28</td>
<td>6.70</td>
</tr>
<tr>
<td>• Textile</td>
<td>8</td>
<td>1.91</td>
</tr>
<tr>
<td>• Foods and Drinks</td>
<td>54</td>
<td>12.92</td>
</tr>
<tr>
<td>• Chemicals</td>
<td>22</td>
<td>5.26</td>
</tr>
<tr>
<td>• Health Care</td>
<td>10</td>
<td>2.39</td>
</tr>
<tr>
<td>• Others</td>
<td>64</td>
<td>12.31</td>
</tr>
</tbody>
</table>

| **2. Number of Employees:**     |       |         |
| 10 – 20                         | 214   | 51.19   |
| 21 – 30                         | 56    | 12.44   |
| 31 – 40                         | 30    | 7.18    |
| 41 – 50                         | 28    | 6.70    |
| 51 – 100                        | 94    | 22.49   |

| **3. Age of the Organization:** |       |         |
| Less than 5                     | 96    | 22.97   |
| 5 – 20                          | 232   | 55.50   |
| 21 – 30                         | 90    | 2.53    |

Source: Field Survey, 2006
4.2 Management practices of Nigerian Indigenous enterprises

4.2.1 Leadership Styles

The first question addressed in this study is the leadership style of the indigenous firms. The 18-item instrument measures two main types of leadership by requesting respondents to react to some statements with options: always, frequently, occasionally, seldom and never coded 4, 3, 2, 1 and 0 respectively.

The distribution of scores on management style is presented in Table 3a and Table 3b below.

Table 3a: Descriptive Statistics of Scores of Participating Indigenous Firms on Leadership Styles N = 416.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variable</th>
<th>Individual Planning</th>
<th>Median</th>
<th>Mode</th>
<th>SD</th>
<th>SE</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Production centred</td>
<td>2.75</td>
<td>2.78</td>
<td>2.78</td>
<td>0.48</td>
<td>.032</td>
<td>2.69-2.82</td>
</tr>
<tr>
<td>2</td>
<td>Employee centred</td>
<td>2.43</td>
<td>2.44</td>
<td>2.44</td>
<td>0.34</td>
<td>.034</td>
<td>2.37-2.50</td>
</tr>
</tbody>
</table>


From the table 3, participating firms score average on the pair of instrument measuring autocratic and participative leadership styles 2.75 and 2.43 respectively. The firms had a group mean of 24.75 on autocratic and 21.70 on participative. Participating firms were occasionally autocratic and occasionally participative in style. In addition, the results of the analysis indicate that small and medium enterprises are slightly more autocratic than participative in leadership style.
To confirm the above assertion, correlated group ‘t’ test was employed to compare the mean scores of responding firms on leadership styles. As predicated, the test was found to be statistical significant Individual Mean $X = 2.75$ vs $2.43$ and grand mean $X = 24.77$ vs $21.90$ ‘t’ (208) = 7.82 $P < 0.05$ suggesting that mean score of participating firms on autocratic differs significantly from the man on participative.

4.2.2 Planning System in Indigenous Enterprises

For the purpose of examining the planning practices, three categories of planning namely “no planning”, “simple planning”, and “detailed planning” were used. Responding firms were requested to indicate the nature of planning system adopted in their organizations. On the basis of the responses, participating firms were grouped into three categories as shown in Table 4.4.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Nature of Planning</th>
<th>Firms</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Non-Planning Firms</td>
<td>72</td>
<td>34.4</td>
<td>34.4</td>
</tr>
<tr>
<td>2</td>
<td>Simple Planning Firms</td>
<td>90</td>
<td>43.1</td>
<td>77.5</td>
</tr>
<tr>
<td>3</td>
<td>Detailed Planning Firms</td>
<td>47</td>
<td>22.5</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>All Firms</td>
<td>209</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2006

From the results presented in Table 4.4 participating firms are increasingly involved in a long range and systematic planning to cope with the challenges of the environment. More especially, 43.1 percent of the firms had simple planning 22.5 percent reported detailed planning, while only 34.4 percent had no written plans.

4.2.3 Social Responsibility Involvement of Nigerian Indigenous Enterprises
To give insight into social performance of Nigerian small and medium enterprise, responding firms were requested to indicate their involvement in some social responsibility programmes by ranking alternative responses. The rankings were based on a scale in which 3 represents critically important, 2 important, 1 minimally important and 0 not important.

The descriptive statistics of pattern of social responsibility involvement of participating firms are given in Table 5 below.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Mean</th>
<th>S.D</th>
<th>S.E</th>
<th>95% Confidence Interval of the Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td><strong>Business Ethics:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoiding Fake Product</td>
<td>2.74</td>
<td>0.74</td>
<td>0.051</td>
<td>2.64</td>
</tr>
<tr>
<td>Avoiding Product Misrepresentation</td>
<td>2.65</td>
<td>0.81</td>
<td>0.056</td>
<td>2.54</td>
</tr>
<tr>
<td>Avoiding Discrimination</td>
<td>2.08</td>
<td>0.54</td>
<td>0.065</td>
<td>1.95</td>
</tr>
<tr>
<td>Avoiding Deceptive Advert</td>
<td>2.41</td>
<td>1.02</td>
<td>0.070</td>
<td>2.27</td>
</tr>
<tr>
<td>Avoiding the Use of Lottery</td>
<td>1.58</td>
<td>1.09</td>
<td>0.075</td>
<td>1.44</td>
</tr>
<tr>
<td><strong>Urban Affairs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment and Training</td>
<td>2.73</td>
<td>0.54</td>
<td>0.037</td>
<td>2.66</td>
</tr>
<tr>
<td>Education</td>
<td>2.33</td>
<td>0.83</td>
<td>0.058</td>
<td>2.21</td>
</tr>
<tr>
<td>Medical Assurance</td>
<td>2.37</td>
<td>0.77</td>
<td>0.054</td>
<td>2.26</td>
</tr>
<tr>
<td>Culture and Art</td>
<td>1.67</td>
<td>0.92</td>
<td>0.063</td>
<td>1.54</td>
</tr>
<tr>
<td>Urban Renewal</td>
<td>1.79</td>
<td>0.92</td>
<td>0.063</td>
<td>1.44</td>
</tr>
<tr>
<td><strong>Consumer Affairs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Control</td>
<td>2.86</td>
<td>0.49</td>
<td>0.034</td>
<td>2.80</td>
</tr>
<tr>
<td>Design Improvement</td>
<td>2.61</td>
<td>0.67</td>
<td>0.046</td>
<td>2.52</td>
</tr>
<tr>
<td>Consumer Service</td>
<td>2.77</td>
<td>0.53</td>
<td>0.032</td>
<td>2.70</td>
</tr>
<tr>
<td>Market Improvement</td>
<td>2.66</td>
<td>0.65</td>
<td>0.045</td>
<td>2.57</td>
</tr>
</tbody>
</table>
### Market Information

