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# THE CHALLENGES OF ENTREPRENEURIAL LEADERSHIP IN NIGERIA

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## ABSTRACT

No organisation big or small, private or public can successfully survive the inadequacies of leadership, because it is the hub upon which all organisational activities rotate. This is the case especially in an entrepreneurial setup. No doubt the entrepreneurship, being as it may, is most vulnerable to defective leadership. This is because it is an endeavour where virtually every aspect of running the organisation rests on the leader. A study conducted indicates that more than 45% of the entrepreneurial failure was a result of leadership problem. The complexities, unpredictability and difficulty of the human nature pose greater challenges to leadership in any set up, this is more aggravated by a situation where the leader gives one-on-one directives to the subordinates. The paper is descriptive aimed at excavating the internal and external challenges of leadership in an entrepreneurial set up, as well as proposes better ways of averting these internal and external problems.

**KEYWORDS:** challenges, entrepreneurship, leadership

## INTRODUCTION

The success of any enterprise is determined by the quality of its leadership (Emmanuel 2011:218). The accomplishment of every organisational goal, in most cases, becomes easier where there is a leader or team of leaders who can make the employees put in their best without requiring any form of supervision. Leadership is a crucial aspect of administration, invariably indicating that the challenge of leadership is a challenge to the entire organisation. Nigeria as a multicultural society is faced with a lot of leadership problems whether at the organisation or national level. While the national level leadership is made of the politicians most of the organisational level leadership is made of entrepreneurs. Nwachukwu (2005:87) asserts that "entrepreneur in any organisation is the leader. He assumes the duties of the chief executive which include planning, organising, coordinating and control. Virtually, it is on him that the success or failure of the organisation depends. He is responsible for the identification, formulation, implementation, and evaluation of organisational strategies, as well as the determination of organisational policies, with his enormous tasks so also the enormous challenges".

## THEORETICAL FRAMEWORK

Iyayi (2005:202) posits that “it is becoming clearer as the minutes, hours, days weeks and years roll by that leadership competence and effectiveness hold the key to the future of economic growth and development in Nigeria and the third world at large”. The political and economic crises that have bedevilled most parts of the world be them the family circles, states or countries can simply be summed up as crises of leadership. For any system to survive and thrive into the future, the leadership must be right.

## CONCEPT OF LEADERSHIP

Hartzell (2006:233) asserts that “leadership is a widely applied term which usually refers to the personality characteristics and behaviours of people with authority, influence and responsibility for leading groups. The term is also used to refer to the group of people officially responsible for running an organisation.” Leadership functions embraces those activities related to supervision, leading and motivating personnel so that they will perform their tasks in desired ways.

The function entails human communication, person-to-person relationships and the use of incentives or penalties to motivate people in desired directions. Hoselitz in Badi (2010:42) asserts that entrepreneurship needs managerial skills and leadership qualities.

He further identifies business leaders in three categories:

- Merchant Money Lenders – Market oriented
- Manager – Authority oriented
- Entrepreneurs – Market, authority and production oriented.

From the above it may be seen that entrepreneurs are merchant money lenders, plus manager and in addition takes risks of innovation and new product uncertainties. Abbas (2012:334) states that “leadership involves accomplishing goals with and through people”. Furthermore, leadership could be viewed as the ability to influence followers to achieve an organisational goal in as painless manner as possible. Through eliciting in the follower-ship a high sense of commitment, integrity, honesty, accountability and freedom of dissent. A leader in his attempt to achieve success must, therefore, be people and task focus. The hallmark of the effective leader lies in the delicate balancing of task and human relation practice.

From the foregoing, leadership could be seen to be the exercise of power and authority in mobilising resources and influencing the behaviour of the followers to move towards a chosen direction and to achieve the desired objectives and goals of the organisation. A leader, therefore, is one who has followers. He does the right thing and applies more strategy and styles than skills. The major functions of the leader are influencing followers to follow directions and produce results. There are different theories of leadership. The background to the differences was established in the early part of the last century in the differences between scientific management and human relations theory. Tasks centred and people centred leadership styles formed the polar ends around which literature on leadership theories oscillated

depending on the swinging of the pendulum. However, there have been three rather dominant leadership theories:

**Trait:** Theory of leadership, which held sway until the mid-1940s, centred on a fundamental assumption that there was certain personal characteristics that were essential for effective leadership (leaders are born not made i.e. the personal qualities must be there for a successful leadership). McCall and Lambardo in Iyayi (2005:191) states that “leaders who failed in the performance of their leadership function exhibit one or more of the ten traits which they call ‘fatal flaws’”. The traits were identified as:

“1)Insensitive to others, abrasive, intimidating, bullying style; 2)Cold, aloof, arrogant; 3)Betrayal of trust; 4)Overtly ambitious, thinking of next job, playing politics; 5)Specific performance problems with the business; 6)Over leading – unable to delegate or build team; 7)Unable to staff effectively; 8)Unable to think strategically; 9)Unable to adopt to boss with different styles; 10) Over dependant on advocate or mentor”.

