

STRATEGIC LEADERSHIP AND PERFORMANCE OF MANUFACTURING FIRMS IN KENYA

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**A research project submitted in partial fulfillment of the requirements for the
award of degree of Master of Business Administration (MBA), University of
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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This project is dedicated to my parents for their passionate love for education, and to my family for their love, inspiration, understanding and prayers towards the successful completion of this course.

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LIST OF ABBREVIATIONS AND ACRONYMS

KAM,	Kenya Association of Manufacturers
CEO,	Chief Executive Officer
CG,	Corporate Governance
COO,	Chief Operating Officer
GDP,	Gross Domestic Product
KPI,	Key Performance Indicators
MD,	Managing Director
ROA,	Return On Assets
ROI,	Return On Investment
ROE,	Return On Equity
ROS,	Return On Sale

ABSTRACT

Proper strategic leadership is precursory for effective strategy formulation, implementation and control especially in the current highly volatile business environment. However, locally, there is dearth of empirical findings on how strategic leadership affects performance of organizations. Thus, this study increased this knowledge by answering the question: what is the relationship between strategic leadership and performance of manufacturing firms in Kenya? Cross sectional survey design was adopted for the study on a target population of the 700 manufacturing firms in Kenya which are registered with Kenya Association of Manufacturers (KAM). A sample of 70 firms was selected using stratified sampling technique. Semi-structured questionnaire design was used as the research instrument. Descriptive statistics (frequencies, percentages, mean and standard deviation) was used in the analysis. Pearson correlation analysis was also conducted at 95% confidence level ($\alpha = .05$) to determine the significance of the relationship between strategic leadership and performance of the firms. The study findings revealed that strategic leadership attributes that are profound within the manufacturing firms included exploitation, maintenance and alignment of core competencies with strategic objectives. The leadership also focused, encouraged and put pressure on employees to contribute to organizational goals. The leadership further nurtured culture that fosters positive performance besides developing human and social capital. It concluded that strategic leadership is highly correlated with performance. The study recommended that strategic leadership should align reward schemes with performance and encourage interpersonal relationship among employees. Firms' boards should also encourage empirically sound leadership within firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In the 21st century, strategic leadership in corporate environments has become critical for all medium and large organisations and is increasingly becoming a matter of enormous public attention and concern. Today's corporate leaders face the task of developing and articulating what the company is planning to accomplish and putting in place relevant and adequate measures in order to ensure sustainability of the company's goals and fulfilment of its vision and mission (Calder, 2008). On their contribution, Kaplan and Norton (2006) observed that in today's competitive business environment, where the values and importance of intellectual assets are significant, top leadership must be seen to exercise good leadership practices. In particular, modern management tools such as, code of corporate governance, use of hedging derivatives, embracing regulatory laws and use of balanced score card will go hand in hand in ensuring high performance and mitigation of risks that are likely to affect the organisation's operations.

Essentially, leadership, and specifically strategic leadership is widely described as one of key drivers that have performance influence over organisations through strategic decision-making, determining organisational structure and managing the organisational process. Effective leadership in an organisation is evident in direct action, decisions and behaviours (Day & Lord, 1988). However, lack of it by the top managers of the organisation has been identified as one of the major barriers to corporate success.

A leader can be likened to a rudder, which gives direction to the ship. A leader oversees and regulates the overall functioning of an organisation. In order for their organisations to perform well, leaders should have an innovative vision that will move the organisation in the right perspective and direction (Dessler, 1994). Therefore, an ideal leader should have strong perceptual resources such as intelligence and knowledge (Fiedler & Garcia, 1987). Moreover, a leader with good perceptual resources would contribute to higher performance.

Kenya has a large manufacturing sector serving both the local market and exports to the east african region. The sector has both subsidiaries of multinational corporations and locally owned and franchised firms around the region. Manufacturing firms are business entities that participate in the production process of a nation and are critical members of the economy. Therefore, their survival and success requires a sustained focus on critical issues such as policy advocacy, business services, networking and coalitions locally, regionally and globally. Their leadership toward this goal is therefore, paramount (Mwirigi, 2007).

1.1.1 The concept of strategic leadership

Strategic leadership is the ability to anticipate, envision, maintain flexibility and empower others to create the needed strategic changes (Finkelstein, Hambrick & Cannella, 2008). Strategic leadership is multifunctional, involves managing through others and assists in the processes required to ensure that organisations cope with change that seem to be increasing exponentially in the current globalised business environment (Huey, 1994). In corporate set-ups, strategic leadership practices rests at the top, in particular, with the Chief Executive Officer (CEO), the board of directors and senior management officers (Kimutai, 2009). Regardless of their title and organisation's function, strategic leadership has substantial decision-making responsibilities that cannot be delegated. Indeed, strategies cannot be formulated and implemented to achieve above average returns without strategic leadership (Finkelstein et al, 2008). In this regard, since strategic leadership is a requirement for an organisation's success, firms competing in the 21st century competitive landscape must embrace good corporate governance practices in their leadership (Davis, 2002).

Finkelstein et al (2008) state that, the success or failure of any organisation rests on its leadership. Corporations collapse if the leadership suffers from the weaknesses such as failure to sell its vision to its followers; the inability to respond or identify threats; overestimating their ability to control the firm's external environment; having no boundary between their interests and those of the company; a belief that they can answer all questions, eliminating all those who disagree with them; and underestimating obstacles and relying on what worked in the past.

In order to attain and sustain superior corporate performance and win stakeholder confidence, strategic leadership must guide the firm in ways that result in the formation of strategic intent and mission. The primary priority of any leadership is to develop their peoples' full potential. As such, the role of leadership should be to transform the work place into a place of realized genius (Sharma, 2007). When the leadership dedicates itself to liberate rather than stifle the talents of the people it leads, it reaps quantum results in terms of loyalty, productivity, creativity and devotion to the organisation's compelling cause. This guidance may lead to goals that stretch everyone in the organisation to improve their performance (Goffee and Jones, 2006).

Moreover, strategic leadership must facilitate the development of appropriate strategic actions and determine how to implement them. Such may include, identifying risks and establishing ways of controlling them, selecting the environment to which the organisation's resources are suited or responding to or where possible, anticipating changes in the environment and adjusting the organisation to suit these changes. Strategic leadership, therefore, integrates good corporate governance practices, facilitates and gives the direction that the organisation ought to go, by reshaping forces affecting its activities.

1.1.2 Corporate performance

Performance is the competency of an organisation to transform the resources within the firm in an efficient and effective manner to achieve organisational goals (Daft, 1997). Organisational goals vary depending on the purpose for which they are established. Business organisations, like manufacturing firms, have profit, growth and survival as the main goals. The popular ratios that measure corporate performance can be summarised as profitability and growth: return on assets (ROA) , return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market shares, stock price, sales growth, liquidity and operational efficiency (Chakravarthy, 1986).

Dess and Robinson (1984) proposed two measures of return on assets and sales growth for measuring firm performance: objective (actual amount) and subjective (perception). If objective performance measures are available, they should be utilized (Dess & Robinson, 1984). Otherwise, subjective performance measures will be the alternative due to the absence of accurate objective performance measures (Dess & Robinson, 1984).

1.1.3 Strategic leadership and corporate performance

Strategic leadership and corporate performance represent two sides of the same coin. Strategic leadership is critical in ensuring that the planned goals of the organisation are effectively realised. Companies need competent leaders who are able to translate planned initiatives into actions and then results. According to Hsieh and Yik (2005), the best conceptualised vision is worthless if it can't be translated from concept to reality, and even the best vision can fail if a corporation doesn't have a cadre of leaders with the right capabilities at the right levels of the organisation. The major reason for the failure of efforts to achieve the firm's planned profitability and growth levels is that many firms do not recognise the leadership capacity that new goals will require, let alone treat leadership as the departure point of success. While most CEOs agree that leadership is important, few correctly assess leadership capacity systematically. The gap between the number of available leaders and those required in the organisation can have significant negative consequences in the organisation.

