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**EFFECTS OF LEADERSHIP STYLES ON IMPLEMENTATION OF  
ORGANIZATION'S STRATEGIC PLANS IN SMALL AND MEDIUM  
ENTERPRISES IN NAIROBI COUNTY**

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**CHEGE ALEX NJUGUNA**

**B211-003-0005/2013**

**A Research Thesis Submitted To the School of Business Management and  
Economics in Partial Fulfilment of the award of Degree of Master of Business**

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Effects of leadership styles on implement



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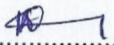
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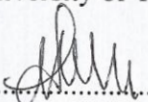
Date..... 28/04/2015

This thesis has been submitted for examination with our approval as the university supervisors

**Dr Anita Wachira**

Department of Business Administration

Dedan Kimathi University of Technology


Signature.....

Date..... 28/04/2015

**Dr Lilian Mwenda**

Department of Business Administration

Dedan Kimathi University of Technology

Signature.....

Date..... 28/04/2015

## **DEDICATION**

This thesis is dedicated to my dear parents' and siblings, Ann, Moses and James who have always encouraged me and accorded me their spiritual and moral support. I am also dedicating to my MBA classmates and friends.

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TECHNOLOGY**

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## ABSTRACT

The study sought to analyze the effect of leadership styles on implementation of strategic plans in Small and Medium Enterprises (SMEs). Specifically the study: analyzed the effect of autocratic leadership style, assessed the effect of democratic leadership style and evaluated the effect of laissez faire leadership style on implementation of strategic plans in SMEs. Descriptive research design was used. The study population consisted of 4531 SMEs registered by Ministry of Industrialization and Enterprise development. A sample of 354 SMEs was selected using stratified random sampling technique. A questionnaire composed of open and closed ended questions was used to collect primary data. Quantitative data was analysed using Statistical Package for Social Sciences (Version 21). In addition, a multivariate regression model was generated to assist in determination of the relative importance of each of the three variables to implementation of strategic plans. The regression showed that autocratic leadership had the highest effect of implementation of strategic plans with a coefficient of 0.488, followed by democratic leadership with a coefficient of 0.384 and laissez faire with a coefficient 0.269. The study recommends that organizations should use all the three leadership styles to maximize implementation of strategic plans.

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## ABBREVIATIONS AND ACCRONYMS

**CBD** Central Business District

**GOK** Government of Kenya

**MDGs** Millennium Development Goals

**SMEs** Small and Medium Enterprises

**SPSS** Statistical Package of Social Science

**USA** United States of America

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study

Leadership is defined as guiding people to towards the achievement of organization goals (Koontz and Wehrich, 2007). Strategy implementation may be said to consist of securing resources, organizing these resources and directing the use of these resources within and outside the organization (Mintzberg, 1994). Strategy implementation is only successful when it is backed by effective leadership. House and Mitchell (1984), mentions that effective leaders clearly specify the task reduce roadblocks to task achievement, and increase opportunities for task related satisfaction and improve performance.

The implementation of strategic plan has been growing all over the world. Strategic planning is the process for directing organisation resources to achieve the organisation strategy (Thompson and Strickland, 2007). It is necessary to understand the organization current position and the possible avenues through which it can pursue a particular course of action. Strategic planning determines where the business is going in the next one year, two years or more, how the organisation is going to achieve the strategy and how the organization will know it has not achieved the strategy (McNamara, 2005).

According to Thompson and Strickland (2009), Strategic plan implementation is aimed at shaping the performance of core business activities in a strategy-supportive manner. Thompson and Strickland (2009) further argue that strategy implementation is primarily an administrative task that involves figuring out workable approaches to executing the strategy and then, during the day-to-day operations, getting people to

accomplish their jobs in a strategy supportive and results achieving fashion. Strategy implementation is the action phase of the strategic management process (Pearce and Robinson, 2002). In Zimbabwe leadership has a key role to play in implementation of strategic plan of organization (Mapetere, Marviki, and Nyamwanza, 2012)

According to Kenya National Bureau of Statistics (2007), Small and Medium Enterprises that fail within one year are said to compose 60% of Small and Medium Enterprises formed in Kenya. In East Africa Uganda is said to have registered the highest number of Small and Medium Enterprises that does not succeed in their first year. Small and Medium Enterprises have a challenge to become competitive and grow into large companies. Various studies show that the leadership styles have influence on performance of organizations. The basic leadership styles are autocratic leadership style, democratic leadership style and laissez faire leadership style (Northouse, 2011). Most studies focus on large enterprises with less attention paid on the effect of leadership styles on strategic organization plans implementation of small and medium enterprises. Moreover these studies concentrated on developed countries such as USA, Malaysia and European countries. This study focused on effect of leadership styles on strategic organization plan implementation in Nairobi, Kenya Small and Medium Enterprises.

#### 1.1.1 Small and Medium Enterprises

Worldwide, SME's make up to over ninety per cent of businesses and contribute to between fifty to sixty per cent of employment (Hill, 2009). In the European economy, micro enterprises play a vital role. In the larger European Union of 25 countries, 23 million SMEs provide around 75million jobs and represent 99% of all enterprises. In Britain, SMEs are the backbone of the British economy (Rowe, 2008). Recent studies

from Africa confirm the importance of the SMEs sector as a contributor to the creation of productive employment and poverty reduction. In the South African Development Community region, the SMEs in the informal sector alone account for an estimated sixty percent of Gross National Product (Kiiru, 2008).

