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## Abstract

Small and Medium Enterprises (SMEs) play an important role in the growth of national economy, driving economic development, and are widely recognized as the primary source of employment, poverty reduction, lifestyle improvement, and empowerment of low-income groups. However, notwithstanding their seeming importance, SMEs are plagued with myriads of challenges such as inadequate, inefficient, and at times non-functional infrastructure, which has led to poor market share. This study, therefore, investigated the effect of transactional leadership on market share of selected Small and Medium Enterprises (SMEs) in Lagos State, Nigeria. The study adopted survey research design. The population of the study was 8,395 which is the total number of registered SMEs in Lagos State, Nigeria. A sample size of 477 supervisors and middle level managers of SMEs were enumerated using Cochran's (1977) formula. The study adopted stratified sampling technique. A structured, adapted and validated questionnaire was used to collect primary data from the respondents. Cronbach alpha reliability coefficient for all the constructs is greater than 0.7. Data were analyzed using both descriptive and inferential tools. Linear Regression Analysis was used to determine the effect of the variables using Statistical Package for Social Science (SPSS) version 25. The finding revealed that transactional leadership had a significant effect on market share ( $\beta = 0.599$ ,  $t = 13.456$ ,  $R^2 = 0.287$ ,  $p < 0.05$ ). The study concludes that there was a statistically significant effect of transactional leadership on market share of selected SMEs in Lagos State, Nigeria. Transactional leadership style is considered an important factor to SMEs survival and market share sustainability. It focuses on maintaining the status quo to increase

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company revenue and overall market share. Thus, SMEs owner/managers are encouraged to adopt the transactional leadership style, in order to achieve greater and sustainable market share.

**Keywords:** *Leadership style, Transactional Leadership, Market Share, Organizational performance, Small and Medium Enterprises.*

## 1.0 Introduction

Small and Medium Enterprises (SMEs) are regarded as the bedrock of industrialization (Osuji, 2016a), critical and strategic to the economy of any country, including Nigeria (Abe, 2016; Abioye, 2016; Ogbeide 2016). Because a number of them possess a wide knowledge of resources, as well as demand and supply trends, they constitute the main supplier of input to larger firms (Olawore, Olayinka, & Akinkunmi, 2016). They also serve as the major customers to the larger firms; provide all sorts of products ranging from food, clothing, recreation, entertainment, healthcare, education, etc., (Etuk, Etuk, & Baghebo, 2014; Osuji, 2016b). Businesses are part of the society, therefore, are not immune from the global challenges (Babayehu, 2022). According to Akodu (2016), Lakuma, Sunday, Serunjogi, Kahunde, and Munyambonera (2020), Osuji (2016c) the majority of businesses in Nigeria are small and medium-sized enterprises (SMEs), and any eventual economic shocks would unavoidably harm the SMEs sectors, as well as the livelihoods of SMEs owner/managers and employees, as well as the economy as a whole. However, all these challenges point to the fact that business issue of leadership forms an important bedrock for the continued existence of SMEs in Nigeria. Leaders need to develop skill-sets that will guide their organizations towards a better future (Babayehu, 2022). Leadership is critical to an organization's growth and performance, especially in today's competitive business world (Franco & Matos, 2015; Tewari, Gujarathi, & Madulethy, 2019). Mwombeki (2017) contended that numerous organization management researchers have found that the performance of the organization relies upon the leadership style used by the leaders during the whole business exercise. Numerous studies have established that a relationship exists between leadership styles and organizational performance (Ibrahim & Daniel, 2019; Mamman, Garba, & Abubakar, 2018; Oladele & Akeke, 2016; Obiwuru, Okwu, Akpa, & Nwankere 2011; Venter & Farrington, 2016). According to Abdulahi and Sulaimon (2015), Agwu and Emeti (2014), Uchegara (2017), among all the factors associated with poor performance of SMEs in Nigeria, leadership styles is seen as the most critical factor that affect their performance and growth (SMEDAN, 2013). Majority of SMEs in Nigeria are sole proprietorship (SMEDAN, 2017) with most of the SMEs owner-managers adapting leadership styles that did not uphold their enterprises performance.