Ultimately, the successful implementation of performance strategies is viewed as the prime responsibility of the strategic leaders of the organisation. These leaders should therefore be personally and deeply engaged in the organisation and must have an understanding of the business, the people and the environment (Bossidy and Charan, 2002). Thompson and Strickland (2003) emphasises that for overall organisational success, strategic leadership should play key roles such as exerting the internal leadership needed to drive the implementation of performance goals forward and keep on improving on how the process is being executed; and managing transformational change through mobilisation and sustaining of organisational resources toward the shared vision.

1.1.4 The manufacturing sector in Kenya

Kenya has a large manufacturing sector serving both the local market and exports to the east african region. The sector has both subsidiaries of multinational corporations and locally owned and franchised around the region such as the East African cables limited. Manufacturing contributed to approximately 20% of the Gross Domestic Product (GDP) in 2009 (<http://www.pwc.com/ke/en/industries/industrial-manufacturing.jhtml> 2012). Manufacturing also

contributed 13% of formal employment and 12.5% of Kenya's total exports in 2008 (<http://www.roundtableafrica.net> 2012). Therefore manufacturing is a key contributor to the national economy as illustrated in the table1 below:

Table 1.1: GDP average contribution per sector

Industry	GDP (average contribution 2011)
Agriculture	26%
Building and construction	2%
Tourism	12.7%
Transport	8%
Financial services	10.5%
Fishing	0.5%
Mining and quarrying	0.3%
Forestry	4%
Manufacturing	20%
ICT	8%
Energy	8%
Total	100%

Source: www.epzakenya.com (2011)

According to Kenya association of manufacturers (KAM 2011), there are 700 registered members. These are classified as large, medium and small scale manufacturing firms according to annual average turnovers made. The KAM defines small scale manufacturers as those manufacturing firms with a turnover of between ten million and twenty million Kenya shillings. Medium scale manufacturers range in turnover between twenty million and two hundred and fifty million while the large scale manufacturers have turnovers in excess of two hundred and fifty million Kenya shillings.

The manufacturing firms in Kenya vary in terms of their output products. The Kenya Economic Sector Survey (2005) documented that major manufacturing exports from this sector included horticultural products, processed coffee and tea, iron steel, soda ash and fish products. Manufacturing imports included mainly petroleum products, industrial machinery, motor

vehicles, iron and steel, plastics in primary and non-primary form, medicinal and pharmaceutical products, chemical fertilizers and animal and vegetable fats and oils.

KAM notes that 80% of the 700 members are based in the city of Nairobi. The rest are spread across other cities and urban centres such as Athi River, Thika, Mombasa, Nakuru, Eldoret and Kisumu. Despite the huge contribution to the national economy, KAM argues that the manufacturing sector faces a numbers of challenges. These include; high cost of production affects both investment decisions and competitiveness of Kenyan products; illicit trade characterised by counterfeits, substandard, or un-taxed goods; high cost of living that drives up wage costs, reduces consumer effective demand and drives inflation; inadequate government support for local produce; weak linkages with local supplies; and inadequate or weak negotiation skills in regional trade agreements.

Since manufacturing firms are business entities that participate in the production process of a nation, they are critical members of the economy. Their survival and success requires a sustained focus on critical issues such as policy advocacy, business services, networking and coalitions locally, regionally and globally. Their leadership toward this goal is therefore, paramount (Mwirigi, 2007).

1.2 Research problem

There is a strong recognition that strategic leadership guides the whole process of strategy formulation, implementation and control and that organisations depend on capable leadership to guide them through unprecedented changes. In the absence of good leadership, resources both human and financial are bound to be wasted. If organisation leaders are developed, economic performance and growth in corporations will be enhanced. The importance of strategic leadership as a component of strategic management process has been subject of a lot of discussion by scholars and practitioners. In addition, it has been noted that the high failure rate in organisational performance initiatives in a dynamic business environment is primarily due to poor visioning by the organisations' top leadership (Pearce and Robinson, 2007). The success or failure of corporations is neither an abstract phenomenon nor a matter of gamble. In an environment characterized by rapid change, running a business professionally is not just a good

idea; it is a requirement for survival. Thus, any perceived performance failure should be an area of major concern to strategic leaders of contemporary organisations. Therefore, a sound leadership framework must be put in place with good institutional policies and an excellent legal framework that satisfy all actors in the socio-economic playground.

Strategic leadership is an evident concern in the manufacturing industry in Kenya. It is clear that we have witnessed leaders who have steered their companies from nothing to market leaders in this industry; they have made headlines in the news such as movers and shakers in Kenya and they have set high standards as benchmarks for other manufacturers in the sector. East Africa Cables, Keroche Industries Limited and Mastermind Tobacco are just a few examples of firms that have emerged to take on the giant companies that had dominated the industry for long such as East African Breweries and BAT Kenya Limited. This success has sufficed despite numerous challenges in the business environment such as cut-throat competition from substitutes in the regional markets and counterfeits; competitive supply chain linkages; stringent government regulations and tax burden. In light of this therefore, the importance of strategic leadership cannot be over emphasised.

Whereas corporate leadership and success has been widely researched by scholars in Kenya such as Auta (2002); Wambugu (2006); Ochanda (2005) and Kinuthia (2006); only a few studies; Mutunga (2011); Nyamoko (2011); Fourie (2007) have been done based on the concept of strategic leadership. Studies have also been carried out by Universities in the Kenyan trade union sub-sector and retail industry and recommendations given (AJBUMA, 2010). Even though studies of corporate performance and strategic leadership have been done independently, so far there is no study that relates strategic leadership with corporate success and specifically to manufacturing industry in Kenya. This constitutes a gap in knowledge that the proposed study is intended to fill. The identified gap is captured in the following question: What is the relationship between strategic leadership and performance of manufacturing firms in Kenya?

1.3 Objective of the study

To establish the relationship between strategic leadership and performance of manufacturing firms in Kenya.

1.4 Value of the study

The motivation for this study is based on the manner in which strategic leadership has increasingly become a matter of enormous public attention and concern. It will therefore have theoretical as well as practical significance. Theoretically, the study investigates strategic leadership in the context of performance management. Practically, the findings would help management to greatly improve on leadership practices; for example the study could help to suggest policy initiatives that would address strategic direction of organisations.

It would identify good strategic leadership actions that if well implemented would guarantee and promote performance. It will provide guidelines to strategic leaders for the effective use of strategic leadership actions to positively contribute to organisational growth. The research could also be used by advisory experts and researchers as it was expected to provide information on the research area.

The research would be useful to Board of Directors (BOD), shareholders and stakeholders. The BODs are the policy makers who are looking for value for the money the shareholders have invested while the stakeholders are interested in the result of their investment and efficient service delivery. Employees in return for the services offered to the organisation expect a reward in form of salaries. Improved strategic leadership would in the long run translate to cost cutting and higher revenues as well as superior quality to customers.

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

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the concept of strategic leadership within the strategic management context. It gives a review of leadership and strategic leadership, key issues in strategic leadership, corporate performance and the importance of strategic leaders in driving corporate performance.

2.2 Leadership

According to Yukl (2006), leadership has been defined in terms of traits, behaviours, influence, interaction patterns, role relationships and occupation of administrative positions. Leadership is 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. House et al (1999) defined leadership as the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organisation.

In the context of strategic management, Wehrich and Koontz (1993) described leadership as the art and process of influencing people so that they will strive willingly and enthusiastically to achieve the mission of the organisation. Leadership can, therefore, be regarded as an important determinant of organisational success.

Leadership can exist at all levels of an organisation. According to Dent (2005), three levels of leadership can be distinguished: team leadership operates at team level and its prime responsibility is the people who work with it and the achievement of the goals for which they are jointly responsible; operational leadership is responsible for a functional area in the organisation, all the human capital in that functional area, and for contributing to decisions in their own specialist areas; and strategic leadership is at the top level of the organisation and is responsible for a range of organisational functions and for contributing to major decisions. Strategic leadership, therefore, represent a relatively small group of leaders who control the organisation and with whom the final authority and accountability for formulating, implementing and

controlling the performance strategy of the organisation rest. Strategic leaders have substantial decision-making responsibilities that cannot be delegated. Strategic leadership responsibility rests at the top of the organisation, generally with the board of directors, and in particular with the Chief Executive Officer (CEO). The CEO cannot delegate this responsibility to the manager of any other functional area of the organisation, regardless of how important that function might be.

