



## Democratic Leadership Style and Corporate Performance in Selected Food and Beverages Manufacturing Companies in South-West Nigeria

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**ABSTRACT:** Leadership plays a prominent role in contributing to the effectiveness of organisations carrying out business in competitive environments. Democratic leadership encourages collaborative decision making in organisations involving superior and subordinates. However, an organisational environment characterised by poor management and planning hinders successful application of democratic leadership. This study investigated how democratic leadership style affected the performance of selected food and beverages manufacturing companies in South-West, Nigeria based on a review of extant literature that indicated the need for more studies in this regard.

The study was conducted based on a survey research design. The questionnaire was used for data collection. Slovin's formula was used for obtaining the sample size while stratified sampling technique was the basis for classifying the employees into levels - top management, middle management, and low-level workers. Simple random sampling was adopted in collecting data from each level. The predictor and outcome variables were measured on a four-point Likert scale that ranged from strongly disagree, 1, to strongly agree, 4.

The results of the study indicated that democratic leadership produced positive effect ( $\beta = .422$ ,  $t = 8.663$ ,  $p < 0.05$ ) on corporate performance. The implied potential to boost the sales of the studied companies. However, the value of the coefficient of determination, .167, indicated the need for improving planning activities as a means of enhancing the potential of achieving increases in corporate performance through variation in democratic leadership style.

It was indicated in the conclusion of the study that it was necessary for future research to incorporate more leadership styles into the model of this study. This would enable the companies to determine the potential contribution of individual leadership styles to corporate performance as well as their collective contribution.

**KEYWORDS:** Corporate Image, Corporate Performance, Democratic Leadership Style, Sales

### INTRODUCTION

Organisations carrying out business in competitive environments adopt different strategies to enable them achieve objectives. Leadership is among the various strategies that play a crucial role in contributing to organisational effectiveness. Democratic leadership style is practiced in organisations that encourage the inputs of subordinates in decision making. However, there seemed to be poor management and planning that constituted a hindrance to successful democratic leadership in the manufacturing sector. This had implications for performance in corporate organisations because of the potential to produce adverse effects on their corporate images. This study investigated how democratic leadership style affected performance, defined by the corporate images of food and beverages manufacturing companies in South-West, Nigeria. A review of extant literature indicated that more studies were necessary in this regard.

### Objective and Research Question of the Study

The objective of this study was to determine the effect of democratic leadership style on the corporate performance, defined by corporate images of food and beverages manufacturing companies in South-West Nigeria. The research question of the study is: what is the effect of democratic leadership style on the corporate images of food and beverages manufacturing companies in South-West, Nigeria?

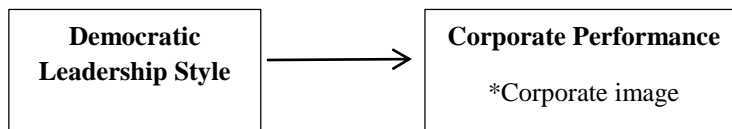
### Hypothesis

The following hypothesis was tested at .05 level of significance:



H<sub>01</sub>: Democratic leadership style has no significant effect on the corporate images of food and beverages manufacturing companies in South-West, Nigeria.

Figure 1: Conceptual framework of autocratic leadership style and performance



Source: Researcher, 2023

The independent variable in figure 1, democratic leadership, was based on: superior assigning tasks and explaining future intentions, giving subordinates opportunity to take part in decision making, assigning duties without displaying authority, and superior empathising with subordinates. The dependent variable, corporate performance, was based on corporate image.

Model of the Study

Model specification for the relationship between performance and autocratic leadership style is given by:

Y = α + βDL + ε ..... (1)

- Where: Y = Corporate performance
α = Y-intercept
DL = Democratic leadership style
β = Coefficient of democratic leadership style
ε = Standard error of the estimate

LITERATURE REVIEW

Performance

Organisations use various metrics to assess performance. Measures of performance include financial measures such as sales and profit while non-financial measures include job satisfaction, corporate image. Corporate image, the measure of performance in this study, is a reflection of a company’s reputation ascribed to it by customers, employees, and other stakeholders. Leadership styles impact on corporate image since employees exhibit varying degrees of motivation for different leadership styles. Gopal and Chowdhury (2014) gave empirical indication that different leadership factors affected employee motivation.

Democratic Leadership Style

Democratic leadership style, also known as participative leadership style, is one that encourages employees to contribute to the decision making in an organisation. Participative leadership has to do with the leader encouraging conversation and sharing of information, knowledge, and ideas and making a choice of the best options by the leader in the process of decision making (Psychologia, 2021). The implementation of solutions in participative management involves giving feedback of the status quo to group members. Common characteristics of participative leadership include involving employee in decision making thereby giving them the impression that they are valued members of the organisation, boosting morale, and encouraging creativity (IMD, 2022).