According to Ladzani and Uren (2002), small and medium enterprises are found to exert a strong influence on the economies of many countries all over the world. SMEs provide the economy with economic growth, employment and innovation. The SMEs have contributed significantly to job creation, social stability, and economic benefit of the countries. Various Studies on Small and Medium enterprises shows that SMEs are important to the growth of the economy and reduction of poverty through job creations (Arinaitwe, 2010).

SMEs account for the majority of the business enterprises and boost employment figures, in Malaysia. The SMEs contribute 19 percent of the total export value. Studies conducted shows that the performance of organizations co-relates directly to the leadership styles of the leaders in the organizations. The leadership style can impact the performance of the organizations. The success or failure of the business depends on the leadership styles employed by the leaders (Nave, 2006).

Africa's private sector consists of mostly informal micro-enterprises, operating alongside large firms. SMEs are increasingly being recognized as productive drivers of economic growth and development for African countries. SMEs cover about 90% of African business operations and contribute to over 50% of African employment and GDP (Chodokufa, 2009). In a study on SMEs on three Africa countries it is estimated that SMEs account for 70% of Ghana's gross domestic product and 92% of its businesses. In South Africa SMEs contributes to 91% of formalized businesses and

in Nigeria SMEs make 70% of the manufacturing sector. SMEs not only contribute significantly to the economy but can also serve as an impetus for economic diversification through their development of new and unsaturated sectors of the economy.

Small and medium enterprise has been defined differently by different countries and institutions. However, all the meaning focuses on the number of employees employed by the enterprises as well as resources in the enterprise. In Kenya a small enterprise is an enterprise with 11-50 employees and a medium enterprise is an enterprise with 51-100 employees (Kenya National Bureau of Statistics, 2011).

According to the Global Economic Report (World Economic Forum, 2014) Kenya is ranked 129 Country out of 189 in global competitiveness in 2013-2014. SMEs are an important sector of the Kenyan economy. It employs about two thirds of the working population and it is the easiest way to start (Kambogo, 1999). Most of these businesses start as emergencies with little emphasis has been put in place on effects of leadership styles on strategic plan implementation on small and medium enterprises.

In Kenya, the SME sector is considered as one of the major contributors to the economy by providing income and employment to a significant proportion of the population. Small and Medium Enterprises in Kenya employ 75% of the total population employed (Kenya National Bureau of Statistics, 2012). In the SME sector, owner-manager is normally identified as the entrepreneur, because of his/her role in starting the venture, running the business, and being responsible to a large extent for its failure or success. This suggests that the fate of an SME is closely related to the personality, capability, skills, and motivation of the entrepreneur in charge.

According to Ministry of Planning and National Development (2008), vision 2030 aims to make Kenya an industrialized middle income generating country as one of the vision 2030 strategy and this can be achieved through proper implementation of strategic plans. According to the Ministry of Planning and National Development (2008), Millennium Development Goals can be accomplished by improving SMEs productivity and innovation. The role of enterprise in economic development in any economy cannot be under rated. It is in this view that the Government of Kenya in its policy framework recognizes the role of SME's. The growth of SMEs is expected to contribute towards the achievement of Kenya's vision 2030 through creation of employment and wealth and this can be done through effective implementation of strategic plans.

### **1.2 Problem Statement**

SMEs adopt strategies to enable them not only to survive, but to succeed in a competitive environment. The strategies adopted act as a guideline of the SMEs operations. However, implementation of organization strategic plans remains a major challenge facing organizations. Most studies acknowledge that implementation has become the most significant challenge with only 30% of formulated strategies being implemented in organizations. The effect of management styles on implementation of organization strategic plans has received little attention. Therefore, the study sought to explore the effect of leadership styles on implementation of organization strategic plans in SMEs in Nairobi.



### **1.3 General Objectives**

The general objective was to explore the effect of leadership styles on implementation of strategic plans in small and medium enterprises in Nairobi. Specifically the research objectives were:

- i. To analyse the effect of autocratic style on implementation of organization strategic plans in the small and medium enterprises in Nairobi.
- ii. To assess the effect of democratic style on implementation of organization strategic plans in the small and medium enterprises in Nairobi.
- iii. To evaluate the effect of laissez Faire style on implementation of strategic organization plans in the small and medium enterprises in Nairobi.

### **1.4 Research Questions**

- i. How does autocratic leadership style effect implementation of organization strategic plans in Small and Medium enterprises in Nairobi, Kenya?
- ii. What is the effect of democratic leadership style on implementation of organization strategic plans in Small and Medium enterprises in Nairobi, Kenya?
- iii. What is the effect of laissez faire leadership style on implementation of organization strategic plans in Small and Medium enterprises in Nairobi, Kenya?

### **1.5 Scope of study**

The study targeted small and medium enterprises within Nairobi, there are 4531 SMEs registered with the Ministry of Industrialization and Enterprise Development as at 2013.

## **1.6 The significance of the study**

The study is useful to the attainment of Millennium Development Goals of the vision 2030 under the economic pillar which is to make the economy of Kenya into a middle income generating economy by attaining 10 % economic growth. As SMEs are an important sector to Kenya's economy, findings from this research can help in the achievement of the economic pillar, by increasing the competitiveness of the SMEs and thus the growth and contribution to the economy.

