



Transformational Leadership and Innovation Key to State Corporations Growth

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Transformational Leadership and Innovation Key to State Corporations Growth

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Abstract

Economic development of any country depends on efficient use of her resources both tangible and intangible. Transformational leaders use their talents not only to transform their organizations but they also become role models by persuading their colleagues to work in ways that achieve the objectives and goals of their organization. Transformational leaders create a culture in which all members of the organization strive towards a common shared vision. The study has two objectives, namely; to determine the influence of transformational leadership on growth of financial State Corporations in Kenya; to determine the influence of innovation on growth of financial State Corporations in Kenya. A census study using cross sectional survey design was used to achieve the study objectives. The target population was 24 employees from 12 State Corporations in Financial sector who were subjected to performance appraisal since 2008 when the exercise was implemented in Kenya. The study selected two respondents from each State Corporation comprising of the Managing director or human resource director and a Chief finance officer. Semi-structured questionnaires were administered to 24 respondents to collect primary data for this study. Data analysis was done using Statistical Package for Social Sciences (SPSS). Content analysis was used to achieve the objective of the study. Poor forecasting leading to projects taking long to complete, absence of Research and Development (R&D) to spearhead innovations together with poor risk management strategies was found to be hindering fast growth of the Corporations. To achieve faster growth of State Corporations, transformational leadership and proper forecasting together with strengthening Research and Development should be enhanced.

Keywords: *Transformational leadership, Innovation, State Corporations growth, Kenya*

1.1 INTRODUCTION

In any organization, leaders are crucial in motivating and helping their employees to be competitive and committed to the achievement of the organizational goals and objectives by use of effective leadership styles cite. Transformational leadership is needed in today's society as it addresses myriad challenges facing organizations of different missions. Transformational leadership is a process in which leaders and followers help each other to advance to a higher level of morale and motivation (Burns, 2018). Such leadership empowers followers to exude exceptionally high employee outcomes and as a result better organizational performance. Transformational leaders are concerned with how they interact with their followers to ensure improved performance.

According to Mortazavi and Partovi (2014) organizational performance can be measured in terms of organizational effectiveness, quality and cost, financial performance in terms of; profit, return on assets, market share, human resource in terms of job performance and turnover rate. Raluca-Elena (2015) suggests that transformational leadership practices have a positive influence on organizational performance. Transformational leadership was developed by James MacGregor Burns in the year 1978 and it is characterized by optimistic, trustful and positive leaders who encourage teamwork, promote innovations and set high expectations (Raluca-Elena, 2015). Transformational leadership has an influence on the fundamental assumptions and attitudes of members in an organization developing a common mentality to achieve the goals and objectives of an organization (Mwangi and Kwasira, 2015). Various researchers around the world have looked at the influence of transformational leadership on Organizational Performance. Mortazavi and Partovi (2014) study found out that transformational leadership has a positive and significant influence on organizational commitment, employee motivation and job satisfaction in Iran. In Turkey, Erkutlu (2018) study established that transformational leadership stimulates organizational commitment, which in turn influences job satisfaction.

In Indonesia, Diana, Tobing and Syaiful (2015) study on the influence of transformational leadership and organizational culture on work motivation and employee performance at the State property service office and auction in East Java Province found out that transformational leadership does not significantly influence work motivation as Organizational culture does. Mohammadi (2011) carried out a study on the relationship between managers' leadership style and health sector employees' job satisfaction in Turkey. The findings reported that the world of work and business is quite competitive, and as such, efficient achievement of goals and objectives is directly linked to how well an organization's leadership consistently performed, and the style of leadership deployed.

In Korea (both north and south) a study was conducted among multinational firms to assess the influence of transformational leadership and employee psychological empowerment on occupational satisfaction. The findings revealed that Public sector organizations experience low employee efficacy, which most of the time weakens the bond that thrives between leadership and organizational performance (Dumdum, De Jong & Bruch, 2012).

In Egypt, ElKordy (2013) established that transformational leadership is significantly used in both Public and private institutions. In addition, individualized consideration, charisma, intellectual stimulation and inspirational motivation were found to improve employee commitment and organizational performance. These findings are supported by Abasilim (2014) whose argument is that transformational leadership style has a positive and significant influence on organizational performance in Nigeria.