Democratic Leadership Style and Corporate Performance

Studies that investigated the relationship between democratic leadership style and organisational performance include: Chua et al. (2018), Basit et al. (2017), Ukaidi (2016), Kalu and Okpokwasili (2018), Al Khajeh (2018), and Wachira et al. (2018). Chua et al. (2018) used a casual research design based on non-probability convenience sampling technique to study “leadership style and its impact on employee performance.” Two hundred and fifty middle management employees of Klang Valley, Malaysia were studied. Inferential statistics based on regression analysis produced the results of the study. It was reported that democratic leadership style had significant and positive impact on employee performance (β = .285, t = 4.862, p < .05). This gave indication of the role of democratic leadership style in improving the corporate image of the organisation. The recommendation of the study was that policies



should be formulated to encourage managers and employees to be part owners of the organisation. Non-probability convenience sampling technique used by the study portrayed inadequacy of the sample in representing the population of the employees.

Basit et al. (2017) studied the impact of leadership styles on the performance of employees of a private organisation in Selangor, Malaysia. Convenience sampling technique was used to study 100 employees of the organisation. Descriptive and inferential statistics were used for data analysis. The findings of the study indicated that democratic leadership style had positive impact on performance ( $\beta = .581, p < .01$ ). This indicated the potential of democratic leadership style to contribute to improving corporate image. The recommendation of the study was that organisation in Malaysia should adopt democratic leadership style for the purpose of enhancing their performance in the competitive business environment. Convenience sampling technique adopted by the study did not guarantee a representative sample.

Ukaidi (2016) used one way analysis of variance to study “the influence of leadership styles on organizational performance in Nigeria.” Three hundred and seventy teaching and non-teaching staff of two federal universities were studied and data were collected based on a five-point Likert scale that ranged from strongly agree, 5, to strongly disagree, 1. It was reported that the null hypothesis of the study that leadership style had no significant influence on organisational performance was rejected at 0.05 significance level [ $F(2,367) df = 10.534, p < .05$ ]. The recommendation of the study was that the studied institutions should adopt democratic leadership style because it contributed significantly to organisational performance. This indicated that democratic leadership style was a means of improving institutional image.

The study by Kalu and Okpokwasili (2018) investigated the “impact of democratic leadership style on job performance of subordinates in academic libraries in Port Harcourt, Rivers State, Nigeria.” A survey research design was used to study seventy four professional and para-profession staff working in the libraries. Data were collected for five statements on a four-point scale that ranged from strongly agree, 4, to strongly disagree, 1 and were analysed based on descriptive statistics. The results indicated that responses for four out of the five statements were above 2.5 critical value. It was reported that the results implied that democratic leadership style led to high performance of subordinates of academic libraries. This meant that it had potential to improve institutional image. The recommendation of the study encouraged library heads to adopt democratic leadership style by involving team members in decision making. However, there was need for future studies to adopt inferential statistics for data analysis in order to establish the effect of democratic leadership style on the image of the institution.

Wachira et al. (2018) studied the influence of democratic leadership style on the performance of state corporations in Kenya. The study used a cross-sectional research design to study 384 middle-level staff of twenty state commercial corporations. Positive relationship ( $r = .352, p < .05$ ) between democratic style and organisational performance was indicated. This implied a tendency of the application of democratic leadership style to result in increased corporate image. The recommendation of the study was that management of the state corporations should involve team members in decision making to generate ideas and contribute to evaluating alternatives so as to make the implementation of agreed decisions effective. There was need for future studies to use inferential statistics for data analysis in order to determine the effect of democratic leadership style on performance.

Olayisade and Awolusi (2021) studied the effect of leadership styles on the performance of 93 employees of the Nigerian oil and gas industry based on a survey design. Quantitative approach that used multiple regression analysis was adopted by the study. The results showed positive effect ( $\beta = .229, t = 2.114, p < .05$ ) of democratic leadership style on employees’ performance thereby indicating the potential of this leadership style to improve corporate image. The recommendation of the study was that future studies should incorporate other variables such as cultural differences and power distance to determine how they interrelate with leadership styles and employee productivity.

A study by Hassnain (2022) investigated impact of democratic leadership style on the performance and motivation of 192 public and private sector employees in Pakistan. The study was conducted based on a survey design. Data analysis was based on multiple regression technique. The results of the study indicated that democratic leadership style had positive impact on performance ( $\beta = .37, p < .01$ ). It was reported in the conclusion of the study that democratic leadership style increased employee efficiency. This gave indication that the employees were adding value to the organisations that enhanced their corporate images.