<table>
<thead>
<tr>
<th>Environmental Affairs:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Pollution</td>
<td>2.86</td>
<td>0.49</td>
<td>.034</td>
<td>2.80</td>
<td>2.93</td>
</tr>
<tr>
<td>Air Pollution</td>
<td>2.81</td>
<td>0.67</td>
<td>.046</td>
<td>2.52</td>
<td>2.70</td>
</tr>
<tr>
<td>Waste Disposal</td>
<td>2.77</td>
<td>0.53</td>
<td>.037</td>
<td>2.70</td>
<td>2.84</td>
</tr>
<tr>
<td>Noise Abatement</td>
<td>1.70</td>
<td>1.07</td>
<td>.074</td>
<td>1.55</td>
<td>1.84</td>
</tr>
<tr>
<td>Radiation abatement</td>
<td>1.68</td>
<td>1.14</td>
<td>.079</td>
<td>1.53</td>
<td>1.84</td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2006

#### Business Ethics:
Avoiding production of fake products attracts the most active involvement in business ethics of small and medium-scale business, followed by avoiding product misrepresentation, and misleading advertising. Non-discrimination in hiring and avoiding lottery are least social issues involved by participating enterprises.

#### Urban Affairs:
The activities attracting the attention of participating entrepreneurs are employment and training contribution to education and medical assistance.

#### Customer Affairs:
This appears to be the area where majority of participating respondents indicate high level of involvement in all dimensions.

#### Environmental Affairs:
All the respondents indicate least involvement in these programmes. This indicates that small and medium enterprises are yet to recognize the fact that a business must be a friend of the environment.

#### 4.2.4 Control Practices of Nigerian Indigenous Firms
The use of control techniques was measured by examining the practice of some control techniques such as profit center, stocktaking, centralization, financial statement, internal audit, external audit, personnel evaluation, budgeting and quality control.
These techniques were measured on a five-point scale ranging from never used (scored 1) to always use (scored 5).
The results of the analysis of control practices of participating firms are presented in Table 4.6 below.

**Table 6: Control Practices of Participating Nigerian Indigenous Firms N = 418**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Nature of Control</th>
<th>Mean</th>
<th>Median</th>
<th>Mode</th>
<th>S.D</th>
<th>S.E</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Profit Centre</td>
<td>3.97</td>
<td>4</td>
<td>5</td>
<td>1.22</td>
<td>0.84</td>
<td>3.80 – 4.13</td>
</tr>
<tr>
<td>2</td>
<td>Stock Taking</td>
<td>4.46</td>
<td>5</td>
<td>5</td>
<td>0.99</td>
<td>0.068</td>
<td>4.32 – 4.59</td>
</tr>
<tr>
<td>3</td>
<td>Centralization</td>
<td>3.85</td>
<td>4</td>
<td>5</td>
<td>1.26</td>
<td>0.087</td>
<td>3.68 – 4.02</td>
</tr>
<tr>
<td>4</td>
<td>Financial Statement</td>
<td>4.07</td>
<td>5</td>
<td>5</td>
<td>1.29</td>
<td>0.089</td>
<td>3.90 – 4.25</td>
</tr>
<tr>
<td>5</td>
<td>Internal Audit Control</td>
<td>3.50</td>
<td>4</td>
<td>5</td>
<td>1.48</td>
<td>0.102</td>
<td>3.30 – 3.70</td>
</tr>
<tr>
<td>6</td>
<td>External Audit</td>
<td>3.85</td>
<td>4</td>
<td>5</td>
<td>1.46</td>
<td>0.101</td>
<td>3.67 – 4.06</td>
</tr>
<tr>
<td>7</td>
<td>Payroll Performance</td>
<td>3.95</td>
<td>4</td>
<td>5</td>
<td>1.20</td>
<td>0.083</td>
<td>3.79 – 4.12</td>
</tr>
<tr>
<td>8</td>
<td>Evaluation Budgeting</td>
<td>3.78</td>
<td>4</td>
<td>5</td>
<td>1.33</td>
<td>0.092</td>
<td>3.60 – 3.96</td>
</tr>
<tr>
<td>9</td>
<td>Quality Management</td>
<td>4.27</td>
<td>5</td>
<td>5</td>
<td>0.95</td>
<td>0.067</td>
<td>4.14 – 4.40</td>
</tr>
</tbody>
</table>

*Source: Field Survey, 2006*

From Table 4.6, Participating firms reported a significant use of some traditional control techniques such as; stocktaking, quality management and financial statements. Other forms of control were to some extent used by participating SMEs.

The mean values of control range from 3.50 to 4.56. At 95% confidence interval and 208 degree of freedom, the confidence interval means range from 3.30 – 4.59.

### 4.3 Organizational Effectiveness of Nigerian Indigenous

Performance appraisal of Nigerian indigenous firms was undertaken by requesting responding firms to subjectively evaluate their effectiveness relative to competitors on a scale ranging from 1 (low) to 5 (high).