There is continuing controversy on the differences between leadership and management and that the degree of overlap between these two concepts is a point of disagreement (Yukl, 2006). According to Zaleznik (1997), leadership and management are qualitatively different and are mutually exclusive. Other scholars (Kotter, 1998; Mintzberg, 1973; Bass, 1990) view leadership and management as different types of processes, but do not assume that leaders and managers must necessarily be different types of people.

Kotter (2001) argues that management is about coping with complexity. Good managers facilitate order and consistency by formulating plans, designing organisational structures to support these plans, and controlling or monitoring results against these plans. Managers tend to be more analytical, structured and controlled, and view their work from a quantitative perspective. In contrast, leadership is about coping with change. Leaders establish the strategic direction of an organisation by developing a vision for the perfect future of the organisation as well as a mission statement that serves as a means to accomplish the vision. Leaders then communicate this vision and mission in clear and concise terms and motivate and inspire employees on all levels of the organisation to achieve this vision.

Leaders tend to be more experimental, visionary, flexible and creative, and they value the intuitive aspect of their work. Mintzberg (2004) however insisted that the dysfunctional separation of leadership and management should be stopped, and that instead of isolating leadership, it should be diffused throughout the organisation. Leadership is no better than management, neither is it a replacement for it. They complement each other, and expertise in both is required in order for organisations to achieve their planned goals.

2.3 Strategic leadership

There are a few formal definitions of the concept of strategic leadership in the literature. Rowe (2001) suggested that strategic leadership involves a synergistic combination of visionary and managerial leadership to influence those with whom they work with to make decisions on a voluntary basis. Hagan et al (1998) stated that strategic leadership is an extremely complex but critical form of leadership. According to these authors, strategic leadership is multifunctional, involves managing through others, and helps organisations to cope with change that seems to be increasing exponentially in the contemporary business environment. Strategic leadership requires the ability to integrate both internal and external business environments of the organisation, and to manage and engage in complex information processing. Strategic leadership is therefore the leader's ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary (Hitt 2007).

Strategic leadership demands leaders to develop and communicate the organisation purpose (vision); tactfully organise the human resource capabilities and competencies with the task at hand; exercise high intensity of integrity and ethical standards; deliver extraordinary performance; and sustain a competitive advantage. These elements exist in dynamic tension, each demanding the leader's time and energy.

When a leader discovers the need for major revitalisation of the organisation, it becomes necessary to find ways to inspire people with a vision of a better future that is sufficiently attractive to justify the costs of changing familiar ways of doing things. There is no more powerful force in driving an organisation toward excellence and success than attractive, worthwhile and achievable vision, widely shared (Bass, 1985). An organisation driven by accelerating technological change, staffed by a dense, multicultural mix of highly intelligent knowledge workers, facing global complexity and multiple mission demands would self-destruct without a common sense of direction. This vision must then be communicated effectively to the workforce for better results (Boal, & Bryson, 1988).

The paradox of extraordinary performance is not achieved by simply focusing on measurable results. Measurable results matter a lot. However, just as great athletes report that they do not think about their measurable stats in the moment of performance, so it is with great strategic leaders (Hebrick, 2005). The focus of successful strategic leaders is on the capabilities and

leadership practices that they apply each day to balance these tensions and generate extraordinary performance.

To manage the dynamic balance between the organisation, its people and the demands of a complex unstable environment, the strategic leader needs to enable the organisation to engage in a relevant and dynamic way with its environment. This requires leaders capable of building an organisation designed to attract develop and retain the best talent (Huey, 1994). It also demands leaders who are capable of aligning people across the organisation with an uncompromising customer focus which informs the organisational systems, structure and strategic decisions.

The strategic leader's personal integrity and intensity is a powerful driver of organisational energy and direction. However, left unchecked the leader's personality and drive can overwhelm or suppress input and engagement more widely in the organisation. The strategic leader needs to create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results required by the business (Bass, 1985).

Even though a distinctive leadership competency is considered to be a corporation's key strength, a key strength may not always be a distinctive competency. As competitors attempt to initiate another company's competency, what was once a distinctive competency becomes a minimum requirement in the industry. Thus, organisations must continue to innovate as well as improve activities in their value chain in order they can be able to get a sustainable competitive edge over their competitors.

The primary responsibility for effective strategic leadership rests at the top of the organisation, in particular with the CEO. Other recognised strategic leaders include the board of directors, top management team and divisional general managers. The board of directors play an important role as a governance mechanism for monitoring the strategic direction of the organisation as well as representing the interest of internal and external stakeholders. The board of directors should develop an effective relationship with the organisation top management team in order to best serve the interest of all stakeholders (Hitt et al, 2007).

The code of corporate governance requires boards of directors to provide strategic leadership, and specifically be responsible for providing strategic direction to the organisation, appointing the CEO, retaining control over the organisation, monitoring management in implementing

formulated strategies and plans, complying with all relevant laws, regulations and codes of good practice, identifying and monitoring non-financial aspect relevant to the organisation, communication with internal and external stakeholders and identifying and monitoring key risk areas (Code of Corporate Governance, 2002).

The importance of top management teams becomes evident in a complex, rapidly changing environment that places many external demands on the CEO and in an organisation with highly diverse but highly interdependent functional or business units, because a single leader may not possess all the expertise required to direct and integrate the activities of these units (Yukl, 2006).

Strategic leadership succession has become an important consideration in organisations. Bass (2007) noted that the turnover of CEOs in the United States increased by 53% between the years 1995 and 2001. The average tenure of CEOs declined from 9.5 to 7.3 years. The primary reason provided for this discharge or resignations was poor financial performance. The choice of strategic leaders is a critical decision with important implications for corporate performance. Firms can select strategic leaders from the internal or external labour markets (Hitt et al, 2007). The Internal labour market gives firms the ability to draw people for positions from qualified employees within the organisation. This gives rise to various benefits such as familiarity with the firm's products, markets, technologies and operating procedures as a result of their experience with the firm; ensuring there is lower turnover among existing employees; and it is favourable when the firm is performing well. The external labour market on the other hand gives the organisation the ability to choose people for positions from qualified people who are external to the organisation. The advantages of this approach include increasing ability to innovate or to create conditions that stimulate innovation; and initiating major strategic change which is less likely to be initiated by a CEO with a long tenure, or by an internal successor.

2.4 Corporate performance

Performance is the competency of an organisation to transform the resources within the firm in an efficient and effective manner to achieve organisational goals (Daft, 1997). Organisational goals vary depending on the purpose for which they are established. Business organisations, like manufacturing firms, have profit, growth and survival as the main goals. The popular ratios that measure corporate performance can be summarised as profitability and growth: return on assets

(ROA) , return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market shares, stock price, sales growth, liquidity and operational efficiency (Chakravarthy, 1986; Dess & Robinson, 1984; Thomas & Ramaswamy, 1996). Dess and Robinson (1984) proposed two measures of return on assets and sales growth for measuring firm performance: objective (actual amount) and subjective (perception). If objective performance measures are available, they should be utilized (Dess & Robinson, 1984). Otherwise, subjective performance measures will be the alternative due to the absence of accurate objective performance measures (Dess & Robinson, 1984).

2.5 Strategic leadership and corporate performance

The importance of strategic leadership and its effect on performance of organisations is a controversial issue (Yukl, 2006). According to Yukl (2006), some authors argue that leadership has a major impact on organisational performance (Finkelstein and Hambrick, 1996), whereas others contend that leaders have very little impact on organisational performance (Hannan and Freeman, 1984). The argument for this doubt is that an individual strategic leader, such as the CEO, has little influence on organisational performance due the many internal and external constraints in an organisation, including powerful stakeholders, internal coalitions, strong organisational culture, scarce resources, strong competitors and unfavourable economic conditions.

Yukl (2006) stated that research does demonstrate that leaders have less influence over organisational events than is often assumed but emphasized that the research in no way supports the conclusion that leadership is unimportant to organisational success. Thus, despite all the internal and external constraints, individual strategic leaders and top teams still have substantial influence on organisational performance and effectiveness.

The decisions and actions of strategic leaders have a strong influence on organisational success (Bass, 2007). According to Bass, strategic leadership actions have an effect on employee commitment and satisfaction. In addition, the profitability of an organisation depends on the actions of the CEO. CEOs whose organisations are consistently profitable maintain their focus on the “bottom-line”.

