



Nexus between Leadership Styles and Performance of Small and Medium Manufacturing Firms in Kenya

Peter Kihara^{1*}, Henry Bwisa² and John Kihoro³

¹School of Business and Economics, Kenya Methodist University, P.O.Box 45240-00100, Nairobi, Kenya.

²College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, P.O.Box 6200-00200 Nairobi, Kenya.

³The Cooperative University of Kenya, P.O.Box 24814-00200, Nairobi, Kenya.

Authors' contributions

This work was carried out in collaboration between all authors. Author PK designed the study, managed literature searches, analyzed data, did critical review of the comments on the manuscript and finalized the manuscript. Author HB guided on the managerial aspects and supervised the writing up of the final manuscript. Author JK guided on the methodology and the statistical aspects of the entire manuscript including interpretation of the results. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/BJAST/2016/29341

Editor(s):

(1) Hui Li, School of Economics and Management, Zhejiang Normal University, China.

Reviewers:

(1) Louise van Scheers, DMRM University of South Africa, South Africa.

(2) Ayse Kucuk Yilmaz, Department of Management and Strategy, Anadolu University, Turkey.

(3) AKM Shahidullah, University of Manitoba, Canada.

Complete Peer review History: <http://www.sciencedomain.org/review-history/17298>

Original Research Article

Received 5th September 2016
Accepted 12th December 2016
Published 21st December 2016

ABSTRACT

This paper focuses on the nexus between leadership styles and performance of small and medium manufacturing firms (SME's) in Kenya. The leadership styles examined include the transformational, transactional and passive/avoidant behaviour. This study is underpinned in the Dynamic Capabilities View of the firm and sought to examine whether leadership styles influences the performance of manufacturing SME's. A triangulation of both quantitative and qualitative designs was used. Primary data was collected using a self-administered questionnaire from a sample of 115 firms obtained from a population of 165 manufacturing SMEs. Hypotheses were tested using bivariate correlations and regression analysis. The results indicated that leadership styles positively and significantly influences manufacturing SME's performance ($r = .259^{**}$, $P = .005$).

*Corresponding author: E-mail: kiharamp41@msn.com;

Secondly, most of the CEO's in these firms practices transactional leadership style (composite mean score, 3.54), followed by transformational leadership (composite mean score, 3.42) and lastly passive/avoidant leadership (composite mean score, 3.12). Thirdly, this study found that transformational leadership style is the best in these firms ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$). The influence of transactional leadership style ($r = .180$, $P = .054$) and passive/avoidant leadership behaviour ($r = .169$, $P = .071$) was found to be insignificant.

Keywords: Leadership styles; manufacturing; performance; dynamic capabilities; SME.

1. INTRODUCTION

A leader is someone who owns-up, steers and drive the organization's efforts towards accomplishment of goals and objectives. He is a role model who provides directions; make tough decisions, and supports the firm's vision and mission. He creates an enabling environment that promotes a strong culture where employees work without fear or intimidation. He also creates a platform where work related activities are viewed as a winning formulae and a process that confers a competitive edge among the rival firms. He does all these in an environment characterized by integrity, trustworthiness and honesty [1]

Past studies have underscored the importance of a leadership style as a strong ingredient towards superior performance [1,2,3,4,5,6,7,8,9,10]. Teece [11] supports this argument by stating that "a good leader must possess some superior skills required to effectuate high performance through sensing, seizing and transformation" [P23]. Strong leadership is an important dynamic capability required by all firms to drive superior performance in a competitive environment that characterizes modern organizations. Leadership is a dynamic capability in that a strong leadership style is difficult to acquire, transfer or imitate. This implies that an organization with a strong leadership style has a valuable resource that is tacit and often embedded in the firm's processes [P 23]. Strong leadership skills are required by firms to drive activities that lead to superior performance and competitive advantage.

The main objective of this study was to establish the link between leadership styles and performance of manufacturing SMEs in Kenya. This sector is increasingly becoming competitive with the emergence of middle income class in the Kenyan population who buys their products. The business environment is also becoming more competitive with new firms joining the market on a daily basis. This study, specifically, intended to

establish whether leadership styles influences the performance of manufacturing SMEs and also determine the style that has the strongest influence on performance among the three dominant leadership styles examined by Avolio and Bass [12].

The Kenyan Vision 2030 [13] envisages a vibrant manufacturing sector as one of the key sectors meant to industrialize the economy by the year 2030. However, this sector has recorded poor performance over the years contributing only a dismal 14.2% to the country's GDP [14]. This phenomenon not only paints a gloomy picture of the sector, as a key pillar of economic growth, but also threatens to slow down the realization vision 2030 dream. The manufacturing SME's outperformed the large industries in terms of growth and job creation [13,14]. The SME's in the country are likely to perform better when they improve their leadership skills. Leadership in this study is taken to be a key driver towards better performance is the manufacturing SME's. Thika Sub-County was selected because it is one of the key industrial towns in Kenya which is ranked third in terms of the easiness to do business [15].

Results from this study indicated that a leadership style has a positive and significant influence on the manufacturing SME's performance. The study also revealed that most of the CEOs in these firms practices transactional leadership style, followed by transformational leadership style and lastly the passive/avoidant leadership behavior. Finally, the results indicated that transformational leadership is the best and has a positive and significant influence on the manufacturing SME's performance. Both transactional and passive/avoidant styles have an insignificant influence.

