

Original Research Article

**Nexus among Leadership Styles, Strategy Implementation
and Performance of Small and Medium Manufacturing Firms
in Thika, Kenya**

ABSTRACT

This study aimed at establishing the nexus among leadership styles, strategy implementation and performance of small and medium manufacturing firms (SME's) in Thika Sub-County in Kenya. The Leadership styles investigated included the transformational, transactional and the passive-avoidant leadership styles based on Avolio and Bass definitions. The study is underpinned in the General Systems Theory (GST), Resource Based View (RBV) and the Dynamic Capabilities View (DCV) of the firm where leadership styles is one of the key components in the organization's system, a resource and a dynamic capability required by the firm to maintain superior performance and a competitive edge among rivals. Guided by the philosophy of logical positivism, the study adopted a mixed design which incorporated the descriptive, quantitative and qualitative designs. A self-administered questionnaire was used to collect primary data from a sample of 115 SME manufacturing firms using a simple random sampling procedure from a total population of 165 SME manufacturing firms within two key industrial subsectors within Thika Sub-County in Kenya. Pearson's correlation and OLS regression analysis was used for data analysis. The study found statistical evidence that the leadership styles practiced during strategy implementation positively and significantly influences SME's performance ($r = .259^{**}$, $P = .005$). Secondly, the study found out that most of the owners/CEOs of these firms practiced transactional leadership (composite mean score, 3.54), followed by transformational leadership style (composite mean score, 3.42) and lastly the passive/avoidant leadership behavior (composite mean score, 3.12). Thirdly the study found out that transformational leadership style has a positive and statistically significant relationship with the manufacturing SME's firm performance ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$). The transactional leadership style and the passive/avoidant leadership behaviour has an insignificant positive relationship with the manufacturing SME's firm performance ($r = .180$, $P = .054$), ($r = .169$, $P = .071$) respectively.

Key Words, Leadership styles, Strategy implementation, Performance, Dynamic Capabilities, SME

1. INTRODUCTION

A well-crafted and executed strategy has the potential of putting a firm on the competitive roadmap and increases her chances of success through superior performance. Unfortunately, most organizations all over the world today, struggle with strategy implementation to the extent that the past studies have documented that organizations fail to implement between 60 and 80 percent of their strategic plans [1, 2].

In a dynamic and competitive environment that characterizes SME manufacturing firms, as platforms for value creation and delivery on an increasingly liberalized global markets they are operating in today, managers not only need to adapt to the changing trends in management of firm's strategies in line with environmental changes, but also ensure that they are committed to their strategic plans to the extent that they are fully implemented. Strategy implementation is the second step in the strategic management process and it is usually regarded by many scholars and practitioners of management as the most difficult, challenging and time consuming activity [2, 3 and 5]. Other steps include the strategy formulation and control which come first and third respectively.

The strategy implementation process determines whether an organization excels, survives or dies [3] depending on the manner in which it is undertaken by the stakeholders. In turbulent environments, the ability to implement new strategies quickly and effectively may well mean the difference between success and failure for an organization [6, 7]. The practical experiences and scholarly works in the past have indicated that strategy implementation has a significant influence on organizational performance [8, 9]. Therefore, it follows that successful execution and implementation of strong and robust strategies will always give a firm a significant competitive edge [2], especially in the industries where unique strategies are difficult to achieve [10]. Before a strategy is implemented, it has to be formulated first. The strategy formulation and implementation activities are intertwined. However, the literature indicates that many scholars in strategic management have concentrated their researches on strategy formulation and neglected research works on strategy implementation [11, 12], therefore, the literature on strategy implementation exists in pockets, is fragmented and is inadequate [10]. Strategy implementation is a more elaborate and difficult task than strategy formulation [2] and involves concentrated efforts and actions and by all stakeholders in an organization. Hrebiniak [13] underscored that it is not only true for people to believe that strategy formulation is a difficult task because it is even more difficult to implement that strategy throughout the organization. Leadership styles have been identified in literature as one of the key drivers in strategy implementation process. A superior and strong leadership skill is an important dynamic capability required to drive superior performance in organizations operating in a dynamic environment that characterizes organizations today [14]. Past studies have underscored the importance of leadership in strategy formulation and implementation [15, 16, 17 and 18].

This study intended to establish whether there is a significant relationship between leadership styles practiced during strategy implementation positively and the performance of small and medium manufacturing firms in Thika Sub-County in Kenya. The study was guided by three main leadership styles identified by literature as commonly practiced in organizations today based on Avolio and Bass [18] definitions of leadership styles.

