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Strategic Leadership and Performance of Domestic Airline Firms in Kenya

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Abstract

The role of strategic leadership in organizational performance elicits widespread interest among academicians and practitioners. In particular, leadership at strategic level and its impact on firm performance remains a key concern for airlines in the 21st century. This study sought to examine the influence of strategic leadership on the performance of domestic airline firms in Kenya. A survey research design was adopted for the study targeting 47 domestic airline firms. A total of 141 respondents from the top management teams of airline firms were targeted for interview using a semi structured self-administered questionnaire. The collected data was analysed using descriptive and inferential statistics. The study results show that there is a statistically significant and strongly positive relationship between strategic leadership and performance of domestic airline firms in Kenya. The domestic airline firms are therefore urged to always engage top management teams who possess strategic leadership credentials as this has a positive effect on organizational performance. The study results offer significant insights to policy makers and future researchers on the concept of strategic leadership and airline firms management

Key words: Strategic Leadership, Airline Firms, Organisational Performance, Top Management

1. Introduction

The concept of organizational performance is given a priority in modern-day businesses since all businesses are formed with the aim of making profits (Barend, 2016). Iravo, Ongori and Munene (2013) observed that the question of why some organizations succeed in the same business environment where others are failing has led to numerous studies on the factors that affect the performance of organizations. Sorooshian, Norzima, Yusuf & Rosnah (2010) argue that the level of performance of a manager is a key aspect of management because all scholars relate the success of any business with the competence of the manager. Modern researchers are aware that relying on short-term indicators and qualitative data may not present the correct information on the performance of a firm. As a result, comprehensive models such as intangible assets scorecard, success dimensions, performance pyramids and hierarchies, performance prism, and the balanced scorecard have been developed as these models are able to capture both the financial and non-financial drivers of performance (Chenhall, 2008).

The relationship between strategic leadership and performance is a critical consideration in contemporary business environment. Businesses are actively implementing various strategies to enhance their performance (Gakure & Amurle, 2013). The initial step in strategy implementation process is to identify the critical activities, decisions and relationships required to accomplish the tasks. To maximize the performance of the organization, in is important for managers to link specific strategies and value drivers. The types of strategy implementation drivers that businesses continue to rely on in their use include strategic leadership, organization structure, resource capability and corporate culture. However, strategic leadership has been consistently identified as one of the most popular strategic implementation drivers (Mackenzie, Wilson & Kider, 2001; Sorooshian *et al*., 2010).

Rajasekar (2014) argues that strategies are instrumental in organizational operations because they are implemented for purposes of enhancing performance. Whereas most organizations have effective strategies in writing strategies, successful strategy implementation remains a major challenge in most of business organisations. Although local airlines find it relatively easy to create strategies, the process of transforming these strategies into actions is the most challenging and complex part of the whole process (Allio, 2005). To ensure the success of the strategy transferred, it must be translated into well thought out implementable actions. The strategy must be converted into guidelines for the daily actions of the organization's members (Odhiambo & Waiganjo, 2014).

1.1 A Review of the Kenya Airline Industry

The Kenyan economic sector has been experiencing turbulent times over the last decade resulting in a reduction of the expected returns from the activities and investments of firms operating within the airline industry (Namusonge, Kabare & Mutua, 2012). Factors such as a reduction in the levels of world tourism coupled with numerous travel advisories from major economies such as the United Kingdom have greatly affected the volume of tourism business conducted by airline operators especially in developing economies like Kenya. This is because the performance of airline operators in developing economies is dependent on the international tourism market. This has also greatly affected the national carrier Kenya Airways which has witnessed a decline in revenue and increase in operating costs over the years. However, despite the constrained tourism business, domestic carriers have been able to withstand market volatility and have been experiencing growth due to adoption of new travel routes, increase in air traffic and general expansion of their businesses. Nevertheless KAA (2017) reports that most of the small domestic airlines have been reporting an average of 10% operating losses within the financial year despite an increase in local traffic. Although there are previous studies on the effectiveness of strategic management on organizational performance (Awino, Wandera, Imaita & K'Obonyo, 2009; Gakure & Amurle, 2013; Atikiya, 2015), there is need to specifically establish the influence of strategic leadership on the performance of airline firms in Kenya.

1.2 Study Objective and Conceptual Framework

This study sought to examine the influence of strategic leadership on the performance of domestic airline firms in Kenya and was guided by the conceptual framework in Figure 1.