2. THEORIES, CONCEPTS AND HYPOTHESES

Both the independent and dependent variables in this study are underpinned in the Dynamic

Capability's View of the firm (DCV) which was developed by David Teece in 1990s. The framework, is based on the works of Barney [16] Rumelt [17] and Wernerfelt [18], and provides a better explanation of how organizations gain competitive advantage through acquiring and developing their unique dynamic capabilities as opposed to the view advanced by the proponents of the Resource Based View of the firm [19] who argues that the resources an organization possesses plays an important role in determining her success and competitive advantage. The Dynamic Capability View (DCV) framework perceive changes taking place in the firm's environment as an impetus for a continuous renewal and regeneration of their resources in a way that matches the dynamics taking place in the organic environment where the firm operates [20]. Teece, Pisano and Shuen [21], observed that the DCV framework explores various ways a firm is able to consolidate, grow, configure and re-configure their unique internal and external processes and competencies into a new set of processes and competencies that are well aligned to the environmental changes taking place in an increasingly a turbulent world [22].

According to the DCV framework, any firm that possesses strong and greater dynamic capabilities will always outperform the firms with weaker and smaller dynamic capabilities. It therefore follows that any firms operating in a dynamic environment will always attempt to continuously renew, re-configure and re-build unique firm specific capabilities (both internal or external) in order to remain competitive [23].

The theory argues that the dynamic capabilities are hard to imitate, transfer or develop since they are tacit and often embedded in the firm in a unique set of relationships and histories [21]. A firm with ordinary capabilities will always do things right according to Resource Based View (RBV) while a firm with dynamic capabilities will do the right things at the right time based on her unique processes, the prevailing firm's culture

and correct judgments and knowledge of the happenings in the firms competitive environment and the opportunities derived from superior technology the firm has according to DCV [24]. Teece [24] gives examples of strong dynamic capabilities in a firm that include unique processes, advanced technology, strong and flexible structures, strong leadership skills and strong business models required by organization's leadership to effectuate high performance sensing, seizing and transforming an organization [11: pg23]. Strong dynamic capabilities provide an easy path for the firms to achieve superior results, outperform rivals and acquire and sustain a competitive advantage over the rival firms in the industry.

The Dynamic Capability View framework is important in this study because a strong leadership style is not only a driving force and capability required by firms to achieve better results but also it is dynamic in nature. This capability is developed through learning and practice and is usually tacit and difficult for other firms to imitate since it resides in an individual. Following the DCV's arguments, the conceptualized framework showing the nexus between leadership styles and SME performance is presented in Fig. 1.

The study focused on three main leadership styles according to Avolio and Bass definitions [12]. The transformational leadership style is the process in which leaders create new awareness among their followers of the important areas to focus on. It also induces them to see the world from a different perspective in terms of the opportunities they need to seize on and how to tackle challenges that come along their world in a better fashion. These leaders proactively seek to optimize organizational innovation and development at individual, group and organizational levels. Secondly, the transactional leadership style exhibits behaviors associated with constructive and corrective transactions. The constructive style is labelled Contingent

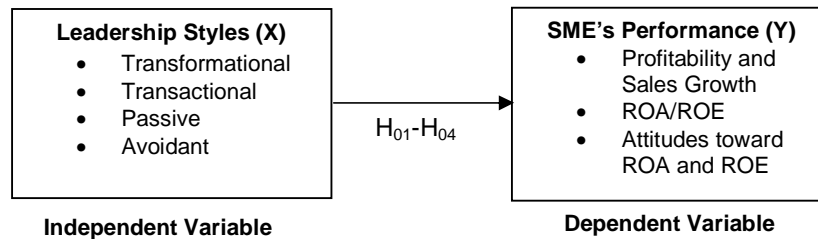


Fig. 1. Conceptual framework

Reward while the corrective style is labelled Management-by-Exception. Transactional leadership defines expectations and promotes performance to achieve and thirdly, the passive/avoidant leadership style is non pro-active to situations. Most of the times the leaders reacts to what is happening in their environment as opposed to the transformational leaders who are highly pro-active and challenges the status quo. This leadership does not respond to situations and problems systematically. It is often associated with the laissez-faire leadership styles.

Teece [11: pp 23] underscored the importance of leadership styles by stating that “a leader must possess superior skills required to effectuate high performance through sensing, seizing and transformation”. According to him, leadership in an organization is an important dynamic capability that keeps on changing with the changes in the dynamic and competitive environment as opposed to an ordinary resource postulated by the Resource Based View of the firm [19]. Strong leaders possesses strong skills, mental capacities and capabilities that drives their organizations to perform better than their rivals and confers these firms a competitive edge in a dynamic and competitive environment. Thompson and Strickland [25] further stated that strategic leadership keeps organizations innovative and responsive by taking special plans to foster, nourish and support people who are willing to champion new ideas, new products and product applications. Griffins [26] identified leadership in an organization as one of the main factors influencing strategy implementation by providing a clear direction, up to date communications, motivating staff and setting up culture and values that drives organizations to better performance. Heracleous [27] identified various roles played by leaders during strategy implementation process and classified them as a commander (a leader who attempts to formulate an optimum strategy), an architect (a leader who tries to designs the best way to implement a given strategy), a coordinator (a leader who attempts to involve other managers to get committed to a given strategy, a coach (a leader who attempts to involve everybody) and a premise-setter (a leader who encourages other managers to come forward as champions of sound strategies). Based on the foregoing, the following hypotheses were set;

H₀₁ Leadership styles does not significantly influence the performance of

manufacturing SME's in Kenya

H₁ Leadership styles significantly influences the performance of manufacturing SME's in Kenya