Results from this study indicated that leadership, as an important component in an organization, indeed influences manufacturing firm's performance positively and significantly. Further analysis of the results from this study show that most of the owners or CEO's of the SME manufacturing firms practiced transactional leadership style. A good number of the owners/CEOs practiced transformational leadership style while the last group among this category practiced the passive/avoidant leadership behavior according to Avolio and Bass leadership definitions. There is also statistical evidence from this study that transformational leadership style significantly influences the performance of SME manufacturing firms positively. The transactional and passive/avoidant leadership styles relate positively to the performance of these firms, however, these relationships are not statistically significant.

1.2 Statement of the problem

Strategy implementation involves effective translation of the chosen strategy into various actions and activities that leads to the realization of organizational goals and objectives [14]. Implementation of a strategy is an important activity in an organization which is even more important than strategy formulation itself [2].

Past studies in strategic management have documented a high failure rate in strategy implementation globally. Between 60 to 80 % of all organizations engaged in strategic planning either fails or seriously struggles during strategy implementation process and this makes it difficult for firms to fully realize and achieve their dreams [1, 2]. In Kenya, the manufacturing sector has performed poorly over the years with the medium and large scale enterprises lagging behind micro and small manufacturing firms in terms of growth and employment creation [19]. The 2013 Kenyan Economic Report documents a decline in the growth and performance in the manufacturing sector only contributing 14.2 percent of total value addition. According to this report, the dismal performance in the manufacturing sector in Kenya is likely to slow down the country's economic growth and the realization of vision 2030 strategic plan.

To improve performance, the manufacturing SME firms need to fully embrace strategic planning and focus keenly on what is required of them in order to accomplish their goals and objectives. However, past studies show that not all SME firms in Kenya undertake strategy management practices [20]. While previous studies in the western world have documented a positive relationship between strategy implementation and SME's firm's performance [17] no such a study has been conducted a developing economy like Kenya. The review of literature also indicated that there is very little empirical evidence on how strategy implementation influences the performance of SME's in the developing countries.

Several studies have been carried out in the past on the SME's strategic management practices in Kenya [16, 20, 21, 22]. However, these studies focused their attention on strategic planning at the expense of strategy implementation. None of the previous studies in Kenya attempted to relate strategy implementation and performance of manufacturing SME firms. This study, therefore, undertook to fill this gap by examining whether strategy implementation relates positively to the performance of manufacturing SME firms operating in Thika Sub-County in Kenya and whether leadership styles variable is a major driver influencing strategy implementation and performance of these firms in Kenya.

1.3 The Purpose of the study

This study intended to establish the relationships among leadership styles, strategy implementation and performance of manufacturing SME firms in Thika Sub-County in Kenya

1.4 Specific Objectives of the study

This study was guided by the following specific objectives;

1. To establish the nexus between attention to leadership styles during strategy implementation and performance of SME manufacturing firm in Thika Sub-County
2. To determine whether the practice of transformational leadership style during strategy implementation influences performance of SME manufacturing firms
3. To find out whether the practice of transactional leadership style during strategy implementation influences performance of SME manufacturing firms
4. To establish whether the practice of passive/avoidant leadership behaviour during strategy implementation influences performance of SME manufacturing firms

1.5 Research Questions

This study sought to answer the following questions;

1. What is the nexus between attention to leadership styles during strategy implementation and performance of SME manufacturing firms in Kenya?
2. What is the nexus between the practice of transformational leadership style during strategy implementation and performance of the manufacturing SME firms in Kenya?
3. Does the practice of transactional leadership style during strategy implementation influence the performance of the manufacturing SME firms in Kenya?
4. Is there a nexus between the practice of passive/avoidant leadership behaviour and performance of manufacturing SME firms in Kenya?

2. LITERATURE REVIEW

This study focused on the three main leadership styles according to Avolio and Bass definitions [18]. The transformational leadership style is the process in which leaders change their associates' awareness of what is important, and move them to see themselves and the opportunities/challenges of their environment in a new way. These leaders proactively seek to optimize organizational innovation and development at individual, group and organizational levels Secondly, the transactional leadership style exhibits behaviors associated with constructive and corrective transactions. The constructive style is labelled Contingent Reward while the corrective style is labelled Management-by-Exception. Transactional leadership defines expectations and promotes performance to achieve these levels and thirdly, the passive/avoidant leadership style is more passive and "reactive" in nature. It does not respond to situations and problems systematically and has a negative effect on desired outcomes expected by the leaders. It is similar to laissez-faire leadership styles - or "no leadership at all". Teece [13] underscored the importance of leadership styles by stating that a leader must possess superior skills required to effectuate high performance through sensing, seizing and transformation. A strong leadership skill is an important dynamic capability required to drive superior performance in organizations operating in a dynamic environment that characterizes organizations today. Thompson and Strickland [23] further stated that strategic leadership keeps organizations innovative and responsive by taking special plans to foster, nourish and support people who are willing to champion new ideas, new products and product

applications. Griffins [24] identified leadership in an organization as one of the main factors influencing strategy implementation by providing a clear direction, up to date communications, motivating staff and setting up culture and values that drives organizations to better performance. Heracleous [10] identified various roles played by leaders during strategy implementation process and classified them as a commander (a leader who attempts to formulate an optimum strategy), an architect (a leader who tries to designs the best way to implement a given strategy), a coordinator (a leader who attempts to involve other managers to get committed to a given strategy, a coach (a leader who attempts to involve everybody in the strategy implementation efforts) and a premise-setter (a leader who encourages other managers to come forward as champions of sound strategies). The foregoing discussion on the importance and the role leadership play during strategy implementation led to the following null and alternative hypotheses;