The support of the theory focuses on the adverse traits, which cannot allow the success of leadership. On the other hand, Kirkpatrick, in the same Iyayi (2005:192) proffers the leadership traits that matter in the success of a leader, they are:

“Honesty and integrity; Cognitive ability; Achievement, ambitious ,bravery, tenacity, initiative; Ability to motivate (personalise versus socialised);Self confidence including emotional stability; Knowledge of the business; Charisma, creativity/original, flexibility.”

## BEHAVIOURAL THEORY OF LEADERSHIP

Research findings by Lewis, Lippit and White advocate a continuum theory of leadership by identifying three basic styles of leadership. At the extremes, there is the autocrat and laissez faire and in-between the democratic leader. The autocratic leader is distrustful of group members, believes in carrot and stick theory of motivation. At the other extreme of the continuum is the laissez faire leader bereft of self confidence in leadership ability, sets no goal for the group, and abhors communication and group interaction. This is a leader who leaves achievement to chance. While the democratic leader occupies the middle of the spectrum believes in group decisions, take the group into confidence and objectively celebrate the group's achievement and apportioned blame as a corrective measure.

**Attitudinal leadership theory** centres mainly on attitudinal tendencies of leadership which could either be concerned for task or concerned for the people.

**Contingency/Situational Leadership Theory.** This holds that leadership is a function of situation i.e. the situation determine the nature and success of a leader.

Despite all that has been and is still being said about leadership, it would appear that there is no quick fixed notion of this concept, which makes it virtually intractable. However, recognising and

understanding the importance of leadership means understanding the work of leadership. This include empowering people, visionary, problem solving, creativity and the ability to motivate the follower-ship towards the shared vision.

Undertaking this work requires four key qualities in a leader as follows:

1. Providing purpose, direction and meaning;
2. Building trust;
3. Providing optimism;
4. Focusing on action and results.

Modern thinkers on leadership would appear to zero in on flexibility as one of the key qualities that leaders have. Peters, in Iyayi (2005:201) states that “today’s successful business leaders are those who are most flexible of mind, possess the as ability to embrace new ideas routinely challenge old ones and live with the paradox will be of effective leaders’ premier trait”.

## THE CONCEPT OF ENTREPRENEURSHIP

The entrepreneur is an important future in capitalist societies. A key element in capitalism is the undertaking of activities in the expectation that it will yield gain in the future. Because the future is unknown, the risk of loss or gain abound. Peter Drucker in Awe (2010:1) posits that “an entrepreneur is a person who searches for change, who responds to the change and who emphasises the change as an opportunity. He thus, sees entrepreneur as someone who is proactive, unassuming and ready to move at the slightest opportunity, who pursue the opportunity and who brings together all other factors of production to make profit”. The entrepreneur is therefore, an individual who perceives needs, conceives goods or services to satisfy the needs and organises the factors of production. The role he performs is called the entrepreneurial functions and the process is called entrepreneurship. He originates a new business venture and organises it to achieve his objectives. Cole in Awe (2010:3) states that “entrepreneurship is the purposeful activity (including an integrated sequence of decisions) of an individual or group of associated individuals undertaking to initiate, maintain, or aggrandise a profit oriented business for the production or distribution of economic goods and services. Thus, the activities of the entrepreneur or the process of being entrepreneurial is called entrepreneurship.

Singal (2009:4) posits that “entrepreneurs are people who have the ability to see and evaluate business opportunities gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success. Entrepreneurs are action oriented, highly motivated individuals who take risks to achieve goal.

An entrepreneur, therefore, initiates and establishes an economic activity or enterprise for the development of wealth in the society. He would certainly be different from non-entrepreneur in terms of his psychological and social disposition. Entrepreneurs by and large have been found to be people with a high drive and high activity level, constantly struggling to achieve something which they could call as their own accomplishment.

### Entrepreneurial Qualities

Factors that make for a successful entrepreneur have been extensively researched in the more advanced countries because of their belief that most economic systems need successful business. McCalland in Nwachukwu (2005:4) in his study observes that entrepreneurs are most likely to do well if they have certain characteristics. Table 1 below illustrates these factors.