The descriptive statistics of organizational effectiveness of responding firms are given in Table 4.7 below.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Effectiveness Criteria</th>
<th>Mean</th>
<th>S.D</th>
<th>S.E</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
</table>

185
<table>
<thead>
<tr>
<th></th>
<th>Profitability</th>
<th></th>
<th></th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.76</td>
<td>.94</td>
<td>.065</td>
<td>3.63</td>
<td>3.88</td>
</tr>
<tr>
<td>2</td>
<td>3.77</td>
<td>.85</td>
<td>.059</td>
<td>3.65</td>
<td>3.88</td>
</tr>
<tr>
<td>3</td>
<td>3.52</td>
<td>1.07</td>
<td>.074</td>
<td>3.38</td>
<td>3.87</td>
</tr>
<tr>
<td>4</td>
<td>3.88</td>
<td>.97</td>
<td>.057</td>
<td>3.75</td>
<td>4.01</td>
</tr>
<tr>
<td>5</td>
<td>3.95</td>
<td>.96</td>
<td>.066</td>
<td>3.82</td>
<td>4.08</td>
</tr>
<tr>
<td>6</td>
<td>4.05</td>
<td>.91</td>
<td>.063</td>
<td>3.93</td>
<td>4.18</td>
</tr>
<tr>
<td>7</td>
<td>3.75</td>
<td>1.05</td>
<td>.972</td>
<td>3.62</td>
<td>3.90</td>
</tr>
<tr>
<td>8</td>
<td>3.75</td>
<td>.96</td>
<td>.066</td>
<td>3.63</td>
<td>3.89</td>
</tr>
<tr>
<td>9</td>
<td>3.88</td>
<td>1.01</td>
<td>.070</td>
<td>3.74</td>
<td>4.01</td>
</tr>
<tr>
<td>10</td>
<td>3.69</td>
<td>1.10</td>
<td>.076</td>
<td>3.54</td>
<td>3.84</td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2006

The table 7 shows a satisfactory performance with means ranging from 3.52 to 4.05. This table demonstrates that the trend in effectiveness of participating SMEs is quite encouraging.

**4.4 Management Practices and Organizational Effectiveness: Test of Hypotheses**

In this section, the operational hypotheses would be tested and a brief discussion of findings provided. The following is a detailed analysis of the data generated form the study.

**H1: There is significant relationship between leadership styles and organizational effectiveness**

Pearson Product Moment Correlation was employed to test the strength of relationship between leadership and organization effectiveness.

**Table 8: Correlation Between Leadership Styles and Dimensions of Organizational Effectiveness of Participating Firms.**
Hypothesis 1 predicts that leadership styles are associated with effectiveness. However, in Table 8, out of the 24 correlation coefficients generated by leadership styles and organizational effectiveness, none is statistically significant. This may be interpreted that the leadership style of respondents has little relationship with effectiveness. Hypothesis 1 was not supported.

**H2: There is Significant Relationship Between Planning Practices and Organizational Effectiveness.**

To determine the strength of relationship between planning practices and Organizational effectiveness, Pearson product Moment Correlation was used. Table 4.9 presents the results of the analysis.
Table 9: Correlation Between Planning System and Organizational Effectiveness of Participating Indigenous Firms.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Management Styles/Effectiveness Criteria</th>
<th>Planning System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Profitability</td>
<td>.038</td>
</tr>
<tr>
<td>2</td>
<td>Growth Rate</td>
<td>.129</td>
</tr>
<tr>
<td>3</td>
<td>Financial Strength</td>
<td>.066</td>
</tr>
<tr>
<td>4</td>
<td>Operating Efficiency</td>
<td>.039</td>
</tr>
<tr>
<td>5</td>
<td>Performance Stability</td>
<td>.046</td>
</tr>
<tr>
<td>6</td>
<td>Public Image</td>
<td>.111</td>
</tr>
<tr>
<td>7</td>
<td>Staff Morale</td>
<td>-.122</td>
</tr>
<tr>
<td>8</td>
<td>Adaptability</td>
<td>-.007</td>
</tr>
<tr>
<td>9</td>
<td>Innovativeness</td>
<td>-.037</td>
</tr>
<tr>
<td>10</td>
<td>Social Impact</td>
<td>-.006</td>
</tr>
<tr>
<td>11</td>
<td>Organizational Commitment</td>
<td>.076</td>
</tr>
<tr>
<td>12</td>
<td>Job Satisfaction</td>
<td>.018</td>
</tr>
</tbody>
</table>

- P < 0.05
- P < 0.01

N = 209

Sources: Field Survey, 2006

Hypothesis II predicts a relationship between planning and organizational effectiveness. Table 4.9 above provides 12 correlation coefficients of planning system and organizational effectiveness. None of these coefficients is statistically significant at 95% level of confidence, implying no relationship between planning system and organizational effectiveness in Nigerian indigenous firms. Hypotheses II was not supported.
H3: Significant Relationship Exists between Involvement in Social Responsibility Activities and Organizational Effectiveness

The strength of relationship between social responsibility and organizational effectiveness was determined by means of Pearson Product Moment Correlation. Table 4.10 presents the result of the analysis.

### Table 4.10 Correlation Between Social Responsibility Involvement and Organizational Effectiveness of Participating Firms

<table>
<thead>
<tr>
<th>S/N</th>
<th>Effectiveness</th>
<th>Measures of Social Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Business Ethics</td>
</tr>
<tr>
<td>1</td>
<td>Profitability</td>
<td>.10</td>
</tr>
<tr>
<td>2</td>
<td>Growth Rate</td>
<td>.103</td>
</tr>
<tr>
<td>3</td>
<td>Financial strength</td>
<td>.103</td>
</tr>
<tr>
<td>4</td>
<td>Operating Efficiency</td>
<td>.038</td>
</tr>
<tr>
<td>5</td>
<td>Performance Stability</td>
<td>.056</td>
</tr>
<tr>
<td>6</td>
<td>Public Image</td>
<td>.041</td>
</tr>
<tr>
<td>7</td>
<td>Staff Morale</td>
<td>.075</td>
</tr>
<tr>
<td>8</td>
<td>Adaptability</td>
<td>.134</td>
</tr>
<tr>
<td>9</td>
<td>Innovativeness</td>
<td>.172*</td>
</tr>
<tr>
<td>10</td>
<td>Social Impact</td>
<td>.015</td>
</tr>
<tr>
<td>11</td>
<td>Organizational Commitment</td>
<td>.007</td>
</tr>
<tr>
<td>12</td>
<td>Job Satisfaction</td>
<td>-.085</td>
</tr>
</tbody>
</table>

- *P < 0.05
- **P < 0.01

N = 209

Source: Field Survey, 2006
In hypotheses III, a significant relationship was predicted between social responsibility and dimensions of effectiveness. As presented in Table 4.10, the correlation between dimensions of social responsibility programmes and organizational effectiveness of responding firms generated 48 coefficients and 14 are statistically significant at p < 0.05 and above. These are:

i. Profitability is significantly related to urban affairs.

ii. Financial strength is positively related to consumer and affairs.

iii. Performance stability is significantly related to urban affair and consumer affairs.

iv. Public image is significantly related to urban affairs and consumer affairs.

v. Staff morale is significantly related to urban affairs and consumer affairs.

vi. Adaptiveness is significantly related to consumer affairs.

vii. Innovativeness is significantly related to business ethics, urban affairs and consumer affairs.

viii. Only environmental affairs are not significantly related to any of the dimensions of organizational effectiveness.