A study in South Africa concluded that leadership and especially strategic leadership's role of providing direction during strategy implementation is important in influencing organization performance [28]. Noble and Mokwa [29] found out that manager's commitment to strategy (which refer the extent to which a manager comprehends and supports the goals and objectives of a strategy) and individual manager's role performance (the degree to which a manager achieves goals and objectives of a particular role) positively influences the success of strategy implementation effort and performance in an organization. Bourgeois and Brodwin [30] identified a variety of leadership styles which are practiced by leaders during strategy implementation and found out that leadership approaches to strategy implementation varies from being an autocratic leader to a more participative style that involves active engagement of various stake holders in the implementation process. According to this study, five main leadership styles practiced during strategy implementation include commander, collaborative, coercive, cultural and organizational change. Ling et al., [2] observed that there is a significant relationship between transformational CEOs and the performance in SMEs. In order to test the significance of various leadership styles based on the above findings on transformational leadership, the following hypotheses were developed;

H₀₂ Transformational leadership does not significantly influence the performance of manufacturing SMEs in Kenya

H₂ Transformational leadership significantly influences the performance of manufacturing SMEs in Kenya

Aziz et al., [3] tested the three most common leadership styles commonly practiced by SMEs which include the transactional, transformational and passive avoidant (Laissez-faire) leadership styles and found out that among the three leadership styles, the transformational leadership has the highest influence and is directly related to the performance in SMEs. His findings are consistent with a study by Naeem and Tayyeb [4] in Pakistan which found a positive correlation between the transformational leadership style and SMEs performance and a weak positive

correlation between transactional leadership style and SMEs performance. The study concluded that the transformational leadership style positively and significantly influences performance in SMEs in Pakistan. Based on the relationship between the transactional leadership style and performance of firms, the following hypotheses were set;

H₀₃ Transactional leadership does not significantly influence the performance of manufacturing SMEs in Kenya

H₃ Transactional leadership significantly influences the performance of manufacturing SMEs in Kenya

Okwu et al. [6] tested the application of transformational and transaction leadership styles in Nigerian SMEs and found out that transformational leadership style is weak in explaining variations in performance while the transactional leadership style has a significant positive effect on performance and both jointly explain very high proportion of variations in SME's performance. The study concluded that transactional leadership style is more appropriate in inducing performance than transformational leadership and recommended that SME firms should adopt transactional leadership style but strategize to transit to transformational leadership style as their enterprises develop, grow and mature. Based on these findings on passive/avoidant leadership behaviour and firm's performance, the following hypotheses were set;

H₀₄ Passive/avoidant leadership does not significantly influence the performance of manufacturing SMEs in Kenya

H₄ Passive/avoidant leadership significantly influence the performance of manufacturing SMEs in Kenya

3. METHODOLOGY

The study adopted a mixed research design that incorporates the qualitative and quantitative designs. Logical positivism was the guiding philosophy which points out that a statement is only valid if it can be proven to be true or false [31,32]. A triangulation of both designs was also applied in order to compensate for the weaknesses of one design over the other and to increase accuracy of the data collected. This approach has been used by a number of researchers in related studies [33,34,35]. The current study limited itself to manufacturing firms in Thika town and within a radius of 15 kms in

order to maintain a homogeneous population. The manufacturing sector in the town comprises of 10 large scale industries and 165 manufacturing SMEs firms which formed the basis of this study [36]. These firms were further stratified into two main categories resulting into medium and small manufacturing firm's classification.

From the population of 165 firms, a sample was drawn using a simple random procedure giving 115 firms that participated in this study. The formulae used to obtain the correct size of the sample had been provided by Mugenda and Mugenda [37]. Data was collected using a self-administered questionnaire where the owner manager/CEO or lead manager was interviewed and further issued with a questionnaire containing both open and close ended questions. Due to the difficulty of getting the CEOs to respond and return the filled questionnaire in good time, several follow ups were made and the data collection process took a period of eight months to complete. All the intended 115 questionnaires were correctly filled and returned hence the response rate was 100%.

The psychometric constructs in this study were tested for internal consistency. Cronbach's alpha was used to test reliability of these constructs. The dependent variable (performance) obtained an alpha of 0.815 while the independent variable (leadership styles) returned an alpha of 0.800. The acceptable level of alpha, as a measure of reliability of test instrument, lies in between 0.70-1.0 [38]. The results obtained from these tests indicated that the constructs in this study were reliable and valid.

Summary statistics comprising of the mean scores and standard deviations were obtained which provided information on how the respondents scored on the Likert based psychometric instruments [39]. A mean score above 3.4 on a 1-5 Likert scale indicates that the respondents agreed with a given construct while the opposite is true for a mean score below 3.4. A bivariate linear correlation was obtained to show how the dependent variable relates to the independent variable. The strength of this relationship is given by the Spearman's Rho (r) which ranges from 0.0-1.0. The more close the Rho value is to 1.0, the stronger the relationship and the vice versa is also true.

The significance of the relationship is shown by its corresponding p-value where the p-value

below 0.05 indicates that the variable is statistically significant while the p-value above 0.05 indicates otherwise. The correlation results obtained were then used to test the hypotheses depending on the corresponding p-values. The regression analysis was performed which gave the coefficient of determination (R^2) indicating how well the proposed model fitted the data and the F-statistics indicating whether the proposed model is valid for further analysis. The beta values gave the regression weights and the direction of the influence while the p-values indicated whether the influence is statistically significant or not. The regression results were used to test hypotheses proposed in this study.