Freedman (2003) was of the opinion that strategic leadership ensures the effective implementation of strategies. Rapid and discontinuous change and increased levels of volatility, uncertainty and competitive intensity in the business environment have increased the need for strong strategic leadership at all levels of the organisation. Virtually no organisation can create a competitive advantage, maximize wealth, and survive in the long term if there is no strong strategic leadership team in place and a clear strategic management process that allows effective formulation, implementation and control of strategy.

An organisation's chances of creating a competitive advantage, maximising wealth, and surviving in the long term increase when the strategic leaders of the organisation continuously align the internal organisational environment with changes taking place in the complex external environment. Failure of CEOs is assured when they are not able to respond to the changes in the external environment or to identify the need for change (Hitt et al, 2007).

The strategic leadership of an organisation can become a source of competitive advantage when strategic leadership actions are effectively practiced. Hitt et al, 2007 asserted that effective strategic leadership practices can assist organisations to improve performance, while competing in a turbulent and unpredictable business environment. This competitive advantage can, in turn, lead to survival in the long-term as well as above-average returns.

Strategic leadership also plays a critical role in corporate governance. Strategic leaders must be openly and unequivocally committed to the principles of corporate governance in order for it to become ingrained in all the activities of the organisation. It is the responsibility of strategic leaders to ensure that all managers and employees understand the organisation's corporate governance and ethical codes, to observe them and to report ethical and corporate governance violations. Strategic leaders must always set an example of ethical behaviour in their own actions. This results in establishing a tradition of integrity both inside and outside the organisation (Minja, 2011).

Bass (2007) noted that strategic leaders have to free themselves from short-term goal orientations to focus more attention on long-term threats and opportunities, and provide leadership on long-term strategic issues. One of the major differences in organisational performance is the effectiveness of the leadership exhibited throughout the organisation. Rowe (2001) noted that

strategic leadership involves a synergistic combination of managerial and visionary leadership. It therefore enhances the long term viability of the organisation, while simultaneously maintaining its short-term stability. Strategic leadership is thus critical for maintaining current levels of performance and for ensuring superior performance in the long-term.

Hitt et al (2007) argued that strategic leadership that positively contributes to overall performance should have components such as determining strategic direction; effectively managing the organisation's resource portfolio; sustaining and effective organisational culture, emphasising ethical practices; and establishing balanced organisational controls. Many of these components interact with each other. For example developing human capital through executive training contributes to establishing strategic direction which, in turn, fosters an effective organisational culture, a means to exploit core competencies, the use of effective organisational control systems and the establishment of ethical practices.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the various stages and phases that will be followed in completing the study. It involves the research design that will be used, target population of the research, the instrument that will be used to collect data and finally, the techniques and tools that will be used to analyse data.

3.2 Research design

The research was conducted using cross sectional survey design. Cross sectional survey methodology attempts to elicit information from a limited but representative number of units that possess the required information. A Cross sectional survey was suited for this kind of study because data would be collected from a cross section of organisations at one point in time.

3.3 Target population

The population of interest in this study was all manufacturing firms in Kenya. According to Kenya Association of Manufacturers (KAM 2011), there were 700 registered members and 80% of these are based in the city of Nairobi. The rest were spread across other cities and urban centres such as Athi River, Thika, Mombasa, Nakuru, Eldoret and Kisumu.

3.4 Sample design

Due to the large size of the population, the researcher choose a representative sample of seventy (70) firms, which is 10% of the population. The sample was selected using the stratified sampling technique where the population was divided into subgroups based on industry. The researcher then used simple random sampling technique to select 10% of firms from each group. Since the research was conducted through a survey, the researcher deduced that information collected from the sample would adequately be representative and would be useful in making appropriate conclusions. In addition, all these organisations were in a similar industry, which

makes it a study of geographically comparable population with similar exposure to the factors affecting their business environment.

3.5 Data collection

The research instrument that was used to collect primary data is a semi structured questionnaire. The questionnaire was intended to be filled by any one of the following: the CEOs/MDs, head of human resources, marketing, operations or finance. Since strategic leadership is about managing through others, the researcher feels that these managers are best suited to give unbiased information on strategic leadership and performance.

The questionnaire had three parts. Section A contained general information about the respondent and the organisation. Part B focused on specific strategic leadership actions geared towards performance whereas section C focused on the level of corporate performance. The drop and pick method was used to administer the questionnaire (Kothari, 2004).

3.6 Data analysis

The completed questionnaires were examined thoroughly to check whether they were complete and comprehensive. The data was then summarized, coded and tabulated. Since some of the data collected were quantitative in nature, descriptive statistics such as mean were used to measure the average score of the elements studied. Also, standard deviation parameter was used to determine how far the elements studied were deviating from the mean (Gakonyo, 2006).

In addition, Pearson's correlation analysis was done to determine the relationship between strategic leadership and organisation's performance. Pearson's correlation technique measures the strength and significance of relationship between variables. It was useful in this study because it provided information about the direction and strength of the linear relationship between the two variables. Pie charts, bar charts, graphs and percentages as well as frequency tables were also used to present the results.

CHAPTER FOUR DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter is a presentation of results and findings obtained from analysis of a field study. It is divided into six parts. The first part deals with the background information of the respondents, while the other five parts present findings from the analysis, based on the objectives of the study where both descriptive and inferential statistics have been employed.

4.2 Response rate

From the data collected, out of the 70 questionnaires administered, 54 were filled and returned. This represented 89.2% response rate, which was considered satisfactory to make conclusions. According to Mugenda and Mugenda (2003), 50% response rate is adequate, 60% is good and above 70% is rated as very good. This also corroborates Bailey (2000) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. Based on this recommendation, the study's response was very good.

This high response rate can be attributed to the data collection procedures, where the researcher pre-notified the potential participants of the intended survey, used an electronic version of the questionnaire for departments with information technology capacity or drop and pick method. All-in-all, the questionnaires were self-administered; that is, the respondents completed them and were picked thereafter, which gave them greater freedom and motivation to objectively fill-in the questionnaires.

4.3 General information

This section presents the general information about the sampled manufacturing firms for the purposes of profiling. It, thus, contains the length of time the firms had been in operation, ownership of the firm and firm's sales turnover.

4.3.1 Length of time in operation

The length of time that the manufacturing firms had been in operation was sought. Table 4.1 shows that 40.7% of the manufacturing firms had operated for 21 – 30 years, 20.4% had been in operation for more than 30 years, 24.1% had operated for 11 – 20 years while 14.8% had operated for at most 10 years. This depicts that majority (61.1%) of the firms had operated for more than 21 years pointing at the firms experience in the manufacturing sector.

Table 4.1: Length of time in operation

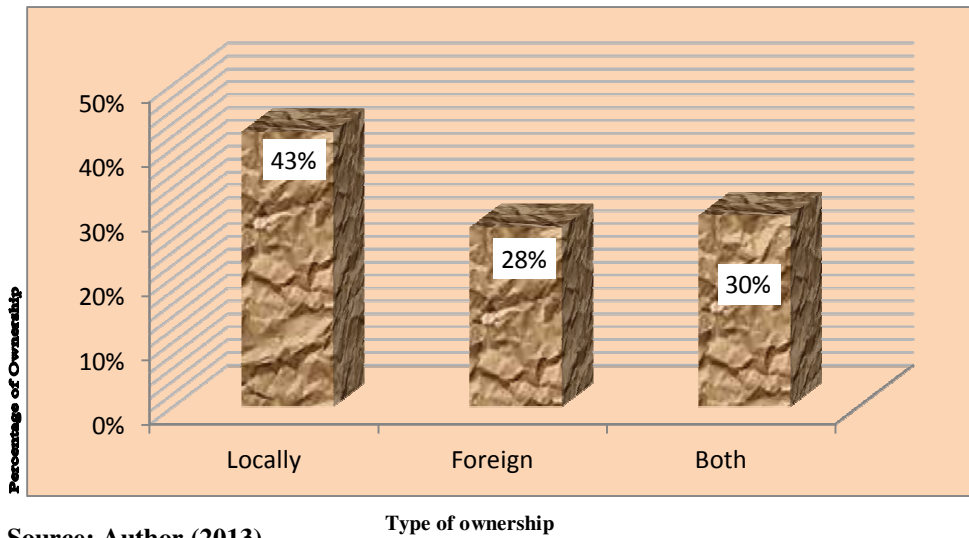
Duration	Frequency	Percentage
10 years or less	8	14.8
11 - 20 years	13	24.1
21 - 30 years	22	40.7
More than 30 years	11	20.4
Total	54	100.0

Source: Author (2013)

4.3.2 Ownership of the firms

The respondents were requested to present the type of ownership of their manufacturing firms in terms of geographical biases. Figure 4.1 shows that 43% of the manufacturing firms were locally owned, 28% were foreign owned while 30% were both local and foreign owned. This illustrates that most of the manufacturing firms in Kenya were locally owned followed by both local and foreign ownership.

