

## STRATEGIC LEADERSHIP PRACTICES AND THEIR INFLUENCE ON PERFORMANCE OF GOVERNMENT MANAGED ENTITIES IN KENYA

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**ABSTRACT:** This study aimed at establishing the effect of strategic leadership on performance of government managed entities in Kenya. Descriptive survey design was used. The target population consisted of all the forty-eight (48) government managed entities in Kenya. Respondents were persons in charge of strategy or human resource department. Semi-structured questionnaire was used to collect primary data. The response rate of this study was 77.1% based on 37 respondents out of 48. The analysis of strategic leadership in commercial and financial state corporations showed that, in positive organizational culture, core values, symbols and ideologies are shared. Correlation analysis provided the relationship of strategic leadership practices and organizational performance showing that, there was a positively strong relationship between corporate strategic direction and high customer satisfaction. These practices have correlated highly with customer satisfaction, return on investment, net profit margin and low annual employee turnover. The correlation analysis that tested the level and significance of relationships of research variables confirmed that effective strategic leadership affects organizational performance. Therefore, this study adds to the body of knowledge of Barney and Arkan (2020) who explained that the most important task for strategic leaders is effectively managing the firm's portfolio of resources which can be categorized into financial capital, human capital, social capital and organizational culture. It has also added to the literature that effective strategic leadership promotes organizational performance. The researcher recommended that balanced organizational controls should be effectively applied to realize good performance.

### I. BACKGROUND OF THE STUDY

Strategic leaders look forward in time to set directions for the organization (Arnott, 2019). Their power is increased when they scan and cope with the critical sectors of their environment (Hambrick, 2020). Strategic leaders make and communicate decisions for their organization's future (Zaccaro, 2019). They formulate the organization's goals and strategies, develop structures, processes, controls and core competencies for the organization, manage multiple constituencies, choose key executives, groom the next generation of executives, provide direction with respect to organizational strategies, maintain an effective organizational culture, sustain a system of ethical values, and serve as the representative of the organization to government and other organizations and constituencies as well as negotiate with them. Such strategic leadership must be able to deal with ambiguity, complexity, and information overload requiring adaptability and a sense of timing (Boal and Hooijberg, 2018).

Providing strategic leadership is an important role for the Chief Executive Officer (CEO) and for many other senior executives (Farkus and De Backer, 1996). They need to understand the health of their available markets, the products and services that can serve those markets advantageously, balance sheets and the availability of capital, how to optimize the interests of the various organizational constituencies, how to manage change in good times and bad times, how to use authority and accountability, and how to shape an effective management team of diverse competencies and interests.

## II. STATEMENT OF THE PROBLEM

Some researcher's belief that strategic leadership concept may become the most apt concept to embracing better value driven culture in public sector in the era of the 21st century (Draft & Pirola-Merlo 2019 ; Jing & Avery 2018; Ireland and Hitt 2017). Leadership in public sector tend to face the great challenges due to the prominent rule-based and too bureaucratic leadership styles, non-performance based HRM culture, and lack of innovative management practices. Several key roles of strategic leadership can be offered as strategies to sustain public organization performance outcome (Ireland & Hitt, 2017). The role of leadership is of fundamental importance to the performance and success of organizations (Breene & Nunes, 2016).

Serfontein (2018) did a research on the impact of strategic leadership on the operational strategy and performance of business organizations in South Africa. The research found that strategic leadership is directly and indirectly positively associated with operational strategy and organizational performance of business organizations in South Africa. Also the research recommended that organizations that want to improve their performance need to implement effective strategic leadership practices. The research focused on private business organizations in South Africa and this study was on SCs which function under strict regulations and they are government owned and therefore there was a research gap. Miring'u (2017) did an analysis of the effect of corporate governance on performance of commercial SCs in Kenya. The analysis concluded that corporate governance brings new outlook and enhances a firm's corporate entrepreneurship and competitiveness thus a positive relationship between ROE, board size and board composition. The analysis did not focus on the influence of strategic leadership on the performance in government managed entities in Kenya hence there was a research gap.

