

EFFECT OF ORGANIZATIONAL LEADERSHIP ON PERFORMANCE OF ENERGY AND PETROLEUM SECTOR STATE CORPORATIONS IN KISUMU COUNTY, KENYA

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Abstract: The purpose of this study was to establish the effect of organizational leadership on performance of energy and petroleum sector state corporations in Kenya. The study employed explanatory research design. The target population was 99 senior managers from 11 energy and petroleum sector state corporations in Kisumu County. Data were collected using structured questionnaire and secondary data schedule. SPSS was used for data analysis. Descriptive and inferential statistics were used for the analysis of quantitative data. Percentages, standard deviation and mean was used in descriptive while, correlation (r) and regression analysis were used for hypothesis testing at 95% confidence interval in inferential statistics. Reliability was tested through Cronbach's alpha coefficient. SD and mean were used to analyse the objective. Organization leadership ($p=0.12$). Organization structure had statistically significant with organization performance and the null hypothesis rejected. It was evident that organization structure significantly influenced Kenyan energy and petroleum sector state corporations performance. The management of energy and petroleum sector state corporations in Kenya should therefore leverage all the aspects of organization leadership to exponentially enhance the corporations' performance.

Keywords: Organizational Leadership, Performance

I. INTRODUCTION

Organizational performance consists of three specific areas of the organization outcome (Richard *et al.*, 2008). These are: market performance, shareholder return and financial performance. The definition of performance is the accumulated end outcome of all processes of firm's work and activities (Stephen & Mary, 2002). According to Griffins (2006), firm performance is explained as its ability in acquiring and utilizing resources that are scarce and valuable in an expeditious way possible when pursuing operational objectives. The effectiveness with which it is transforming inputs into results indicates a firm's performance (Thursby, 2000). Thus, strategy management can be defined as a process through which a combination of measures is used to evaluate a company.

Organization performance is at the centre of concerted research efforts recently. A firm should implement its programs and policies in accomplishing its strategic purpose regarding its mission and vision in a better way. State corporations have not been doing well despite the application of strategic management practices. Strategies must be executed once they are developed and when the implementation fails, a



business will not attain the desired results. Kenya has a Strategic Program in Vision 2030 and its execution has poor results

as showed by its Second Mid Term Plan (2013-2017) Report. In this report, energy costs increase, over-reliance on hydropower, rural electrification projects having high costs, obsolete refinery and pipeline system, insufficient strategic reserves storage infrastructure of the petroleum products, inadequate legal and regulatory framework for the exploration of energy resources, development and exploitation are challenges that the Kenyan energy sector experiences still. The Government of Kenya has invested enormous resources invested in strategy implementation, but the energy and petroleum sector state corporations have faced challenges in the implementation of organizational culture strategic plans. There is a dearth of Studies on organization culture strategy implementation and performance hence this study will add more knowledge with regards to effects of organization culture on organizational performance. The research set out to respond to the following question: what is the effect of organizational culture on the performance of energy and petroleum sector state corporations in Kenya?

Literature Review

A firm normally has a role in goal setting and as such adopts relevant strategies for goal attainment. The firm structure should in turn support implementation of strategies. Effectiveness in implementation of strategy should fit the desired structure of the firm. Structure of the strategy indicates resource range and geographical diversity levels hence the required structure (Donaldson, 2012). A case in point is when a multinational firm is wishing to penetrate its target market standardised products of high quality and localised to less extent, a greater centralised coordination level is good for the strategy (Child, 2015).

Business structure that is decentralised is relevant for exploration phase that is innovation focused (Zakrzewska & Bielawska, 2016) permitting higher creativity level and reliance between numbers of functional departments. Corporations with global outlook always adopt a set of operations that are centralized with different localisation levels, contingent on goals of the organization (Donaldson, 2012).

Kim (2007) demonstrates that a communication that is one-way and top-down brings confusion between mid-level managers and expatriates, ultimately failing to meet its strategic intent in changing the business and its expansion overseas. Strategic intent information lack concerning overseas expansion and personnel relocation in foreign markets, staff were feeling insecure and assignment overseas to them was as early retirement sign. Local operations started collecting information on overseas assignments using channels that are informal owing to the absence of transparency in communication. The managers had job insecurity and fear sense resulting in low morale among the workers. The communication significance for implementation of strategy and sufficient firm overhauling is emphasized. Child (2015) cites a case of petroleum organization that is structured with a reduction on management levels from nine to four which simplified the communication paths and management structure resulting efficient information flow and processes of making decision increasing competitiveness.