In Kenya, Mbithi, K'Obonyo and Awino (2016) study on transformational leadership, employee outcomes, and performance in Kenyan universities established a positive and statistically significant relationships between; transformational leadership and performance and between transformational leadership and employee outcomes. Ndisya and Juma (2016) study on the influence of transformational leadership on employee performance, a case study of Safaricom limited found a positive influence between inspirational motivation and employee performance. The analysis of the relationship between individualized consideration and employee performance was negatively correlated and statistically insignificant. The study established a positive influence between intellectual stimulation and employee performance.

In a recent study carried out in Kenya by Ayacko (2016) on transformational leadership style and its influence on performance of judicial staff in Kenya concluded that idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration positively and significantly influence the performance of judicial staff. The study established that organization structure positively moderated the relationship between transformational leadership style and the performance of judicial staff. The study concluded that transformational leadership style significantly influences the performance of judicial staff in Kenya.

According to Bass and Avolio (1994) there are four different components of transformational leadership; intellectual stimulation whereby transformational leaders not only challenge the status quo but also encourage creativity among followers. The leader encourages followers to explore new ways of doing things and new opportunities to learn (Dumdum et al., 2012). This is innovation in organizational set up; individualized consideration whereby transformational leadership also involves in offering support and encouragement to individual followers.

In order to foster supportive relationships, transformational leaders keep lines of communication open so that followers feel free to share ideas and so that leaders can offer direct recognition of the unique contributions of each follower (Mohammadi, 2011). The leader- followers may share to address issues like staff training and skill development in order for them to attain the required skills in the organizational set up; inspirational motivation whereby transformational leaders have a clear vision which they are able to articulate to followers (Ayacko, 2016). Idealized influence is whereby transformational leaders serve as role models for followers. Idealized influence supports stakeholders' involvement and participation in organizational matters.

1.2 Statement of the Problem

State Corporations in Kenya were established with the aim of rendering services to the citizens in a cost effective way and be able to sustain themselves in a competitive global environment. They were expected to function within the laid down regulatory framework in order to achieve their mission. Unfortunately, many State Corporations have not performed to the expectations of their mandate as many of them have suffered from scandals of corruption, inefficiency and unethical practices. According to Kenya's Auditor General report (2016-2017), there are many instances of misuse of public funds by State Corporations. For example, the accounts of Kenyatta National Hospital (KNH), National Social Security Fund (NSSF), Geothermal Development Corporation (GDC), Kenya Pipeline Company (KPC), Kenya Airports Authority (KAA) and Uwezo Fund are replete with anomalies and irregularities.

At the KNH, Ksh. 841.4 million is reported to have been lost in a medical service contract, Ksh.411.8 million of which relates to the National Hospital Insurance Fund and Ksh.415.6 million to the free maternity programme. The auditor also cited anomalies in the expenditure of Ksh.7.7 billion in employee costs and the use of Ksh.500.2 million in overtime and medical allowances for the hospital's doctors and nurses. During 2013/2014, a number of Ministries, Departments, Commissions and Funds failed to avail documents in support of various expenditure totaling, Kshs. 66,782,697,987 appearing in the respective financial statements (Auditor-General report for 2014/2015). In absence of the records and documentation, the propriety of the expenditure of Kshs. 66,782,697,987 could not be ascertained and therefore these public funds may not have been utilized lawfully and in an effective manner.

Massive scandals and fraud involving millions of shillings in public funds were unearthed in various counties (Auditor-General report for 2014/2015). More than Ksh. 7 billion may have been lost in the 2014/2015 financial year in Government ministries, departments and commissions. The Ministry of Water and Irrigation was said to have received Ksh. 11.2 billion but officials failed to show any documentation of receipt and expenditure. The valuation, ownership status and security of Kenya Cooperative Creameries (KCC) properties amounting to Ksh. 2.2 billion could not be confirmed.