Figure 4.1: Ownership of the firms

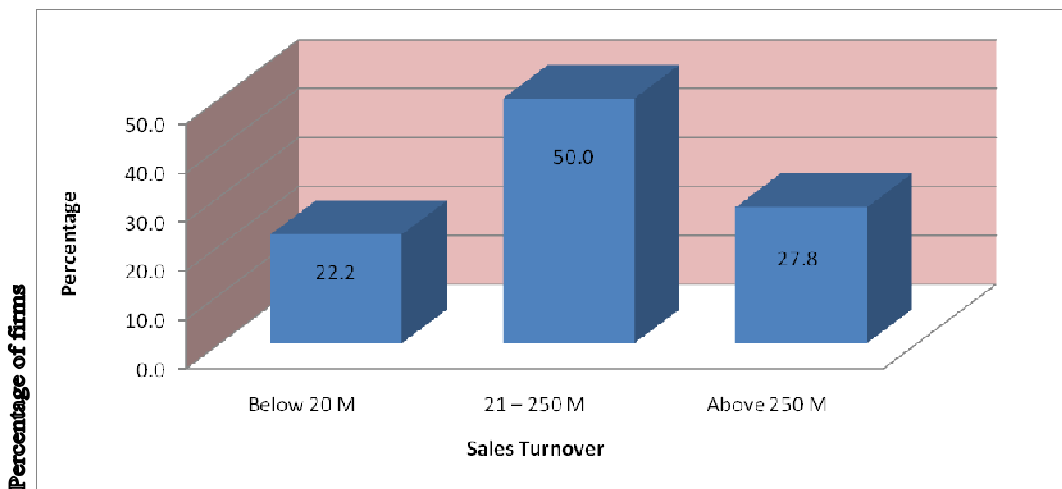


Source: Author (2013)

4.3.3 Company's annual sales turnover

The study further sought to estimate the manufacturing firms' annual sales turnover to determine their size. The findings presented in Figure 4.2 shows that 50% of the manufacturing firms had annual sales turnover between Ksh21 – 250 million, 27.8% more than Ksh250 million while 22.2% had annual sales turnover of below Ksh20 million. This suggests that majority of manufacturing firms in Kenya (77.8%) are medium and large scale manufacturers.

Figure 4.2: Distribution of firms by annual sales turnover



Source: Author (2013)

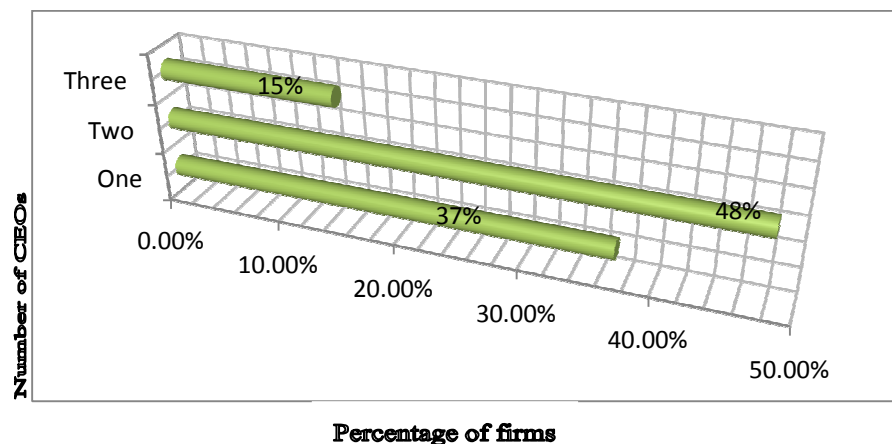
4.4 Strategic Leadership

This section presents the findings on the strategic leadership practices of the manufacturing firms. It contains findings on CEO turnover, CEO's principles, strategy and performance of the firms, and rating of strategic leadership within the firms.

4.4.1 CEO turnover

The study sought to determine the number of CEOs that the manufacturing firms had had within the previous ten years. Figure 4.3 shows that 48% of the manufacturing firms had two CEOs within the period, 37% had had one CEO while 15% had had three CEOs. This depicts that CEO turnover was quite high with most manufacturing firms not renewing the CEOs contract after five years which is the shortest period of time for implementation of organizations' strategic plans. However, some firms had the highest turnover, three CEOs within a 10 year period.

Figure 4.3: Percentage distribution of firms by number of CEOs in the last 10 years



Source: Author (2013)

4.4.2 CEOs' strategic principles

The respondents were asked to indicate the activities/principles that make their CEOs outstanding. The findings presented in Table 4.2 shows that 72.2% of the CEOs had the ability to

initiate change within the firms, 51.9% were able to listen and understand staff, while 66.7% were outstanding owing to their ability to implement strategies. The findings depict that majority of the CEOs were outstanding owing to their ability to initiate change and implement strategies.

Table 4.2: Activities/principles that make CEOs outstanding

Activity/Principle	Frequency of firms	
	Yes	No
Ability to initiate change	39(72.22%)	15(27.78%)
Listen and understand staff	28(51.85%)	26(48.14%)
Ability to implement strategies	36(66.67%)	18(33.33%)

Source: Author (2013)

4.4.3 Strategic actions

The respondents were asked to indicate the extent to which various strategic actions contribute to performance in their manufacturing firms. A 5-point Likert scale was used in collecting and analyzing the questions through calculation of weighted mean of the factors (actions). According to the scale, 1 point was accorded to ‘not at all’, 2 points to ‘small extent’, 3 points to ‘moderate extent’, 4 points to ‘large extent’, and 5 points to ‘very large extent’. The findings presented in Table 4.3 show that ‘exploiting and maintaining core competencies’ had a mean of 4.09, ‘developing human capital’ had a mean of 4.0, ‘developing social capital’ had a mean of 3.91, both ‘sustaining an effective organisational culture’ and ‘establishing balanced organisational controls’ had a mean of 3.59, ‘determining a strategic direction for the organisation’ had a mean of 3.37 and ‘emphasizing ethical practices’ had a mean of 3.09. The findings indicate that exploiting and maintaining core competencies, developing human capital and social capital have contributed heavily to the manufacturing firms’ performance.

Table 4.3: Contribution of strategic actions to performance of firms

Leadership action	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Mean	STDEV
Determining a strategic direction for the organisation	0	11	21	13	9	3.37	0.987
Establishing balanced organisational controls	0	10	15	16	13	3.59	1.046
Sustaining an effective organisational culture	0	7	17	21	9	3.59	0.913
Emphasizing ethical practices	2	13	23	10	6	3.09	1.005
Exploiting and maintaining core competencies	0	0	13	23	18	4.09	0.752
Developing human capital*	0	0	17	20	17	4.00	0.793
Developing social capital*	0	0	20	19	15	3.91	0.800

**social capital: building strategic relationships/partnerships that enhance organisation capabilities*

**human capital: Building and developing our expertise and ensuring that we retain that expertise in the organisation is a vital ingredient to our success*

Source: Author (2013)

4.4.4 Leadership factors in the manufacturing firms

The respondents were asked to indicate the extent to which various leadership factors were applicable to their manufacturing firms. The study used a 5-point Likert scale for data collection and analysis. From the findings in Table 4.4: ‘check on customer complaints and suggestions and work on them’ had a mean of 4.0; ‘reviewing and making corrective adjustments as needed’ had a mean of 3.98; ‘employees are encouraged to achieve goals’ had a mean of 3.94; ‘core competencies are aligned with organisational objectives’ had a mean of 3.85; ‘putting pressure and adopting a culture that fosters positive performance’ had a mean of 3.81; ‘frequent and detailed control reports’ had a mean of 3.72; ‘regular results management meetings’ had a mean of 3.69; ‘reputation of quality products’ had a mean of 3.67; ‘employees understand their

contribution to the achievement of the objectives of the organisation’ had a mean of 3.56; and, ‘workforce understands the organisation’s performance goals’ had a mean of 3.52.