Different studies, Azizaha et al. (2020), Purwanto, Bernarto, Asbari, Wijayanti, and Hyun (2020). Young, Glerum, Joseph, and McCord (2021) have been carried out on transactional leadership style and employees' commitment, employee performance and employees' motivation. Nevertheless, few studies have been carried out on transactional leadership style and organizational performance with diverse results and outcomes (Saeed & Mughal, 2019; Tran, Phan, Ha, & Hoang, 2020). Furthermore, review of extant literature revealed the extent to which transactional leadership style affects market share among SMEs in Nigeria, has not been well established (Dim & Nzube, 2020; Idowu, 2020; Mamman et al., 2018). Abubakar, Zainol, and Daud (2018) affirmed that SMEs owner-managers especially in Nigeria have failed to make use of some of the attributes of transactional leadership like management by exception and contingent rewards to improve their performance which is effective to monitor

performance. A good employee performance is necessary for the organization since an organization's success is hinged upon the employee creativity, innovation and commitment (Echaaobari, Ihunda, & Adim, (2018). These attributes are missing in the interaction with followers and tracking accomplishments (Samson & Ayodeji, 2019). Hence, employees have failed to contribute their best in the improvement of performance and decline has always been recorded especially in market share of SMEs (Onamusi, 2020; Ossai, 2021). This area of transactional leadership style and market share of SMEs have been suggested for further studies (Iscan, Ersari, & Noktiyok 2014; Mamman et al., 2018). Hence, this served as the gaps and the motivation for this study. This study, therefore, examined the effect of transactional leadership style on market share of selected SMEs in Lagos State, Nigeria.

## **2.1 Review of Related Literature**

### **2.1.1 Transactional Leadership Style**

Spahr (2016) viewed transactional leadership style as the one that focuses on result, conforms to the existing structure of an organization and measures success according to the organization's system of reward and punishment. According to Avery (2004), transactional leadership style is a method of getting subordinates to meet job requirements by reinforcing rewards or punishments. Transactional leaders focus mainly on the physical and security needs of subordinates. The relationship that evolves between the leader and the follower is based on bargaining exchange or reward systems (Bass, 1985). In transactional leadership according to Mamman et al. (2018), good performance towards achievement of organisational goals and objectives, mostly, though team works are recognized by means of materialistic or psychological rewards in form of money, promotion and conducive working environment. Poor performance towards attainment of organizational goals attracts punishment in form of queries, salary deduction and lack of promotion. This type implies give and take to and from leaders and followers, hence its name "transactional". According to Odumeru and Ogbonna (2013), a process of developing a reciprocal relationship with employees is known to be a transactional leadership style. It is the process of exchange that engages the leader and the employees. The employees and leaders are bound to give something that the other wants in exchange for efforts (Van Wart, 2012). Avolio and Yammarino (2013) further added that reciprocation of actions and efforts in the process of transactional leadership is important. Transactional leadership style requires a continuous fulfillment of employees' desires and expectations (Weiner, 2017).

Transactional leadership style has been reported to be a market-based exchange process where leaders and employees negotiate tasks for different types of rewards (Bass, 1995; Behery, 2008; Burns, 1978; Mackenzie, Podsakoff, & Rich, 2001). In addition, transactional leadership is also characterized by reward and punishment oriented leaders (Behery, 2008; Vecchio, Justin, & Pearce, 2008). Transactional leadership style is more useful in a situation where there is low level of emotions and sentiments among followers and the focus is accomplishment of a given tasks to earn reward and avoid punishment (Mamman et al., 2018).

According to Avolio, Bass, and Jung (1999), Bass (1985), and Vecchio et al. (2008), there are three main dimensions of transactional leadership namely; contingent reward, management-by-exception (active), and management-by-exception (passive). Contingent reward: this factor is based on a bargaining exchange system in which the leader and subordinates agree together to accomplish the organizational goals and the leader will provide rewards to them. Leaders must clarify the expectations and offer recognition when goals are achieved. Management-by-exception (active): the leader specifics the standards for compliance, as well as what constitute ineffective performance, and may punish subordinates for being out of compliance with those standards. This type of leadership implies closely



monitoring for mistakes and errors and then taking corrective action as quickly as possible. Management-by-exception (passive): passive leaders avoid specifying agreements, clarifying expectations and standards to be achieved by subordinates, but will intervene when specific problems become apparent. This style does not respond to situations and problems systematically.

