

THE EFFECTS OF STRATEGIC LEADERSHIP ON STRATEGY IMPLEMENTATION IN COFFEE FACTORIES IN KENYA: A CASE OF COFFEE FACTORIES IN KIAMBU COUNTY

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Abstract: There are numerous challenges that have faced the coffee industry globally over the years some of which are: economic pressures to the coffee sectors such as unfavorable and volatile exchange rates, global and regional economic crises, increasing cost of essential factors of coffee production as well as management factors. Leadership is a critical element used to formulate and implement the strategy. It is a link that relates the soul of organization with its body. This study sought to investigate the effects of leadership on strategy implementation in organizations. More specifically the study analyzed the effects of leadership style, leadership structure, leadership communication and leadership support on strategy implementation in an organization. The study focused on coffee factories in Kiambu County. A sample size of five departments in the firm were targeted using random selection of managers in all levels and employees to be interviewed using open ended questionnaires. Quantitative data on the relative importance of each of the four variables to implementation of strategy was analyzed using simple multivariate linear regression model by Statistical Package for Social Sciences (SPSS). The study examined the effects of leadership on strategy implementation on Coffee Factories in Kiambu County thus establishing the relationship between leadership and strategy implementation. The results indicated a positive correlation for leadership style, leadership structure, leadership support and a negative correlation for leadership communication. Based on the findings the study concluded that leadership style, leadership structure, leadership support were good measures for leadership that affect implementation of strategies. The study recommends that leaders should be responsible for formulating and communicating the strategy but also remember that responsibility doesn't stop there. They must also manage the alignment of people for strategy implementation. This study should be advanced further to include other ingredients that are key to strategy implementation in order to establish the degree to which each ingredient influences strategy implementation.

Keywords: leadership style, leadership structure, leadership communication and leadership support.

1. INTRODUCTION

According to international coffee organization (2014), coffee is the world's most widely traded tropical product, produced in over 50 developing countries. It provides a livelihood for 25 million smallholder farmers and their families and can account for up to 50% of export earnings of some countries. ICO report note further that working towards securing a health world coffee economy is therefore important economically, socially, environmentally and politically. The last twenty years have demonstrated the recurrent boom and bust cycles that characterize the coffee industry. Thus, related to these price fluctuations is the financial risk exposure of all coffee producers (Lewin, Giovannucci & Varangis, 2004).

According to Donnet, Weatherspoon, and Hoehn (2007), during 2000 and 2001, worldwide supply caused coffee prices to drop to their lowest levels in 30 years, if adjusted for inflation. Coffee prices have plummeted below the cost of

production for many coffee producers, thus, causing financial and social hardships to farmers and laborers'. The total current production of green coffee is about 115 million bags (60 kilo net). This exceeds consumption of about 105 million bags (80 million in importing countries and 25 million in producing countries). Over-production has led to the accumulation of inventories in producing and consuming countries and the drop in world prices. Meanwhile, new nontraditional markets are emerging and growing quickly, driven by the availability of cheap coffees in soluble form (Marenya & Barret, 2006).

2. STATEMENT OF THE PROBLEM

Kenya has recently been facing a lot of challenges in her Coffee factories, which is evidenced by the decline in the export of the product in the last few year. Over the years the crop was valuable and acted as the main export product earning foreign exchange to the county for a better economic stability. However the coffee factories exports has been deteriorating over the years which have signaled a collapse of the industry if not addressed earlier USDA foreign agricultural service report (2013). Some forces of change that have been linked as a threat in the coffee factories in Kenya include intensive competition, globalization and technological advancement (Kakuna, 2012). Some farmers have opted to change from coffee farming due to the low returns from the product This has forced coffee factories to undergo reorganization and come up with better ways of surviving in the market. Efforts of reviving performance have been experienced in the adoption of strategic management practices by the stakeholders. Tremendous improved performance can be attributed to strategic management practices it has adopted overtime. Nevertheless some of the farmers have opted to turn up to other crops farming due to losses and poor rewarding from the coffee crop. Specifically the adoption of strategic leadership to enhance effective implementation of strategies has been effected. Despite of this major attempt by the Kenyan government to revive the coffee sector, it's yet to repossess its market share both locally and international. This pose a question on whether the strategies are well planned or whether they are well implemented.

Most research on strategic management and performance has focused majorly on service industries such as banking (Mburu, 2011) aviation Gitau (2011) and insurance (Kiarie, 2013) while little has been done on the manufacturing and processing industry. Namu et al. (2014) on the other hand did a study to determine impact of cost reduction strategies on performance of coffee factories in Embu County, Kenya. They based their survey on factories in Embu County. This study focused on a different context and concept from what the current study seeks to cover. Kumar (2010) studied the effect of leadership styles on corporate culture preferences. Kumar concentrated his study on the oil and gas industry and did not discuss issues of strategy implementation. Maina (2009) analyzed the effects of leadership styles on Strategy implementation in the insurance sector. it is therefore evidenced that the existing research is not well equipped to evacuate the coffee factories from the current situation. With less study done to investigate the problem of strategic leadership in the coffee factories in Kenya. Therefore this study will seek to find out the effects of strategic leadership on strategy implementation in coffee factories in Kenya.