The findings of this study can also be useful to the management of SMEs in Kenya as it provides significant information on the effects of leadership styles on implementation of strategic plans. Hence, the study provides the basis for the management to identify leadership styles that enable successful implementation of strategic plans.

Policy makers will also benefit from the findings of this study as the study furnishes them with knowledge on the effect of leadership styles on implementation of strategic plans and therefore enhance the survival and success of firms. This knowledge if well harnessed will result in above average performance of a firm in an industry.

## 1.7 Operational definition of terms

- Autocratic leadership style: Northouse (2011), a leader who dictates policies and procedures, decides what goals are to be achieved and little input given by employees. Also known as authoritarian leadership style.
- Democratic leadership style: Refers to consultation, participation of employees in the decision making. Also known as participative leadership style (Northouse, 2011).
- Laissez fair leadership style: Means non authoritarian leadership style where leaders try to give the least possible guidance to subordinates, try to achieve control through less obvious means (Northouse, 2011).
- Leadership style: Patterns of behaviour by a leader through which he or she influences members of a group (Koontz and Weihrich, 2007)
- Strategy: Porter (2008), means by which objectives are achieved
- Strategy formulation: Process of establishing a business mission, establishing long term objectives, and choosing alternatives strategies (Thompson and Strickland, 2009).
- Strategy implementation: Acting on what has to be done internally to put the chosen strategy into place and achieving results (Thompson and Strickland, 2007).

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews literature on effect of leadership styles on implementation of organization strategic plan. The conceptual framework is developed showing the correlation between the dependent variable and the independent variables were guide during the study, discussed empirical review was used in the study in regard to each variable in the study.

### **2.2 Concept of Strategy**

Strategy is a multi-dimensional concept and various authors have defined strategy in different ways. Strategy is the direction and scope of an organization over the long term: which achieves advantage of the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil the expectations of the stakeholders (Johnson and Scholes, 2002). Strategy should help organizations to develop and maintain a competitive edge and focusing on the customer needs and competitors.

According to Mintzberg (1994), a strategy is defined as a plan, ploy, pattern, position and perspective. Strategy as a plan strategy acts as a guide line to deal with a situation. Secondly, strategy as a ploy means an intention to outsmart its competitors or threaten a new entrant. As a pattern strategy is a stream of actions. As a position strategy means locating the organisation in the environment and finally as perspective strategy means how people views of the organization or the identity of the organization.

Thompson and Strickland (2009), asserts that strategy is simply a plan; it is an executable plan of action that describes how an organization will achieve a stated mission. Organizations often formulate company strategies, product and service strategies, and strategies that drive operational, support and managerial processes. Michael and Grisby (1997), indicates that a good company strategy has to have at least four components: Scope, which define companies and business, that is, the present and planned interactions of the company with its environment, Competence which is an indication of the level and patterns of the company and competence advantage the unique position a company will develop compared to its competitors through its resource deployments and scope decisions. Last is Synergy, which is the joint effort that is sought from the company's resources deployment and the company's scope decisions (Michael and Grisby, 1997).

Porter( 2008), states that, "a strategy is the creation of a unique and valued position involving a different set of activities". Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces, and the purpose it wishes to accomplish. Strategy consists of competitive moves and business approaches to produce successful performance. Strategy is the management game plan for running the business, strengthening the firm's competitive position, satisfying customers and achieving performance target. Leadership has been cited as the most important issue encouraged while implementing strategy.

### **2.3 Strategic Plan Implementation**

Pearce, Robinson and Mital (2008), explains that strategic management process comprises of three phases which include diagnosis, formulation and implementation. Strategic management is the set of decisions and actions that results in the formulation

and implementation of plans designed to achieve a company's objectives. Strategic plan implementation involves planning, directing, organizing, and controlling of a company's strategy-related decisions and actions. Strategic plan implementation is aimed at shaping the performance of core business activities in a strategy-supportive manner (Thompson and Strickland, 2009).

According to Thompson and Strickland (2009), strategy implementation is easily the most demanding and time consuming part of the strategy management process. Implementation of strategy involves both the tangible and intangible variables as culture, power relationships, structure, attitudes, perceptions, motivation, managing human and physical resources. Kroon (2005) asserts that the participation of each member of staff in the implementation is necessary. To make strategy implementation possible, each subordinate, in conjunction with his manager, must determine what the organization must achieve within the overall plan. Strategy implementation is done by allowing the worker to decide on an end result to be achieved. The manager must continually monitor the progress towards attaining the objectives and make adjustments where necessary (Thompson and Strickland, 2009).

Roney (2004), asserts that top managers, and even planning executives, seem to make a wide-spread assumption that, if a brilliant strategy has been formulated, it then will be implemented simply by virtue of its intellectual merit. Moreover, the conventional wisdom seems to be that forming strategy requires more talent, if not intelligence, than implementation; implementation accordingly is a matter to be delegated down the chain of command to managers and supervisors who probably were not involved in forming strategy in the first place. Roney (2004), further argued that

implementation calls for methods and skills much different from those required forming good strategies.