The influence of independent variable (X) over the dependent variable (Y) is represented in a functional form as shown in equation 1. The linear function in equation 2 shows the influence of specific leadership styles on the SME's performance. From these two equations (1 & 2), regression models are developed to capture the influence of independent variable (X) on the dependent variable (Y) as shown in equation 3 and 4 respectively;

$$Yf(X_1) + \varepsilon \quad (1)$$

Where; Y = SME's performance, X_1 = leadership styles and ε is the stochastic disturbance error term

$$Yf(X_{11}, X_{12}, X_{13}) + \varepsilon \quad (2)$$

Where; X_{11} = transformational leadership, X_{12} = transactional leadership, X_{13} = passive/avoidant leadership

The following regression models were derived from equation 1 and equation 2 respectively;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \quad (3)$$

Where; β_0 = constant/slope and β_1 = coefficient for X_1

$$Y = \beta_0 + \beta_1 X_{11} + \beta_2 X_{12} + \beta_3 X_{13} + \varepsilon \quad (4)$$

Where; β_j ($j=1, 2, 3$) = coefficient/slope of X_i for $i = 1, 2, 3$

3.1 Measurement of Variables

Performance was measured using financial indicators that elicited the respondent's perceptions on the level of profitability, ROA/ROE and growth of sales/employees for the past five years. To obtain sensitive information

on the financial performance that the respondents will ordinarily not disclose, the study used a 5 point Likert scale questions [39] aimed at obtaining the same information in a more indirect approach. The scale ranged from 1 – 5 (strongly disagree – strongly agree). Mean scores were then computed on each item and the scores above 3.4 indicated agreements while those below indicated otherwise. These mean scores were then used to arrive at the composite mean score and the higher the score, the better the perceived performance and otherwise for poor performance.

A Multi-factor Leadership Questionnaire short form, MLQ 6-S was adopted to measure the three dominant leadership styles commonly practiced in organizations today [40]. The tool consisted of 21 items which are marked from 1-5 rating scale where 1 = not at all, 2 = once in a while, 3 = sometimes, 4 = fairly often, 5 = frequently if not always. The factors of MLQ 6-S are grouped according to Avolio and Bass definitions [12]. The transformational leadership style includes: Factor 1. Idealized influence (item 1, 8 & 15), Factor 2. Inspirational motivation (items 2, 9 & 16), Factor 3. Intellectual stimulation (item 3, 10 & 17), Factor 4. Individualized consideration (item 4, 11 & 18). The Transactional leadership style include: Factor 5. Contingent reward (item 5, 12 & 19) and Passive/Avoidant leadership behavior include: Factor 6. Management-by-Exception Passive (MBEP) (item 6, 13 & 20) and Factor 7. Laissez-faire (items 7, 14 & 21). According to Avolio and Bass [16], the MLQ 6-S short form is scored as follows: Summing three scores of specified factor 1, 2, 3 & 4 gives the total score of transformational leadership. The total score of transformational leadership is divided by four to give the composite mean score of transformational leadership style. Total score of factor 5 gives the total score of transactional leadership. The total score of transactional leadership divided by one gives the composite mean score of transactional leadership style. Summing scores of factor 6 and 7 gives the total score of passive/avoidant leadership behavior while total score of passive/avoidant behavior is divided by two to give the composite mean score of passive/avoidant behavior.

4. RESULTS

The owners/CEOs of the SME firms in Kenya agreed with majority of the constructs based on the performance of their firms (Appendix 1). The

results show that the mean scores for most of the psychometric constructs on performance are above 3.4. However, these leaders disagreed with two constructs, one based on the satisfaction with the ROA (mean score, 3.37) and the other on increase of the number of employees in the any given period (mean score, 3.18).

Results in Fig. 2 and in Appendix 2 show that majority of the leaders in manufacturing SME firms practices transactional leadership style (composite mean score, 3.54), followed by transformational leadership style (composite mean score, 3.42) and lastly passive/avoidant leadership behavior (composite mean score, 3.12).

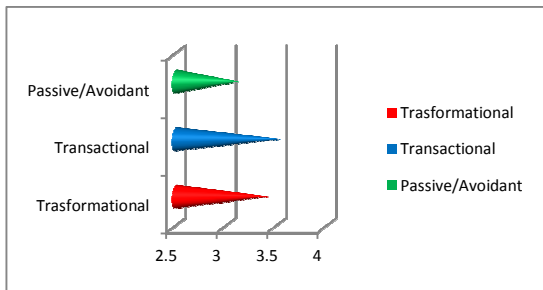


Fig. 2. Leadership styles practiced in manufacturing SME's in Kenya

Table 1 shows the bivariate linear correlations between leadership styles and performance of a manufacturing SME firms. This study found statistical evidence that leadership styles influences the performance of the manufacturing SME firm positively and significantly ($r = .259^*$, $P = .005$). This finding is consistent with the works of earlier scholars who found that leadership styles positively influences performance in an organization [1,2,3,4,5,6,7,8,9,10]. The

implication of this finding is that the SMEs firms will always experience a significant improvement in their performance with adoption of a better leadership style.

Table 1. Leadership styles and performance: Bivariate correlations

		Y	X ₁
Manufacturing SME's Performance (Y)	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	115	
Manufacturing SME's Leadership Styles (X ₁)	Pearson Correlation	.259**	1
	Sig. (2-tailed)	.005	
	N	114	114

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

In the univariate regression presented in Table 2 and Table 3, the influence of leadership styles on the SME's performance was captured in a model $Y = \beta_0 + \beta_1 X_1 + \epsilon$. Table 2 indicates that the model is valid ($F_{(1, 112)} = 8.062$, $P = .005$) implying that leadership style is an important predictor of SME performance.