3. OBJECTIVES

- i. To analyze the effect of leadership style on strategy implementation in coffee factories in Kiambu County.
- ii. To determine the effect of leadership structure on strategy implementation in coffee factories in Kiambu County.
- iii. To assess the effect of leadership communication on strategy implementation in coffee factories in Kiambu County.
- iv. To establish the effects of leadership support on strategy implementation in coffee factories in Kiambu County.

4. THEORETICAL REVIEW

Great Man Theories

The Great Man theory assumes that the capacity for leadership is inherent- that great leaders are born not made. (Hughes, Ginnett & Curphy, 2009). These theories often portray great leaders as heroic, mythic, and destined to rise to leadership when needed. Today, many people still hold this traditional belief, and even though this theory may sound old fashioned, research suggest that some people have personality traits, behaviors and knowledge that lend them to leadership (Yaverbaum & Sherman, 2008).The early research on leadership was based on the study of people who were already great

leaders. These people were often from the nobility or upper classes, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding (Bass, 1997; Bennis, 2003; Burns, 1978).

Trait leadership theory

Similar in some ways to “Great Man” theory, Trait leadership theory is actually a range of theories which share the belief that all leaders are born with or at least display, certain key personality’s trait (Trait leadership theory 2010). Trait leadership theories often identify particular personality or behavioral characteristics shared by leaders (Ghee & Daft, 2004). In 1948, after examining over 100 studies based on trait approach, Stogdill (cited in Ghee and Daft, 2004) concluded that various traits were consistent with effective leadership, including general intelligence, initiative, interpersonal skills, self-confidence, drive for responsibility, and personal integrity. However, Stogdill (cited in Daft, 2002) finding also suggested the important of a particular trait was relative to the situation, which may lead to the success of a leader in one situation and irrelevant in other situation.

Behavioral Theories

Behavioral theories of leadership are based upon the belief that great leaders are made, not born. That means the theory is a direct opposite of the Great man theory. Rooted in behaviorism, this leadership theory focuses on the actions of leaders, not on mental qualities or internal states. In behavioral Theory, the researchers decide that with traits alone cannot fully explain leadership effectiveness. Instead, these researchers explored on leader behaviors in 1950 (Champoux, 2000). This leadership theory focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation (Ghee & Daft, 2004).

Contingency Theories

Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, different situations accommodate different style of leadership. Success depends upon a number of variables, including the leadership style, qualities of the followers, and aspects of the situation. “This theory was developed by Fiedler and postulates that the performance of groups is dependent on the interaction between leadership style and situational favorableness” (Ivanevich, Konopaske & Matteson, 2008).

5. CONCEPTUAL FRAMEWORK

A conceptual framework involves forming an idea about the relationship between variables in the study and showing the relationship graphically or diagrammatically (Mugenda & Mugenda, 2003).