H_{01} *The relationship between attention to leadership styles during strategy implementation and performance of manufacturing SME firm in Kenya is insignificant*

H_1 *There is a significant positive relationship between attention to leadership styles during strategy implementation and performance of SME manufacturing firm in Kenya*

A study in South Africa concluded that leadership and especially strategic leadership's role of providing direction during strategy implementation is important in influencing organization performance [14]. Noble and Mokwa [25] found out that manager's commitment to strategy (which refer the extent to which a manager comprehends and supports the goals and objectives of a strategy) and individual manager's role performance (the degree to which a manager achieves goals and objectives of a particular role) positively influences the success of strategy implementation effort and performance in an organization. Bourgeois and Brodwin [26] identified a variety of leadership styles which are practiced by leaders during strategy implementation and found out that leadership approaches to strategy implementation varies from being an autocratic leader to a more participative style that involves active engagement of various stake holders in the implementation process. According him, the five main categories of leadership styles practiced during strategy implementation include commander, collaborative, coercive, cultural and organizational

change. Ling *et al.* [27] identified that there is a significant relationship between transformational CEOs and the performance in SMEs. This led to the following null and alternative hypotheses;

H_{02} *The relationship between the practice of transformational leadership during strategy implementation and performance of manufacturing SME firm in Kenya is insignificant*

H_2 *There is a significant positive relationship between the practice of transformational leadership style during strategy implementation and performance of SME manufacturing firms in Kenya*

Aziz *et al.* [28] tested the three most common leadership styles commonly practiced by SMEs which include the transactional, transformational and passive avoidant (Laissez-faire) leadership styles and found out that among the three leadership styles, the transformational leadership has the highest influence and is directly related to the performance in SMEs. His findings are consistent with a study by Naeem and Tayyeb [29] in Pakistan which found a positive correlation between the transformational leadership style and SMEs performance and a weak positive correlation between transactional leadership style and SMEs performance. The study concluded that the transformational leadership style positively and significantly influences performance in SMEs in Pakistan. This led to the following null and alternative hypotheses;

H_{03} *The relationship between transactional leadership style practiced during strategy implementation and performance of manufacturing SME firm in Kenya is insignificant*

H_3 *There is a significant positive relationship between transactional leadership style practiced during strategy implementation and performance of SME manufacturing firms in Kenya*

Okwu *et al.* [30] tested the application of transformational and transaction leadership styles in Nigerian SMEs and found out that transformational leadership style is weak in explaining variations in performance while the transactional leadership style has a significant positive effect on performance and both jointly explain very high proportion of variations in SME's performance. The study concluded that transactional leadership style is more appropriate in inducing performance than transformational leadership and recommended that SME firms should adopt transactional leadership style but strategize to transit to

transformational leadership style as their enterprises develop, grow and mature. The findings of this study led to the following null and alternative hypotheses;

H_{04} *The relationship between passive/avoidant leadership behaviour practiced during strategy implementation and performance of manufacturing SME firm in Kenya is insignificant*

H_4 *There is a significant positive relationship between the practice of passive/avoidant leadership behaviour during strategy implementation and performance of SME manufacturing firms in Kenya*

3. CONCEPTUAL FRAMEWORK

The conceptualized framework on the linear relationships between leadership styles practiced during strategy implementation and performance of manufacturing SME firms is presented in Figure 1. The four alternative hypotheses that were tested in this study (H_1 , H_2 , H_3 and H_4) are also included as shown by the arrow linking the independent variables and the dependent variable.