**H4: There is significant relationship between organizational effectiveness and control practices.**

To determine the strength of relationship between control practices and organizational effectiveness, Pearson Product Moment Correlation was employed. Table 4.11 presents the result of the analysis.

**Table 4.11: Control Practices and Organizational Effectiveness of Participants Firms**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Management Criteria</th>
<th>Measures of Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Profitability</td>
<td>.151*</td>
</tr>
<tr>
<td>2</td>
<td>Growth Rate</td>
<td>.166*</td>
</tr>
<tr>
<td></td>
<td>Financial Strength</td>
<td>.168*</td>
</tr>
<tr>
<td>---</td>
<td>-------------------</td>
<td>-------</td>
</tr>
<tr>
<td>4</td>
<td>Operating Efficiency</td>
<td>.080</td>
</tr>
<tr>
<td>5</td>
<td>Performance Stability</td>
<td>.217**</td>
</tr>
<tr>
<td>6</td>
<td>Public Image</td>
<td>.133</td>
</tr>
<tr>
<td>7</td>
<td>Staff Morale</td>
<td>.134</td>
</tr>
<tr>
<td>8</td>
<td>Adaptability</td>
<td>.130</td>
</tr>
<tr>
<td>9</td>
<td>Innovativeness</td>
<td>.178**</td>
</tr>
<tr>
<td>10</td>
<td>Social Impact</td>
<td>.180**</td>
</tr>
<tr>
<td>11</td>
<td>Organizational Commitment</td>
<td>-.042</td>
</tr>
<tr>
<td>12</td>
<td>Job Satisfaction</td>
<td>.093</td>
</tr>
</tbody>
</table>

- P < 0.05
- P < 0.01

**Sources: Field Survey, 2006**

In hypothesis IV, a significant relationship was predicted between control practices and organizational effectiveness. Table 11 presents 12 correlation coefficients and 6 are statistically significant. Control practices are significantly related to profitability, growth rate, financial strength, performance stability, innovativeness and social impact. This to some extent confirmed our prediction in hypotheses IV.

**H5:** Measures of economic effectiveness of Nigerian indigenous firms are significantly related.

**H6:** Measures of behavioural effectiveness are significantly related

**H7:** There is significant relationship between economic and behavioural effectiveness.

Hypotheses V, VI and VII predicted significant relationship among measures of organizational effectiveness. To test the above listed hypotheses, dimensions of organizational effectiveness and measures of behavioural effectiveness were
correlated by means of Pearson Product Moment Correlation. The result of the analysis is provided in Tables 12 and 13.
From Table 12 and 13, the following are the major findings:

i. All the ten measures of organizational effectiveness correlated significantly at \( p < 0.01 \)

ii. Measures of behavioural performance correlate significantly at \( p < .05 \)

iii. Of all the effectiveness measures, only innovativeness is significantly related to job satisfaction.

4.5 **Multiple Regression Analysis of Management Practices and Organizational Effectiveness in Nigeria Indigenous Firms**

The results in Table 12 and 13 only show the correlation among all the variables of study. To determine the strength of relationship between organizational effectiveness and the combination of all the selected management practices, Multiple Correlation Analysis was employed. Multiple regression analysis is appropriate for analyzing the combined effect of independent variables on dependent variables. (McMillian and Schumacher, 2001; Frankfort-Nachmias and
Nachmias, 1996). Table 14 provides the results of the multiple regression analysis at the organizational level.

The main results of the Multiple Regression Analysis as presented in Table 14 can be summarized as follows:

- Selected management practices account for 15% of the variation in organizational effectiveness and it is significant at .001 level.
- Selected management practices also account for 2.7% of the variation in job satisfaction and the variation is statistically significantly at p < .001.
- In the total variations of organizational commitment 0.7% is accounted for by combination of selected management practices and is not significant at p < 0.05
- Demographic characteristics of respondents account for 2.4% of organizational effectiveness and are statistically significant at p < .001.
- Out of the total variations in organizational commitment 3.9% is accounted for by demographic characteristics of respondents and is statistically significant at p < .001.
- Demographic characteristics of respondents also account for 3.6% of the total variations in job satisfaction and it is significant at p < .001
- Organizational characteristics account for 6.5% of variations in organizational effectiveness. It is significant at p < .001.
- Out of the total variations in organizational commitment, 1.4% is accounted for by organizational characteristics and it is significant at p < .001.
- Finally, out of the total variations in job satisfaction. 0.8% is accounted for by organizational characteristics and is not statistically significant at p < 0.05.
### 4.6 Summary of Findings of the Study on Management Practices and Organizational Effectiveness of Nigerian Indigenous Firms