The above findings show that overall, to a great extent, the manufacturing firms look at the customers’ complaints and suggestions with the intention of working on them. Based on the complaints and suggestions, the firms review and make corrective adjustments as needed. Internally, the manufacturing firms produce frequent and detailed control reports on their goods and their leaders initiate regular results management meetings. In its strategic management focus, the manufacturing firms’ align their core competencies with organisational objectives. Moreover, the firms’ leadership encourages and puts pressure on employees to achieve organizational goals besides nurturing a culture that fosters positive performance.

In addition, the findings show that: ‘employees are motivated to work together as team’ had a mean of 3.28; ‘ability to manage new business strategies’ had a mean of 3.26; ‘rewards/incentives for employees are aligned with goals and/or creativity’ had a mean of 3.26; and ‘amenities to attract highly skilled labour are in place’ had a mean of 2.8. This indicates that the manufacturing firms rarely have amenities to attract highly skilled labour and team cohesion is rarely in existence in this technology-intensive sector. Furthermore, rewards/incentives for employees are rarely aligned with goals and/or creativity. The firms’ leaders’ ability to manage new business strategies was moderately rated. Thus, they are adaptive to the changing business environment.

Table 4.4: Application of leadership factors in firms

Leadership factor	No extent	Little extent	Moderate extent	Great extent	Very great extent	Mean	STDEV
The workforce understand the organisation’s performance goals	0	5	21	23	5	3.52	0.787
The employees understand their contribution to the objectives of the organisation	0	6	17	26	5	3.56	0.809
Employees are motivated to work together as team	0	10	22	19	3	3.28	0.826
Employees are encouraged to achieve goals	0	0	16	25	13	3.94	0.731

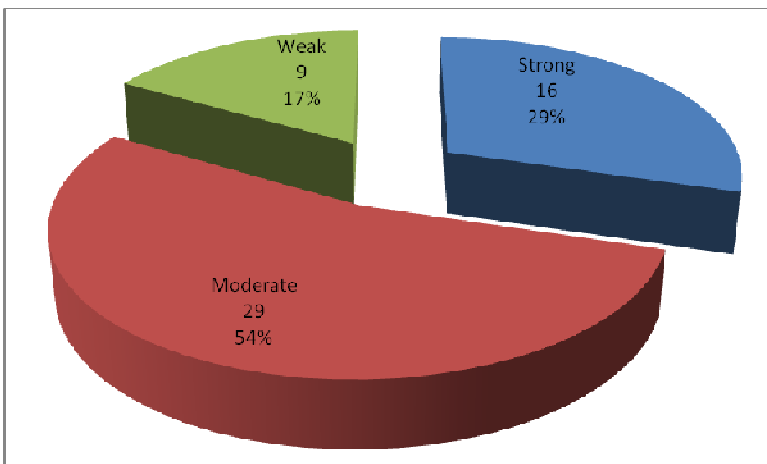
Core competencies are aligned with organisational objectives	0	3	13	27	11	3.85	0.803
Rewards/incentives for employees are aligned with goals and/or creativity	0	9	26	16	3	3.24	0.792
Amenities to attract highly skilled labour are in place	3	19	19	12	1	2.80	0.910
Putting pressure and adopting a culture that fosters positive performance	0	5	11	27	11	3.81	0.862
Reputation of quality products	0	0	27	18	9	3.67	0.745
Check on customer complaints and suggestions and work on them	0	0	13	28	13	4.00	0.694
Reviewing and making corrective adjustments as needed	0	0	14	27	13	3.98	0.707
Frequent and detailed control reports	0	0	25	19	10	3.72	0.756
Ability to manage new business strategies	0	12	21	16	5	3.26	0.906
Regular results management meetings	0	2	23	19	10	3.69	0.812

Source: Author (2013)

4.4.5 The strength of strategic leadership

The respondents were asked to rate the strength of strategic leadership in their manufacturing firms. From Figure 4.4, 54% of the respondents rated strategic leadership in their firms as moderate, 29% rated the same as strong while 17% rated strategic leadership as weak. This implies that strategic leadership in the manufacturing firms is rated moderately by majority of the employees.

Figure 4.4: Strength of strategic leadership in firms



Source: Author (2013)

4.5 Corporate performance

This section presents the findings on the corporate performance of the manufacturing firms. It contains findings on the planned sales turnover targets and the proportion of the targets actualized between 2007 and 2012, key performance indicators of the firms, and staff commitment and adherence to organizational practices.

4.5.1 Planned sales targets

The study sought to establish the budgeted sales turnover within the period (2007 – 2012). Results presented in Table 4.5 show that about a third (33.3%) of the manufacturing firms had sales turnover targets of above Ksh250 million within the 5-year period; nearly half of the firms had sales turnover targets between Ksh21 and 250 million; while less than a third had sales turnover targets at below Ksh20 million. This means that majority of the manufacturing firms were medium size and their sales targets were below Ksh250 million.

Table 4.5: Planned sales targets

Period	Below 20M	21 – 250M	Above 250M
2007	8(21.1)	17(44.7)	13(34.2)
2008	7(17.1)	19(46.3)	15(36.6)
2009	9(20.0)	21(46.7)	15(33.3)
2010	7(13.5)	27(51.9)	18(34.6)
2011	10(18.9)	29(54.7)	14(26.4)

Source: Author (2013)

4.5.2 Achieved sales turnover

The respondents were further asked to indicate the proportion of the targeted sales turnover (in percentage) they had achieved within the 5-year period (2007-2012). Table 4.6 shows that within the 5-year period the highest proportion of firms that had achieved at least their sales-turnover targets were 91.5% in 2011. Thus, majority of the firms (at least 75%) achieved between 61 and 100% of their sales-turnover target. The least number of firms (8.5%) to surpass their sales-turnover targets occurred in 2011. This could be attributed to the shilling depreciation within the year.

Table 4.6: Proportion of planned targets actualized

Period	< 30%	31-60%	61-100%	>100%
2007	0	0	25(86.2)	4(13.8)
2008	0	0	24(75.0)	8(25.0)
2009	0	0	29(82.9)	6(17.1)
2010	0	0	35(83.3)	7(16.7)
2011	0	0	43(91.5)	4(8.5)

Source: Author (2013)

4.5.3 Extent of use of key performance indicators

The respondents were asked to indicate the extent of use of various key performance indicators (KPIs) within their firms. Table 4.7 shows that customer retention had a mean of 3.93, meeting financial targets had a mean of 3.76, reduction of employee turnover had a mean of 3.41, and return of defective goods had a mean of 3.0. This underscores the fact that manufacturing firms sampled highly considered customer retention. They also highly regard achievement of financial targets and reduction of employee turnover as key performance indicators. Return of defective goods was low at a mean of 3.0.

Table 4.7: Extent of use of key performance indicators

Key Performance Indicators	Not at all	Low extent	Moderate extent	Great extent	Very great extent	Mean	STDEV
Meeting financial targets	0	2	19	23	10	3.76	0.792
Reduction of employee turnover	0	8	22	18	6	3.41	0.872
Customers are retained	0	2	16	20	16	3.93	0.857
Returned defective goods	6	11	17	17	3	3.00	1.089

Source: Author (2013)

4.5.4 Staff commitment and adherence to organizational practices

The study sought to establish how organizational practices within the manufacturing firms were critical to their improved performance by rating staff commitment and adherence to those practices. Using a 5-point Likert scale, Table 4.8 shows that customer focus had a mean of 3.96, organisational politics had a mean of 3.94, quality checks had a mean of 3.93, efficiency and effectiveness had a mean of 3.72, while both integrity and ethics, and discipline had means of 3.61 each. This is an illustration that the employees in the manufacturing firms were committed to customer focus, quality checks, efficiency and effectiveness, integrity and ethics, and discipline. However, the employees were also committed to the organizational politics.