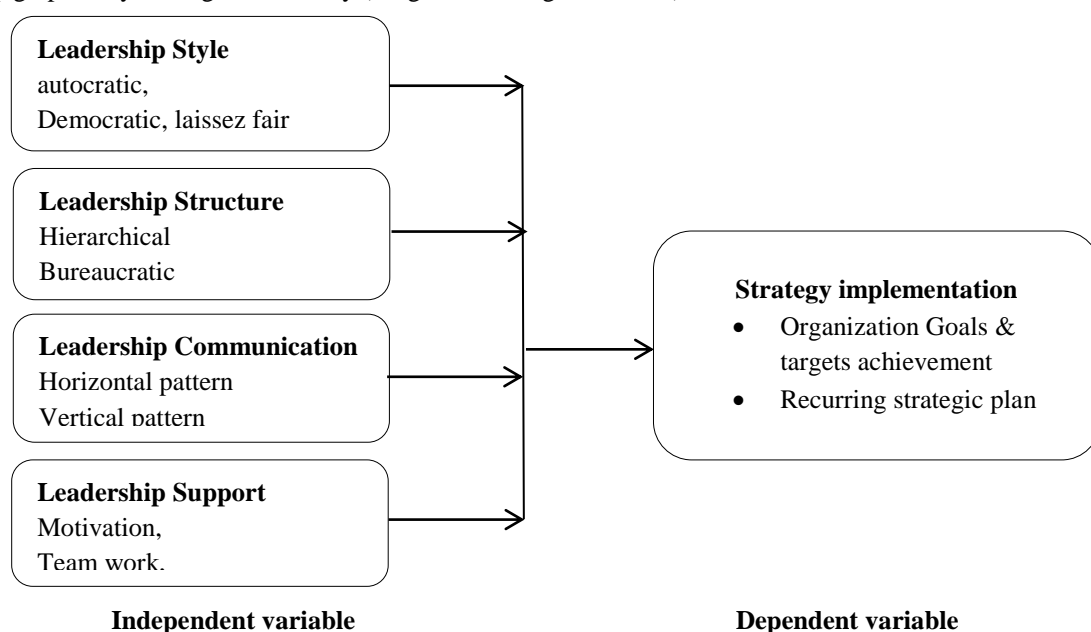


Figure 1: Conceptual framework

6. RESEARCH GAPS

Most of the literature reviewed is from different countries which apply different system from those applied in Kenya. Very little has been researched on in Kenya regarding strategy implementation in the coffee factories in Kenya. The little study conducted has been mostly focused on other industries leaving a negligible percentage of the studies conducted in the agricultural industry which forms the main economic activity in Kenya. Koech (1987) studied effects of leadership styles on motivation of staff in selected secondary schools in Kenya. In his study, he fails to link his study to strategy implementation. Kumar (2010) studied the effect of leadership styles on corporate culture preferences. Kumar concentrated his study on the oil and gas industry and did not discuss issues of strategy implementation. Maina (2009) analyzed the effects of leadership styles on Strategy implementation in the insurance sector. The findings of his study revealed close links between the two but had numerous gaps identified. Ngure (2013) studied on the influence of leadership styles on strategy implementation at Co-operative Bank of Kenya. Among the variable he concentrated on were leadership support, structure and communication. In his study he precisely concentrated on the Co-operative Bank of Kenya and never links how the leadership styles may be an influence to other organizations. Thus the reliability of previous study has not been sufficient to solve this problem of leadership style, communication, support and structure on strategy implementation. Thus there is a research gap of leadership factors affecting strategy implementation on coffee factories in Kenya.

7. RESEARCH METHODOLOGY

A descriptive research design with survey method was applied in this research in attempting to describe and explain the effects of leadership on strategy implementation in the coffee factories in Kiambu County, by using questionnaires to fully describe the phenomenon. The population of interest for the study consisted of the coffee factories in Kiambu County. There are 10 registered coffee factories in Kiambu County (Appendix IV). A census study of all 10 factories was done. Basically there are five main departments in firms and mostly the processing firms. The primary data was collected using questionnaire. The semi- structured interviews and use of questionnaire which was administered to the respondents personally to shorten the response time and enable on the spot clarification of any doubt that the respondents might have regarding any questions. The data was analyzed using descriptive statistics. Data was presented by use of cross tabulation charts and graphs, tables, percentages and frequencies to display a visual presentation of the data, for ease of understanding and analysis. The analysis was done with the application of the statistical package for social sciences (SPSS) software. The study also used a multivariate linear regression analysis to establish the relationship between the dependent and the independent variables.

Model

Y = strategy implementation

β_0 = Constant Term

β_1 = Beta coefficients

X_1 = leadership style

X_2 = leadership structure

X_3 = leadership communication

X_4 = leadership support

ϵ = Error Term

8. RESULTS

Correlation Analysis

The correlation analysis was conducted to assess the multicollinearity problem. From table 4.10 it can be observed that the correlation between the independent variables and the dependent variable was high and positive at 0.640, 0.677, 0.593 and 0.77 for leadership style, leadership structure, leadership communication and leadership support respectively. The implication was that the high correlation between implementation of strategic plans and its determinants was good for

regression analysis. The interpretation was that the level of multicollinearity between the independent variables was not very high which meant that the influence of each variable in the regression model could be isolated individually.

According to Brook (2002) multicollinearity is the problem that occurs when the explanatory variables are very highly correlated with each other. Brook noted further that if there is no relationship between the explanatory variables, they could be said to be orthogonal to one another. If the explanatory variables were orthogonal to one another, adding or removing a variable from a regression equation would not cause the values of the coefficients on the other variables to change. Burns & Burns (2008) asserted that multi-collinearity is the presence of very high correlations between the independent variables and should be avoided.

On the other hand however a very high correlation between the independent and the dependent variable is termed as good since it shows the explanatory power of the individual independent variable. From table 4.16 it was noted that the correlation between strategy implementation and the various independent variables was above 30%, which was a good indicator of the explanatory power of the independent variables on the variance of the dependent variable.