Scholars of strategic management, in their endeavour to establish performance associations of businesses strategic behaviour, persist in measuring business performance through a broad array of schemes of operationalization (Mugambi & K'Obonyo, 2017). A number of studies on strategic management used traditional financial indicators in measuring performance (Walsh & Margolis, 2013). Failing in embracing less tangible dimensions e.g. employee quality, moral and client satisfaction are the main challenges of the traditional performance measuring (Kaplan and Norton, 2012). Currently, it is still believed that methods of traditional finance still has effectiveness and relevance (Taylor, 2017). That notwithstanding, there should be a balance between these and more externally adapted, intangible and modern metrics. Competition in the global arena necessitates a firm organizations to possess the capability of innovation and hence learning. Social aspect assesses firm's influence on communities in around it (Kerzner, 2011).

Many business face challenges when it comes to strategy implementation. Raps &Kauffman (2015) explains that the challenge is demonstrated by the indecisiveness of the low performance level estimated at 10% to 30% of envisioned strategies.

Ndichu (2009), looked at the factors that influence implementation of strategies in Nairobi Water and Sewerage Company. He observed that firms where managers lacked confidence in the staff having key administrative positions showed poor performance when given tasks, while all who confidently gave tasks to the staff had maximum performance. The study looked at the achieving the interests of principal's and top management's interests without employees' personal interest in the organization. Thus, the study explored how strategic leadership influences firm performance by achieving principal and agents common interests. Chege (2015) looked at the strategy implementation challenges on Zetech University performance and established that managers don't involve staff when formulating strategic plans causing slowed implementation and consequently hampered performance. The study hence found out the influence of strategic leadership on strategy implementation and firm performance.

Semuel, Siagan & Octavia (2017), looked at how leadership and innovation influences strategy of differentiation and Indonesian Hotels performance. Results indicated that leadership directly affected firm performance and indirectly through innovation. Nthini (2013) observed how strategic leadership influences Kenyan commercial and financial State Corporations. The study made use of descriptive survey design. The target population comprised all 48 Kenyan financial and commercial SCs. The results indicated that corporate strategic direction and customer satisfaction had strong positive association. The study confirmed that firm performance is influenced by strategic leadership.

Datche (2015) looked at how Kenyan state corporations' performance is affected by transformational leadership. The study sampled 90 parastatals to explore the relationship. The findings indicated that both employee involvement and transformational leadership are strongly related to Kenyan state corporations' performance. These previous studies have all concurred that organizational leadership affect performance at different levels. There is however no study which has focused on leadership style and performance of energy and petroleum sector State corporation. This the gap that this study sought to fill.

Materials and Methods

A descriptive survey design which tries to illumine problem of research further by explaining variables of concern, was adopted by this study because it is relevant to social scientist and people having interest in original data collection in order to describe a population too large for observation. The research took place in the Kenyan County of Kisumu. The county is in Nyanza region in Kenya with a target population of 11 State corporations in the Energy and Petroleum Sector. The county covers a total of 2,085.6 km² and 567 km² covered by water. The target population comprised 99 senior managers selected equally (nine each) from the 11 energy and petroleum state corporations based in Kisumu County. The 99 senior officers comprised of the target population. A census survey was carried out on these senior officers. The study took nine persons from every corporation to come up with 99 persons for the study. Primary data was obtained by administering questionnaires

Primary and secondary data was employed in data collection on strategy implementation and Kenyan energy and petroleum sector state corporations performance. Primary data is the information received first hand from the participants regarding their experiences and perspectives while secondary data is one that was previously gathered form a different project and not the one at hand and includes information in company's books, financial records and other related sources. The management gave this information. Expert opinions in the field study were sought by the researcher to determine research's validity which made easy the needful revision and fine tuning of the questionnaire thus improving validity. A pilot group of 9 participants was selected (10% of the target population), for testing reliability. This was meant for

refining the data collection tool for the participants in the main study not to have challenges in responding to the questions. Cronbach Alpha coefficient (α) was used to estimate reliability. The collected data was analysed using SPSS and presented in text, figures, and tables.

