



**LEADERSHIP STYLE AND PERFORMANCE OF STATE CORPORATIONS OF KENYA**

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### ABSTRACT

*In contemporary situations, both public and private institutions need transactional or transformational leadership for efficient performance. Leaders and their subordinates are connected by the level of performance. The research objective was to determine the relationship between leadership style and performance in the State corporations in Kenya. In this study various leadership theories like transformational, transactional and situational were adopted. The study was embedded on the positivist orientation and descriptive technique. The unit of analysis was 178 state corporations in Kenya corporations spread across the twenty ministries. Inferential statistical tests were conducted at 95 percent level of confidence to establish the relationship among the variables. The study concluded that there is a significant influence of leadership style on performance. The findings suggested that leaders played a great role in influencing performance of state departments, implying the role of leaders being able to diagnose the fellow employees' wishes, needs, values and abilities in the right way. The study further concluded that properly managed teamwork maximizes strengths, bringing out the best in each employee. These specific, possibly unique individual strengths are then complimented by the strengths of others, or of the team as a unit. Additionally, working as a team involves active discussion, giving room for brainstorming and open communication leading to better performance. Leaders should create a culture where proper organizational planning can take place. This would encourage everyone feel part of the decision making process, and also feel valued by knowing that their views and contributions are considered by management. Additionally, management should ensure that they support employees as they try new approaches and develop innovative ways of dealing with organizational issues. Leaders are crucial in motivating and helping their employees to be competitive and committed to the achievement of organizational goals and objectives by use of effective leadership styles hence effectiveness of leadership in an organization should be enhanced to increase employee satisfaction, which in turn influences profitability, and hence better performance of the organization. Management should provide a leadership role in ensuring that all the stakeholders are committed towards implementing the strategic plan.*

**Key Words:** Leadership Style, Firm Performance, State Corporations in Kenya

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## INTRODUCTION

According to Kumar (2014) leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. Sundi (2013) defines leadership as the ability to convince and mobilize others to work together as a team under his leadership to achieve a certain goal. Menon (2014) defines leadership as the process by which an individual influences the thoughts, attitudes, and behaviours of others by taking responsibility for setting the direction for the firm, so that others see and visualize what lies ahead and figure out how to achieve it. This study will adopt the definition by Menon since it liberates on the behavioural and mechanistic-based influence of an individual on others.

Du, Swaen, Lindgreen and Sen (2013) identify the two leadership styles that managers should possess, as transformational and transactional styles. More so, current leadership theories have categorized leadership behaviours into two major styles: transactional leadership and transformational leadership (Men & Stacks, 2013). Transactional leadership focuses on results, conforms to the existing structure of an organization and measures success according to that organization's system of rewards and penalties (Spahr, 2015). Transformational leadership is a leadership style in which leaders encourage, inspire and motivate employees to innovate and create change that will help grow and shape the future success of the company. This is accomplished by setting an example at the executive level through a strong sense of corporate culture, employee ownership and independence in the workplace (Sarah, 2018). It is in view of these studies that the transactional and transformational styles of leadership have been chosen to form the basis for this research study.

In contemporary situations, both public and private institutions need transactional or transformational leadership for efficient performance. Leaders and their subordinates are connected by the level of performance (Bass, Avolio, Jung & Berson, 2012).

On the part of the employees, their undaunted efforts, diligence and efficiency leading to the desired objectives, are the replica of various leadership styles (Iqbal, Anwar & Haider, 2015). The absence of quality leadership style in an organizational setting has been found to negatively affect performance. This leads to stagnation in organizational operations, which culminates into the inability to achieve set objectives. In today's globalized world, with organizations coping with rapidly changing environments, leaders face a new reality.

Kenya is no exception as it still exhibits a continuous struggle to achieve corporate success. This is largely because most organizations have been less successful in their leadership, consequently culminating into dismal performance. This study is anchored on the theory of Organizational Excellence (Peters & Waterman, 1999), Transformational Leadership Theory (Burns, 1978), Social Exchange Theory (Homans, 1974) and Stakeholder Theory (Freeman, 1984). Organizational performance is an indication of how well the organization has served the various stakeholders (Freeman & Ehrhardt, 2012).

Most of studies done are based on different contexts other than the State corporations in Kenya (Kariuki, 2015; Kibuchi, 2012). Due to the gaps identified in previous research and lack of consensus in findings from previous studies, the relationship between leadership style and performance in the State corporations in Kenya is therefore open to further scrutiny as to how they relate with other variables and the effect of this relationship.

## MATERIALS

Several theories exist that shows the inherent connection between leadership style and performance. In this study various leadership theories like transformational, transactional and situational theories have been developed in the past decades (Yukl, 2012). Northouse (2016) summarized that "leadership has been conceived as

the focus of group process, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviors, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as initiation of structure, and as many combinations of these definitions." Yukl (2012) defines leadership as "the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives." This definition reflects not only the specialized role of a leader, but also the social influence process of leadership. For the varied existing definitions, leadership theories can be categorized into two groups (Northouse, 2016): The first group focuses on the characteristics or behaviors of leaders and followers as well as the situation of leadership, such as "trait" and "style", "contingency" theory; whereas the second group focuses on the interaction and the relationship between leaders and followers, such as "leader-member exchange theory", "transactional" and "transformational" leadership theories. Full range leadership theory, categorized in the second group, has received a great deal of attention by researchers during the last decades, and it has become popular in practices (Anderson & Sun, 2017).