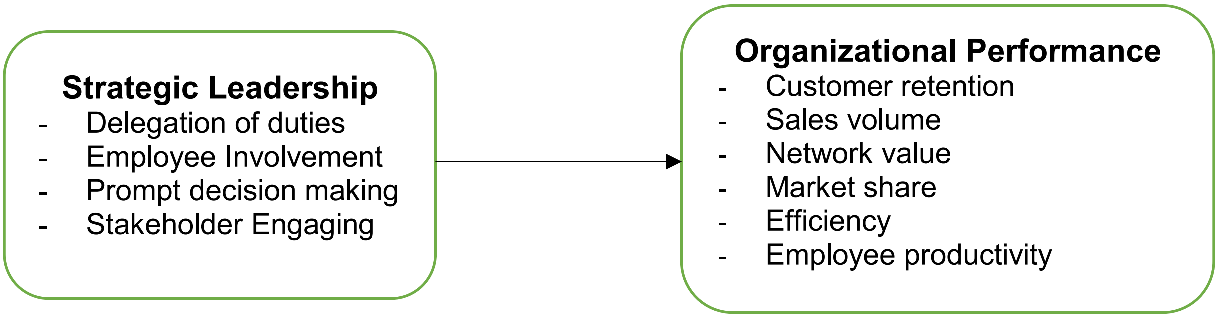

Figure 1: Conceptual Framework of Strategic Leadership and Organizational Framework.

Source: Researcher (2019)

2. Literature Review

2.1 Theoretical Framework

The study was guided by the theoretical underpinnings of Goal Setting Theory and Upper Echelon Theory.

2.1.1 Goal Setting Theory

The Goal Setting theory as postulated by Fred (2011) highlights the positive relationship between individual and collective organization goals and performance within the firm. The theory advances that the performance of an organization is dependent on the goals that it sets for itself. Challenging goals are more likely to improve the performance of the firm. It is also possible for an organization to assess its performance by analysing the extent to which it has achieved its goals. Morelli and Braganza (2012) stated that in the business world, all managers consider goal setting as an important aspect of management which is why there are goal setting programs such as Management by Objectives (MBO), Management Information Systems (MIS) and strategic planning. Goal setting theory asserts that employee motivation is key in ensuring that an organization is able to achieve its goals.

Bipp and Kleingeld (2011) and Thorgren and Vincent (2013) posit that the goal-setting theory is effective in all organizations since it has the potential to improve individuals and teams and this in turn improves the performance of the organization. The business world considers human resource to be the main driver for success in any organization. The Motivation Theory advances that organizations can perform even better when the employees are sufficiently motivated to work towards meeting organizational goals. Wachira (2014) suggested that it was necessary for employees to set goals for themselves. This is because personal goals are a source of individual motivation. They are free to evaluate the goals from time to time in order to ensure that there is constant improvement. Locke and Latham (2006) observe that harder goals are more motivating because they require harder work to realize than lighter goals. The goal setting theory was important in underlining how the organization structure directs and guides the developing of collective and individual goals that guide personnel within the organization. This theory informed the adoption of some of the measures for the strategic leadership variable of the study.

2.1.2 Upper Echelon Theory

The upper echelon theory was developed by Hambrick and Mason (1984) and attempts to explain the various levels of hierarchy in an organization and how these levels of individuals serve together to work towards meeting organizational goals (Carpenter, Pollock, & Leary, 2004); and how the different levels of authority shape decision making and attainment of organization goals. The organization of management positions determines the effectiveness of flow of information during the strategy implementation process (Hambrick & Mason, 1984). Strategy formulation is handled by the upper management while the rest put the strategy into effect. The effective implementation of strategy depends on how well the staff understand and are involved in the strategy to be implemented (Oppong, 2014). The relevance of this theory cannot be underestimated since this theory highlights the role and effect of strategic leadership in successful strategy implementation in an organization. Empirical evidence has shown that a rigid and mechanical structure negatively affects strategy implementation which ultimately influences the organization performance.

2.2 Extant Literature Review

Strategic leadership is key in management structures of all organisations. This is because with a competent strategic leadership structure, an organization is guaranteed to succeed in strategic implementation while an incompetent leadership structure leads to the failure in the strategy implementation process (Barend, 2016). It is therefore a key driver for success in an organization that can lead to the collapse of an organization. From a business perspective, strategic leadership is the proper identification, development, and use of organisational leadership to improve organisational performance (Redmond, 2016). Comprehending strategic leadership entails clearly outlining what effective management organizations undertake so as to actually produce a strategy-focused firm (Rumsey, 2013).

In addition, strategic leaders are required to intentionally target an organization' key resources that have a higher likelihood of positively impacting and sustaining future organizational success (Viseras, Baines, & Sweeney, 2008). Strategic leadership impacts on an organizational competitiveness and long-term performance. This is as a result of strategic leaders playing a role in stirring employees towards working efficiently through uncertain and turbulent business environments through developing a vision and pathway that enhances firms' staff resolve to evolve and innovate (Omar & Mohamoud, 2014). Most strategic leaderships perceive that investing in both human and social capital may enhance their firm' competitiveness.

David (2003) argues that both administrators and employees ought to directly participate in strategy execution decisions and communication which are integral to ensuring that organizational objectives are achieved. Training of the human resource is also important as it provides performance enticements to workers. Further strategic success is dependent upon employees having the skills and knowledge necessary to fulfil their assigned responsibilities. Information sharing within an organization is key since it provides the employees with information which is necessary in enabling the employees to know their role in the strategy implementation process. The critical aim is to create a 'virtuous circle' between strategy and strategy implementation (Chaston, 2012).