**TABLE 1: Characteristics common amongst entrepreneurs**

|                            |                    |                  |
|----------------------------|--------------------|------------------|
| 1. Reasonable risk takers; | 2. Self-confident; | 3. Hard workers; |
| 4. Goal setters;           | 5. Accountable;    | 6. Innovative.   |

Source: own construct from literature review

Studies of the factors that distinguish entrepreneur from salaried managers are many. These studies have identified very many traits, the most commonly cited of which are perception, boldness, persistence, persuasion and ethics. In summary, the following list of characteristics (table 2) provide a working profile of entrepreneurs.

**TABLE 2: The working profile of entrepreneurs**

| CHARACTERISTICS        | TRAITS  |
|------------------------|---|
| <b>Self-confidence</b> | Confidence, independence, individuality, optimism.  |
|                        | Need for achievement, profit orientation, persistence, perseverance, determination, hard work, drive, energy, possession of initiative. |
| <b>Risk-taking</b>     | Risk-taking ability, liking for challenges.   |
| <b>Leadership</b>      | Leadership behaviour, ability to get along well with others, responsiveness to suggestions and criticism.                               |
| <b>Originality</b>     | Innovativeness, creativity, flexibility (openness of mind), resourcefulness, versatility, knowledge.                                    |
| <b>Future</b>          | Foresight, perceptiveness.  |

Source: Nwachukwu (2005:7)

### CHALLENGES OF ENTREPRENEURIAL LEADERSHIP

The entrepreneur in Nigeria does not only have to perform the functions carried out by other industrial leaders, but he has added responsibilities made necessary because of some unique environmental circumstances. A typical Nigerian entrepreneur is a 'key starter' who has had only a limited number of years of gainful experience on the job. Factors such as luck, chance, connections and academic preparation must have, in the main, influenced his decisions to become self-employed. Unlike in the more advanced countries, he does not usually have an adequate number of qualified staff to help him execute his functions effectively. He constantly

battles with the challenge of skilled manpower inadequacy. Sometimes he does not have the skills that he requires to be competitive and does not have the money to hire qualified staff. He has to make do with whatever manpower he is capable of recruiting. As one Nigerian entrepreneur has put it, "it is very agonising to know that an employee you have just recruited is not the best qualified for the job, yet you have to work with, and delegate authority and responsibilities to him".

The Nigerian entrepreneur indeed has to battle with an array of environmental challenges, some of which are taken for granted in the more advanced countries. Lack of basic infrastructural facilities such as electricity, water, and good roads, constitute a part of his major managerial challenges. If his standby electric generating plant fails, production could be adversely affected, while repairs may take many days to carryout either because of lack of spare parts, or of qualified personnel to effect the repairs. In some cases, it could be a challenge of internal communication system or even a central air conditioner that failed and he has to wait for a competent technician to be flown from overseas. The mental torture that the entrepreneur goes through, the loss from idle manpower and the attendant frustration this causes to employees cannot easily be quantified in terms of money. The challenges are across the business spheres of Nigerian environment i.e. manufacturing, retail or service industries as contained in table 3 below.

**TABLE 3: Challenges to sustainable entrepreneurship in Nigeria**

| BUSINESS             | FINANCIAL PROBLEMS |      | EXPATRIATE COMPETITION |      | NIGERIAN COMPETITION |      | MANAGEMENT PROBLEMS |      | LACK OF TECHNOLOGY |      | OTHERS |     | TOTAL |     |
|----------------------|--------------------|------|------------------------|------|----------------------|------|---------------------|------|--------------------|------|--------|-----|-------|-----|
|                      | No                 | %    | No                     | %    | No                   | %    | No                  | %    | No                 | %    | No     | %   | No    | %   |
| <b>Manufacturing</b> | 8                  | 17.3 | 4                      | 8.4  | 1                    | 2.2  | 18                  | 40   | 14                 | 32.1 | 0      | 0   | 45    | 100 |
| <b>Retail Trade</b>  | 16                 | 22.9 | 23                     | 32.3 | 18                   | 26.7 | 10                  | 14.3 | 2                  | 2.4  | 1      | 1.4 | 70    | 100 |
| <b>Services</b>      | 10                 | 16.7 | 10                     | 16.7 | 5                    | 8.2  | 25                  | 41.7 | 10                 | 16.7 | 0      | 0   | 60    | 100 |

Source: Nwachukwu (2005:20)

From the table, in the more advanced countries, the challenge of managerial know-how does not constitute such a bottleneck as it does in Nigeria. The challenges associated with availability of raw materials are very telling on most entrepreneurs, especially on those engaged in the production of high import-content goods such as electronic products. Indeed, many production oriented enterprises in Nigeria were established as assembling plants and the raw materials are expected to be imported from Europe or the USA. This is particularly true of electronic goods, motor vehicles, paint, chemicals, pharmaceuticals, tyres, and many others.