Results in Table 3 indicate that leadership styles accounts for 6.7% of the total variations in performance of the SME firm. The value of β_0 indicate that leadership styles will always exists in the SMEs at a certain significant minimum ($\beta_0 = 3.754$, $P < .001$). These results are in agreement with the correlations output in Table 1 that a positive and significant influence exists between leadership styles and the manufacturing SME's performance ($\beta_1 = .284$, $P = .005$). This finding is in line with other scholars who found that a leadership style is an important variable and a good predictor of performance in organizations.

Table 2. Leadership styles and performance: ANOVA^a

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	1.745	1	1.745	8.062	.005 ^b
	Residual	24.245	112	.216		
	Total	25.990	113			

a. Dependent Variable: Performance
b. Predictors: (Constant), Leadership Styles (X₁)

Table 3. Leadership styles and performance: Regression weights^a

Model		Unstandardized coefficients		Standardized coefficients	R ²	t	Sig.
		B	Std. error	Beta			
1	Constant	3.754	.044		.067	2.839	.005
	Leadership styles	.284	.100	.259			

a. Dependent Variable: Performance

The first null hypothesis (H_{01}) predicted no significant influence of leadership styles on the performance of manufacturing SMEs. The findings from bivariate correlations in Table 1 ($r = .259^{**}$, $P = .005$) and from univariate regression in Table 3 ($\beta_1 = .284$, $P = .005$) indicates that a positive and significant influence exists between the two variables. Therefore, the null hypothesis (H_{01}) is rejected in favour of H_{1a} and the study concludes that a positive and significant influence exists between leadership styles and performance of manufacturing SME's firm in Kenya.

To test the specific leadership styles, a bivariate linear correlation was performed to establish how each of the three leadership styles relates to the SME's performance. The results in Table 4 indicates that transformational leadership style is the best among the three with a significant positive influence on SME's performance ($r = .297^{**}$, $P = .001$). The transactional and passive/avoidant styles have an insignificant influence on the SME's performance ($r = .180$, $P = .054$), ($r = .169$, $P = .071$) respectively.

A multiple linear regression model $Y = \beta_0 + \beta_1X_{11} + \beta_2X_{12} + \beta_3X_{13} + \epsilon$. was developed containing these three dominant leadership styles. The results are presented in Tables 5 and 6. Table 5 shows that the model is valid ($F_{(3, 111)} = 3.788$, $P = .012$) implying that a combination of these

leadership styles significantly influences SME's performance in Kenya.

Table 6 shows that the three leadership styles explains 9.3% of the total variations in the manufacturing SME's performance ($R^2 = .093$). The constant indicates that a combination of leadership styles will always exist at a certain significant minimum ($\beta_0 = 2.864$, $P < .001$). The results provides evidence that transformational leadership style influences the SME's performance positively and significantly (X_{11} , $\beta_1 = .208$, $P = .013$). The transactional style (X_{12} , $\beta_2 = .049$, $P = .481$) and passive/avoidant behaviour (X_{13} , $\beta_3 = .001$, $P = .012$) have an insignificant influence on the SME's performance. The implication is that the transformational leadership style is the best predictor of manufacturing SME's performance.

This study had proposed the following null hypotheses based on these leadership styles;

- H_{02} . Transformational leadership does not significantly influence the performance of manufacturing SMEs in Kenya
- H_{03} . Transactional leadership does not significantly influence the performance of manufacturing SMEs in Kenya
- H_{04} . Passive/avoidant leadership does not significantly influence the performance of manufacturing SMEs in Kenya

Table 4. Bivariate correlations: Specific leadership styles and performance

		Y	X ₁₁	X ₁₂	X ₁₃
Performance (Y)	Pearson correlation	1			
	Sig. (2-tailed)				
	N	115			
Transformational (X ₁₁)	Pearson correlation	.297 ^{**}	1		
	Sig. (2-tailed)	.001			
	N	115	115		
Transactional (X ₁₂)	Pearson correlation	.180	.395 ^{**}	1	
	Sig. (2-tailed)	.054	.000		
	N	115	115	115	
Passive/Avoidant (X ₁₃)	Pearson correlation	.169	.494 ^{**}	.480 ^{**}	1
	Sig. (2-tailed)	.071	.000	.000	
	N	115	115	115	115

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

Table 5. Specific leadership styles on the SME's performance: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.466	3	.822	3.788	.012 ^b
	Residual	24.087	111	.217		
	Total	26.553	114			

a. Dependent Variable: Performance

b. Predictors: (Constant), X₁₃, X₁₂, X₁₁

Table 6. Specific leadership styles: Regression weights^a

Model		Unstandardized coefficients		Standardized coefficients	R ²	t	Sig.
		B	Std. error	Beta			
1	Constant	2.864	.289		.093	9.914	.000
	Transformational	.208	.083	.267		2.512	.013
	Transactional	.049	.069	.074		.706	.481
	Passive/avoidant	.001	.091	.001		.012	.990

a. Dependent Variable: Performance

Results presented in Table 4 and Table 6 indicates that a positive and significant influence exists between transformational leadership style and the performance of the SME ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$). Therefore, the null hypothesis (H_{02}) is rejected in favour of the alternative hypothesis H_2 and the study concludes that transformational leadership style positively and significantly influences the manufacturing SME's performance. This means that leaders in the manufacturing SME's who practices transformational leadership help their firms to achieve better results. The findings also revealed that the transactional leadership style has an insignificant influence on the manufacturing SME's performance ($r = .180$, $P = .054$; $\beta_1 = .049$, $P = .481$). This study fails to reject the null hypothesis (H_{03}) and concludes that there is no significant Influence of transactional leadership style on the performance of manufacturing SMEs. The study also fails to reject the null hypothesis (H_{04}) ($r = .169$, $P = .071$) and conclude that there is no significant influence of passive/avoidant leadership behaviour on the performance of manufacturing SME's in Kenya.