#### Tables 4.15 Summary of Findings

<table>
<thead>
<tr>
<th>S/N</th>
<th>RESEARCH STATEMENT</th>
<th>FINDINGS</th>
<th>PREVIOUS LITERATURE</th>
<th>IMPLICATION CONCLUSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Leadership style of Nigerian SMEs</td>
<td>The results in Table 4.3 show that Nigerian indigenous firms operators are occasionally autocratic and participative in management style.</td>
<td>The results are consistent with previous. Eze (1995) and Eze (1998)</td>
<td>Nigerian indigenous firms do not strictly adhere to any form of leadership styles.</td>
</tr>
<tr>
<td>2.</td>
<td>Is there significant difference in leadership styles of SMEs?</td>
<td>The results in Table 4.3 show that the grand &amp; individual means of responding firms on autocratic is higher than grand mean on participative style.</td>
<td>Consistent with previous results.</td>
<td>Nigerian indigenous firms although occasionally autocratic and to participate are to some extent more autocratic in style than being participative.</td>
</tr>
<tr>
<td>3.</td>
<td>What is the stat of the art of planning system?</td>
<td>The results in Table 4.4 indicate that Nigerian indigenous firms do engage in long-range planning.</td>
<td>Consistent with provision findings. Imanyi, 1993 Atijoson, 1998</td>
<td>Nigeria indigenous firms are increasingly involved in long-range planning.</td>
</tr>
<tr>
<td>4.</td>
<td>Social responsibility in Nigerian indigenous firms.</td>
<td>The findings in Table 4.5 demonstrate involvement of Nigerian indigenous firms.</td>
<td>These findings to some extent support previous literature. Chue, 1970.</td>
<td>Nigerian indigenous firms are yet to recognize the need to be actively involved</td>
</tr>
<tr>
<td>No.</td>
<td>The state of the art of control practices in Nigeria indigenous firms</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with similar studies Inegbenebor, 1991</td>
<td>Nigerian indigenous firms apply traditional and modern control techniques in their operations.</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>---------------------------------------------------------</td>
</tr>
<tr>
<td>5.</td>
<td>The state of the art of control practices in Nigeria indigenous firms</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with similar studies Inegbenebor, 1991</td>
<td>Nigerian indigenous firms apply traditional and modern control techniques in their operations.</td>
</tr>
<tr>
<td>6.</td>
<td>The state of the art of control practices in Nigeria indigenous firms</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with similar studies Inegbenebor, 1991</td>
<td>Nigerian indigenous firms apply traditional and modern control techniques in their operations.</td>
</tr>
<tr>
<td>7.</td>
<td>Leadership styles and organizational effectiveness are related</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with existing literature on participative style</td>
<td>Leadership styles and effectiveness are not related.</td>
</tr>
<tr>
<td>8.</td>
<td>Planning system and organizational effectiveness are related</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with previous literature</td>
<td>Indigenous firms that are socially responsible and ethical in operations are likely to experience improvement in</td>
</tr>
<tr>
<td>9.</td>
<td>Social responsibility involvement and effectiveness are related</td>
<td>The findings as presented in Table 4.6 show the active use of control techniques in indigenous firms</td>
<td>These findings are consistent with previous literature</td>
<td>Indigenous firms that are socially responsible and ethical in operations are likely to experience improvement in</td>
</tr>
<tr>
<td></td>
<td>Control practices and organizational effectiveness are related</td>
<td>Table 4.11 presents findings that support this hypothesis</td>
<td>These findings are consistent with previous findings. E.g. Inegbenebor, 1995</td>
<td>Control of performance improves effectiveness of indigenous firms</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>10</td>
<td>Measures of economic effectiveness are significantly related</td>
<td>The results in Table 12 &amp; 13 confirm this hypothesis</td>
<td>Existing literature support this finding. E.g. Kwandalla, 1995</td>
<td>Measures of effectiveness used in the study are significantly related</td>
</tr>
<tr>
<td>11</td>
<td>Measure of behavioural effectiveness are significantly related</td>
<td>The findings of the study as presented in Table 12 and 13 support this hypothesis</td>
<td>Existing literature suggest a significant relationship between job satisfaction and organizational commitment</td>
<td>The higher the level of job satisfaction, the more committed the workers in Nigerian indigenous firms</td>
</tr>
<tr>
<td>12</td>
<td>Measure of economic and behavioural effectiveness are significantly related</td>
<td>Tables 12 and 13 do not present findings that support this hypothesis</td>
<td>Literature on organizational effectiveness contradicts the findings of the study</td>
<td>Organizational effectiveness and behavioural effectiveness are not significantly related.</td>
</tr>
</tbody>
</table>

### 4.7 Summary of the Chapter

This chapter presents the analysis and interpretations of data generated from the study. First, the demographic profiles of participating employees and firms were analyzed. Second, the main research questions were analyzed to describe the state of and organizational effectiveness of 418 participating firms. Third, the operating hypotheses of the study were tested and by means of Tables the various intercorrelations coefficients among the study variables were presented. Finally, the results of multiple regression analysis and summary of findings were also presented in tables.
In the next chapter, attempt will be made to summarize and discuss the major findings. The discussion of findings will provide the basis for conclusion, recommendation and suggestion for further research.

References

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS
5.0 Introduction
This chapter will be structured into the following sections:
- Summary of the findings
- Discussion of the major findings
- Implications of the findings for management for Nigerian indigenous enterprises.
- Recommendations
- Suggestions for further research

5.1 Summary of Major Findings
The summary of major findings are highlighted under the following sub-headings:
The state of the art of management practices and organizational effectiveness of Nigerian indigenous firms

Correlation between management practices and organizational effectiveness of Nigerian indigenous firms.

5.1.1 The State of the Art of Management Practices of Nigerian Indigenous Firms

In the course of the study, seven research questions were formulated to guide the investigator in determining the state-of-the-art of management practices of Nigeria indigenous firms. The major findings of the study are:

- Nigerian indigenous firms are increasingly embracing the practice of long-range planning system.
- Nigerian indigenous firms are occasionally autocratic and participative in their management styles. But to some extent slightly more autocratic than being participative in leadership styles.
- Control as management function is highly appreciated by Nigerian indigenous operators.
- Nigerian indigenous operators are actively involved in business ethics, consumers and urban affairs but demonstrate least involvement in environmental affairs.
- The effectiveness of Nigerian indigenous operators to some extent is satisfactory.

5.1.2 Correlation Between Management Practices and Organizational Effectiveness

In addition to the research questions, the research models proposed a relationship between management practices and organizational effectiveness. Seven
hypotheses were tested to empirically confirm this relationship. The following
presents the summary of the major findings:

- Hypothesis 2 predicted that planning system of indigenous firms was
related to organizational effectiveness. A Pearson Product, Moment
correlation tests revealed an insignificant relationship. Ho was therefore
supported.

- Hypotheses 1 proposed a relationship between leadership styles and
organizational performance. No significant relationship was found by the
study. This confirms the null hypothesis.

- Hypothesis 3 proposed a relationship between involvement in social
responsibility and organizational effectiveness. A positive and significant
relationship was found between business ethics, consumer and urban affairs
and dimensions of organizational effectiveness. The only dimension of
social responsibility, which reports insignificant relationship, is
environmental affairs. These findings to some extent confirm the
relationship.