Table 4.8: Staff commitment and adherence to organizational practices

Values	Very low	Low	Moderate	High	Very high	Mean	STDEV
Customer focus	0	1	15	23	15	3.96	0.793
Quality checks	0	0	17	24	13	3.93	0.742
Efficiency and effectiveness	0	4	16	25	9	3.72	0.826
Integrity and Ethics	0	6	18	21	9	3.61	0.891
Organisational politics	0	4	10	25	15	3.94	0.870
Discipline	0	10	11	23	10	3.61	0.989

Source: Author (2013)

4.6 Relationship between leadership factors and performance

The study sought to establish the relationship between strategic leadership and performance. Pearson Correlation analysis was used to achieve this end at 95% confidence level ($\alpha = 0.05$). To achieve this, scores on various indicators of strategic leadership were correlated with manufacturing firms' performance as indicated by achievement of the planned sales turnover.

The relationship between organizations performance (as measured by achieved targets) and strategic leadership is presented in Table 4.9. As shown in the table, all the eleven strategic leadership factors are significantly correlated with their respective proportion of achieved performance targets (r ranging from 0.324 to 0.719, $p < 0.05$). The overall extent of strategic leadership was also highly correlated with the proportion of achieved targets ($r = 0.733$, $p < 0.001$). Thus, strategic leadership is highly related to organization performance of manufacturing firms.

Very strong linear relationships were further established between performance of the manufacturing firms and: 'Core competencies aligned to firms objectives' ($r = 0.719$, $p < .001$); 'frequent and detailed control reports' ($r = 0.702$, $p < .001$) 'culture that foster positive performance' ($r = 0.695$, $p < 0.001$); 'employees' motivation to act as team' ($r = 0.690$, $p < .001$); 'managing new business strategies' ($r = 0.691$, $p < .001$); and, 'reviewing and making corrective adjustments' ($r = 0.641$, $p < .001$).

The findings show that there is positive and very strong linear relationship between performance of manufacturing firms and strategic leadership indicators: workforce understanding

performance goals, frequent and detailed control reports, culture that foster positive performance, employees' motivation to act as team, managing new business strategies and reviewing and making corrective adjustments in the manufacturing processes.

Strong linear relationship was established between performance as indicated by the targeted sales turnover achieved and: 'employees being encouraged to achieve goals' ($r = 0.428$, $p = .001$); and, 'attraction and fostering of highly skilled labour' ($r = 0.428$, $p = .001$). Moderate linear relationship was established between performance and: 'workforce understanding performance goals' ($r = 0.386$, $p = .002$); and, 'rewards aligned with goals/creativity' ($r = 0.324$, $p = .002$).

The findings indicate a strong relationship between performance of manufacturing firms and: employees being encouraged to achieve goals, as well as attraction and fostering of highly skilled labour. Moderately strong linearity exists between performance of manufacturing firms and: workforce understanding performance goals and rewards being aligned to goals/creativity.

Table 4.9: Results of correlation analysis for the relationship between leadership factors and performance

Leadership factor	Proportion of achieved targets	
Workforce understand performance goals	Pearson correlation	0.386**
	Sig. (2-tailed)	.002
Employees motivated to act as team	Pearson correlation	0.690**
	Sig. (2-tailed)	.000
Core competencies aligned to firms objectives	Pearson correlation	0.719**
	Sig. (2-tailed)	.000
Employees encouraged to achieve goals	Pearson correlation	0.428**
	Sig. (2-tailed)	.001
Rewards aligned with goals/creativity	Pearson correlation	0.324*
	Sig. (2-tailed)	.012
Attraction of highly skilled labour	Pearson correlation	0.428**
	Sig. (2-tailed)	.001
Reviewing and making corrective adjustments	Pearson correlation	0.641**
	Sig. (2-tailed)	.000
Culture fostering positive performance	Pearson correlation	0.695**
	Sig. (2-tailed)	.000
Frequent and detailed control reports	Pearson correlation	0.702**
	Sig. (2-tailed)	.000
Managing new business strategies	Pearson correlation	0.691**
	Sig. (2-tailed)	.000

Extent of strategic leadership	Pearson correlation	.733**
	Sig. (2-tailed)	.000

*Correlation is significant at the 0.05 level (2-tailed).

**Correlation is significant at the 0.01 level (2-tailed).

Source: Author (2013)

4.7 Discussion of research results

The overarching objective of this study was to investigate the relationship between strategic leadership and performance of manufacturing firms in Kenya. In general, majority of respondents perceive strategic leadership as an important driver of good performance in their organisations. A strong correlation was established between scores on various indicators of strategic leadership and performance of manufacturing firms. Based on these findings, it is evident that respondents largely agree that strategic leadership positively contributes to overall performance of organizations.

The main finding from the above is that strategic leadership that positively contributes to overall performance should have components such as determination of strategic direction; effective management of the organisation's resource portfolio; sustenance and effective organisational culture, emphasising of ethical practices; and establishing balanced organisational controls. Many of these components interact with each other. For example developing human capital through executive training contributes to establishing strategic direction which, in turn, fosters an effective organisational culture, a means to exploit core competencies, the use of effective organisational control systems and the establishment of ethical practices.

The decisions and actions of strategic leaders have a strong influence on organisational success. Strategic leadership actions have an effect on employee commitment and satisfaction. In addition, the profitability of an organisation depends on the actions of the CEO. CEOs whose organisations are consistently profitable maintain their focus on the "bottom-line".

The results further contend that strategic leadership must anchor on the principles of effective implementation of strategies, change initiation and listening and understanding staff. Rapid and discontinuous change and increased levels of volatility, uncertainty and competitive intensity in the business environment have increased the need for strong strategic leadership at all levels of

the organisation. Virtually no organisation can create a competitive advantage, maximize wealth, and survive in the long term if there is no strong strategic leadership team in place and a clear strategic management process that allows effective formulation, implementation and control of strategy.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings of strategic leadership and performance of manufacturing firms, conclusions and recommendations. The chapter is, thus, structured into summary of findings, conclusions, recommendations for policy and research.

5.2 Summary of findings

The findings of this study show that majority of the manufacturing firms' annual sales turnover was between Ksh 21-250 million and had a relatively high CEO turnover (an average of 2 within a 10-year period). The CEOs outstanding leadership attributes included ability to initiate change and implement strategies. In addition, leadership actions that were profound within the manufacturing firms included: exploiting and maintaining core competencies, developing human capital and social capital. The findings show that these leadership actions have highly contributed to the performance of manufacturing firms.

The findings reveal that the manufacturing firms look at the customers' complaints and suggestions with an intention of working on them. The firms also review and make corrective adjustments as suggested by the customers, on account of detailed control reports on goods that the firms frequently produce, and regular results management meetings that the firms' leadership calls. The firms, further, aligned their core competencies with organisational objectives besides encouraging and putting pressure on employees to achieve organizational goals in addition to nurturing a culture that fosters positive performance. However, the manufacturing firms were weak at attracting skilled labour, neither were the employees encouraged to maintain team cohesion. Reward system was rarely aligned to the firms' goals and employee creativity and leaders' ability to manage new business strategies was rated low.

The findings on performance show that few manufacturing firms surpassed their set/planned sales turnover. The firms' key performance indicators were customer retention, financial targets, reduction of employee turnover and returned defective goods. In addition, the firms' employees were committed to customer focus, quality checks, efficiency and effectiveness, integrity and ethics, and discipline. The study established a high linear relationship between performance of manufacturing firm and strategic leadership ($r=0.733$, $p < .001$).

5.3 Conclusions

The research conclusions as a result of the study of strategic leadership and performance of manufacturing firms in Kenya are presented in relation to the literature study, empirical study and the research objective.

Strategic leadership as a component of strategic management process is regarded as a key driver to organizational success. The primary responsibility for effective strategic leadership rests at the top of the organization, in particular with the CEO. Other recognised strategic leaders responsible for influence on organizational effectiveness and performance include; the board of directors, top management team and divisional general managers. The strategic leadership actions of these managers were found to specifically contribute positively to superior performance of manufacturing firms.