5. DISCUSSION

The results from both bivariate linear correlation in Table 4 ($r = .259^{**}$, $P = .005$) and univariate regression analysis in Table 6 ($\beta_1 = .284$, $P = .005$) indicates that leadership styles has a positive and significant influence on the performance of the manufacturing SMEs in Kenya. This means that the choice of a leadership style affects significantly how manufacturing firms performs. These findings are in line with observations and conclusions made by earlier scholars that organization's leadership is an important factor that leads to superior performance in a dynamic environment [1,2,3,4,5,6,7,8,9,10]. The role of organization's leadership in owning up, steering and driving forward goals and objectives of a firm is a critical success factor. The findings that leadership styles influences manufacturing SME

performance are in agreement with the arguments advanced by Dynamic Capabilities View's framework that firms with superior performance tends to exhibit strong leadership skills among other dynamic capabilities. Leadership skills are tacit and dynamic in nature making it difficult for other firms to acquire or imitate. Therefore, the SME manufacturing firms' leadership need to enhance, foster and vary their dynamic capabilities with respect to leadership skills to suit the ever changing demands in the society. Leadership changes should be well aligned with the changes taking place in the competitive and dynamic environment these firms find themselves in the 21st Century. The results from this study, therefore, support the Dynamic Capabilities View's arguments that leadership is a strong dynamic capability that leads to superior performance.

The analysis of specific types of leadership styles in Table 4 and Table 6 revealed that the transformational leadership style is the best among the three leadership styles. This study found transformational leadership to have a positive and significant influence on the performance of the manufacturing SMEs ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$) while transactional leadership styles ($r = .180$, $P = .054$; $\beta_2 = .049$, $P = .481$) and passive/avoidant leadership behavior ($r = .169$, $P = .071$; $\beta_3 = .001$, $P = .990$) have statistically insignificant influence on the SME's performance in Kenya.

A comparative analysis of the past studies indicates that the findings of the current study are consistent with the works of several scholars who attempted to relate the three specific leadership styles. Aziz et al. [3] found that among the leadership styles practiced by SMEs, the transformational leadership has the highest influence and is directly related to the firm's performance. Ejere and Ugochuku [41], in an empirical study of transformational and transactional leadership styles in Nigeria, found that transformational leadership style is positively

and highly related to organizational performance while transactional leadership style has a positive but weak relationship with organizational performance. Ling, Simek, Lubatkin and Veiga [2] found a significant relationship between transformational CEO's and performance of the SME's. Udoh and Agu [7] studied the transformational and transaction leadership styles on performance of manufacturing organizations in Nigeria and found a significant positive relationship between transformational and transactional leadership styles and the organizational performance. However, deviating from Udoh and Agu's findings this study found that, although the transactional leadership style is positively related to performance of the manufacturing SME firm in Kenya, this relationship is statistically insignificant ($r = .180$, $P = .054$; $\beta_2 = .049$, $P = .481$). This can be attributed to the existence of different PESTEL conditions in Kenya and Nigeria.

Okwu, Obiwuru, Akpa and Nwankwere [6] tested the application of transformational and transactional leadership styles in Nigerian SME's and found that transformational leadership traits (charisma, intellectual stimulation/individual consideration, inspirational motivation) are weak in explaining variations in performance. Their study also found that the transactional leadership traits (constructive/contingent reward, corrective and management by exception) have a significant effect on followers and performance and explains very high proportion of variations in performance. The study concluded that transactional leadership style is more appropriate in inducing performance than transformational leadership style. The current study finds these findings completely the opposite. This study found that, although, the SME manufacturing firms in Kenya are currently practicing more of transactional leadership style, it is only the transformational leadership style which is statistically significant. The leadership styles practiced by these manufacturing SME's in Kenya were found to have some of the transformational leadership attributes.

Naeem and Tayyeb [4] in Pakistan found a positive correlation between transformational leadership style and SMEs performance and a weak positive correlation between transactional leadership style and SME performance. The findings of these two studies [4,41] are in agreement with this study on the significance of the transformational leadership style but disagree on the significance of transactional leadership.

Naeem and Tayyeb [4] found a weak relationship between transactional leadership and SME performance but the current study indicates that although there is a weak positive influence of transactional leadership style on the performance of SME's, this relationship is statistically insignificant.

Ojokuku, Odetayo and Sajuyigbe [5] examined the impact of the leadership styles in unrelated sector to this study which included the banking industry in Nigeria and found a strong relationship between leadership and organizational performance. The findings of their study indicated that the transformational leadership is positively and significantly related to bank's performance. The transactional leadership style is negatively related to performance but insignificant. This study is in agreement with current study on both leadership styles. Zumitzavani and Udchachone [9] examined the influence of leadership on organizational performance in hospitality industry in Thailand and found that transformational leadership style has a positive relationship with organizational performance; transactional leadership style has a weak positive relationship while passive/avoidant has a negative relationship with organizational performance. Koech and Namsonge [8] investigated the effects of leadership styles on organizational performance of state owned corporations in Kenya and found a high correlation between transformational leadership, a low but significant correlation between transactional leadership and performance and no correlation between passive/avoidant leadership style and performance. These findings agree with the current study on the influence of transformational leadership style but disagree on the contributions of transactional and passive/avoidant leadership style.