There are over two hundred State Corporations in Kenya (State Corporation Advisory Committee, 2013). For financial year 15/16, grants to State-Owned Enterprises (SOEs) accounted for some ten percent of government recurrent spending, with a hundred of them making losses to the tune of Ksh. 15 billion while receiving Ksh. 39 billion in grants. Njoroge, Machuki, Ongeti, & Kinuu (2015) noted that the supervisory mechanism of SCs is weak whereas the role of the State Corporation advisory committee is just advisory, yet it could play a more powerful role as a monitor and evaluator of performance.

The unresolved issue is how transformational leadership is responding to performance issues of State Corporations in Kenya generally which are underperforming and some are faced with leadership challenges. This study therefore investigated whether transformational leadership and innovation are practiced in these organizations which are making huge losses and involved in malpractices of different kinds. Financial State Corporations which were subjected to performance appraisal when it was first introduced participated in this study. The study inquired into transformational leadership and innovation gaps in the workplace which contribute to such trends and make recommendations to address the problem.

1.3 Research Objectives

The general objective of this study was to determine the effect of transformational leadership and innovation on growth of financial State Corporations in Kenya.

The specific objectives that guided the study were;

- i) To determine the influence of transformational leadership on growth of financial State Corporations in Kenya
- ii) To examine the influence of innovation on growth of financial State Corporations in Kenya

2.1 THEORETICAL FRAMEWORK: TRANSFORMATIONAL LEADERSHIP THEORY

This leadership theory was conceptualized by Burns (1978) and later improved by Bass (1985). According to Burns (1978) transformational leadership is a process in which leaders and followers raise one another to higher levels of morality and motivation. In this way anyone can influence an organization through ideals and moral values.

According to Bass (1985) there are four key behaviors of transformational leaders, which are; idealized influence which involves behaviors that arouses strong follower emotions and identification with the leader, individualized consideration which includes providing support to attain success, inspirational motivation which motivates followers to become committed to achieve organizational goals and intellectual motivation which makes followers to be creative and innovative to assist challenge their own beliefs as well as those of the leader and the organization.

The strength of this theory in my study is the emphasis it places on intellectual stimulation which involves various innovations within the organization activities which enhances organizational growth. Transformational leadership theory, therefore, stands out as the anchor theory of this study. This theory can be depicted in a model as in Figure 1.

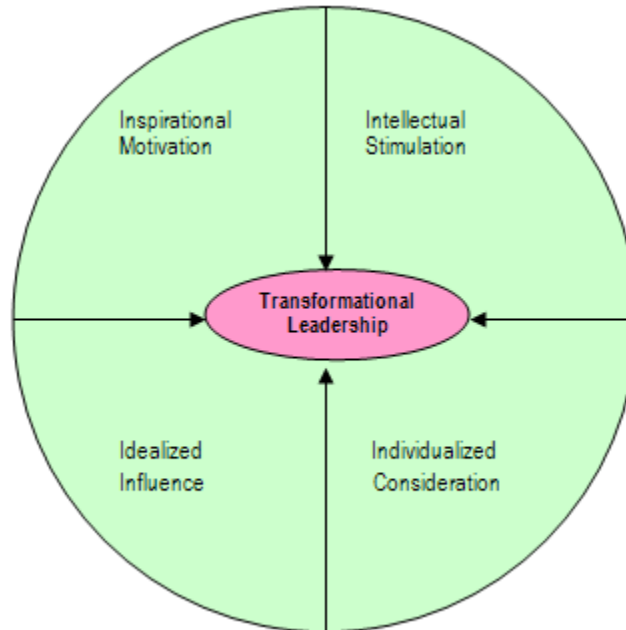


Figure 1 Model of Transformational Leadership

Author: (ANON, 2018)

The figure above gives a pictorial illustration of transformational leadership model. The four attributes of the transformational leadership model are depicted. One of the major assumptions of the model is that each attribute contributes equally towards the results. This means that transformational leaders have the responsibility to inculcate inspirational motivation, individualized consideration, intellectual stimulation and idealized influence to achieve both the short term and long term goals of the organization. The motives of transformational leaders are achieving high organizational performance through maximum utilization of tangible and intangible resources. The extent to which this happens is determined during performance appraisal.