Table 4.10 Correlation Analysis

	Strategy Implementation	Leadership Support	Leadership Structure	Leadership Style	Leadership Communication
Strategy implementation	1				
Leadership support	0.770 0.000	1			
Leadership Structure	0.677 0.000	0.463 0.000	1		
Leadership Style	0.640 0.000	0.423 0.000	0.427 0.000	1	
Leadership Communication	0.593 0.000	0.451 0.000	0.464 0.000	0.401 0.000	1

9. REGRESSION ANALYSIS

A multiple regression analysis was conducted to determine the relationship between leadership and strategy implementation on Coffee factories in Kiambu County and the model summary was presented in table 4.11

Table 4.11 Regression Results

	Coefficient	Standard Error	t-statistic	p-value
(Constant)	1.736	0.370	2.7946	0.020
Leadership Style	0.273	0.044	3.455	0.000
Leadership Structure	0.401	0.078	3.730	0.000
Leadership Communication	0.309	0.068	3.279	0.000
Leadership Support	0.442	0.054	6.148	0.000
F=> 57.050	P=> 0.000	Adjusted R-squared 0.739		

The fitted regression model is

$$Y = 1.736 + 0.273 X_1 + 0.401 X_2 + 0.309 X_3 + 0.442 X_4 + \varepsilon$$

$$Y = 1.736 + 0.273X_1 + 0.401 X_2 + 0.309X_3+0.442X_4 + \varepsilon$$

Standard error 0.370 0.044 0.078 0.068 0.054

t- Statistics 2.7946 3.455 3.730 3.279 6.148

p- Value 0.020 0.000 0.000 0.000 0.000

Where; Y = Strategy Implementation, X_1 = Leadership Style, X_2 = Leadership Structure, X_3 = Leadership Communication, X_4 = Leadership Support

For the coefficients, β_0 = Intercept=1.736, β_1 =0.273, β_2 =0.401, β_3 =0.309, β_4 =0.442, ε = Error Term

From the above regression equation it was revealed that holding leadership style, leadership structure, leadership communication and leadership support to a constant zero, organizational strategy implementation would be at 1.736. It is therefore evident that a unit increase in leadership style could lead to 0.273 units increase in strategy implementation. On the other hand, a unit increase in leadership structure could amount to 0.401 units increase in strategy implementation. Equally, a unit increase in leadership communication could also amount to 0.309 units increase in strategy implementation and finally, a unit increase in leadership support could amount to 0.442 units increase in strategy implementation. The F test statistic is used to decide whether the model as a whole is statistically significant. From Table 4.17 the value of F-statistic is 57.050 and it is also statistically significant. R- Squared is used in the context of statistical models whose main purpose is the prediction of future outcomes based on other related information. The value of adjusted R-squared was found to be 0.739. This implied that the estimated model explains approximately 73.9 % of the variation in strategy implementation and that the remaining 26.1 % is accounted for by other factors that were not included in the model. The future researchers are therefore urged to try and improve the model by including other relevant variables in the model.

10. CONCLUSION

The conclusions were derived from the objectives which included leadership style, leadership structure, leadership communication and leadership support. As regards to leadership style and strategy implementation, the study found that there exist three forms of leadership styles which include autocratic, democratic and laissez faire. The study concluded that democratic leadership style was the most favored by most respondents. A correlation done between leadership styles and strategy implementation was reported strong positive. Regarding the effects of leadership structure on strategy implementation, the study found that the standard hierarchical leadership structure starts at the top with the chairman and board of directors, who set the goals and direction for the company. Concerning leadership communication and strategy implementation, the research concluded that there existed two major leadership communication structures which included horizontal communication and vertical communication structure. The correlation results between leadership communication and strategy implementation indicated a positive relationship between leadership communication patterns and strategy implementation. Finally, as regards to leadership support and strategy implementation, the study found that this was undoubtedly a prerequisite for strategy implementation. In supportive leadership, the manager is not so interested in giving orders and managing every detail as in giving employees the tools they need to work themselves.

11. SUGGESTIONS FOR FURTHER RESEARCH

This study should be advanced further to include other ingredients that are key to strategy implementation in order to establish the degree to which each ingredient influences strategy implementation and also to establish whether other factors play a more influential role in the strategy implementation process. There is also need to replicate the study in the service industry in order to validate or invalidate the findings of this study, that is, does leadership styles have an influence on strategy implementation in the service industry. The study was done to evaluate the effect of leadership on strategy implementation in Coffee factories in Kiambu County. Whereas the study confined itself to only four conceptualized determinants, namely leadership style, leadership structure, leadership communication and leadership support, findings have revealed the importance external environment determinant significantly influencing the success of strategy implementation among coffee factories in Kenya. Further study on the determinants of strategy implementation in coffee factories in Kenya may thus be carried out with reference to the same. This study should be advanced by taking into consideration a number of coffee factories in other areas through survey research design in order to establish whether there is a disparity on the influence of leadership style on strategy implementation when a different research design is used.

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