6. CONCLUSIONS

This study found statistical evidence that the leadership styles practiced in manufacturing SME's in Kenya positively and significantly influences their performance. Secondly, the study found that most of the CEOs and the owners of these firms practice more of the transactional leadership style followed by transformational style and lastly the passive/avoidant leadership behavior. Thirdly, among the three specific leadership styles commonly practiced in organizations today, only the transformational leadership is statistically significant. The influence of the transactional and passive/

avoidant leadership is statistically insignificant. Fourthly, the study concludes that leadership styles is an important dynamic capability in manufacturing SME's in Kenya as postulated by Dynamic Capability's View of the firm. This study recommends that the manufacturing SMEs should begin by enhancing their transactional leadership styles and progressively advance to transformational style. Finally, the leaders of the SME firms need to continuously foster, learn, and develop better leadership skills as one of the dynamic capabilities that positively and significantly influence firm's performance.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Van der Maas, A. Strategy implementation in a small island: An integrative framework. PhD thesis, Erasmus University; 2008. Rotterdam.
2. Ling Y, Simek Z, Lubatkin M, Veiga J. The impact of Transformational CEOs on performance of small-to medium sized firms: Does organizational context matter? *Journal of Applied Psychology*. 2008;93(4): 923-934.
DOI: 10.1037/0021-9010.93.4.923
3. Aziz R, Mahmood R, Abdullah M. The effects of leadership styles and entrepreneurial orientation on the business performance of SMEs in Malaysia. The IBEA International Conference on Business, Economics and Accounting-Bangkok, Thailand; 2013.
4. Naeem H, Tayyeb M. The influence of the smes top-level managers' leadership styles and their entrepreneurial orientation on the business performance; 2011.
Available:<http://dx.doi.org/10.2139/ssrn.1884069>
5. Ojokuku R, Odetayo T, Sajuyigbe A. Impact of leadership style on organizational performance: A case study of nigerian banks. *American Journal of Business and Management*. 2012;1(4):202-207.
6. Okwu A, Obiwuru T, Akpa V, Nwankwere I. Effects of leadership style on organizational performance: A survey of selected small scale enterprises in Ikosi-Ketu council development area of Lagos State, Nigeria. *Australian Journal of Business & Management Research*. 2011;1(7):100-111.
7. Udoh B, Agu A. Impact of transformational leadership on organizational performance. *International Journal of Current Research*. 2012;4(11):142-147.
8. Koech P, Namsonge G. The effect of leadership styles on organizational performance at state corporations in Kenya. *International Journal of Business and Commerce*. 2012;2(1):01-12.
9. Zumitzavani V, Udchachone S. The Influence of leadership styles on organizational performance mediated by organizational innovation: A case study of the hospitality industry in Thailand. *International Conference on Economics, Management and Development*; 2014.
10. Sorooshian S, Norzima Z, Yusuf I, Rosnah Y. Effect's analysis on strategy implementation drivers. *World Applied Sciences Journal*. 2010;11(10):1255-1261.
11. Teece DJ. A dynamic capabilities-based entrepreneurial theory of multinational enterprise. *Journal of International Business Studies*. 2014;45(1):8-37.
12. Avolio B, Bass B. Multifactor leadership questionnaire. *Mind Garden, Inc*. 2004;17: 22&36.
13. Republic of Kenya. Vision 2030: A globally competitive and a prosperous Kenya. Government Printer, Nairobi, Kenya; 2008.
14. Kippra. Kenya Economic Report 2013, Nairobi, Kenya; 2013.
15. World Bank. Doing business in Kenya 2012: Comparing regulations for domestic firms in 13 cities and with 183 economies. World Bank and IFC Publication; 2012.
16. Barney JB. Firm resources and sustained competitive advantage. *Journal of Management*. 1991;17:99–120.
17. Rumelt RP. Towards a strategic theory of the firm'. In R. Lamb (ed.) *Competitive Strategic Management*. Prentice-Hall, Englewood Cliffs, NJ. 1984;556-570.
18. Wernerfelt B. A resource-based view of the firm. *Strategic Management Journal*. 1984; 5:171-180.
19. Grant R. The resource-based theory of competitive advantage: Implications for strategy implementation; 2001.
20. Eisenhardt K, Martin J. Dynamic capabilities: What are they? *Strategic Management Journal*. 2000;21:1105-1121.
21. Teece D, Pisano G, Shuen A. Dynamic capabilities and strategic management.