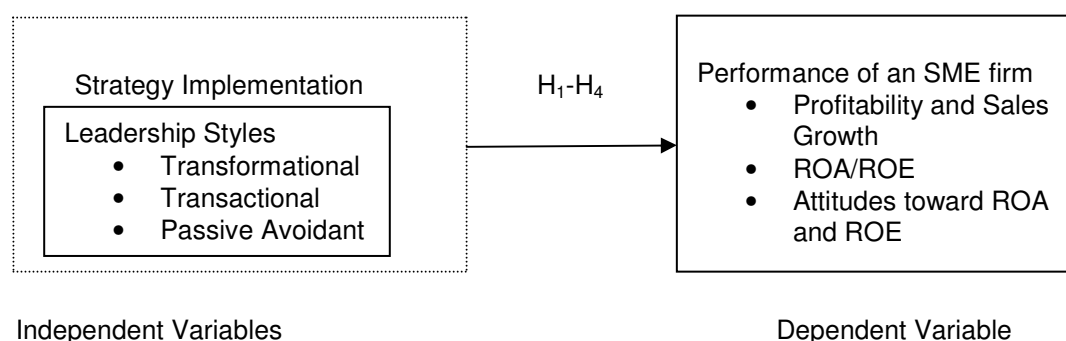


Fig. 1. Relationship between Leadership Styles and manufacturing SME's Performance

4. THEORETICAL FRAMEWORK

4.1 The General Systems Theory

According to Chen and Stoup [31], the General Systems Theory (GST) emerged from the works of an Austrian biologist Ludwig von Bertalanffy in 1930's. The theory studies the structure and properties of a system in terms of relationships and interdependencies among various components from which the properties of the whole emerge. The system theory also views the world in terms of relationships and integration and emphasizes the principle of organization. Bank, Carson and Nelson [32] define a system as a group of objects that are joined together in some regular interaction or interdependence toward the

221 accomplishment of some purpose. This implies that a system is made up of different components that
222 work together in a regular relationship to accomplish a common goal.

223 The system components include entities, objects of interest within the system, attributes, or defining
224 properties of entities, states of the system's collective descriptive variables at a given time, activities
225 taking place at a given time, and events that have the potential to change the state of the system [32].
226 Modern organizations qualify as open systems and within an organization as a system; there exist
227 subsystems like human resource, administrative, management information systems, social-technical,
228 structural and others [33, 34]. The common features of a system include the systems boundary, its
229 external environment, and sensitivity to disturbances both within and outside the system.

230 The foundation of systems theory is that all the components of an organization are interrelated, and
231 changing one variable brings changes to other variables. Organizations are viewed as open systems
232 where they are continually interacting with their environment. They are in a state of dynamic equilibrium
233 as they adapt to environmental changes. A central theme of systems theory is that sometimes nonlinear
234 relationships might exist between variables where small changes in one variable can cause huge
235 changes in another and large changes in another variable might only have a nominal effect on another.

236 French, Kast and Rosenzweig [35] underscored that the systems theory views organizational structure as
237 the established pattern of relationships among different parts of the organization. The most important
238 according to the theory are the patterns in relationships and duties which includes integration (the way
239 activities are coordinated), differentiation (the way tasks are divided), the structure of the hierarchical
240 relationships (authority systems), and the formalized policies, procedures, and controls that guide the
241 organization (administrative systems).

242 The relationship between the environment and organizational structure is especially important in the
243 system theory. Organizations are open systems and always depend on their environment for support.
244 Generally, the more complex environments which characterizes today's organizations lead to greater
245 differentiation [36]. The trend in organizations is currently away from stable (mechanistic) structures to
246 more adaptive (organic) structures. The advantage is that organizations become more dynamic and
247 flexible while the disadvantage is that integration and coordination of activities require more time and
248 effort. The system theory has also helped in "demystifying" change, translating disorder, chaos and
249 helplessness into distinguishable patterns and explicit change management strategies. Moreover, as
250 indicated by Swanson and Holton [33], systems are demonstrably more effective when undergoing some
251 degree of tension from competing elements than when in a peaceful, predictable equilibrium.

252 From a systems theory point of view, successful strategy implementation requires a well-coordinated
253 effort and harmonious interactions among various components of an organization. The leadership

component in an organization alone may not succeed in strategy implementation effort without creating proper structures and ensuring active participation of other subsystems like human resources (people), social-technical and information subsystem (technology). Moreover, organizations must also continuously interact with the dynamic environment to obtain the required resources that drive implementation of a strategy to success.

The systems theory underpins both the independent variables and the dependent variable in this study. Among other components, the administrative component of the system mentioned in this theory takes care of the leadership variable under investigation in this study. According to the General Systems Theory, all these components interact in a harmonious relationship in order to achieve the system's objectives (performance). This implies that the dependent variable in this study which is the SME's firm performance is also taken care of by the General Systems Theory (GST).