2.2 Empirical Literature Review

Intellectual stimulation (innovation) is another attribute of transformational leadership that impacts organizational performance. Product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses, (OECD) (2015). Hajar (2015) examined the relationship between innovation and performance of wooden furniture manufacturing of Small Medium Enterprises (SMEs) in Indonesia. The study revealed that innovation has a positive effect on firm's performance. Terziovski (2010) conducted a study on innovation and SMEs performance. The study found out that innovation culture and strategy are key drivers of performance. Kuswantoro (2012) conducted a study on the impact of

distribution channel innovation. The results indicated that distribution channels innovation is positively related to overall firm performance.

Walobwa, Ngugi and Chepkulei (2013) conducted a study that examined the influence of Intellectual Capital and growth of SMEs in Kenya. The study found that intellectual capital components (managerial skills, entrepreneurial skills, innovativeness, structural capital, and customer capital) have a great positive influence on the growth of SMEs. Otuko, Chege and Douglas (2013) contend that training enhances employee engagement in innovation.

Nanjundeswaraswamy and Swamy (2014) study reviewed leadership styles in India. The findings pointed out that various leadership styles and their influence on organizational success have been advanced and studied. One such style is the transformational leadership style, which according to Bushra, Usman and Naveed (2011), acts as a driving force for organizational performance and innovation. Transformational leadership enhances employee job satisfaction as the transformational leader interacts with subordinates to motivate them to achieve maximum output in their work responsibilities (Jalal, Khawaja, Kamariah, Fosa, Muhd & Ahmad, 2012).

2.2 Conceptual framework

The conceptual framework refers to a pictorial representation that shows the relationship between independent variables and the dependent variable. The researcher conceptualizes the relationship between variables under study and shows the relationship graphically or diagrammatically. The conceptual framework is the foundation on which the entire research project is based.

In developing the conceptual framework for the study depicted in Figure 2, the following variables guided the design of the study. The independent variables are transformational leadership and innovation. The dependent variable is growth of State Corporation which includes efficiency, profitability and effectiveness.

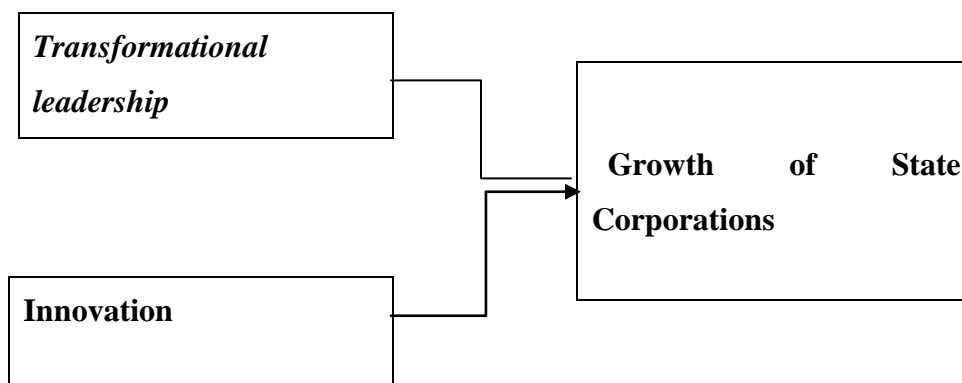


Figure 2 Conceptual framework

3.0 DATA COLLECTION PROCEDURES AND RESEARCH INSTRUMENTS

The study used primary data to answer the specific objectives of the study. Primary data was collected through a questionnaire. The preference for a questionnaire is based on the fact that respondents are able to complete them without help, anonymously, and it is cheaper and quicker than other methods while reaching out to larger sample (Creswell, 2008).

The questionnaires were self-administered and by drop and pick method to the staff or sent via online. The questionnaire allows greater uniformity in the way questions are asked, ensuring greater compatibility in the responses. According to Cooper and Schindler (2006) the use of structured questions on the questionnaire allows for uniformity of responses to questions; while unstructured questions gives the respondent freedom of response which helps the researcher to gauge the feelings of the respondent when he or she uses his or her own words. The study relied on unstructured questions to achieve the objectives of the study.