A transactional leader on the other hand develops structures, which could be used by staff members and other stakeholders to execute their duties. Such duties are evaluated on their effectiveness and the employees responsible are either rewarded or punished based on their performance. A transformational leader applies leadership skills in developing trust and confidence among their employees and motivates them towards adopting new policies and procedures. Transformational leaders must show integrity in their leadership. They develop and inspire robust visions for the organization. A transformational leader must be able to motivate their employees towards

achievement of goals and objectives. Such leaders build stronger and successful teams (Northouse, 2016). This theory highlights the various types of leadership styles for different situations. This theory assists the researcher in evaluating whether there is any link between the leadership styles and performance.

Franklin (2016) examined the impact of leadership styles on the motivation of US Teachers. The purpose of this quantitative causal comparative study was to examine teachers' preferences regarding school administrators' leadership styles and gauge whether differences exist among U.S. teachers working in the United States and internationally. Herzberg's two-factor theory as well as full range leadership theory was used to quantitatively explore the relationship between leadership styles and motivational factors. The sample included American teachers from the United States (n = 128) and American teachers teaching internationally (n = 115). Multiple linear regressions and a MANOVA were used to analyze data, revealing a significant relationship between leadership styles and motivational factors among international teachers, and no significant differences in leadership styles and motivational factors between domestic and international teachers.

The study done by Kissi, et al. (2012) among 350 portfolio project managers in the United Kingdom to determine the influence of transformational leadership style on performance of projects, found that transformative style of selected managers had a positive relationship to the performance of projects. The results were consistent with the findings of the study carried out by Keller (1992), which showed positive relationships of transformational style to the performance of project factors of time, cost, quality, and client satisfaction. However, the data was only collected from project managers working in the same organization, thus rendering it unsuitable to simplify the findings to the entire sector. The current study will collect data from the Cabinet

Secretaries, Principle Secretaries, Administrators, Directors, and Deputy Directors since they are the visionary, strategy and policy level individuals. The study will also include moderating and mediating variables.

The Tabassi and Bakar (2010) study conducted among 220 respondents in contracting firms to establish a relationship between leadership style and project implementation in the Iranian construction industry found transformational leadership style as most preferred in the Iranian construction sector. The study was done in large construction companies and its findings were not consistent with Becker and Huselid's (1998) suggestion that project managers tend to have high relationship behavioural characteristics when the task given is less intricate. Furthermore, the study was conducted among project contractors leaving out the project personnel perspective. A study by Ojokuku, Odetayo and Sajuyigbe (2012) revealed that there is a strong relationship between leadership style and organizational performance. The study covered twenty (20) randomly selected banks in the Lagos Metropolis, Lagos State, Nigeria. The study investigated the effect of leadership style on organizational performance in Nigerian banks. On the basis of the findings of this study, it can be concluded that leadership style has both positive and negative effects on organizational performance. The current study will include the moderating and mediating variable in assessing the relationship between leadership style and performance.

Liphadzi, Aigbavboa and Thwala (2015) examined the influence of leadership styles on the performance of projects. The study was conducted among 110 respondents comprising construction managers in the constructions industry of the South African region. The relationship between transformational leadership style and performance of projects was higher than other leadership styles though transactional and democratic styles had a

significant relationship on the performance of projects. The same study found no significant influence of Laissez-faire and autocratic styles on construction performance of projects. This study, however, will only target strategy and policy managers in the State Departments and will not include low-level management and hence may be subject to single source bias. The current study will introduce moderating and mediating variable in assessing the relationship between leadership style and performance.

Kariuki (2015) assessed the influence of leadership style, team commitment, and project characteristics on project implementation. The study was conducted among project managers and project team members from 102 Water and Sanitation projects in Kenya. The study findings showed that transactional leadership style accounted for 12 percent variance in project time performance and therefore the study encourages adoption of transformational leadership style, which has the tendency to lead to higher level of project performance. The results were consistent with findings of Kibuchi (2012) that found a significant relationship between human psychological factors and the performance of projects in Housing Construction Projects in Kenya. This study only looked at transformational leadership style. The current study will look at various types of leadership styles.

## **METHODOLOGY**

The study was embedded on the positivist orientation since only facts and data gained through observation and measurement was used to empirically and objectively analyze the relationships existing among the variables in question and the hypothesis drawn from the theories. Descriptive technique was used to gather information that was doing on about the subject of study at a given period of time. The unit of analysis was 178 state corporations in Kenya corporations spread across the twenty ministries.

