

Leadership style, resource availability and performance of small and medium enterprises in Kenya: A case study of Varomatech Limited, Nairobi

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Abstract

The objective of this study was to determine the relationship between leadership style, resource availability and performance of small and medium enterprises. Specifically, the study focused on determining how leadership style and resource availability affect the performance of the small and medium enterprises. The results of the study sought to benefit the small and medium enterprises, customers in the small and medium enterprises as well as other scholars and researchers. The study was triggered by high variation and high record of defective in the industry as evidence by Toyota recall of 8.8 million vehicles due to problems with the accelerator. The study employed descriptive research design. The target population for the study was 482 staff at Varomatech Limited which is one of the small and medium enterprise. During data collection, 145 staff working in the organization were sampled using stratified simple random sampling. Questionnaires were physically administered to the sample population. A pilot study was conducted to test the accuracy of the research instruments to ensure reliability and validity of research data. Descriptive statistics including mean and standard deviation was used to analyse data. The relationship between independent and dependent variables was determined using regression model using Statistical Package for Social Sciences (SPSS) version 20. Research findings were presented using graphs, pie charts and frequency tables. The research findings indicate that resource availability explains 53.6 percent of organizational performance at Varomatech Limited. The research findings further indicated that leadership style did not have statistical significant impact on performance at Varomatech Limited. The study therefore concluded that resource availability had positive and significant impact on performance at Varomatech Limited. The researcher therefore recommends that top management should determine the optimal resources needed and provide those resources for effective performance.

Key Words: Leadership style, Resource availability, small and medium enterprises

Literature review

Resource-based view theory

The resource-based view theory argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution (Barney, 2010). Resource Based view by Barney (2010) contend that above normal returns accrue due to valuable, rare, non-imitable immobile and non-substitutable resources. It views firm as a unique bundle of resources that is all assets and capabilities, organizational process, firm attributes, information, knowledge controlled by a firm that enable the firm to conceive and implement strategies that improves its efficiency and effectiveness, hence outperform the competitors in the industry (Barney, 2010).

Foos and Knudsen (2007) asserts that resource based view (RBV) tends to focus on resource and capabilities that are long lived & difficulty to imitate. Superior performance therefore was based on developing a competitively distinct set of resources and deploying them in a well-conceived strategy. According to Foos & Knudsen (2007), RBV It builds on the two approaches to strategy by combining internal and external perspective of a firm and no two companies are alike because no two companies have had the same set of experience, acquired the same assets and skills, or built the same organizational cultures, further these assets and capabilities determine how efficiently and effectively a company performs its functional activities. The theory assumes that firms within an industry may be heterogeneous with respect to the strategic resources they control and the resources may not be perfectly mobile across firms and thus heterogeneity can be long lasting. Firms in different industries as well as within one industry differ in resource supply and in order to achieve sustainable competitive advantage should exploit those differences. Competitive advantage can be sustainable if those resources are valuable, rare, imperfectly imitable and not substitutable (Barney, 2010).

Empirical literature review

Leadership style and organizational performance

Ulle and Kumar (2014) revealed that leadership is not only creating a vision, but also ensures to translate that vision into a reality through excellence of execution. The leader's ability to develop and lead a long-term vision for the organization, driven by ever changing customer requirements, are guided by the interrelated core values and concepts. Success in organizations can be assured by sustained leadership with a purpose, communication among teams and total commitment by the top management which focus on the customer satisfaction. Leadership at small and medium enterprises set directions towards the success of an enterprise. The leader ensures formulation of strategies, policies and techniques for achieving excellent performance, stimulating excellence, building knowledge and capabilities among employees (Ulle & Kumar, 2014).

Total quality leadership is an approach to management that focuses on giving top value to customers by building excellence into every aspect of the organization. According to Ulle and Kumar (2014), the characteristics of leaders include commitment to quality and establishing organizational systems and approaches to support quality effort. They encourage and recognize team effort as well train and coach, rather than supervise and direct. This results into empowering rather than controlling the workforce. Leaders continually improve communications and learn from problems emphasizing on prevention and improvement rather than cure and maintenance which leads to success of an enterprise.