## METHODOLOGY

This study adopted a survey research design because sampled data were collected from a large population. Inferential statistics was adopted for data analysis. Simple regression analysis was the basis for testing the hypothesis of the study and reaching a conclusion.



The study was based on a population of 6,041 employees of seven manufacturing firms in the food and beverages industry in South-West, Nigeria comprising Lagos, Oyo, Ogun, Osun, Ondo, and Ekiti States. The population subjects were top management, middle-level management, and low-level workers. Slovin’s formula was used in computing the sample size of the study. Slovin’s formula provides sample size, n, for a known population size, N, and error margin, e (Sciencing, 2020). The formula is given by:

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

Where: n = sample size of a large target population

$$n = 6,041/[1 + 6,041(0.0025)] = 6,041/1 + 15.1025 = 6,041/16.1025 = 375$$

This study allowed 5 percent margin of error. The number of questionnaire distributed was 506. It was necessary to increase the number in order to guard against non-response (Taherdoost, 2017). However, data analysis was based on 75 percent response rate. The study adopted stratified sampling technique in classifying the employees into levels - top management, middle management, and low-level workers. Employees in each level had homogeneous characteristics and the sum of each level equals the sample size of the stratum. Simple random sampling was used to collect data from each level. The structured questionnaire for data collection contained construct items designed by the researcher. The questionnaire contained statements for democratic leadership style and statements for company performance. The dependent variable of this study is performance, defined by potential to increase market share, while the independent variable is autocratic leadership style. The variables were measured on a four-point Likert scale where: strongly disagree = 1, disagree = 2, agree = 3, and strongly agree = 4.

**RESULTS AND DISCUSSION**

**Table 1:** Democratic Leadership and Corporate Performance

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.047	1	48.047	75.048	.000 <sup>b</sup>
	Residual	240.080	375	.640		
	Total	288.127	376			

a. Dependent Variable: Corporate Performance

b. Predictors: (Constant), DL

**Source:** Author’s Computation, 2023

Table 1, ANOVA of democratic leadership style and corporate performance, indicates that the null hypothesis of this study is rejected [F(1,375) df = 75.048, p < 0.05]. This result leads to the conclusion that democratic leadership style has significant effect on the performance of the studied companies defined by their corporate images.

**Table 2:** Unstandardized and Standardized Coefficients of Democratic Leadership Regression Model

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.363	.119		11.442	.000
	DL	.422	.049	.408	8.663	.000

a. Dependent Variable: Y

**Source:** Author, 2023

Test of hypothesis for the value of the constant, shown in Table 2, is significant (t = 11.442, p < 0.05) and the coefficient of democratic leadership leadership style is also significant (t = 8.663, p < 0.05). Equation (1), Y = α + βDL + ε, can then be rewritten as:

$$Y = 1.363 + 0.422DL \dots\dots\dots (2)$$



where Y represents potential to improve corporate image, and DL represents democratic leadership style. Equation (2) indicates that democratic leadership style has positive effect on corporate image.

**Table 3:** Model Summary of the Effect of Democratic Leadership on Corporate Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.408 <sup>a</sup>	.167	.165	.80013	.167	75.048	1	375	.000

a. Predictors: (Constant), DL

**Source:** Author’s Computation, 2023

Table 3 shows the model summary of the effect of democratic leadership style on corporate performance. From the Table, it is shown that variation in democratic leadership style explained 16.7 percent variation in corporate performance, defined by potential to improve corporate image.

This study assessed how democratic leadership impacted on corporate performance, defined by potential to improve the corporate images of the studied companies. With regard to this objective, the study established that democratic leadership style had positive effects on the corporate images of the studied companies. Furthermore, 16.7 percent of the variation in corporate image, was explained by democratic leadership style. The implication of this finding is that corporate leadership in the food and beverages industry of South-West Nigeria should, as much as possible, place emphasis on collaborative decision making. Studies that reported similar findings compared to the findings of this study include: Chua et al. (2018), Basit et al. (2017), Wachira et al. (2018), and Olayisade and Awolusi (2021).

**CONCLUSION**

Democratic administration of affairs in the food and beverages companies in South-West, Nigeria produced positive effects on performance in relation to boosting their corporate images. This makes it necessary for the management of the organisations to encourage democratic leadership behaviour such as: superior assigning tasks and explaining future intentions to subordinates, giving subordinates opportunity to take part in decision making, assigning tasks without displaying authority, and empathising with subordinates. By providing a boost on the corporate images of the companies, democratic leadership had the potential to improve the competitiveness of the companies in the marketplace.

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