The performance of firms is a process and not the result of a single decision or factor. It is the result of a series of integrated decisions and action points over time. The strategic leadership factors were identified. It is evident that each of the identified strategic leadership factors is perceived to have varying degree of impact on effective performance of organisations. Checking on customer complaints and suggestions and working on them is perceived to play the most important role in achieving the needed level of performance and therefore an important factor of strategic leadership.

Strategic leadership and corporate success are highly interdependent. Strategic leadership affects performance. Performance in turn demands effective leadership over time for sustainability. Effective strategic leadership therefore demands ownership of, and commitment to, the process and factors central to improved performance. From the results of this study, it is evident

manufacturing firms have embraced this challenge. In addition, retaining customers is perceived to be the most important key performance indicator for the success of firms. The respondents also perceive returned defective goods to be the least important performance indicator. A forced ranking of the perceived importance of the given key performance indicators indicate the following ranking; customers are retained, meeting financial targets, reduction of employee turnover and returned defective goods. The main conclusion from this is that customer retention is the most critical indicator of performance among manufacturing firms in Kenya.

The overarching objective of this study was to investigate the relationship between strategic leadership and performance of manufacturing firms in Kenya. In general, majority of respondents perceive strategic leadership as an important driver of good performance in their organisations. A strong correlation was established between scores on various indicators of strategic leadership and performance of manufacturing firms. Based on these findings, it is evident that strategic leadership positively contributes to overall performance of organizations.

5.4 Recommendations

Manufacturing sector contributes 20% of the Kenya's GDP and is regarded as essential to the path out of poverty for Kenya and for effective organisational performance. The following managerial recommendations are offered:

The significant relationship between strategic leadership and performance suggests the need for boards of directors to encourage empirically sound leadership within manufacturing firms. Thus, there is need for skill development in these areas for the Kenyan manufacturing firms to make even more significant contribution to industrial development. In addition, the Kenya Association of Manufacturers should foster and sustain good leadership practices among manufacturing firms by organizing leadership workshops and seminars for its members.

The superior performance of firms is the result of a series of strategic leadership factors over time. It is recommended that strategic leadership should be viewed as part of an integrated process and be incorporated into a 'strategy loop' that creates opportunity to continuously append new information and translate the information into effective actions. Leadership should

be viewed as 'work in progress' that is subject to revision and change in the light of ongoing interactions between organisation and its external environment.

To survive in the highly competitive business environment coupled with rapid technological changes there is need for manufacturing firms to enhance strategic leadership actions by aligning rewards and incentives to performance goals, innovation or creativity. The strong correlation between these two suggests that there would be increase in performance if they are enhanced. It is also recommended that boards of directors avoid high CEO turnover to allow for the minimum period of time required for implementation of strategic plans as well as manage new business strategies.

5.5 Recommendations for further research

The respondents who participated in this research are representative from a specific sector of the Kenyan economy. It is recommended that future research focus on strategic leadership and performance of firms in all major sectors of the economy. Alternatively, a comparative study of various sectors could be undertaken.

It is recommended that future research focus on the role of strategic leadership efforts in the performance of public organizations. This could be particularly important for the success of governmental departments in order to achieve national economic growth targets, other targets relating to Vision2030 and other projects of national strategic importance.

Lastly, since the CEOs turnover was found to be high, it is recommended that further studies could be undertaken to determine the effect of leadership turnover on the achievement of organizations' strategic goals.

5.6 Limitations of the study

There were limitations to this study that need to be acknowledged. First, the study was limited to the manufacturing firms, therefore the reliability of the results restrict the extent to which the findings may be generalized. Secondly, the study over relied on the testimonies of top managers of the manufacturing firms. The study interviewed top executives and did not take into account the perceptions and expectations of other stakeholders in the industry. Therefore, the results may be biased towards this category of staff.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

University of Nairobi

P.O. Box 30197,

Nairobi – Kenya.

4th July, 2013.

RE: TO WHOM IT MAY CONCERN

The bearer of this letter **URBANUS M. NGANGA**

Registration Number **D61/7076/2006**

is a bonafide continuing student in the Master of Business Administration degree programme in this University.

He is required to submit as part of his course work a research project on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya.

We would, therefore, appreciate your assistance to enable him collect data in your organisation.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to your organisation on request.

Thank you.

University of Nairobi,

School of Business.

APPENDIX II: FIELD QUESTIONNAIRE

THIS QUESTIONNAIRE CONSISTS OF THREE SECTIONS.

PLEASE MARK THE APPROPRIATE BOX WITH A TICK [√]

SECTION A: GENERAL INFORMATION

A1. Name of company _____

A2. Name of respondent (**optional**) _____

A3. Respondent's position/title _____

A4. How long has the company been in operation? _____

A5. Indicate the ownership of the company Locally [] Foreign [] Both []

A6. Please provide an estimate of your organisation's size in turnover/annum (in Million KShs).

Below 20 M []

21 – 250 M []

Above 250 M []

SECTION B: STRATEGIC LEADERSHIP

B1. How many CEOs has your company had in the last ten years? _____

B2. What are some of the activities/principles that make these CEOs outstanding?

Ability to initiate change [Yes] [No]

Listen and understand staff [Yes] [No]

Ability to implement strategies [Yes] [No]

Others _____

B3. To what extent does each of the following actions contribute to performance in your organisation?

Action	Not at all	Small extent	Moderate extent	Large extent	Very large extent
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Determining a strategic direction for the organisation					
Establishing balanced organisational controls					
Sustaining an effective organisational culture					
Emphasizing ethical practices					
Exploiting and maintaining core competencies					
Developing human capital*					
Developing social capital*					

**social capital: building strategic relationships/partnerships that enhance organisation capabilities*

**human capital: Building and developing our expertise and ensuring that we retain that expertise in the organisation is a vital ingredient to our success*

B4. To what extent does each of the following apply to your company? Please answer each using the following scale: 1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great extent.

Leadership Factor	1	2	3	4	5
The workforce understand the organisation's performance goals					
The employees understand their contribution towards the objectives of the organisation					
Employees are motivated to work together as team					
Employees are encouraged to achieve goals					
Core competencies are aligned with organisational objectives					
Rewards/incentives for employees are aligned with goals and/or creativity					
Amenities to attract highly skilled labour are in place					
Putting pressure and adopting a culture that fosters positive performance					
Reputation of quality products					
Check on customer complaints and suggestions and work on them					
Reviewing and making corrective adjustments as needed					
Frequent and detailed control reports					
Ability to manage new business strategies					
Regular results management meetings					

B5. Overall, how would you describe the extent of strategic leadership in your company?

Strong []

Moderate []

Weak []

SECTION C: CORPORATE PERFORMANCE

C1. In terms of sales turnover, indicate how your company has performed during the following periods:

(Table C1a – To be completed by companies whose financial year spans from July to June)

Period	Planned targets	Actual targets
2007 – 2008		
2008 – 2009		
2009 – 2010		
2010 – 2011		
2011 – 2012		

(Table C1b – To be completed by companies whose financial year spans from January to December)

Period	Planned targets	Actual targets
2007		
2008		
2009		
2010		
2011		

C2. In relationship to the previous question (C1), kindly approximate, from the company's books, what proportion of planned targets the aforementioned performance relates to: Use the table below.

(Table C2a – To be completed by companies whose financial year spans from July to June)

Period	<30%	31-60%	61-100%	>100%
2007 – 2008				
2008 – 2009				
2009 – 2010				
2010 – 2011				

2011 – 2012				
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(Table C1b – To be completed by companies whose financial year spans from January to December)

Period	<30%	31-60%	61-100%	>100%
2007				
2008				
2009				
2010				
2011				

C3. In relation to performance, the following key performance indicators (KPIs) are critical. To what extent would you rate your company pertaining these issues?

KPI	Not at all	Low Extent	Moderate Extent	Great Extent	Very Great extent
Meeting financial targets					
Reduction of employee turnover					
Customers are retained					
Returned defective goods					

C4. Certain organisational practices are critical for improved performance. How would you rate your staff commitment and adherence to the following practices?

Values	Very Low	Low	Moderate	High	Very high
Customer focus					
Quality checks					
Efficiency and effectiveness					
Integrity					
Ethics					
Organisational politics					
Discipline					

-----END-----

Thank you for taking time to fill this questionnaire and for your contribution to this study.