- Hypothesis 4 predicted a relationship between control practices and
organizational effectiveness. A significant relationship was found between
control practices and economic measures of organizational effectiveness.
The findings of this study confirm this relationship.

- Hypothesis 5 predicted a relationship among measures of organizational
effectiveness. The findings of the study also confirm the relationship.

- Hypothesis 6 proposed a relationship between behavioural measures of
effectiveness. The findings of the study also confirm this relationship.

- Hypothesis 7 predicted a relationship between the economic and
behavioural measures of effectiveness; only innovativeness has direct and
strong relationship with organizational commitment.
• Educational qualification is significantly related to planning and business ethics.
• Number of employees has a positive and significant relationship with urban affairs and control practices.
• Age of the organization correlates positively and significantly with educational qualification and number of employees.
• A further application of multiple regression analysis to test the model of the study produced R-square of 0.15 and 0.027 for overall effect of management practices on economic performance and organizational commitment, indicating that 15% and 2.7% variance in organizational effectiveness and organizational commitment were explained by management practices. All these are statistically significant.
• Also, a multiple regression test of the relationship between demographic characteristics and organizational effectiveness produced R-square of 0.024 and 0.039 indicating that demographic characteristics account for 2.4% and 3.9% of variances in economic effectiveness and organizational commitment these variances are statically significant.
• Finally, the multiple regression test of the relationship between organizational characteristics and organizational effectiveness produced R-square of 0.051 and 0.014 indicating that organizational characteristics accounts for 5.1% and 1.4% variances in economic effectiveness and organizational commitment and these coefficients are statistically significant.

5.2 Discussion of the Major Findings
Entrepreneurs all over the world play fundamental roles in the growth and development of the economy. The effectiveness and efficiency in performing these roles depend largely on sound management practices (OECD, 2002). The
overall findings of the study, to a large extent addressed the research questions and hypothesis raised.

The general findings revealed the growing importance of some management practices in operational effectiveness of Nigerian indigenous firms. The major findings are discussed under three major headings: management practices, organizational effectiveness and the relationship between these two variables.

5.2.1 Finding on Management Practices

Planning: Much has been written about the importance of planning practices and their resulting benefits. The central point about small business, however large their role is in modern economy, is their vulnerability. Small-scale business like civilization, rise, stabilize, decline and disappear. Coping with the vulnerable feature is an essential activity in management of entrepreneurs regardless of their nature, is best done through planning. As planning can help to position a firm for future expectations, it is not surprising that there is increasing involvement of entrepreneurs in formal planning.

In developing countries, there are opportunities especially in meeting the basic needs, such as food, housing, mobility and services to mention just a few. Entrepreneurs can only exploit these opportunities by engaging in formal planning.

Leadership Styles: The findings of this study revealed mixed leadership styles of Nigerian entrepreneurs. Responding indigenous firms are occasionally autocratic and participative in style. However, they are more autocratic than being participative. The findings to some extent support the study of Eze (1988) and the general belief that Nigerian managers are more autocratic in management style (Eze, 1995). A typical Nigerian manager is by nature more autocratic, he demands for nothing but respect and obedience form his subordinates – a management style
that results from managers perception about Nigerian workers who are believed as having negative attitude to work and as an economic man must be bullied and exploited to get things dome (MacGregor). However, the level of education and the adaption of democratic system of government might have accounted for the occasional use of participative style by participating entrepreneurs.

Management Control Practices: The need for management control is widely accepted and appreciated by Nigerian small-scale operators. A control system is necessary in any organization in which activities of different units; departments and divisions must be monitored and coordinated. The purpose of control is to ensure that in so far as possible, actual performance conforms to standards.

Control problems have a way of quietly snowballing into overwhelming proportion. Progressive managers adapt variety of control techniques to keep output behaviour and organizational culture under control. The results of the findings indicate that control techniques such as stocktaking, quality control, financial statement, centralization, external audit, and budgeting and periodic performance evaluation with the exception of internal audit are used very well in participating entrepreneurs.

In small and medium enterprises, control plays a critical role in planning and leadership. Management of organizations, and self are equally important in relation to inspiring loyalty and aligning employees. Entrepreneurs that deem planning as essential must incorporate control for proper implementation and evaluation. This confirms the common adage that planning and control are two sides of the same coin. The hallmark of a good plan lies in its in-built controls. Without provision for effective control, a plan becomes an unguided missile in action. It might crash on the business that launched it.
The dynamic and competitive nature of the Nigerian business environment has caused organizations to monitor their effectiveness and consequently stressed the need for performance improvement through management control. The recession that plagued the Nigerian economy since the 1980’s has focused the attention of Nigerian firms on reducing costs and increasing profit. This has resulted into the use of budgeting, accounting ratios, establishment of profit centers, quality control and so on (Inegbenebor, 1994; Inegbenebor, 1991).

Furthermore, Nigerian entrepreneurs stand at the threshold of a new era in a globalized world. Perhaps, never before had it at the same time been so many problems and such big prospects for the future. Hence, there is need for control to solve problems and realize the prospects of the indigenous firms.

**Social Responsibility**: The findings of this study recognize the overriding fact that there is growing concern for social responsibility activities among the indigenous firms. In fact, it clearly revels the fact that many entrepreneurs engage in some kind of “silent social responsibility activities”. The social responsibility issues that attract the attention of participating firms are business ethics, customer and urban affairs.

However, majority of the responding firms reported their least involvement in environmental affairs. This finding is consistent with the results of previous studies conducted in large organizations (Chen, 1970; McGurie and Parish, 1971; Buechler and Shelsey, 1974).

Evidence from this research indicates that entrepreneurs may constitute one of the largest portions of the industrialists considered as worst enemies of the environment. It is an open secret that small businesses misuse the environment more than the large enterprises. The bulk of environmental problems such as
emission of matter, indiscriminate discharge of noxious matter, blocking of drains and littering of streets with refuse and dirts are to some extent attributed to small-scale operators. This may be due to the fact that large-scale enterprises provide relatively easy targets for the government in terms of regulations and control of pollution; hence smaller firms tend to misuse the environment more than the large organizations. While the growing visibility and global impact of large corporations have heralded greater transparency, accountability and brand image in environmental management, small-scale businesses remain largely invisible in terms of risk and brand image.