An enterprise leader gives attention to internal and external customers' needs and encourages collaboration rather than competition. They motivate, inspire and encourage the entire workforce to contribute, to develop, to learn, to innovate and to embrace change. TQM leaders serve as a role model through their commitment, ethics and involvement in planning, communicating and coaching the workforce (Ulle & Kumar, 2014). In their study, Ulle and Kumar (2014) concluded that leadership is one of the basic and the most important needs in every organization. It is often considered as the solution to most organizational issues. Leadership can direct human resources toward the strategic objectives of

the organization and ensure that organizational functions are aligned with the external environment. One of the most essential factors contributing to leadership effectiveness is the leadership style.

It is among the important components of a leader's leadership situation, which can cause success in organizations. Leadership style is the typical pattern of behaviour that a leader utilizes to influence his or her subordinates to attain organizational goals (Ulle & Kumar, 2014).

Wrongful use of power, poor communication ability, lack of experience, lack of capability to control complex situations, and blaming others for failure were rated as the top five attributes that make project managers' leadership ineffective (Toor and Ogunlana, 2009). The effectiveness of their leadership depends largely on their personal attributes, the readiness of their followers, and various environmental factors such as the characteristics of the organization, the characteristics of the project, socio-economic and cultural variables. They also concluded that negative personal attributes as well as organizational neutralizers (such as lack of resources, lack of planning and control, lack of strategic management and lack of top management support) can be detrimental to the effectiveness of leadership in organisations.

Brownell (2016) suggested that global leaders are characterized by two sets of competencies: common competencies and distinctive competencies. Common competencies are the foundational skills and knowledge that can be mastered by most people through either a formal business curriculum or some other training and development process while distinctive competencies relate to individual characteristics and are more complex in nature and therefore difficult to achieve. Common competencies are necessary but insufficient for effective global leadership. In his study, Brownell identified seven unique competency clusters in Brownell's model, each with two or more competencies: They include: intercultural (cultural sensitivity; cultural intelligence; global mindset), social (emotional intelligence; empathy; self-control), creativity/resourcefulness (breakthrough thinking; innovativeness; synergistic orientation), self-knowledge (self-efficacy; self-reflective), positive outlook (vision; passion; optimism), responsiveness (flexible; agile; opportunistic) and decision-making (decisive; sound judgment; intuitive).

Resource availability and organizational performance

Kamasak (2017) established that although the relative contribution of intangible resources to a firm's performance was significantly higher than tangible resources, the difference was not considerable. Tangible resources were still significantly associated with all performance measures (especially with sales turnover) and offered unique contributions to firm performance. The study also revealed that the additional explanatory power of intangible resources on performance measures was significant but limited.

The results of the study by Kamasak (2017) showed that against the dominant effect of intangible resources on performance, tangible resources still had a non-negligible impact in contributing firm performance. Tseng, Tansuhaj, Hallagan, and McCullough (2007) study impressed upon managers the critical need to accumulate specific assets for swift international growth. Faced with the trend toward economic globalization and the constraint of firm resources, managers often need to make decisions on the extent to which their companies should engage in business expansion overseas. Managers striving for further international expansion would be wise to build a stronger inventory of knowledge-based resources that promote international growth.

Tseng et al. (2007) distinguished between the effects of knowledge-based and property-based resources, by demonstrating that both categories of resources significantly impact on international growth, although the knowledge-based resources have more instant and longer-lasting influences than the property-based ones. The knowledge-based resources relate to particular know-how and skills, and property-based resources relate to specific and well-defined assets. According to Wan, Ong and Kok (2002), having the right personnel at the right place and at the right time is of utmost importance to the survival and success of any organization. MacDuffie (as cited in Wan, Ong and Kok, 2002) surveyed 62 small and medium enterprises worldwide.

Kathuria and Singh (2015) identified requirements for external financing such as meeting diversification requirements, technological upgradation and modernization, quality improvement, working capital, testing and quality approval, investment in Research & Development infrastructure and capacity expansion. There are numerous constraints in the growth of small and medium enterprises. These are: Shortage of power, non-availability of easy financing schemes,

high cost of raw materials, complex taxation structure, higher taxes, non-availability of good testing laboratories, stringent pollution control norms, lack of adequate Research & Development facilities, lower labour and machine productivity, obsolete technology, poor infrastructure and high power cost (Kathuria & Singh, 2015).