Results

Results showed that the employees has the skills for efficient strategy implementation (mean=4.036; [SD] = 0.935), leaders demonstrate high morale (mean=3.829; [SD] = 0.9136), management is supported to drive business strategies (mean=3.951; [SD] = 1.08756), the current leadership structure supports full implementation of strategy (mean=3.902; [SD] = 0.976), good leadership within the organization has played a pivotal role in mobilizing and gaining support of staff members (mean=3.911; [SD] = 1.090) and the management capability to plan, manage and implement strategic initiatives has been great (mean=3.914; [SD] = 0.918).

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev
The management staff has the skills that enable successful strategy implementation	82	1.00	5.00	4.0366	.93551
Leaders demonstrate high morale	82	1.00	5.00	3.8293	.91361
Management is supported to drive business strategies	82	1.00	5.00	3.9512	1.08756
The current leadership structure supports successful implementation of strategy.	82	1.00	5.00	3.9024	.97638
Good leadership within the organization has played a pivotal role in mobilizing and gaining support of the staff members	82	1.00	5.00	3.9146	1.09094
The management capability to plan, manage and implement strategic initiatives has been great.	82	1.00	5.00	3.9146	.91895
Valid N	82				

Source: Research Data (2021)

Correlation Analysis

The study established a significant positive association between organization structure and strategy implementation of pearson correlation (.470, $p=.000$) as shown in the table 2.

Table 2: Correlation Analysis

		Organization Leadership
Organisation performance	Pearson Correlation	.470**
	Sig. (2-tailed)	.000
	N	82

Regression Analysis

Regression analysis indicate that organizational leadership in strategy implementation has significant effect on Kenyan energy and petroleum sector state corporations performance ($\beta=0.234$, $p=0.043$). This implies that harnessing organizational leadership has significant effect on Kenyan energy and petroleum sector state corporations performance. Practically, when energy and petroleum sector state corporations in Kenya put more emphasis on the organizational leadership, then there would be significant effect on their organizational performance. Henceforth, the null hypothesis that organizational leadership in strategy

implementation has no significant effect on Kenyan energy and petroleum sector state corporations performance was thus rejected.

Table 3: Coefficients table						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.138	.416		5.141	.000
	Organization Leadership	.207	.103	.234	2.011	.048
a. Dependent Variable: Efficiency						

Discussions

Results of the study objective are in agreement with a study by Nthini (2013) who observed how strategic leadership influences Kenyan commercial and financial State Corporations. The study made use of descriptive survey design. The target population comprised all 48 Kenyan financial and commercial SCs. The results indicated that corporate strategic direction and high customer satisfaction have a strong association. The study confirmed that firm performance is influenced by strategic leadership. The study found that organization structure has a significant influence on the performance of energy and petroleum sector state corporations in Kenya. This is consistent with a study by Ruffini (2000) on organizational design and efficiency of operations in an organization where the structures were critical in influencing the performance. The study concurs with a study by Samuel, Siagan & Octavia (2017) who looked at how leadership and innovation influences strategy of differentiation and Indonesian Hotels performance. Results indicated that leadership directly affected firm performance and indirectly through innovation. Further, the study results are consistent with a study by (Datche, 2015) who looked at how Kenyan state corporations' performance is affected by transformational leadership. The study sampled 90 parastatals to explore the relationship. The findings indicated that both employee involvement and transformational leadership are strongly related to Kenyan state corporations' performance.

Conclusions

It was realized that ensuring proper planning of activities, effective and efficient ways of communication, provision of motivations and per look into the internal and external politics which significantly affects organizational performance. It is therefore concluded that a proper practice of leadership and management style significantly affect Kenyan energy and petroleum sector state corporations performance. Because the world is rapidly changing and since hurdles and tasks are becoming even highly sophisticated, one can no longer assume that a sole executive or manager can solve all problems by himself/herself. No one person can deal with all of today's rapid changes, competitive threats, and ceiling customer demands. Instead, effective leadership must permeate the organization. Intended for the development of effective organizations, understanding the connection between transformational leadership and the organizational performance is an important factor. On the other hand, finding the approaches and methods to develop the performance of the employees is an important duty for today's leaders.

Recommendations

Leaders of organizations should demonstrate high morale; the staff should have relevant skills for effective organization leadership which further results in greater efficiency. It is apparent that resource availability - physical, human and financial resources - allows for implementation of strategies which positively impacts efficiency. Managers should therefore seek to leverage on adequate physical, human and financial resources for better results to be eventful. Leadership is one of the tools used for attaining goals and objectives of the organization, hence each business should as issue of importance, ensure of getting the right leader that will

control their organization; in order to achieve their set goals/objectives.

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