Mwaniki (2019) did a study on the impact of Performance Contracting on the performance of commercial State-Owned Enterprises. The study found that there was a significant impact of PCs in the financial performance of the State Owned Enterprises. The study focused on the impact of PCs on performance of commercial State-Owned Enterprises and therefore there was a research gap in terms of how strategic leadership influences performance of government managed entities in Kenya. Wamalwa (2019) studied the relationship between Performance Contracts and financial performance of Kenya Railways (KR) and Kenya Airports Authority (KAA). The study concluded that PCs have been largely successful tools in improving the financial performance of KR and KAA. The study focused on the relationship between PCs and financial performance leaving a gap on the effect of strategic leadership on performance of commercial and financial SCs. The above studies focused on several aspects that affect the performance of SCs in Kenya and business organizations in South Africa but to the best of the researcher's knowledge there was no study that tried to establish the influence of strategic leadership practices on the performance of government managed entities in Kenya hence a research gap.

## III. OBJECTIVE OF THE STUDY

To establish the influence of strategic leadership practices on performance of government managed entities in Kenya.

## IV. THEORETICAL FRAMEWORK

### 4.1 Cost Leadership Theory

This theory was developed in 1980 by Michael Porter. Cost leadership theory states that a firm can exploit its resource-capability combinations to effectively attain an efficiency-based competitive advantage that should be able to improve its financial performance compared to competitors by selling more units at the same margin, that is low price or by selling the same number of units at a greater margin that is parity price (Porter, 2015). In either case, it is logical to assume that a firm that attains a competitive advantage, whether in the form of greater benefits at the same cost or the same benefits at lower cost, will be able to improve its performance in ways that its competitors cannot (Wade and Hulland, 2014). Christine (2010) assert that competitive advantage and performance are terms that have been inter changeably used as they are based on the definition of Porter (2015), which asserts that competitive advantage and performance are more or less the same thing. Porter (2015) identifies three generic strategies for gaining competitive advantage. These generic strategies are cost leadership, differentiation and focus. Strategic planning has therefore an implication to performance of any organization and further the theory supports the concept of the study as it argues cost leadership, through strategic planning will lead to superior firm's performance.

## V. CONCEPTUAL FRAMEWORK

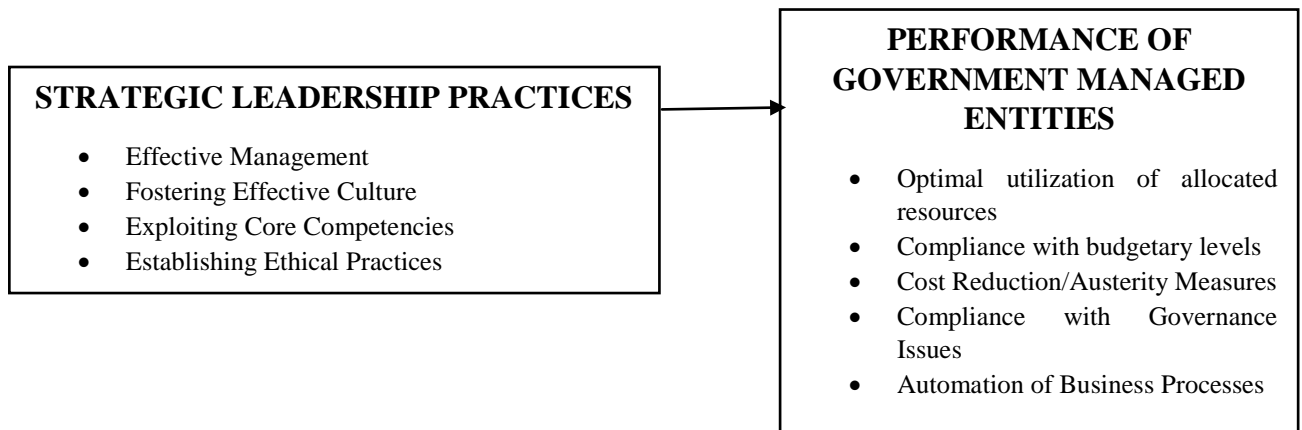


Figure 1 Conceptual Framework

## VI. RESEARCH METHODOLOGY

### 6.1 Research Methodology

### 6.2 Research Design

The study used a descriptive survey design. The descriptive research is a prominent data collection methodology in both quantitative and qualitative research. This approach allowed analysis of respondents in producing insights into the influence of strategic leadership practices on the performance government managed entities in Kenya.