According to MacLennan (2010), strategy execution is not only difficult, it is poorly understood, intertwined with many organizational processes, takes a long time, involve lots of stakeholders, and often must reflect the decision made by others. MacLennan (2010), further argues that being effective at strategy execution also might require an unusual set of skills and personality traits. It requires managers to be able to connect concepts and concrete action-to see both the picture and detail. Effective strategy execution is about more than outperforming competitors in the industry. Strategy implementation is central to the success of public sector bodies and other organization. Strategy implementation is the action that moves the organization along its choice of route towards its goal-the fulfilment of its mission; the achievement of its vision strategy implementation is the realization of intentions (Thompson and Strickland, 2007).

Barney and Hesterly (2013), states that there are four possible strategy implementation outcomes. These outcomes include success, trouble, failure, and roulette. Success occurs if a good strategy is appropriately implemented, trouble occurs if a good strategy is poorly implemented, failure occurs if a poor strategy is poorly implemented, whereas roulette occurs if a poor strategy is appropriately implemented. Successful implementation of strategy involves operationalization and institutionalization of strategy. Thompson and Strickland (2009), argue that indeed, good strategy and good implementation are the most trustworthy proof of good management.

Strategic plan implementation approach is needed to maintain competitive advantage and to overcome the failure of strategy (Porter, 2008). A strategic plan implementation approach is seen as the most effective ways for firms, regardless of size or sector to cope with the changes in the environment. However most large firms are emphasizing on implementation in relation to SMEs where one in six firms implement the organisation strategy. In a study of SMEs, Deakins and Freel (1998), commented that SMEs are often naive about planning and the development of strategy.

Mbaka and Mugambi (2014), developing a strategy alone is not enough. Implementation of a strategy is important than formulation. Well formulated strategies only produce superior performances for the firm when they are successful implemented. The study acknowledge that strategy fail not because of inadequate strategy formulation but because of insufficient implementation. Strategy implementation is important for the success for the organization for both short term and long term of the organization plans.

Sorooshian, Norzima, Yusof and Rosnah (2010), conducted a research on effect analysis on strategy implementation. The key objective was to examine the structural relationships between strategy implementation and the performance of small and medium firms. One of the key drivers of strategy implementation was leadership styles. The conclusion was that the leadership style of the entrepreneur has a considerable impact on implementation of strategy.

Nganga and Ombui (2013), conducted a study on factors influencing implementation of strategic plans. The research was carried in Lari sub county Kiambu County. The implementation parameters used were improved performance, organization structure,



team work, improved communication and professionalism. One of the variables used was leadership styles where coercive leadership style, democratic leadership and laissez faire were parameters for leadership style. The study revealed that organizational leadership influence had influence on implementation of strategic plans.

## **2.4 Theoretical Review**

This section presents a theoretical review of theories related to leadership in relation to their role on strategic implementation.

### **2.4.1 Theory X and Theory Y**

According to McGregor (1960), theory X and theory Y consists of two alternative set of assumptions. Theory X and theory Y which is applied in the leadership styles. Theory X is an authoritarian style of leadership and Theory X assumes that employees find working unpleasant and usually avoid working if possible. Employees in theory X must be controlled, directed and even threatened to deliver in order to achieve the organisation goal. Theory X also assumes that employees avoid responsibilities and want to be directed and the employees lacked motivation. Theory Y is a participative style of leadership and theory Y is more likely to have its roots in the recent knowledge of human behaviour. Theory Y says that threatening and external controls are not the only ways to make people work better to achieve organizational goals (Hofstede, 2005).

Theory Y employees only accept to work but also seek responsibilities. Theory Y employees assumes that the purpose of the leader is to integrate the needs of an individual in to the needs of organization. McGregor's idea is that the ability to make

workers discover the organizational goals is the essence of leadership. When everyone is committed to the common goals, supervisors act as teachers, consult and only rarely act as authoritative bosses. Leaders' own assumption of the employee's motivation is relevant. If the assumption is along with the line of Theory X the leadership style will be highly different compared to the situation where leaders act according to the Theory Y (Hofstede, 2005).

Managers that believe in Theory X tend to control their workers. Those managers think that people are efficient only when their work process is observed. Thus the best managing style is to tell workers exactly what they must do and closely control them to get everything done in time and with good quality. Leaders believing in Theory X think that workers are only motivated by money, threat of punishment and fringe benefits. Theory X builds strong hierarchical management with many managerial levels where managers plan and decide what everyone is doing (Fournies, 1999).

#### *Knowledge gap*

Theory X represents autocratic leadership while theory Y represents democratic style of leadership. The two style of leadership are important to the study as the autocratic and democratic styles of leadership are the variables. The difference of theory X and theory Y is that it does not explain the effect of theory X in relation to strategy implementation and also the effect of theory Y in relation to strategy implementation. The study sought to bridge the gap.

#### **2.4.2 Contingency theory**

Contingency perspectives on leadership are still founded in the notion that some people possess inherent qualities that make them more capable than other people of

being leaders, but they acknowledge that these special leadership qualities need to be matched to the specific demands of the situation. Contingency means that one thing depends on other things; there must be appropriate fit between the leader's behaviour, style and the conditions in the situation. According to those ideas, people who have leadership qualities possess first a realistic understanding of their own leadership skills (Gray, 2004).