4.2 The Dynamic Capability View of the Firm

The Dynamic Capabilities View of a firm, which was launched by David Teece in early 1990s, is based on the works of Barney [37], Rumelt [38] and Wernerfelt [39]. The framework is an advancement of the Resource-Based View (RBV) of the firm which views resources as the key to superior organization performance. The dynamic capability theory [40] is based on the concept that organizations will always attempt to renew their resources in a way that suits the changes taking place in a dynamic environment. According to Teece, Pisano and Shuen [41], the dynamic capability view examines how firms are able to integrate, build, and reconfigure their specific competencies (internal or external) into new competencies that match changes taking place in a turbulent environment [42]. The theory is based on the assumption that firms with greater dynamic capabilities will always outperform those with smaller dynamic capabilities. Therefore, operations in a dynamic environment call for firms to continuously renew, re-engineer and regenerate their internal and external firm's specific capabilities in order to remain competitive [43]. The dynamic capabilities are hard to develop and difficult to transfer because they are tacit and are embedded in a unique set of relationships and histories of a firm. Ordinary capabilities, according to RBV, are about doing things right whereas dynamic capabilities are about doing right things at the right time based on unique processes, organizational culture and prescient assessments of the business environment and technological opportunities surrounding a firm [43]. Strong dynamic capabilities [44] include processes, business models, technology, and leadership skills needed to effectuate high performance sensing,

283 seizing and transforming an organization.

284 The Dynamic Capability View of the firm is important in this study because the administrative component
 285 (leadership) as postulated by the General Systems Theory is not only a variable resource in an
 286 organization but it is also dynamic in nature. Good leadership is learnt through practice and experience
 287 and is a dynamic capability varies from one firm and another and gives these firms their uniqueness and
 288 competitive advantage. The literature in strategic management has documented that those firms that has
 289 good leadership practices experiences superior performance and has a competitive edge among the rival
 290 firms.

291 **5. RESEARCH METHODOLOGY**

292 **5.1 Study Population and Sample**

293 This study was guided by the philosophy of logical positivism which argues that a statement is only
 294 meaningful if it can be proven to be true or false. Under this philosophy, knowledge is accumulated
 295 through logical reasoning and empirical experience [45, 46]. A triangulation of three designs was used
 296 which incorporated the quantitative, qualitative and descriptive. This approach had been used by several
 297 scholars in the past in similar studies because of its ability to increase validity of the outcomes while at
 298 the same time compensating for the weaknesses of each method used [47, 48 and 49].

299 From a total population of 165 manufacturing firms in Thika Sub-County, a sample of 115 firms was
 300 selected using a simple random sampling procedure. To collect data, a self-administered questionnaire
 301 was issued to the owner/CEO or lead manager in each firm selected. Data was collected for a period of
 302 eight months from August 2015 to February 2016 and all questionnaires were filled hence the response
 303 rate was 100%.

304 **5.2 Reliability Test**

305 To test the internal consistency of the questionnaire, reliability test was carried out on the dependent and
 306 the explanatory variables and the Cronbach's alpha was obtained. Performance of the SME firm recorded
 307 an alpha of 0.815 while attention to leadership styles recorded alpha of 0.800. According to Cronbach
 308 [50], an alpha level of 0.7 to 1.0 is acceptable.

5.3 Data Analysis

The descriptive statistics comprising of the mean scores and standard deviations on performance and structural adaptations psychometric constructs were obtained and the results are shown in Table 1 and Table 2 respectively.

The Spearman's Rho was used to indicate the relationship between dependent and independent variables of this study and their corresponding p-values. The OLS univariate and multiple regression analysis were then used to test the proposed hypotheses and also to show the nature of the relationships between structural adaptations and manufacturing SME firm's performance. The F-Statistics was also used to show the model validity while R^2 was used to show the model's goodness of fit.

5.4 Research Model

The functional relationship equations representing the interactions between attention to leadership styles variable (X_1), and manufacturing firm's performance used in this study are stated respectively as follows;

$$Y_f(X_1) + \varepsilon \dots\dots\dots (1)$$

$$Y_f(X_{11}, X_{12}, X_{13}) + \varepsilon \dots\dots\dots (2)$$

Where;

Y is the SME manufacturing firm's performance

X_1 is the attention to leadership styles

X_{11} is the transformational leadership style

X_{12} is the transactional leadership style

X_{13} is the passive/avoidant leadership behaviour

ε is the error term

From equations (1) and (2), the following univariate and multiple regression models respectively were derived respectively;

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

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

Where

β_0 is the constant

337 β_i is the coefficient of X_i for $i = 1, 2, 3$

338

339 **6. MEASUREMENT OF VARIABLES**

340 **6.1 Manufacturing Firm's Performance**

341 The performance of a firm was measured by the degree of satisfaction on the levels of profitability, Return
 342 on Assets (ROA), Return on Equity (ROE) and sales turnover. Due to the sensitivity of obtaining
 343 information related to financial performance where owners of a firm were not willing to cooperate or
 344 information was not available, A 5 point Likert scale psychometric instrument [51] was developed to
 345 capture financial information using indirect measures of performance which were based on owner's
 346 perceptions on SME performance for a period of five years. The scale ranged from (1 = Strongly Disagree,
 347 2 = Disagree 3 = Not Sure, 4 = Agree, 5 = Strongly Agree). The mean score was then calculated as an
 348 average of the 5 items examined on the enterprises' perceived performance. The higher the score, the
 349 better the statement is in terms of the firm's perceived performance.