Kyarimpa (2009) states that the successful implementation of any strategy is dependent on the effectiveness of the leadership qualities. This is especially so in developing economies where one of the main challenges to development is effective leadership (Skivington & Daft, 2011). The leadership in such organizations puts more emphasis on short-term targets with a strong focus on command and complete control. Little emphasis is put on the need for employee motivation and empowerment. Schultz et al. (2013) states that it is important for organization to employ benevolent leaders who work with a moral approach to management. This is because these managers are respectful and show care to all employees even those in the lower echelons. This makes employees feel more appreciated hence improving their level of motivation and ultimately their productivity and creativity.

According to Harrison (2013) the nature of senior executive management significantly affects the outcome of strategies and performance of an organization. Rajasekar (2014) argues that strategy implementation is affected by the type of leadership existing in that organization, the organization structure and the resource capability. The amount of information availed to the different stakeholders determines how accurate the different stakeholders undertake different tasks for the common goal of the organization.

Finally, Mbaka and Mugambi (2014) obtained secondary data in the form of reports on how strategy implementation was carried out in the water sector in Kenya and concluded that the level of support by management, availability of resources and technical expertise played a major role in the outcome of strategy implementation. The effectiveness of the communication from those in a position of leadership was also key to the outcome of strategy implementation.

3. Methodology

The study adopted a descriptive survey research design and was a census study since it targeted all the domestic airline firms operating in Kenya. At the time of study there were 47 domestic airline firms operating from their main hub at Wilson Airport and other hubs such as Jomo Kenyatta International Airport, Malindi, Ukunda, Lamu and Nanyuki. The respondents of the study constituted three personnel from each firm namely, the managing director, one middle-level manager and one operational-level manager totalling to 141 respondents. These respondents were deemed to have sufficient knowledge on strategic management and organizational performance within their firm.

The study relied on both primary and secondary data. Primary data was collected using a self-administered semi-structured questionnaire. Secondary data was collected from airline reports, websites as well as government reports.

The validity of the research instrument was ensured through a pilot study that was conducted with 14 airlines firms' managerial personnel who were excluded from the final study. Reliability assessment of the variables measures yielded Cronbach's alpha coefficient > 0.7 thus establishing the reliability of the measures. A response rate of 87% was achieved from targeted study units.

4. Results and Discussions

4.1 Demographic characteristics of the Respondents

The majority of the respondents (51%) were aged between 25 to 35 years of age, 37% were above 36 years of age while only 12% were below 25 years of age. This indicates that the aviation industry is mostly managed by middle-aged personnel. A greater proportion of the respondents (55%) were male while only 45% of the respondents were female, implying that the management personnel in domestic airline firms is skewed in favour of male. Analysis results further indicated that the majority of the respondents had attained bachelor degree education (55%), while 25% had attained diploma level qualification and 13% had attained postgraduate level certification and only 7% were high school graduates. Majority of the respondents (63%) were middle level managers, 20% were top level management personnel while only 17% of the respondents were lower level managers. 52% of the respondents had served in the airline firms for between 3-5 years, 30% had served for a length of 5-7 years, 11% had served for less than 3 years while only 7% of the respondents had served for more than 8 years.

4.2 Effect of Strategic Leadership on the Domestic Airline Firms Performance

To examine the relationship between strategic leadership and performance of airlines firms in Kenya a simple regression analysis was conducted with the aggregate mean score of organizational performance being regressed against the aggregate mean score of strategic leadership. The results are highlighted in Table1.

Table 1: Relationship Between Strategic Leadership and the Kenyan Airline Firms' Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**std. error**	**beta**	**t**	**sig.**
1	(constant)	.482	2.932		.164	.000
	Strategic Leadership	.855	.080	.767	10.662	.000

Source: Survey data, 2019

The findings of the research in Table 1 shoe that there is statistically significant positive relationship between strategic leadership and the organizational performance (β= 0.767; p-value = 0.000). The results of the study are in line with Schultz et al. (2013) who indicated that management approach was positively related to firm productivity and efficiency. Rajasekar (2014) also found that leadership enhanced strategy implementation and firm performance. The results are also in line with Mbaka and Mugambi (2014) who also argue that the support of the management was critical to the execution of a firm's strategy which was a predictor of performance.

5. Conclusions and Recommendations

This study sought to establish the effect of strategic leadership on the performance of domestic airline firms in Kenya. The research has empirically established that there exists a statistically significant strongly positive relationship between strategic leadership and the domestic airlines firms' performance.

Based on the findings of this study, domestic airline firms are urged to always recruit top management teams who have strategic competence and embrace practices that enhance strategic leadership such as delegation of duties to subordinates, employee involvement, prompt decision making and stakeholders as this increases the airline firms' performance on such areas like customer retention, sales volume, network value, market share and firm efficiency.

For future research, studies need to be conducted to establish the effect of increasing civil aviation regulations and corporate governance requirements on the performance of airline industry in Kenya.

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