In Fiedler's Contingency Model leaders can determine whether a situation is favourable to their style. Task-orientated leaders tend to do better in very easy or difficult situation, while person-orientated leaders do best in situations of immediate favourability. The key idea is simple where the leader's style is matched with the situation most favourable for his or her success. Fiedler's model presents the leadership situation in terms of three key elements that can be either favourable or unfavourable to a leader: the quality of leader-member relations, task structure, and position power. When subordinates distrust, do not respect, and have little confidence in the leader, leader member relations are seen to be poor. When subordinates trust, respect, and have Confidence in the leader, leader-member relations are considered to be good (Fiedler, 2000).

Hersey and Blanchard (1985), situational leadership model suggests that the levels of directive and supportive leader behaviour should be used on the level of readiness of the followers. According to this theory, a leader can adopt one of four leadership styles, based on a combination of task and relationship behaviours. The four styles of leadership are telling, selling, participating, and delegating. The telling style reflects a high concern for tasks and a low concern for people and relationships and is a very directive style. The selling style is based on a high concern for both relationships and

tasks. The participating style is characterized by the leader sharing ideas with followers, encouraged to participate in decision-making. The delegating style reflects a low concern for both tasks and relationships. This leader provides little direction or support because responsibility is turned over to followers (Hersey and Blanchard, 1985).

### *Knowledge gap*

The contingency theory is important to the study because it explain on various leadership styles where a leader can adopt any leadership styles. The leadership styles in contingency theory; telling leadership, selling leadership style and delegating leadership style form the autocratic leadership style, democratic leadership style and laissez faire leadership style variables of the study. However the theory does not explain on effect of leadership styles on implementation of organization strategic plans.

## **2.5 Empirical Literature Review**

### **2.5.1 Autocratic leadership style and implementation of strategic plans**

Murigi (2013), conducted a study on influence of head teachers' leadership styles on pupils' performance in Muranga, Kenya and one of the leadership style variables was autocratic leadership style. The measures used in autocratic leadership were punishment, task oriented, commands and supervision according to findings of the study autocratic leader focused in their managerial role as they were task oriented and were mainly concerned about getting things done. The study observed that the autocratic leader motivated the staff through punishment. The study revealed that autocratic leadership was the least significant in influencing performance

Kiige (2013), studied influence of leadership styles on organization climate in Nyahururu, Kenya. One variable of the study was authoritarian leadership style. The parameters used to autocratic leadership style influence on organization strategy climate were strong control, centralized decisions, strong control, and direct commands. According to the findings of the study autocratic leadership assigned duties without consultation and issued directives expecting the staff to follow without question which carried a negative climate. The study found out that autocratic leadership results into a controlled and closed climate.

Nkirote (2013), conducted a study on influence of leadership style on students' performance in Nairobi County. One variable of the study was autocratic leadership style. The parameters used in autocratic leadership style were centralized decision, punishment, dictated work methods and no delegation of authority. The findings of the study found out that autocratic leadership had a negative influence to performance. The findings revealed that school head that used autocratic leadership had the lowest mean in student performance.

Omondi (2014), carried a research on Leadership styles on corporate social responsibility. One of the key variables was autocratic leadership style and the indicators were reward and punishment, reliance on the process and position influence. Qualitative data analysis indicated that explicit corporate responsibility is linked to autocratic leadership style. The overall data indicated that leadership styles needed to successful implement explicit and implicit corporate social responsibility.

### *Knowledge gap*

From the analysis of empirical review on autocratic leadership style, it is noted that most studies concentrated on influence of leadership styles on performance therefore the study covers the effect of autocratic style of leadership on implementation of strategic plans.

#### **2.5.2 Democratic leadership styles and implementation of strategic plans**

Ogbeide and Harrington (2011), studied the relationship among participative management style, strategy implementation, success and financial performance in the food service industry. The study was done in United States of America. The measurements used were organizational structure, level of involvement and implementation success. The findings of the study were that higher levels of action plan implementation success for restaurants firms were more likely to use participation in decision making and plan execution. Small firms are likely to use an approach with greater participation than larger firms.

Ojokuku, Odetayo, and Sajuyigbe (2012), examined impact of leadership style on organization performance in selected banks in Nigeria. One variable of the study was democratic leadership style. The measures of the study were rewards, involvement, and influential. The findings from this research showed a positive and negative correlation between leadership style and organization performance. The study concluded that transformation and democratic leadership style should be employed by the management in order to make the organization global competitive.

Hussein, Sarad, Sulaiman and Nkbin (2011), conducted a study on the impact of personality and leadership styles on leading change capabilities in Malaysia. The result of the study revealed that the managers tend to use consultative leadership style. The result of the study showed that extroversion personality trait as well as involvement leadership style were positively leading to change. Both openness to experience and emotional stability were significant and positively related to consultative leadership style that managers use. Democratic leadership style was found significant and positively correlate with change.

Okoji (2014), studied influence of leadership styles on community development programs implementation in rural communities in Nigeria. The variables were autocratic and democratic leadership styles. The parameters used under democratic leadership styles were open communication, person oriented, freedom of operations, and team work. The findings of democratic leadership were  $r=0.621$  and the study revealed that there was a significant relationship between successful implementation of community development programs and democratic leadership style.

#### *Knowledge gap*

Various researchers conducted studies on democratic style of leadership. Most studies conducted on democratic style of leadership were related to performance and hence the study covers the effect of democratic style leadership on implementation of strategic plans.