350 **6.2 Leadership Styles**

351 This study adopted the Multi-factor Leadership Questionnaire short form, 6-S :MLQ – 6S [52] to measure
 352 the three dominant leadership styles commonly practiced in organizations today namely the
 353 transformational leadership, transactional leadership and passive/avoidant leadership behavior. The tool
 354 consisted of 21 items which are marked from 1-5 rating scale where 1 = not at all, 2 = once in a while, 3 =
 355 sometimes, 4 = fairly often, 5 = frequently if not always. The factors of MLQ 6-S are grouped according to
 356 Avolio and Bass definitions [19]. The transformational leadership style includes: Factor 1. Idealized
 357 influence (item 1, 8 & 15), Factor 2. Inspirational motivation (items 2, 9 & 16), Factor 3. Intellectual
 358 stimulation (item 3, 10 & 17), Factor 4. Individualized consideration (item 4, 11 & 18). The Transactional
 359 leadership style include: Factor 5. Contingent reward (item 5, 12 & 19) and Passive/Avoidant leadership
 360 behavior include: Factor 6. Management-by-Exception Passive (MBEP) (item 6, 13 & 20) and Factor 7.
 361 Laissez-faire (items 7, 14 & 21). According to Avolio and Bass [18], the MLQ 6-S short form is scored as
 362 follows: Summing three scores of specified factor 1, 2, 3 & 4 gives the total score of transformational

leadership. The total score of transformational leadership is divided by four to give the composite mean score of transformational leadership style. Total score of factor 5 gives the total score of transactional leadership. The total score of transactional leadership divided by one gives the composite mean score of transactional leadership style. Summing scores of factor 6 and 7 gives the total score of passive/avoidant leadership behavior while total score of passive/avoidant behavior is divided by two to give the composite mean score of passive/avoidant behavior.

7. RESEARCH FINDINGS AND DISCUSSIONS

The study results in table 1 shows that the respondents agreed with most of the Likert-based psychometric performance constructs apart from the following two statements; we are highly satisfied by the returns from assets (ROA) invested (mean score, 3.37) and that the number of employees has been rising every year (mean score, 3.18).

Table 1. Descriptive Statistics on the SME Performance

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

Note: Reliability α – Performance = 0.815

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

According to Avolio and Bass definitions [18] of transformational, transactional and passive/avoidant leadership styles as shown in Table 2, majority of the leaders in SME manufacturing firms in Thika Sub-

County practiced transactional leadership style (composite mean score, 3.54), followed by transformational leadership style (composite mean score, 3.42) and lastly passive / avoidant leadership behavior (composite mean score, 3.12).

Table 2. Descriptive Statistics on Leadership Styles of the manufacturing SME firm

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

Note: Reliability α – Attention to leadership styles = 0.800

Table 3 shows the bivariate correlations between leadership styles and performance of a manufacturing SME firms in Thika Sub-County in Kenya. The study revealed that leadership styles (X_1) has a positive and significant relationship with the performance (Y) of the SME manufacturing firm ($r = .259^{**}$, $P = .005$). Leadership styles were identified by the literature as one of the key drivers under strategy implementation that influences organization performance [17]. This implies that as the leadership styles improve during the strategy implementation process, there is a significant positive change in the firm's performance.

Table 3. Bivariate Correlation: Leadership Styles and SME Performance

		Y	X_1
Performance (Y)	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	115	
Leadership Styles (X_1)	Pearson Correlation	.259**	1
	Sig. (2-tailed)	.005	
	N	114	114

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

These findings in Table 3 were subjected to further analysis using univariate linear regression model $Y = \beta_0 + \beta_1 X_1 + \epsilon$, where Y represents SME's performance and X_1 represents leadership styles. As shown in Table 4 the model was found to be valid, $F_{(1, 112)} = 8.062$, $P = .005$, hence the explanatory variable (X_1) is good in explaining the variations in performance of the manufacturing SME firm.

Table 4. Leadership Styles and Performance: Model Validity

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

a. Dependent Variable: Performance

b. Predictors: (Constant), Leadership Styles (X_1)

The study results in Table 5 further revealed that leadership styles (X_1) explains 6.7% of the total variations in the manufacturing SME firm's performance ($R^2 = .067$). The coefficients in the regression

model as shown in Table 5 indicated that leadership styles will always exist at a certain minimum as shown by the constant ($\beta_0 = 3.754$, $P < .001$). The attention to leadership styles during strategy implementation in the manufacturing SME firm was found to be positively and significantly related to the performance of the firm ($\beta_1 = .284$, $P = .005$) confirming the findings of the bivariate correlations that indicated that when the leadership styles improves, performance of the firm will also improve.