### 6.3 Target Population

The target population consisted of all the forty-eight (48) government managed entities in Kenya. Respondents were persons in charge of strategy or human resource department. It was a census study since it involved every member of the target population.

### 6.4 Data Analysis and Processing

Qualitative as well as quantitative methods of data analysis was used to analyze the research variables. A Likert scale was adopted to provide a measure for qualitative data. The scale helped to minimize the subjectivity and make it possible to use quantitative analysis. The numbers in the scale was ordered such that they indicated the presence or absence of the characteristic to be measured Kothari and Gang, (2018). This mix of tools is necessary because whereas some aspects of the study was qualitative others were of quantitative nature.

## VII. RESULTS

### 7.1 Descriptive Analysis

#### 7.1.2 Factor Results for Strategic Leadership Practices

A Principal Component Analysis with varimax rotation was performed on seven grand strategy measures in order to examine the dimensionality of strategic leadership practices and performance and also to find out if all the variables were significant in performance of government managed entities. The other objective was to group the common factors and to retain a small number of factors which had the highest influence on performance of government managed entities. The results of factor analysis of strategic leadership practices were shown in Tables 4.4 (a).

Table 4.5 (a) KMO and Bartlett's Test Results for Strategic Leadership Practices

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.708
Bartlett's Test of Sphericity	Approx. Chi-Square	638.038
	Df	10
	Sig.	.000

A value close to one (1.0) indicates that patterns of correlations are compact and hence the Factor Analysis is reliable and appropriate for the study. KMO measures score on strategic leadership practices was 0.708 which represented great acceptability of the use of factor analysis and sufficient inter correlations. Bartlett's test checks if the observed correlation matrix diverges significantly from the identity matrix. Bartlett's test of Sphericity is

significant (chi-square=638.038,  $p < 0.000$ ). The total variance explained in the strategic planning practice constructs was explained in Table 4.4 (b).

**Table 4.5 (b): Total Variance Results Explained for Strategic Leadership Practice**

Component	Initial Eigen Values	Rotation Sums of Squared Loadings	Total % of Variance	% Cumulative	Total % of Variance	% Cumulative
1	4.265	60.927	60.927	60.927	3.395	48.505
2	1.077	15.392	76.319	76.319	1.947	27.814
3	0.793	11.334	87.653	87.653		
4	0.353	5.049	92.702	92.702		
5	0.293	4.185	96.887	96.887		
6	0.119	16.97	98.584	98.584		
7	0.099	1.416	100.000	100.000		

Extraction Method: Principal Component Analysis

The analysis of variance identified the Eigen values which indicate the variance of each factor or component in comparison with the total variance of all the items in the construct. The percentage of variance and the cumulative percentages which were explained by the extracted factors before and after the rotation were also calculated. Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to strategic planning practice. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the strategic planning practices variables that had the highest influence on performance of government managed entities in Kenya. Component one had the highest variance of 2.930 which accounted for 41.859 % of the variance. Component two had the least variance of 1.933 and accounted for 27.611 % of the variance. The cumulative results showed that there were two critical factors driving the use of Strategic leadership practices which accounted for 69.469 % of the total variance in this construct. The other five factors also explained the variance at less than 29.531% which meant that some variance had been explained by latent variables. In order to specify the number of factors that were influencing grand strategy and evaluate what variables to retain, factor loadings were considered and the minimum factor loadings of 0.798 were considered to be moderately high. The factors affecting everyone variable was all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher, however, chose to delete one variable (presence of strategic leadership practices) in grand strategy which did not relate to either factor 1 or 2 in order to continue working out for further relationships as shown in Table 4.5 (c).