#### **2.5.3 Laissez Faire and implementation of strategic plans**

Chaudhry and Javed (2012) conducted a research on impact of transactional and Laissez faire leadership styles on motivation. The study was conducted in the banking

sector in Pakistan. The variable used to measure Laissez faire was passive and avoidant and for transactional was contingent reward and management by exception (active). Without leadership the implementation of tasks is impossible. The finding of the study was that motivation level in respect of laissez faire is low because of no involvement of the management.

Koech and Namusunge (2012), conducted a study on the effect of leadership styles on organization performance. The study was carried in States Corporation at Mombasa, Kenya. One of the key variables was laissez faire leadership, transactional and transformational leadership style. The result of the study showed that laissez faire leadership is not significantly correlated to organizational performance. Based on the findings the study recommended that manager should discard laissez faire leadership by becoming more involved in guiding their subordinates, managers should formulate and implement effective reward and recognition systems.

Zumitzavan and Udihachone (2014), conducted a research on the influence of leadership styles on organization performance mediated by organization innovation. The study was carried in hospitality industry in Thailand. One of the key variables was laissez faire. The parameters used to measure were little guidance, complete freedom of employees and employees solved problems individually. The finding from the study was Beta coefficient of laissez faire was -0.058 suggesting that laissez faire has a negative relationship with organization performance.

### *Knowledge gap*

Various studies have been conducted on the effects of laissez faire leadership on organizational performance. However there is a gap on the effects of laissez faire



leadership on strategy implementation. The study covers the effects of laissez faire on implementation of strategic plans.

## 2.6 Conceptual Framework

The conceptual framework below (Figure 2.1) shows the relationship between the independent variables (autocratic leadership, democratic leadership and laissez faire leadership) and the dependent variable (implementation of organizations strategic plans).

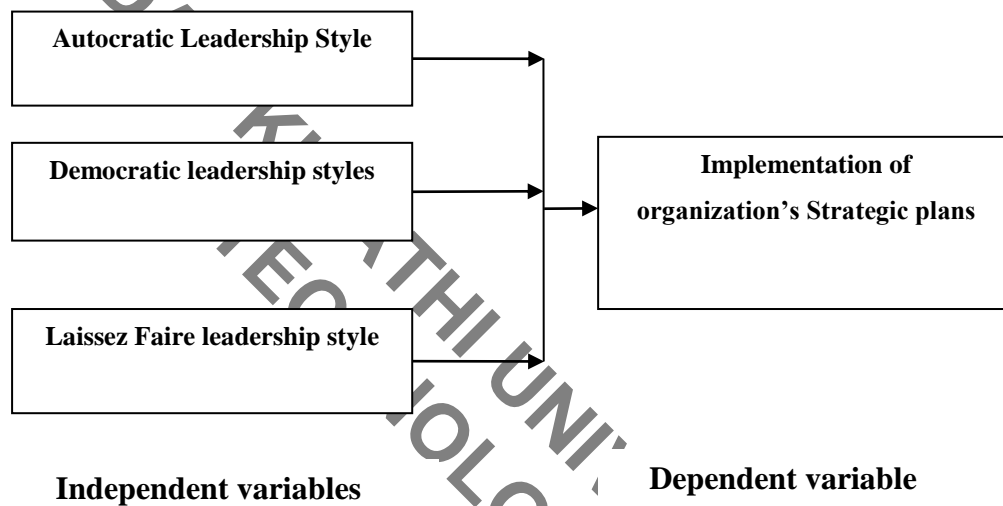
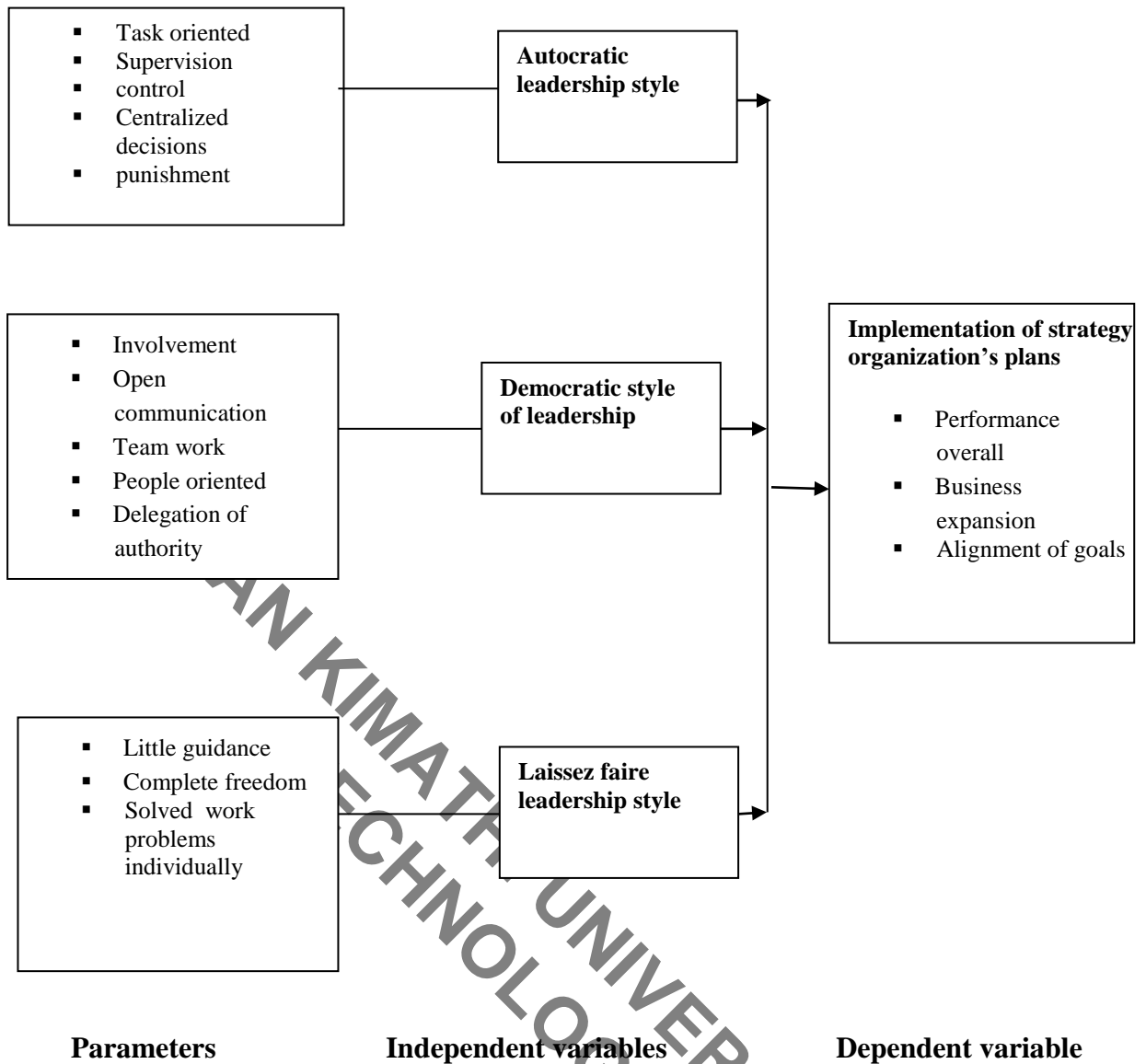