Table 5. Leadership Styles and Performance: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	R ²	t	Sig.
	B	Std. Error	Beta			
Constant	3.754	.044			85.988	.000
X ₁	.284	.100	.259	.067	2.839	.005

a. Dependent Variable: Performance

The univariate model in Table 5 was significant and therefore, supports the study objective that attention to leadership styles during strategy implementation influences the performance of small and medium manufacturing firms in Thika Sub-County. The hypothesis H_{1a}.stated that there is a significant positive relationship between attention to leadership styles and performance of manufacturing SME firms in Thika Sub-County, Kenya i.e. H₀₁: $\beta_1 = 0$ versus H_{1a}: $\beta_1 \neq 0$ was tested. The results from the bi-variate correlation in Table 3 showed a significant and positive relationship between leadership styles and the firms performance ($r = .259^{**}$, $P = .005$) while those from the univariate in Table 5 regression showed that there is a positive and significant relationship between leadership styles and the firm's performance ($\beta_1 = .284$, $P = .005$). This led to the rejection of the null hypothesis (H₀₁) and the conclusion that there is a positive and significant relationship between attention to leadership styles and the performance of the manufacturing SME firms.

The leadership styles variable was further broken down into specific leadership styles identified by Bass and Avolio [52]. The univariate model $Y = \beta_0 + \beta_1 X_1 + \epsilon$ was therefore modified to include the effects of these specific leadership styles giving rise to a new multiple regression model $Y = \beta_0 + \beta_1 X_{11} + \beta_2 X_{12} + \beta_3 X_{13} + \epsilon$ Where: β_0 = Intercept, β_1 , β_2 , β_3 = slope coefficients representing the influence of the associated

independent variable over the dependent variable, X_{11} = Transformational leadership style, X_{12} = Transactional leadership style, X_{13} = Passive/Avoidant leadership style and ϵ = Error term.

Table 6. Specific Leadership Styles Bivariate Correlations Coefficients

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

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

A bivariate linear correlation in Table 6 revealed that the transformational leadership style has a significant positive relationship with performance of the manufacturing firm ($r = .297^{**}$, $P = .001$), the transactional leadership style has an insignificant positive relationship with the firm's performance ($r = .180$, $P = .054$) while the passive/avoidant leadership behavior also has a positive but insignificant relationship with the firm's performance ($r = .169$, $P = .071$).

The three leadership styles were further subjected to a multiple regression analysis to test their combined effects on SME's manufacturing firm's performance. The model in Table 7 containing the three leadership styles was found to be valid, $F_{(3, 111)} = 3.788$, $P = .012$ and hence these leadership styles are good predictors of the variations in the performance of manufacturing SME firm's performance in Thika Sub-County, Kenya.

Table 7. Specific Leadership Styles: Model Validity

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

a. Dependent Variable: Performance

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

The combined leadership styles in Table 8 was found to explain 9.3% of the variations in SME manufacturing firm's performance ($R^2 = .093$). The constant in the regression model as shown in Table 8 indicate that leadership styles will be always exist at a certain minimum during strategy implementation ($\beta_0 = 2.864$, $P < .001$). The transformational leadership style (X₁₁) is significant and positively related to the manufacturing SME's performance ($\beta_1 = .208$, $P = .013$) while the transactional leadership style (X₁₂, $\beta_2 = .049$, $P = .481$) and passive avoidant leadership behavior (X₁₃, $\beta_3 = .001$, $P = .012$) have positive but insignificant relationships with the manufacturing SME's firm performance.

Table 8. Specific Leadership Styles: Regression Weights

Model	Unstandardized Coefficients		Standardized Coefficients	R ²	t	Sig.
				.093		
	B	Std. Error	Beta			
Constant	2.864	.289			9.914	.000
X ₁₁	.208	.083	.267		2.512	.013
X ₁₂	.049	.069	.074		.706	.481
X ₁₃	.001	.091	.001		.012	.990

a. Dependent Variable: (Y) Performance

The study findings in Table 6 and Table 8 were used to test the alternatives hypothesis representing different leadership styles under investigation in this study.