- Strategic Management Journal. 1997; 18(7):537–533.
22. Helfat C, Finkelstein S, Mitchell W, Peteraf M, Singh H, Teece D, Winter S. Dynamic capabilities and organizational processes. *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Blackwell, London. 2007;30-45.
23. Teece DJ. Explicating dynamic capabilities: The nature and micro foundations of (sustainable) enterprise performance. *Strategic Management Journal*. 2007; 28(13):1319–1350.
24. Teece DJ. A dynamic capabilities-based entrepreneurial theory of multinational enterprise. *Journal of International Business Studies*. 2014;45:8-37.
25. Thompson A, Strickland A, Gamble J. *Crafting and executing strategy – texts and readings*. (15th Ed.). New York: McGraw-Hill Irwin; 2007.
26. Griffin RW. *Fundamentals of Management*. 7th Ed., Cengage South Western Publishers; 2013.
27. Heracleous L. The role of strategy implementation in organization development. *Organization Development Journal*. 2000;18(3):75-86.
28. Jooste C, Fourie B. The role of strategic leadership in effective strategy implementation: Perceptions of South African strategic leaders. *South African Business Review*. 2009;13(3).
29. Noble C, Mokwa M. Implementing marketing strategies: Developing and testing a managerial theory. *Journal of Marketing*. 1999;63:57-73.
30. Bourgeois L, Brodwin D. Linking planning and implementation. Wit, B. de/Meyer, R. 1998;682-691.
31. Creswell J, Plano C. *Designing and conducting mixed methods research*. 2nd Ed, Thousand Oaks, CA: Sage Publications; 2011.
32. Scotland J. Exploring the philosophical underpinnings of research: Relating ontology and epistemology to the methodology and methods of the scientific, interpretive and critical research paradigms. *English Language Teaching*; 2012;5(9):9-16.
DOI: 10.5539/elt.v5n9p9
33. Creswell JW. *Research design: Qualitative, quantitative, and mixed method approaches*. 2nd edition, Sage Publications Inc. USA; 2003.
Available:<http://dx.doi.org/10.5539/elt.v5n9p9>
34. Johnson R, Onwuegbuzie A. *Mixed methods research: A research paradigm whose time has come*. *Educational Researcher*. 2004;33(7):14–26.
Available:<http://dx.doi.org/10.3102/0013189X033007014>
35. Northhouse PG. *Leadership theory and practice* (6th Ed.). Thousand Oaks, CA: Sage Publications, Inc.; 2013.
36. County Government-Kiambu. *Local authority integrated financial operations management systems*. County Government of Kiambu; 2014. (Thika Sub County)
37. Mugenda O, Mugenda A. *Research methods – quantitative and qualitative approaches*. Nairobi: ACT Press; 2003.
38. Cronbach LJ. Coefficient alpha and the internal structure of tests. *Psychometrika*. 1951;22(3):297-334.
39. Boone H, Boone A. Analyzing likert data. *Journal of Extension*. 2012;50(2).
Available:http://www.joe.org/joe/2012april/pdf/JOE_v50_2t2.pdf
40. Bass B, Avolio B. Multifactor leadership questionnaire--short form 6S. Binghamton, NY: Center for Leadership Studies. In B. M. Bass's Measures for Leadership Development Multifactor Leadership Questionnaire (MLQ); 1992.
Available:<http://www.uwec.edu/Ssow/Mear/es/Leadership-MLQ.htm>
41. Ejere E, Ugochuku A. Impact of transactional and transformational leadership styles on organizational performance: Empirical evidence from Nigeria. *The Journal of Commerce*. 2012; 5(1):30-41.
42. Kihara P, Bwisa H, Kihoro J. Relationship among structural adaptations, strategy implementation and performance of manufacturing small and medium firms in Thika, Kenya. *British Journal of Applied Science & Technology*. 2016;17(1):1-16.
DOI: 10.9734/BJAST/2016/28025

APPENDICES

Appendix 1. Summary statistics: Performance of the manufacturing SME's [42]

Performance construct	N	Mean	Std. dev
Our total profits (Total sales – Costs) have been increasing yearly	115	4.139	.475
The volume of sales has been increasing ever yearly	115	4.078	.664
The number of employees has been rising every year	115	3.183	1.064
The geographical market size of our products has been expanding	115	3.635	.921
We are highly satisfied by the returns from assets invested (ROA)	115	3.374	1.013
We are highly satisfied by the returns from borrowed money (ROE)	115	3.504	.921
Number of customers satisfied by our products has been rising each year	115	3.913	.695
The size of our organization has been expanding for the last five years	114	3.895	.643
The quality of our products has improved considerably	114	3.851	.755
Efficiency of our internal work processes has improved tremendously	115	3.965	.576
Valid N (listwise)	113		

Note: Reliability α – Performance = 0.815:

Ranked on a scale where 1=Strongly Disagree, 2= Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree

Appendix 2. Summary Statistics on Leadership Styles in Manufacturing SMEs

MLQ 6-S short form statement on leadership styles	N	Mean	Std. Dev
I make employees feel good to be around me	115	2.835	1.059
I tell others in a few simple words what need to be done	115	3.844	1.204
I help others to think about old problems in new ways	115	3.400	.896
I help other employees to develop themselves	113	3.398	.797
I tell employees what to do if they want to be rewarded for their work	115	3.244	1.014
I am satisfied when employees meet the agreed targets	114	4.877	.356
I am contented to let others to continue working in the same ways always	115	2.145	1.258
Other people have complete faith in me	114	3.290	.938
I use tools, images, stories and models to help other people understand	115	3.044	.862
I provide employees with new ways of looking at complex or difficult issues	114	3.333	.984
I give employees feedback to let them know how they are doing	113	4.177	.804
I reward employees when they achieve their targets	113	3.336	1.040
As long as things are working, I do not try to change anything	112	2.286	1.352
I give employees freedom to do whatever they want	115	1.730	1.029
Other people are proud to be associated with me	115	3.574	3.978
I help the employees to find meaning in their work	113	3.814	.892
I help others to rethink about issues that they had never thought of or questioned before	115	3.130	.822
I give personal attention to others when they are in need	114	3.254	1.037
I let employees to know what they are entitled to after achieving their targets	114	4.053	.967
I remind employees the standards they need to maintain while doing their work	114	3.649	1.137
I do not ask anything more from others than what is absolutely necessary	114	3.939	1.271

Note: Reliability α – Attention to leadership styles = 0.800

Ranked on a scale where 1=Strongly Disagree, 2= Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree

© 2016 Kihara et al.; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:

The peer review history for this paper can be accessed here:
<http://sciencedomain.org/review-history/17298>