Figure 2. 1: Conceptual Framework of the study

## 2.7 Operational framework

The operation framework provides the measuring parameters that were used as variables for the study. The implementation of strategic plans as the dependent variable was measured by performance overall, business expansion and the alignment of goals to organization plans. Autocratic leadership style as an independent variable was measured by task oriented, close supervision of employees, central decisions and punishment of employees.

Democratic leadership style as an independent variable was measured by the involvement of managers and employees in decision making, open communication that is upward communication and downward communication, interpersonal relations and delegation of authority with the management getting involved. Laissez faire leadership style as an independent variable was measured by little guidance, complete freedom and solving of work related problems individually



**Figure 2.2: Operational framework of the study**

## 2.8 Summary for variable analysis

**Table 2.1: Summary of variable analysis**

Variables	Study	Parameters	Findings
<b>Strategic plan implementation</b>	Sorooshian, Norziana and Rosnah, (2010)	-improved performance -organization structure -team work	The leadership style of the entrepreneur has a considerable impact on implementation.
	Nganga and Ombui, (2013) Kiambu, Kenya	-improved communication	Organization leadership had influence on implementation of strategic plans.
<b>Autocratic leadership style</b>	Murigi, (2013) Muranga, Kenya.	-punishment -task oriented	Autocratic leadership had the least significant in influencing performance.
	Kiige, (2013) Nyahururu, Kenya	-commands and supervision -strong control -Centralized decisions -dictated work	Autocratic leadership results into a controlled and closed climate.
	Nkirete, (2013) Nairobi, Kenya	-no delegation of authority -reliance on the process	Autocratic leadership style had negative influence on performance
	Omondi, (2014) Nairobi, Kenya		Explicit corporate responsibility is linked to autocratic leadership style
<b>Democratic leadership style</b>	Ogbeide and Harrington, (2011) USA	-Involvement -rewards -influential	High level of action plan implementation success for restaurant firm were more likely to use participation in decision making and plan execution
	Ojokuku, Odetayo and Sajuyigbe, (2012) Nigeria	-open communication -person oriented -freedom of operations -team work	Democratic leadership style should be employed by the management in order to make the organization global competitive.
	Okoji. (2014) Nigeria		Significant relationship between successful implementation of community and democratic leadership style.
<b>Laissez faire</b>	Chaudhy and Javed, (2012) Koech and Namusonge, (2012) Mombasa, Kenya Zumitzavan and Udchachone, (2014), Thailand	-passive and avoidant -little guidance -complete freedom -employees solved their problem individually	Motivation level in laissez faire style of leadership. Laissez faire is not significantly correlated to organization performance Laissez faire has a negative relationship with organization performance

## **2.9 Summary of Research Gap**

Studies conducted shows that businesses fail not because of inadequate strategic formulation but because of lack of strategic implementation. Literature on the role of leadership style on implementation of organization strategic plans is generalized. Thus the study assessed the relationship between specific leadership styles (autocratic leadership style, democratic leadership styles and laissez faire leadership style) on implementation of strategic plans.

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## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focused on the research methodology that was used in conducting the study. The research methodology described the research design, research population, sampling design, data collection, data analysis and ethical considerations. This includes the methods applied in quantitative data collection, identification of target population and target sample. It provides information on the research data, sources of data, the characteristics and attributes of the data.