H₂. *There is a significant positive relationship between transformational leadership style and the performance of SME manufacturing firms in Thika, Kenya*

H₃. *There is a significant positive relationship between the transactional leadership style and the*

performance of SME manufacturing firms in Thika, Kenya

H₄. *There is a significant positive relationship between passive avoidant leadership style and the performance of SME manufacturing firms in Thika, Kenya*

The findings in Table 6 and Table 8 showed that the transformational leadership style (X_{11}) has a positive and statistically significant relationship with the manufacturing SME's firm performance ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$). This leads to the rejection of the null hypothesis (H_{02}) and conclude that there is a significant positive relationship between transformational leadership style and performance of SME manufacturing firms in Thika, Kenya. This means that leaders in the manufacturing SME firms who are able to practice the transformational leadership style during strategy implementation efforts help their organizations to achieve better performance. The findings also revealed that the transactional leadership style (X_{12}) has an insignificant positive relationship with the manufacturing SME's firm performance ($r = .180$, $P = .054$). This study, therefore, failed to reject the null hypothesis (H_{03}) and concluded that there is an insignificant positive relationship between transactional leadership style and the performance of SME manufacturing firm in Thika, Kenya. Likewise, the passive/avoidant leadership behavior (X_{13}) had an insignificant positive relationship with the manufacturing SME firm's performance ($r = .169$, $P = .071$). The study, therefore, failed to reject the null hypothesis (H_{04}) and concluded that the relationship between the passive/avoidant leadership behavior and the performance of SME manufacturing firms is positive but statistically insignificant.

8. DISCUSSION OF FINDINGS

The results of both bivariate correlation ($r = .259^{**}$, $P = .005$) in Table 6 and univariate regression analysis ($\beta_1 = .284$, $P = .005$) in Table 8 indicated that leadership styles has a positive and significant relationship with the performance of the SME manufacturing firms in Thika Sub-County. This means that the choice of a leadership style affects how manufacturing firms performs during strategy implementation process. These findings concurred with observations and conclusions made by earlier scholars that organization's leadership is an important factor that leads to superior performance in a dynamic environment [10], [13],

[14], [23], [24], and [25]. The role of organization's leadership in owning up, steering and driving forward strategy implementation efforts is a critical factor to the success of a firm. A further analysis on the specific types of leadership styles in Table 8 revealed that transformational leadership style has a positive and significant relationship with the performance of manufacturing SME firms ($r = .297^{**}$, $P = .001$; $\beta_1 = .208$, $P = .013$) while transactional leadership styles ($r = .180$, $p = .054$; $\beta_2 = .049$, $P = .481$) and passive/avoidant leadership behavior ($r = .169$, $p = .071$; $\beta_3 = .001$, $P = .990$) have an insignificant positive relationship with the manufacturing SME firm's performance. These findings are consistent with the works of Aziz *et al.* [28] who found out that among the three most common leadership styles practiced by SMEs, the transformational leadership had the highest influence and is directly related to the firm's performance. Udoh and Agu [53] who studied the transformational and transaction leadership styles on performance of manufacturing organizations in Nigeria and found a significant positive relationship between transformational and transactional leadership styles and the organizational performance. However, the current study has found out that transactional leadership style is positively related to performance but it is insignificant. Ejere and Ugochuku [54] in an empirical study of transformational and transactional leadership styles in Nigeria found that transformational leadership style is positively and highly related to organizational performance while transactional leadership style has a positive but weak relationship with organizational performance. Naeem and Tayyeb [29] in Pakistan found a positive correlation between transformational leadership style and SMEs performance and a weak positive correlation between transactional leadership style and SME performance.

9. CONCLUSION

This study has revealed that a positive and significant relationship exist between leadership styles practiced during strategy implementation and performance of manufacturing SME's firms. The study also found out that the CEOs and the owners of these firms practice more of transactional leadership styles followed by transformational style and lastly passive/avoidant leadership behavior. Among the three main leadership styles commonly practiced in organizations today, the study found out that transformational leadership style is positively and significantly related to performance of the small and medium manufacturing firms. Transactional leadership style and passive/avoidant leadership behaviour are

positively related to SME manufacturing firm's performance but their relationship is not statistically significant. The study concluded that manufacturing SME owners and CEOs should begin by practicing transactional leadership style and progressively advance to transformational leadership style which this study found to be the best among the three leadership styles per the Avolio and Bass definitions [18].

10. RECOMMEDATIONS

According to the findings in this study it is recommended that the owners and CEOs of the manufacturing SME firms should pay close attention to their leadership styles and always endeavor to practice good leadership. Leadership styles have been found to have a positive effect on the firm's performance. A leader in strategy implementation is someone who is responsible for owning up, steering and driving forward the implementation efforts towards achievements of the set objectives. He is responsible for fully supporting strategy implementation efforts by providing the necessary resources, giving directions and creating an enabling environment for the employees to perform without fear or intimidation.

The CEOs and the owners of these SME manufacturing firms should also start by practicing the transformational leadership style and as the organization grow and progress forward, the should slowly change from transactional leadership and adopt the transformational leadership style. There is statistical evidence from this study that the transformational leadership style has a positive and significant effect on the performance of small and medium manufacturing firms.

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