Inadequate statistics continue to pose a serious challenge not only to policy formulation but also to the effective evaluation of the impact of policy measures on the economy. This is a serious challenge which requires national attention as business forecast cannot be meaningful without reliable statistics from the public and private sectors. Nwachukwu (2005:90) posits that: "Many companies in Nigeria are operating below their installed production capacity. In



fact, the average capacity utilisation in Nigeria in 1985 was found to be 42.7 per cent. In some industries – paints, and chemicals, the range was from 1-20% in that period. Even at this level of production, the entrepreneur is expected to make a reasonable profit and be sensitive to his social responsibilities.”

These the entrepreneur has to do in the face of changing technology, unpredictable government policies, changing economic conditions, and the apparent preference of consumers for imported products. Incidentally, a change in any one of these factors tends to affect the other. Thus, it becomes one of the crucial functions of the Nigerian entrepreneur to recognise the interrelationship that exists between these factors and develop a balanced and integrated course of action, establish priorities, and ensure that he receives a reasonable return on his investments.

Closely allied to the challenge of sourcing of raw materials is the issue of engaging in forward and backward integration. Unlike entrepreneurs in the more advanced countries where division of labour is institutionalised, the manufacturer in Nigeria has to engage in raw material production, processing and refining, and eventual utilisation for the production of those goods – which is the primary aim of the enterprise. Some executives have to first of all engage in basic research, then applied research, development and manufacturing. This has been the case for industries such as flour mill, breweries and soft drink bottling companies. All these demand new investment and the procurement of the necessary inputs – (human and material resources) and the attendant possible consumer rejection in the face of stiff competition and changes in consumer’s tastes.

The high rate of inflation in Nigeria at a time when there is general economic stagnation creates a new set of challenges for the Nigerian entrepreneur. One of these was the massive lay-off of workers. In 1985 alone, it was reported that the number of retrenched workers was over 1,000,634. Unemployment therefore become more serious as fresh primary, secondary, and post-secondary school graduates swelled the labour market. The entrepreneur was also saddled with the challenges of reduction in demand and the payment of benefits to retrenched workers. It must be pointed out that most of the enterprises which had to retrench workers had no special funds set apart for the payment of the benefits of retiring and retrenched workers.

## CONCLUSION

From the foregoing discussions one will appreciate the tremendous pressures and frustrations that are being borne by our entrepreneurs. It is not a job for those who depend mainly on luck, circumstances or connections. The entrepreneur’s job in Nigeria demands a good measure of academic preparation, the acquisition of relevant skills, many years of acquiring meaningful experience at the management level, and a very strong desire to succeed in the face of all these problems.

## RECOMMENDATIONS

The Nigerian government has a lot to contribute in the neutralisation of the various entrepreneurial challenges. These include corruption, unnecessary bureaucracy, absent of the

rule of law, lack of infrastructural facilities (power, good road networks, communication, and portable water) to mention but a few. In fact, more than 70 per cent of the challenges could be overcome by appropriate government actions.

Nigeria has the resources both physical and human, but until they are well coordinated and harnessed, success would not be achieved. The partnership of governments and private indigenous businessmen would create enterprises for the efficient development of entrepreneurs. This is especially important because different studies conducted by the National Manpower Board indicates that Nigerian managers do not have the necessary experience. The optimistic outlook that we have for Nigerian entrepreneurs, however, is based on the availability of university graduates in the appropriate disciplines. The recruitment of raw university graduates with no prior job experience will not immediately solve the problem. Graduates need a training ground and none could be more ideal than the one advocated here. Thus, the recruitment of these university graduates makes on-the-job training necessary.

The entrepreneur has to monitor government policies as they change from time to time to reflect economic realities. The challenge of entrepreneurial leadership call for strategic thinking, building of scenarios and developing capacity for rapid, adaptive response based on a broad range of leadership strategies, rather than long range planning in Nigeria where the equation of change has assumed an exponential growth. To cope effectively with challenges, the entrepreneur/ leadership has to imbibe the culture of continuous learning and continuous training and re-training of the labour force so that the response and adaptive tools may remain constantly sharpened.

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