Conceptual frame work

Jabareen (2009) defines conceptual framework as a network, or “a plane,” of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena. The conceptual framework for this study shows the relationship between the two independent variables and the dependent variable.

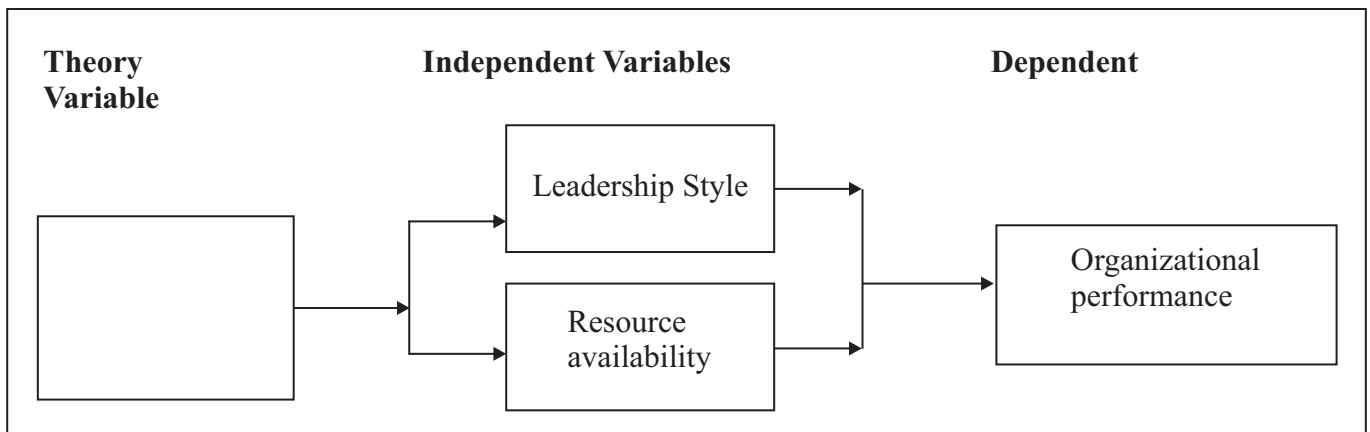


Figure 2.1: Conceptual framework for theory, independent and dependent variables

Hypothesis of the study

The following hypotheses were used to test the relationship depicted in the study objectives:

- H₀₁: Leadership style has not contributed to the performance of small and medium enterprises in Kenya.
- H₀₂: Resource availability has not contributed to the performance of small and medium enterprises in Kenya.

Methodology

The study was anchored on positivist philosophy and formulated hypotheses to interrogate the perceived relationships among the variables. This study used descriptive research design. The study targeted all levels of permanent staff at Varomatech Limited which was 482 in total. These included senior managers, middle managers, plant operators and support staff. This target was informed by the fact that organisation performance is everyone's business in any given organization. It affects the strategy formulators, policy makers, implementers and supervisors as well. The study used stratified sampling whereby proportionate allocations on different strata were applied. This method gave respondents from each strata an equal chance to participate. According to Kothari (2004) a sample size of at least 30 percent of the target population is a true representation of the target population for the survey which translates to 145 respondents. Data was collected using questionnaires to ensure the respondents have a sense of confidentiality. The questionnaire had both structured and unstructured questions. Pilot study is the testing study that is conducted prior to the actual study so as to determine the accuracy of the research instruments. The staff were randomly selected and used in the pilot test. The pilot test tested the ability of the questions to measure the desired concept, the degree of accuracy of the measuring tools, and the researcher's interpretation of data.

In this study, questionnaire reliability was checked by using internal consistency by use of Cronbach alpha method. Fifteen (15) respondents were sampled randomly to fill questionnaires to measure the reliability of the questionnaire. Cronbach alpha was then calculated for all statements in the questionnaire using SPSS. The results were then used to establish the reliability of the questionnaire. Cronbach alpha is a reliability coefficient between two sets of data that ranges between 0 to 1. According to Kothari (2004), a scale that renders a reliability coefficient of above 0.7 is usually regarded as internally reliable instrument. After the reliability analysis of the measurement questions using SPSS, the value of Cronbach alpha was above 0.7. This established that the questionnaire was reliable.