5.2.2 Findings on Organizational Effectiveness of Nigerian Indigenous Firms
The assessment of organizational effectiveness of participating Nigerian small scale firms show that the trend of organizational effectiveness of Nigerian entrepreneurs is encouraging. Most of the participating firms reported quite good performance in all dimensions of effectiveness with the highest in public image followed by operating efficiency, performance, stability, innovativeness, growth rate, profitability, social impact and financial strength. This confirms the findings of Abere et al, (1988) and CBN/NISER and FOS (1998) on the Nigerian informal sector.

Abere et al (1998) attributed the enhanced profitability of the informal sectors to the motivation of the operators who seek opportunities with high potentials in the post reforms environment. Beyond this is the ingenuity and imagination of the entrepreneurs who are determined to make a livelihood in a grossly hostile economic and social environment.

Actually, a testimony to the creativity and survival instinct of Nigerian entrepreneur is evidenced by the findings of CBN/FOS/NISER (2001) survey
where overwhelmingly percentage of responding firms foresee bright prospect for their enterprises.

5.2.3 Findings on Correlation Between Management Practices and Organizational Effectiveness

The effectiveness of any small scale firm is neither an abstract phenomenon nor a matter of gamble. Good management is a factor that determines success or survival of an entrepreneur. The findings of this study generated mixed results that deserve some comments.

Planning and Organizational Effectiveness

Theoretical evidence from literature appears to suggest that the benefits of planning can outweigh the cost and to ignore planning is to surrender success to competitors. Organizations that plan and plan well are more likely to be effective and efficient.

Empirical evidence from planning literature is replete with mixed results. While writers like Rigby and Gilles, 2000; Joyce Seamon and Woods, 1996; Bracker, Keats and Pearsons, 1988, Woo et al 1989; Kinsella et al 1993; Schwenk and Shrander 1993 and Imanyi 1993 reported a positive link between formal planning and organizational effectiveness. Other writers like Kudlla, 1980; Gringer and Norbon, 1975 found no relationship between planning and performance.

The model of this study predicted a positive relationship between planning practices and organizational effectiveness. Despite the growing adoption of formal planning system by Nigerian entrepreneurs, the findings of the research revealed an insignificant relationship. The following explanations can be adduced for this insignificant relationship.
Environmental constraints frustrate the effectiveness of planning. Planning in an unfavourable and unstable environment will yield no result. The Nigerian political system has been unstable thus resulting into frequent changes in the economic sub-sector. Policy inconsistency will definitely make planning difficult because environmental constraints will render the planning data unrealistic (Onuah, 1979).

Absence of corporate information and dearth of accurate timely and efficient planning data will make planning ineffective.

Planning of small-scale firms is usually boss-centered. It ends up being developed by a small group of senior executives and communicated down the organizational level, which particularly thrives under autocratic, management with the growing level of participative management, the need for all stakeholders to be involved becomes an essential ingredient for effective result.

Planning in most small-scale firms are created but never implanted. This may be attributed to inadequate funding and lack of planning skills.

Planning may sometimes become barriers to growth. Some small-scale firm’s formal planning is too long, complex and detailed, making them difficult for implementation.

**Leadership Styles and Organizational Effectiveness**

Leadership, vision and corporate direction are some of the internal challenges facing Nigerian small-scale enterprises. Not only must managers of small-scale enterprises continuously examine their leadership styles in light of the environment, they must ensure that their vision and corporate direction are always analyzed and refocused towards organizational goals.

The model of this study also predicted a correlation between leadership style and organizational effectiveness. This study revealed an insignificant relationship. An
occasional leadership style in both autocratic and participative may invariably result at low correlation.

Even research evidence has shown that effective leadership style is not a choice of one leadership style, but a good leader needs to analyze the situation and adapt the appropriate leadership style. (Fiedler, 2001; Vroom, 1973; House, 1975). The leadership style required by small-scale operators’ change drastically as they move through different stages of success and growth. In fact, leadership skills and attributes at one stage can spell disaster at the next. Effective start up small-scale operators who are autocratic in style may find themselves struggling to delegate to a management team as the firms grow.

**Management Control and Organizational Effectiveness**

Several researchers have attempted to assess the role of management control on organizational effectiveness. Majority of the results revealed a positive relationship. To achieve economic performance, management control mechanisms need to be installed. These mechanisms enable small scale operators to ensure that managers are held responsible for results (Inegbenebor, 1995). In fact, organizations need to be highly cost conscious. Seemingly management cost disadvantages in operation can make a difference between success and failure. Control helps organizations to obtain superior efficiency, quality, responsibility to customers and innovation – the four building blocks of competitive advantage (Jones, George and Hills, 2000).

**Social Responsibility and Organizational Effectiveness**

A positive relationship was predicted between these two variables, the findings of the study revealed that the involvement in social responsibility is one of the determinants of organizational effectiveness. Being socially responsible can help small-scale operators to succeed and increase profit and overall performance.
(McGuire, Sundgren and Scheneewis, 1988; Standwick and Stanwick 1998). However, for Nigerian indigenous enterprises to be acknowledged as socially responsible, they need not focus only on business ethics, urban and urban affairs but also on environmental affairs.

Environmental sustainability and growth have been the focus of attention in recent years. Although, in the past years, most organizational policies of small scale enterprises focus on growth at the expense of environmental quality. These policies were premised on the expectation that gains in material well-being would far exceed losses incurred in environmental degradation. Realistically Nigerian small-scale operations may simply be contended to survive as long as they are making decent living. Hence, there is little need to engage in environmental sustainability.

In the light of the prevailing threat to human, animal and plant, this attitude has gradually reversed. All over the globe, quest for environmental management, quality of life as sustainable growth has gained attention of contemporary organizations. This perhaps may be responsible for the United Nations declaration of June 5 and the World Environmental Day, a day earmarked for governments across the world to discuss and recommend ways of improving the environment.

5.3 Conclusion, Managerial and Policy Implications
The study has important implications for the management of small-scale enterprises. It encourages investment in management practices particularly management control and demonstrates the importance of ensuring that indigenous small scale operators are socially responsible and ethical in operation. Exposure of Nigerian indigenous small-scale operators to training and capacity building should focus on those areas for improvement in productivity.
As with most management practices, formal planning practices effectiveness depends on managers investing money, time and resources in making them to work (Rigby and Gilles, 2000). Even where theoretical and empirical evidence support the correlation between formal planning and effectiveness, it might still be objected that the case for formal planning is unproven. Effective firms might have extra managerial capacity to achieve the desired level of effectiveness. This is an implication that planning usually contributes to effectiveness, though it is not a guarantee of success.