Transactional leadership style has some merits which include the following; it helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards or punishment. According to Sadeghi and Pihie (2012), transactional leaders allow followers to fulfill their own self-interest, minimize workplace anxiety and concentrate on organizational objectives such as increased production and profit. Transactional leadership is very useful in a situation where there is low level of emotions and sentiment among employees in an organization (Mamman et al., 2018). With the trait of transactional leadership of setting goals and promising rewards motivate the followers that ultimately can lead to improved performance (Marques, 2007). On the downside, transactional leadership is based on greediness on the part of leaders to accomplish the organizational goals without considering the effects on the employees. Also, when problem is brought to the attention of leader who observes passive management by exception, they respond with negative feedback. It also focused mainly on physical and security needs and not emotional need of employees which can lead to poor performance (Hoxha, 2019; Vecchio et al., 2008). The researchers define transactional leadership as give and take relationship between leader and followers, where followers are rewarded for good performance and punished for poor performance.

### **2.1.2 Market Share**

Daniel (2018) viewed market share as the percentage of an industry or market's total sales that is earned by a particular company over a specific time period. Market share is calculated by taking the company's sales over a period and dividing it by total sales of the industry over the same period. It can also be described as a percentage of total sales volume in a market captured by a brand, product or company. Market share is said to be a key indicator of market competitiveness, that is, how well a firm is doing against its competitor (Daniel, 2018). Market share is defined as a business entity's monetary-based or volume-based fraction of the total market or the output of largest competitors at a given period of time (Edeling & Himme, 2018). In another definition, Katuse, Ngari, and Owich (2018) defined market share as an outcome of the performance of an organization in a market. It is now widely recognized that one of the main determinants of business profitability is market share. Under most circumstances, enterprises that have achieved a high share of markets they serve are considerably more profitable than their small-share rivals (Robert, Bradley, & Ralph, 1975). Market share is said to be a key indicator of market competitiveness, that is, how well a firm is doing against its competitors (Homaid, Minai, & Al-Ansi, 2018). Similarly, Orliczky, Schmidt, and Rynes (2003) considered market share as one of the sub variables to measure organizational performance. The financial performance of an organization can be measured by profitability and market share, therefore market share is a major factor to measure the financial performance of an organization

Market share according to Farris, Neil, Philip, and David (2010) comprises two major components: volume market share which is brand sales, counted as volume sold, divided by total category sales counted as total volume sold which in turn is units multiplied by average selling price, is divided by total category revenue. These two market shares can differ as categories can include value brands, which have higher volume but at a lower price, while premium brands can have lower volume but a higher price. The volume or value market share of any brand is underpinned by several key metrics which include brand penetration, loyalty and price. Brand penetration is defined as the proportion of all

households who bought a brand at least once in a time period, such as a year. Loyalty reflects the incidence of repeat-buying the brand and price is the price paid for buying the product (Dawes, 2006).

As for the merits of market share, it is a good measurement of the performance of an organization in relation to other firms in the same industry especially financial performance (Sawaeen & Ali, 2020). Market share provides economies of scale for the larger firms with cost advantages. In addition, it is a good signal for long-term problems that require strategic adjustment, especially when an organization is experiencing decrease in market share. Similarly, within an organization's product line, market share trends for individual products are considered early indicators of future opportunities or problems.

However, a possible demerit of market share is that it is not a good criterion upon which to base economic policies (Armstrong & Kesten, 2007). Market share only provides information about previous performance, it cannot be used to measure future performance. Sequence to the above, this research defines market share as the total percentage of a company total sales in relation to the market total sales of the industry, where it operates a business enterprises.

## **2.2 Empirical Review**

Studies such as Ahmad and Saidalavi (2018), Aziz, Mahmmud, and Abdullah (2012), Brown (2014), Gang-Wang, Courtright, and Colbert (2011), Tawaha (2016) and Tran et al. (2020), in their studies on impact of transactional leadership style on market share and sales performance utilized secondary and primary data with questionnaire as the method of their data collection descriptive survey research. The sampling technique used was stratified and simple random sampling. Target population was utilized for the population study while Cochran (1977) was used to determine the sample size. Data collected was analyzed with the use of descriptive and inferential statistics, Pearson Rank Correlation and simple linear regression.