Table 3.1: Reliability Test Results

Variable	No. of Items	$\alpha = \text{Alpha}$	Comments
Leadership style	10	0.798	Acceptable
Resource availability	10	0.781	Acceptable
Organizational Performance	10	0.852	Acceptable

Descriptive statistics including mean and standard deviation was used to analyse data as received from the respondents. Regression statistical analysis of data was done to determine the relationship between the independent and dependent variables and to highlight the key findings. The quantitative data was coded into Statistical Package for Social Sciences (SPSS) version 20.0 for analysis.

The regression model used was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e,$$

Where: Y is the dependent variable (performance in small and medium enterprises),

($\beta_i = 1, 2$) = The coefficients for the various independent variables

X_1 = Leadership style

X_2 = Resource availability

e = error term.

As per the ethical principles guiding research, the researcher ensured that the human rights of the respondents were not violated during the study. Respondents were issued with consent forms before the survey and were given the choice of consenting or not without any form of coercion.

For those respondents who gave consent, privacy and confidentiality was observed. The respondents were given the option of not responding to the questions they termed as private. The collected information was treated with confidentiality. All the respondents participated on a voluntary basis. Anonymity was adhered to during data analysis to avoid any respondent being victimized.

Results of the study

Leadership style and organizational performance

Descriptive statistics

Seven statements were presented to staff to state the level to which they disagreed or agreed with regard to leadership style and performance. Likert scale of 1-5 was used to rank the responses where 1=strongly disagree (SD), 2=agree (A), 3=uncertain (U), 4=agree (A) and 5=strongly agree (SA). The closer the responses to a mean score of 5 indicated that staff strongly agreed on the relationship between leadership style and performance. A lower mean score below 3 means that staff disagreed on the relationship between leadership style and performance. The findings indicated that the statement with the highest mean score observed in the results was 'I am aware of my responsibilities and authorities at Varomatech Limited' (Mean=4.44; Standard Deviation=0.838). The second most ranked statement was Quality objectives have been set (Mean=4.21; Standard Deviation=0.853) followed by Achievement of quality objectives is monitored (Mean=4.14; Standard Deviation=0.812). All the statements for leadership had mean scores of more than three. These findings showed that staff generally agreed with the statements on the relationship between leadership style and performance.

Regression analysis

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811 ^a	.657	.646	.42456

a. Predictors: (Constant), leadership style, Resources availability

After regression analysis, Table 4.3 showed the model summary between performance and two variables - resource availability and leadership style with adjusted R square (R^2) of 0.646. This means 64.6 percent of performance at Varomatech Limited is explained by leadership style and resource availability.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811 ^a	.657	.642	.42683

a. Predictors: (Constant), leadership style, Resources

The model summary after including leadership style as the second variable had adjusted R square (R^2) of 0.642 as shown in Table 4.4. This means 64.2 percent of performance at Varomatech Limited is explained by resource availability and leadership style. The difference after including leadership style was negligible (0.4 percent). This means the effect of leadership style on the overall model was insignificant.

Table 4.5: Excluded Variables^a

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
Leadership	.180 ^b	1.537	.128	.156	.307
Resources	.364 ^b	3.925	.000	.374	.434

a. Dependent Variable: Performance

b. Predictors in the Model: (Constant), leadership style and resource availability

Table 4.5 shows the regression coefficient for leadership style as 0.180 and for resource availability as 0.364. This means that a unit increase in leadership style led to a 0.180 increase in performance at Varomatech Limited with all other factors held constant. A unit increase in resource availability led to 0.364 increase in performance with all other factors held constant. Table 4.5 showed the significance value for leadership style, $p = 0.128$ with resource availability as the predictor in the model. This means that the relationship between leadership style and performance was insignificant since 0.128 is much higher than 0.05. As a result, the variable for leadership style was excluded from the regression model. This finding does not agree with the study by Ulle and Kumar (2014) which revealed that leadership is not only creating a vision, but also ensures to translate that vision into a reality through excellence of execution. The study revealed that leader's ability to develop and lead a long-term vision for the organization, driven by ever changing customer requirements, are guided by the interrelated core values and concepts. Moreover, Toor and Ogunlana (2009) indicated that leadership is a critical factor for success of organisations.