**Table 4.5 (C): Rotated Component Matrix for Strategic Leadership Practices**

Strategic Leadership Practice Measure	Component 1	Component 2
Effective Management	0.863	
Fostering Effective Culture		0.945
Exploiting Core Competencies	0.893	
Establishing Ethical Practices		0.664

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 3 iterations

From the rotation matrix in Table 4.5 (c) a two-factor solution was obtained explaining 69.469 % of the total variance in grand strategy. These two factors were grouped as GS1 and GS2. GS1 had four items namely, strategic objective, action plan, strategic direction and alignment with Vision 2030. This factor was named strategic planning practice. GS2 had two items namely; institutionalization of grand strategy and effectiveness of grand strategy and this factor was named institutionalization of grand strategy. The results meant that the six constructs in grand strategy were correlated to the two factors or they could be grouped into two. Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of the entire items in each component were analyzed. Factor one which was named monitoring of grand strategy which had an average mean of 3.773 while institutionalization of strategic planning practice had a mean of 3.96. One construct namely presence of strategic planning practice was excluded from further analysis because it was deemed to have a low mean and as such much of its influence could be explained by the other factors.

### 7.1.3 Strategic Leadership Practices

**Table 4.13 Strategic Leadership Practices**

Descriptive Statistics			
	N	Mean	Std. Deviation
Strategic leadership practice has led to effective management of strategic resources of government owned entities that include human capital and finances.	90	3.73	1.130
Strategic leadership practices foster effective culture in government managed entities in Kenya.	90	3.39	1.519
Strategic Leadership practices helps to explore core competencies in staff of government managed entities to achieve desired organizational performance.	90	3.91	1.403
Strategic leadership practices establish ethical practices in government managed entities that helps to improve its image to the public and reduces losses through legitimation.	90	4.00	1.558
Balanced organizational controls are emphasized (strategic and financial controls)	90	3.80	1.493
Effective organizational culture is emphasized (core values, symbols and ideologies shared and that influence how business is conducted).	90	3.71	1.392
Valid N (listwise)	90		

The statement that Strategic planning practice has helped government managed entities to set out its strategic objectives had a mean score of 4.24 and a standard deviation of .940. The statement that Strategic planning practices helps government managed entities to outline its action plans to achieve the set-out objectives thus improving performance had a mean score of 3.72 and a standard deviation of 1.438. The statement that Strategic planning practices helps government managed entities to set-out its strategic direction had a mean score of 4.18 and a standard deviation of .931. The statement that Strategic planning practices assist government managed entities staff to participate in the strategic planning process had a mean score of 3.79 and a standard deviation of 1.241. The statement that Strategic planning is directly controlled by the senior management had a mean score of 3.66 and a standard deviation of 1.317. The statement that Senior management of government owned entities evaluate and monitors the implementation of strategic plans had a mean score of 3.78 and a standard deviation of 1.270.

## VIII. CONCLUSION AND RECOMMENDATIONS

### 8.1 Conclusion

The strategic leadership practices have been discussed in this study, which include determined corporate strategic direction, effectively managed corporate resource portfolio, emphasized effective organizational culture, emphasized ethical practices and balanced organizational controls. These practices have correlated highly with customer satisfaction, return on investment, net profit margin and low annual employee turnover. The correlation analysis that tested the level and significance of relationships of research variables confirmed that effective strategic leadership affects organizational performance. Therefore, this study adds to the body of knowledge of Barney and Arikan (2020) who explained that the most important task for strategic leaders is effectively managing the firm's portfolio of resources which can be categorized into financial capital, human capital, social capital and organizational culture. It has also added to the literature that effective strategic leadership promotes organizational performance.

### 8.2 Recommendations

This study contributes to supplement the existing theory on strategic leadership and its effect on the performance of organizations. The findings of this study underline that strategic leadership is directly and indirectly positively associated with performance of government managed entities in Kenya. Government managed entities that want to improve their performance need to implement effective strategic leadership practices. It is highly recommended for executives in government managed entities in Kenya to engage in the following high-performance strategic leadership practices: Need to focus on determining corporate strategic direction verified in this study. This aspect will ensure the strategic competitiveness and performance of their organizations. There is also a need to focus on effectively managing the corporate resource portfolio which is the most important task for strategic leaders as it is categorized into financial capital, human capital, social capital and organizational culture. This aspect will enhance the competitive advantage of their organizations over their rivals.

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