Ahmad and Saidalavi (2018) in their study on sales leadership styles and sales performance in milk meta-market in India, the findings revealed that transactional leadership style has positive and significant impact on sales performance and increase market share. Tran et al. (2020) also conducted research on the impact of transactional leadership style and performance in tourism and travel enterprise in Vietnam, the result of their finding revealed that transactional leadership style has a positive and significant relationship and increase the domestic market share. In another study carried out by Mackenzie, Podsakoff, and Rich (2001) on the impact of transformational and transactional leadership styles on salesperson performance, the findings revealed that transactional leadership is positively associated with increase market share and sales volume.

In Pakistan, Khan and Adnan (2014) conducted a research on the effect of transactional leadership style on organizational performance in manufacturing industries; the result revealed that transactional leadership has positive impact on organizational performance most especially increase in market share for the new grown organizations. The transactional leadership style qualities like contingent-reward positively correlate to effect increase in market share (Brown, 2014). Gang-Wang et al. (2011) submitted that transactional leadership has a significant impact in shaping employee attitude and role perception and highly correlated with sales performance and market share. The findings of Aziz et al. (2012), on the effect of leadership styles in Malaysia, found that transactional leadership style showed significant positive relationships with organizational performance measured as increase on market share.

Contrary to the above findings, Perry (2018) in his study of the effect of transactional leadership style and organizational performance, the result revealed that there is negative correlation between transactional leadership style as a result of contingent-reward dimension and market share. This is

similar to the findings to the findings of Tawaha (2016) on the impact of transactional leadership on organizational performance in Jordanian insurance companies and found that transactional leadership style has a non-significant impact on market share.

Therefore, the study hypothesizes that:

**H<sub>01</sub>:** Transactional leadership style has no significant effect on market share of selected SMEs in Lagos State, Nigeria

## **2.3 Theoretical Review**

### **2.3.1 Transactional Leadership Theory (1978)**

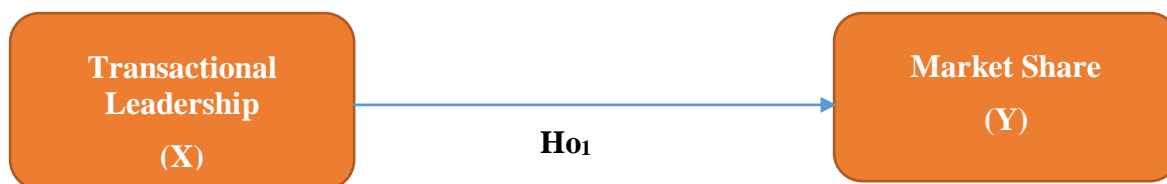
Transactional leadership theory was propounded in 1978 by James Burns. Transactional leadership theory focuses on the exchanges that occurs between leaders and followers (Bass;1985, 1990, 2000, 2008; Burns, 1978) These exchanges allow leaders to accomplish their performance objectives, complete required tasks, maintain the current followers towards achievement of established goals, emphasize extrinsic rewards, avoid unnecessary risks, and focus on improve organizational efficiency. In turn, transactional leadership allows followers to fulfill their own self-interest, minimize workplace anxiety, and concentrate on clear organizational objectives such as increased quality, customer service, reduced costs, and increased production. Sadeghi and Pihie (2012), Burns (1978) operationalized the concepts of both transformational and transactional leadership as distinct leadership styles. Transactional leadership theory as described by Burns (1978) posited the relationship between followers as a series of exchanges of gratification designed to maximize organizational and individual gains.

Transactional leadership evolved for the marketplace of fast, simple transaction among multiple leaders and followers, each moving from transaction to transaction in search of gratification. The marketplace demands reciprocity, flexibility adaptability, and real-time cost-benefit analysis (Burns, 1978). Transactional theory focuses on the connection and the exchanges formed between leaders and followers. A transaction leader's job is to create structures that make it abundantly clear, what is expected of followers and the consequences associated with meeting or not meeting expectations. The relationship between leaders and followers is based on an inherent contract of mutual enforcement to achieve higher performance (Sadeghi & Pihie, 2012).