Resource availability and organizational performance

Descriptive statistics

Eight statements were presented to staff to state the level to which they disagreed or agreed with regard to resource availability and performance. Likert scale of 1-5 was used to rank the responses where 1=strongly disagree (SD),

2=agree (A), 3=uncertain (U), 4=agree (A) and 5=strongly agree (SA). The closer the responses to a mean score of 5 indicated that staff strongly agreed on the relationship between resource availability and performance. A lower mean score below 3 means that staff disagreed on the relationship between resource availability and performance. From the results the statement with the highest mean score observed in the results was *Equipment needed to achieve product conformity are provided* (Mean=4.06; Standard Deviation=0.929). The second most ranked statement was *Support such as ICT and transport are provided* (Mean=4.00; Standard Deviation=1.140) followed by *Work environment is safe* (Mean=3.83; Standard Deviation=1.075). All the statements for resource availability had mean scores of more than three. These findings showed that staff generally agreed with the statements which showed there is a relationship between resource availability and performance.

Regression analysis

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735 ^a	.540	.536	.48638

a. Predictors: (Constant), Resources availability

After regression analysis, Table 4.7 shows the model summary of resource availability with adjusted R square (R^2) of 0.536. This means resource availability explains 53.6 percent of organizational performance at Varomatech Limited.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.767 ^a	.589	.585	.45999
2	.804 ^b	.646	.639	.42894

a. Predictors: (Constant), leadership style

b. Predictors: (Constant), leadership style, Resources availability

Table 4.8 shows the model summary for leadership with adjusted R square (R^2) of 0.585. This means leadership style explains 58.5 percent of organizational performance at Varomatech Limited. The model summary for both leadership style and resource availability with adjusted R square (R^2) of 0.639. This means both leadership style and resource availability explain 63.9 percent of organizational performance at Varomatech Limited.

Table 4.9: Analysis of Variance

		ANOVA ^a			
Model		Sum of Squares	df	Mean Square	F
	Sig. Regression	26.702	1	26.702	112.874.000 ^b
1	Residual	22.710	96	.237	
	Total	49.413	97		

a. Dependent Variable: Performance

b. Predictors: (Constant), Resources

The Analysis of Variance (ANOVA) results (Table 4.9) shows that the significance value for resource availability, $p = 0.000$. This means resource availability had statistical significant impact on organizational performance. This finding agrees with Kamasak (2017) who stated that although organisation's efficiency can be increased through intangible resources such as just-in-time, relative effects of the tangible resources such as low-cost products and labour and physical buildings and manufacturing plants were greater.

Summary of findings, conclusion and recommendations

Summary of findings

All the statements for leadership style had mean scores of more than three. This showed that staff generally agreed with the statements on the relationship between leadership style and performance. After regression analysis, the significance value style for leadership style was 0.128. This means that leadership style did not have statistical significant impact on performance at Varomatech Limited.

All the statements for resource availability had mean scores of more than three. This showed that staff generally agreed with the statements on the relationship between resource availability and performance. After regression analysis, the researcher established that resource availability explains 53.6 percent of organizational performance at Varomatech Limited.

Conclusion

The study concludes that there was no significant impact of leadership style on performance in the small and medium enterprises. The study confirmed that leadership style had the least impact on performance of Varomatech Limited.

The study concludes that there is a positive and significant impact of resource availability on performance at Varomatech Limited. The study further concludes that among the two independent variables included in the study, resource availability had the second most influence on performance at Varomatech Limited.

Recommendations

The study established that leadership style did not have statistical significant impact on performance. This could indicate that performance at Varomatech Limited is considered to be more than a leadership style drives (top-down) and everyone is responsible for effective performance. The study therefore recommends that senior managers continuously communicate to the staff on the importance of everyone's getting involved in ensuring organization's performance.

The study established that resource availability explains 53.6 percent of performance at Varomatech Limited. The study therefore recommends that Varomatech Limited should consistently determine the resources required in order to improve their performance. This can be done by top management determining the optimal resources needed and providing the resources for successful organisation. The resources could be personnel, equipment, adequate work space and safe work environment.

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Kiruthu, Nyaga, Opollo: Leadership style, resource availability and performance of small and medium enterprises in Kenya: A case study of Varomatech Limited, Nairobi

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