**Table 1: Population Distribution**

S/No	State Corporation Category	Corporations
1	Financial	18
2	Commercial & Manufacturing	34
3	Public Universities	32
4	Training and Research	14
5	Service Corporations	26
6	Regional Development	12
7	Tertiary Education & Training	11
8	Regulatory	31
	<b>Total</b>	<b>178</b>

Primary data was collected with the help of research assistants by drop and pick method through administering structured questionnaire that comprised of closed and open-ended questions designed in line with the research objectives, hypothesis, empirical literature and theories. Inferential statistical tests were conducted at 95 percent level of confidence to establish the relationship among the variables. This included Person's product moment coefficient correlation ( $r$ ) and simple linear regression.

## RESULTS AND DISCUSSION

The researcher distributed 282 questionnaires, out of which 250 responded positively by filling and returning the questionnaires. This represented an overall positive response rate of 88.65%. The remaining 11.35% were unresponsive even after several follow-ups and reminders. The objective sought to determine the effect of leadership style on performance of State Corporation in Kenya. Leadership style and performance required respondents to rate the extent to which given statements matched their perception in the specified areas using a Likert type scale of 1 to 5, with 1 representing 'strongly disagree' and 5 representing 'strongly agree'. This objective was tested for through this hypothesis.  $H_0$ : There is no significant effect of leadership style on performance of State Corporations of Kenya; the relevant results were presented in Table 2.

**Table 2: Regression Results from the Test of the Effect of Leadership on Performance**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.675 <sup>a</sup>	.456	.454	.46775		
a. Predictors: (Constant), Leadership style						
ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	45.537	1	45.537	208.132	.000 <sup>b</sup>
	Residual	54.259	248	.219		
	Total	99.796	249			
a. Dependent Variable: Performance						
a. Predictors: (Constant), Leadership style						
Coefficients						
Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.864	.168		5.15	.000
	Leadership style	.681	.047	.675	14.427	.000
a. Dependent Variable: Performance						

The results in Table 2 indicated that there is a strong association between Leadership style and performance ( $R=.675$ ). The coefficient of determination  $R^2 = .456$  implied that leadership style explained 45.6% of the variation in performance. The other variables not included in this study explained the remaining 45.6%. This result showed a strong influence of leadership style and performance. The overall model was statistically significant ( $F = 208.132$ ,  $P\text{-value} < 0.05$ ). The results of the beta coefficient showed that a unit increase in leadership style will cause a .675 increase in performance ( $B=.681$ ,  $t=14.427$ ,  $p<0.05$ ) suggesting that the influence of leadership style on state department performance was statistically significant. This implied that, overall, leadership style is a good predictor of performance. The findings thus were sufficient to reject the hypothesis. *This implied that leadership style significantly influences performance and therefore the hypothesis that there is no significant effect of leadership style on performance of State Corporations in Kenya was rejected.*

This was guided by the following model;  $Y = \alpha_0 + \beta_1 X_1 + e$

Where:  $Y$  = Performance

$X_1$  = Leadership style

$e$  = Error term

$\beta$  = the beta coefficients of independent variables

After the regression analysis results, the model became  $Y = .864 + .681X_1$

## CONCLUSIONS AND RECOMMENDATIONS

The study concluded that there is a significant influence of leadership style on performance. The findings suggested that leaders played a great role in influencing performance of state departments, implying the role of leaders being able to diagnose the fellow employees' wishes, needs, values and abilities in the right way. By acting in this manner transformational leaders are able to create a two way communication of responsibility and recognition, boosting employees' attitude hence

better organizational performance. The findings of this study concur with Enayat, (2013) that a leader with high inspirational motivation demonstrates enthusiasm, optimism, emphasize commitment as a shared goal and act as a figure that inspires and motivates the followers to appropriate behaviour and teamwork. Additionally, Transformational leaders reflect their awareness of teamwork and readiness to learn on the help of others. The leader creates functioning teams to a level which insures complete equality.

The study further concluded that properly managed, teamwork maximizes strengths, bringing out the best in each employee. These specific, possibly unique individual strengths are then complimented by the strengths of others, or of the team as a unit. Additionally, working as a team involves active discussion, giving room for brainstorming and open communication leading to better performance. Leaders should create a culture where proper organizational planning can take place. This would encourage everyone feel part of the decision making process, and also feel valued by knowing that their views and contributions are considered by management. Additionally, management should ensure that they support employees as they try new approaches and develop innovative ways of dealing with organizational issues. These attributes stimulates job satisfaction among the employees and hence organizational performance. Leaders are crucial in motivating and helping their employees to be competitive and committed to the achievement of organizational goals and objectives by use of effective leadership styles hence effectiveness of leadership in an organization should be enhanced to increase employee satisfaction, which in turn influences profitability, and hence better performance of the organization. Management should provide a leadership role in ensuring that all the stakeholders are committed towards implementing the strategic plan. Top managers should undergo executive capacity building sessions to realization that their

corporate objectives are easily attained through team work and not through strict supervision and instructions like autocratic leadership. This can be

done through organization leadership by converted barriers to encouraging teamwork and winning support from all the staff concerned.

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