The advantages of this theory is that it helps the organization to increase overall performance because transactional theory laid emphasis on exchange between the leader and the followers; it allows the leader to accomplish the organizational goals, while the follower will strive to work hard, so as to get the rewards for the job well done and try to avoid punishment for poor performance, which invariably leads to increase in performance. Several support for the theory as evidenced by the relationship between transactional leadership and organizational performance. (Bass, 1985, 1999, 2000; Bass et al., 2003; Bass & Riggio, 2006; Hoxha, 2019).

Despite the advantages offered by this theory, a number of criticisms have faced it also. Such include some schools of thought arguing that transactional leadership practices lead followers to short-term relationships of exchange with the leader (Beyer, 1999; Yulk, 2011). These relationships tend toward shallow. Temporary exchanges of gratification and often create resentments between the participants. Additionally, a number of scholars criticize transformational leadership theory because it utilizes a one-size-fit-all universal approach to leadership theory construction that disregards situational and contextual factors related to organizational challenges (Yukl, 1999; 2011; Yukl & Mahsud, 2010).

## 2.4 Research Conceptual Model



**Source:** Authors' Research Model (2022)

## 3.0 Methodology

The study adopted survey research design. According to Kumar (2011), survey research design aims to discover or establish the existence of relationships or independence between two or more aspects of situations. This type of research design has been adjudged as suitable by various scholars (Hair, Black, Babin, & Anderson, 2010; Samson & Ayodeji, 2019; Tran et al., 2020) as they utilized in their respective studies. The population of the study is 8,395 which is the total number of registered SMEs in Lagos State, Nigeria (SMEDAN, 2017). A sample size of 477 supervisors and middle level managers of SMEs were enumerated using Cochran's (1977) formula. A structured and adapted questionnaire was used and all the variables were measured with six items each, on a six-point Likert scale ranging from Very High (VH) = 6, High (H) = 5, Moderately High (MH) = 4, Moderately Low (ML) = 3, Low (L) = 2, Very Low (VL) = 1, similar to the one adopted by Oguntoke (2021), Olowoporoku (2021). This modified scale increased the reliability of the responses and also gained more effective results from the respondents. Data were collected using a valid and reliable questionnaire with a Cronbach alpha value greater than 0.7. Data were analyzed using both descriptive and inferential tools. Simple Linear Regression Analysis was used to determine the effect of the variables using Statistical Package for Social Science (SPSS) version 25. The Researchers chose this statistical technique to determine the strength of the effect of independent variables on dependent variable as shown in the conceptual model.

## 4.0 Data Analysis and Results

Of the 477 copies of questionnaire distributed, 451 copies of the questionnaire were retrieved and used for analysis, which was statistically acceptable for purposes of making inference on the general population of selected SMEs in Lagos State, Nigeria. This represents a response rate of about 95% of the population employed in the study. The responses obtained from the data collected from selected SMEs in Lagos State, Nigeria, were adequate enough to fulfill the research objectives of the study.

### Restatement of Research Hypothesis

**H<sub>01</sub>:** Transactional leadership style has no significant effect on market share of selected SMEs in Lagos State, Nigeria.

Simple linear regression analysis was used to test hypothesis. The independent variable was transactional leadership style, while the dependent variable was market share. In the analysis, data for transactional leadership style were created by adding together responses of all the items under the transactional leadership style to generate independent score for the construct. For market share, responses of all items of the variable were added together to create index of market share. The index of market share (as dependent variable) is thereafter regress on scores (index) of transactional leadership



style (as independent variable). The results of the analysis and parameter estimates obtained are presented in Table 1.