Only two key respondents were selected from each State Corporation to ensure reliability, objectivity and consistency of data. The two key respondent were; managing director or a human resource director and a Chief finance officer. These two were able to articulate all issues as per the objectives of the study. Data analysis was done using Statistical Package for Social Sciences (SPSS). Content analysis was used to achieve the objective of the study.

4.0 FINDINGS

Poor forecasting leading to projects taking long to complete, absence of Research and Development (R&D) to spearhead innovations together with poor risk management strategies was found to be hindering fast growth of the State Corporations.

Poor implementation of strategic planning and management was found to be a problem hindering the growth of State Corporations. Though strategic planning forms the key to growth of State Corporations, some Corporations do not have consistent plans to enable have proper utilization of resources.

Lack of transformational leadership, business acumen and professionalism was found to be a problem hindering growth of State Corporations. This was exhibited by poor communication on ethics and integrity by top management, corruption and misuse of resources.

Laxity in financial management was found to be a problem hindering the growth of State Corporations. This was exhibited by low capacity of the management to collect revenue, poor strategies of revenue collection leading to insufficient revenue as acquisition in aid (A-i-A) and sometimes bankruptcy.

Autocratic leadership style and political interference on board's decisions was found be a problem hindering the growth of State Corporations. Autocratic leaders do not do consultation with their staff on policy matters affecting the Corporation. This impacts negatively on the

growth of these State Corporations as the staff become demotivated and develop poor work culture and attitude which impacts negatively on their growth.

Low commitment of the top management towards staff development especially in terms of training such that they acquire necessary and relevant skills was found to be one of the factors hindering the growth of State Corporations. Some State Corporations are inadequately funded on staff development. Some Corporations which are funded to carry out staff development lack proper systems to carry out the same leading to underutilization of the staff and lack of skilled manpower.

Lack of accountability and transparency of top management, bureaucracy which leads to delays in programme implementation was another factor hindering growth of the State Corporations. Lack of accountability especially in the use of financial resources is critical in achieving growth. Bureaucracy hinders growth of State Corporations because decisions take a long time to be implemented

Lack of cultural fit and Wastages was found to hinder growth of some State Corporations.

5.1 CONCLUSION

Implementation of strategic planning and management will assist the State Corporations realize growth. There should be put in place consistent plans to enable proper utilization of resources. To measure results monitoring and evaluation should be put in place to support strategic planning.

Transformational leadership, business acumen and professionalism should be the guiding principles to address poor communication on ethics and integrity by top management, corruption and misuse of resources in the State Corporations.

Prudent financial management, proper budgeting of expenditure and desirable investment portfolio mix should be adhered to in order to address laxity in financial management, low capacity of the management to collect revenue, poor strategies of revenue collection and misuse of allocated funds in the State Corporations. Implementing good marketing and advertising strategies will lead to their growth.

Compliance to set standards, regulations and delegation should be adhered to in order to do away with autocratic leadership style and political interference on board's decisions which impacts negatively on the growth of the State Corporations.

High commitment of the top management towards staff development especially in terms of training such that they acquire necessary and relevant skills should be enhanced. Support from the Government through allocation of adequate exchequer to facilitate staff development should be set as an annual target. This will address the problem of underutilization of the staff and lack of skilled manpower in the State Corporations.

Learning and growth through new models, good forecasting, Research and Development to spearhead innovations together with good risk management strategies should be exploited in the State Corporations to achieve growth.

Accountability, commitment, teamwork and transparency of top management should be put in practice in the State Corporations. There should be delegation of duties and responsibilities to the staff to motivate them.

Good work culture and attitude, stress management strategies, good working environment, adhering to deadlines while focusing on results should be demonstrated by all employees to achieve growth of the State Corporations.

Implementation of proper succession planning and management through mentorship and coaching of employees will assist in having highly skilled staff in the State Corporations. Proper deployment of the staff to relevant job positions will also assist in growth of the State Corporations.

Implementing proper and effective performance of staff appraisal and management systems, avoiding wastages through cost control measures and involving stakeholders in decision making will lead to the growth of the State Corporations.

5.2 RECOMMENDATIONS

Good forecasting leading to completion of projects in time to save on resources, Research and Development (R&D) to spearhead innovations together with proper risk management strategies should be enhanced to achieve fast growth of the State Corporations.

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