Another argument is that effectiveness is in variety of ways and coincidently also happens to have tendency to carry out formal planning – an indication that good management is the real cause of planning and that planning is just a spurious factor. (Joyce and Wood, 2001).

In addition, no planning at all sometimes is better than bad planning. A formal planning system not well articulated and implemented, rather than solving organizational problems, may compound them. This implies that planning is only justified when the focus is on effective planning.

From the discussion of findings on leadership system, it is evident that effective leadership is situational:. Meanwhile, the following propositions can be summed up to provide guides for management of Nigerian indigenous small-scale enterprises.

- Leadership in management involves concern for both tasks and people.
- Concern for people involves attention and acknowledgment of the influence, which motivate people as members of groups and individuals.
- The way a manager chooses to exercise leadership style will have a strong influence on the performance, motivation and morale of the subordinates.
Training and development can help Nigerian indigenous small-scale firms to develop more effective styles. There is however, no single style likely to be effective in all circumstances. The effectiveness of a management style will vary according to situation.

Nigerian indigenous small-scale operators should be prepared to be flexible and adjust their management styles to circumstances. They should however avoid seeming to be inconsistent if they adopt a different style in a particular set of circumstances. The reason for the change should be made clear to subordinates (Levy, 1980).

Control is an important function that must be practiced by Nigerian indigenous small-scale operators. Most research has shown that good control leads to greater organizational effectiveness.

The implication of the study’s findings on social responsibility is that it is imperative for government to introduce environmental regulation and education beside the provision of technical and financial assistance.

The findings on organizational effectiveness of participating Nigerian indigenous small scale enterprises suggest that apart from acting as avenue for the employment of Nigerians who lost their jobs in the wake of retrenchment and rationalization occasioned by the Structural Adjustment Programme (SAP), Nigerian small-scale sub-sector has offered profitable engagement for Nigerians. The policy lesson is that despite the environmental crises, the indigenous small-scale sector can serve as avenue for improving the standard of living of the people.

Because of its intervention approach, the measures of economic performance used in this study revealed a high correlation among these measures suggesting that they can be used as proxy for one another. The same notion is attainable for measures of behavioural effectiveness.
Furthermore, the high correlation between measures of job satisfaction and organizational commitment reinforces the importance of their relationship as already predicted by the models and literature of the study. For effective and efficient utilization of human resources, these issues relating to work attitudes must be given adequate attention.

Educational qualification is significantly related to planning and business ethics. The implication is that managers with higher educational background are more likely to appreciate the importance of planning and ethical business activities. Hence, for various entrepreneurship development programmes to achieve the desired level of success, government needs to improve the literacy level of Nigerians by committing substantial investment into the educational sector. Number of employees has positive and significant relationship with urban affairs and control practices. This implies that the more the level of employment, the higher the level of involvement in urban affairs and the higher the level of control exercised.

5.4 Recommendations

Finally, indigenous small-scale enterprises are regarded as essential to the path out of poverty for developing countries and for effective organizational performance. The following are recommended:

- The significant relationship between organizational effectiveness of participating indigenous small scale enterprises, control and social responsibility suggests the need for skill development in these areas for Nigerian indigenous small scale enterprise to make significant contribution to industrial development
- The insignificant correlation between management practices of leadership planning and organizational effectiveness does not imply dysfunctional
effect of these practices but suggests the need for effective planning and
effective leadership to achieve the desired level of effectiveness.

For small-scale operators planning to be effective, it should foster a kind of
participative management and emphasize the importance of ideas, suggestions,
feelings and opinions from members of the organization. This process creates for
effective planning by reporting problem areas and bringing up more researches to
bear on them.

Committees, group discussions, suggestion schemes and opinion surveys help to
provide a system of pooled thinking that can stimulate improved planning.
In addition, such participation increases the level of understanding and acceptance
of plans and improves the search for information.
Indigenous small-scale operators cannot possibly be familiar enough with
operating conditions and problems. Plans imposed on managers by the
entrepreneurs often incur resentment and resistance.

To cope with the issue of environmental management, indigenous small-scale
enterprises need not only develop specific activities and strategic responses at
organizational level, but also facilitate the evolution of managerial values and
beliefs toward higher level of environmental management.

In addition, there is need for governments backing of environmental management
by assisting small scale operators that are involved in environmental sustainability,
as they constitute the vast majority of the Nigerian private sector.

5.5 Suggestions for Further Studies
Nevertheless, the results of this study must be interpreted with care. Its several limitations should be noted. Hence, the following suggestions for further studies deserve some comments.

First the results of the study may be interpreted as suggesting that some management practices may be beneficial to small business management. This may be viewed with caution, as the results do not allow any assertion for causality. Hence, the need for experimental study is suggested to determine the cause–effect relationship between management practices and organizational effectiveness.

Second, the concepts of management practices and organizational effectiveness are sufficiently diverse, making it difficult to comprehensively measure all these concepts.

The investigator measured all these concepts from only two sources at the same time and using to some extent identical scaling methods. Researchers conducting future study may need to access management practices and organizational effectiveness more comprehensibly and a comparative analysis of the different areas affected.

Third, to improve on previous measures of our dependent and independent variables, we had to develop our own measures or modify some of the existing measures. Although, these new scales demonstrated adequate reliability and validity, further validation may be required for future studies.

Fourth, the study conceptualized organizational effectiveness as essentially the degree to which the high ranking decision-makers valued their organizations – that is the degree to which they were satisfied with the relative performance of the
organizations in terms of a set goal. It is quite possible that their value judgements might have been influenced by their feelings about organizational effectiveness. A more objective assessment of effectiveness i.e. “hard” measure of effectiveness is hereby suggested for future studies.

Finally, although the sampling drawn form two states Lagos, and Anambra allowed for control of environmental factors, it did limit the generalizations of findings. Hence, it would be desirable to enlarge the sample by extending the study to entrepreneurs across the entire federation of Nigerian to arrive at an acceptable generalization.

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