**Table 1: Summary of Simple Regression Analysis on the Effect of Transactional Leadership on Market Share**

Model One $Y = \alpha_0 + \beta_1 X_1 + e$		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.630	.202		8.055	.000
	Transactional leadership (TL)	0.599	.045	0.536	13.456	.000

a. Dependent Variable: Market Share (MS)  
 b.  $R = 0.536$   $R^2 = 0.287$   $Adj R^2 = 0.286$   
 c.  $F(2, 449) = 181.074$  ( $P < 0.05$ )

**Source: Researchers' Computation 2022**

Table 1 presents simple linear regression analysis results for the effect of transactional leadership style on market share of selected SMEs in Lagos State, Nigeria. The result shows that transactional leadership style ( $\beta = 0.599$ ,  $t = 13.456$ ,  $p < 0.05$ ) has a positive and significant effect on the market share of selected SMEs in Lagos State, Nigeria. The R value ( $R = 0.536$ ) shows that a moderate positive relationship exists between transactional leadership style and market share of selected SMEs in Lagos States, Nigeria. The coefficient of determination  $R^2 = 0.287$  meaning that transactional leadership style cause 28.7% variation in market share, while the remaining 71.3% variation is cause by other leadership styles that have not been considered in this study and one error term as presented in table 1. In an attempt to assess how the regression fits the data, the Analysis of Variance (ANOVA) was conducted. This can also be found in Table 1. The Table 1 proves that the regression model significantly fits the model well because the F statistics of 181.074 on the regression role is significant at 0.000 ( $p < 0.05$ ). This meant that transactional leadership style has a significant influence on market share of selected SMEs in Lagos State. Hence, the simple regression model is expressed as:

$$MS = 1.630 + 0.599TRLS + e \dots \dots \dots \text{Eqn. 2}$$

Where:

MS = Market Share

TRLS = Transactional Leadership Style

The regression model above shows that when transactional leadership style is held at zero, the market share of the selected SMEs would be 1.630. This implies that 1.630 increases in level of market share are not affected by transactional leadership style, but rather other factors not covered in this study. Results from the Table 1, shows that transactional leadership style beta coefficient value is 0.599, which is statistically significant at 0.000 ( $p < 0.05$ ) with 't' statistics of 13.456. The results of the simple regression analysis above also revealed that when transactional leadership style is improved by one unit, market share will increase by 0.599. The findings revealed that transactional leadership style has a positive and significant effect ( $\beta = 0.599$ ,  $P < 0.05$ ) on the market share of selected SMEs in Lagos State, Nigeria. The result of the model showed a highly statistically significant result. Hence, the null hypothesis, which states that there is no significant effect of transactional leadership style on market share of selected SMEs in Lagos State, Nigeria was rejected.

### **5.0 Discussion of Finding**

The findings indicated that transactional leadership style had a significant effect on market share of selected SMEs in Lagos State, Nigeria. The study findings were in agreement with the findings of Sadeghi and Pihie (2012), who found that transactional leaders allow followers to fulfil their own self-interest, minimize workplace anxiety and concentrate on organizational objectives such as increased production and profit. Ahmad and Saidalavi (2018) in their study on sales leadership styles and sales performance in milk meta-market in India, found that transactional leadership style has positive and significant impact on sales performance and increase market share. Similarly, the work of Tran et al. (2020), on transactional leadership style and performance in tourism and travel enterprise in Vietnam, also corroborated earlier findings that transactional leadership style has a positive and significant relationship and increase the domestic market share of firm investigated. This finding is also consistent with findings of scholars such as Brown (2014), Gang Wang et al. (2011), Khan and Adnan (2014), and Mackenzie et al. (2001), who revealed that transactional leadership has a significant influence in shaping employees' attitude and role perception and highly correlated with sales performance and market share.

### **6.0 Conclusion and Recommendations**

The purpose of present research was to establish how transactional leadership style directly or indirectly affects market share of selected SMEs in Lagos State, Nigeria. The findings of the study indicate that transactional leadership style had significant effect on market share of selected SMEs in Lagos State, Nigeria. The study findings were in agreement with the findings of other scholars who found out that transactional leadership style impact SMEs market share positively because transactional leadership style allows employees/followers to fulfil their own ambitions/self-interest, minimizes workplace anxiety and consequently enables organizations achieve their objectives among which are increased production/operation and market share which translate to improved profit. Likewise, the findings underpin the theoretical considerations that leaders can change, transform and inspire the followers' needs and redirect their thinking, creativity and efforts towards increasing their performance and attainment of the organizational goals and objectives. Based on the foregoing conclusion, transactional leadership style is considered important to SMEs market share. It focuses on maintaining the status quo to increase company revenue and overall market share. Thus, SMEs owner/managers are encouraged to adopt the transactional leadership style.

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