### **3.2 Research design**

The study adopted a descriptive survey design. The descriptive design is concerned with conditions or relationships that prevail where the researcher cannot manipulate the variables but determine and report the way things are (Best and Kahn, 2003). The researcher employed the design as it enable gathering of data on a large number of respondents on their behaviours, attitudes and opinions. Cooper and Schindler (2008), stress that descriptive survey method is concerned with finding out who, what, where, when and how much.

This study assessed 'how' the various leadership styles influence the implementation of strategic plans in SMEs in Kenya. Therefore the descriptive survey method provided tools for describing collection of statistical observations and reducing the collected information to an understandable form.

### 3.3 Target Population

Mugenda and Mugenda, (2003) defines population as an entire group of individuals or objects having common observable characteristic. Ministry of Industrialization and Enterprise Development (2013) reveals that there are 2469 SMEs are in agro based industry, 1512 SMEs are in engineering and construction industry, and 550 SMEs are in chemical and mining industry. The study focused on 4,531 SMEs in Nairobi. This is because SMEs in Nairobi and its environs have formal procedures or processes that are documented and registered with regulatory government bodies (Ministry of Industrialization and Enterprise Development, 2013).

**Table 3. 1: Target Population**

Nature of Business	Frequency (F)	Percentage %
Agro based	2469	54.5
Engineering and Construction	1512	33.4
Chemical and mining	550	12.1
<b>Total</b>	<b>4531</b>	<b>100.0</b>

**Source:** Ministry of Industrialization and Enterprise Development (2013)

### 3.4 Sampling Frame and Technique

The sampling frame describes the list of all population units from which the sample was selected (Cooper and Schindler, 2008). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2011). From the population of 4,531 SMEs, a sample size of 354 was picked using Krejcie's (2009) formulae as follows:

$$S = \frac{X^2 NP(1 - P)}{d^2(N - 1) + X^2 P(1 - P)}$$

Where S = required sample size

$X^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population Size

E = precision level at 0.05

N = sample proportion of success

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Further, the study applied stratified sampling technique to determine the number of respondents who participated from every category/class. This implies that a sample of 7.8% from within each group in proportions that each group bears to the study population was selected

**Table 3. 2: Sample Size**

Nature of Business	Frequency (F)	Percentage %	Sample Size (n)
Agro based	2469	7.8	193
Engineering and Construction	1512	7.8	118
Chemical and mining	550	7.8	43
<b>Total</b>	<b>4531</b>		<b>354</b>



### **3.5 Data Collection Procedure**

#### **3.5.1 Data instruments**

Primary data was used to collect data by the help of a questionnaire. Sapsford and Japp (2006), argue that the questionnaire is a standardized method of data collection where each respondent is asked the same question, carrying the same meaning so that responses are comparable across.

Sapsford and Japp (2006), further add that the chief advantage of using a questionnaire is that it is cheap and far quicker to conduct an investigation but also warns that the response rates are sometimes low unless the questions engages the respondents' interest or the investigation is perceived as being of direct value to the respondent. There was need to evaluate what the response rate of the investigation and give any information on the characteristics of those who did not respond.

The questionnaire had open and closed ended questions to allow respondents to express their opinions. The researcher prepared a questionnaire with brief instructions which allowed the respondents to tick their opinion agreed or disagreed and express their views with regards to the questions being asked. A 5 point Likert scale was used to answer the statements.

#### **3.5.2 Data collection procedure**

The questionnaires were administered through “drop and pick” later method. The data collecting instruments was designed so as to collect data that addresses the problem of the study and achieve the research objective.

### **3.6 Reliability**

Mugenda and Mugenda (2003), reliability means the measure of the degree to which a research instrument yields consistent results or data after repeated trial. A pilot testing was done by administering 23 questionnaires to SMEs in Kiambu. The pilot study was to improve the questionnaire and get rid of ambiguous questions. Further, the researcher used the most common internal consistency measure known as Cronbach's alpha ( $\alpha$ ). Cronbach's indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). Cronbach's alpha recommends the value of 0.7 to be used as a cut-off of reliabilities. The results produced a cronbach alpha coefficient of 0.8964 which is above the recommended 0.7 hence research instrument deemed reliable.

### **3.7 Validity**

Mugenda and Mugenda (2003), validity is the accuracy and meaningful of inferences, which are based on research results. Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. The research instrument was tested for validation through consulting the supervisors who reviewed the questionnaire and made recommendations. Adjustments were made regarding readability, relevance, language and comprehension.

### **3.8 Data Analysis**

Data was analysed using SPSS software from which summary tables was prepared. Research results were in form of descriptive statistics such as mean, percentage ratios,

and dispersions from which tables were derived and inferential statistics. The F test was used to check whether the model was statistical significant in predicting the dependent variable. In addition, the researcher regressed data so as to determine the specific relationship between the implementation of strategic plans and the three basic leadership styles. The study used the multiple regression model shown below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where: Y: Implementation of strategic plans

$\beta_0$ : Autonomous factors (Not controlled by others or by outside forces)

$X_1$ : Autocratic leadership style

$X_2$ : Democratic leadership style

$X_3$ : Laissez faire leadership style

$\beta_1$ : Coefficient for Autocratic leadership style

$\beta_2$ : Coefficient for democratic leadership style

$\beta_3$ : Coefficient for laissez faire leadership style

### **3.9 Ethical Issues**

Ethical issues are the code of conduct that governs the behaviour of the researcher (Kombo and Tromp, 2006). The researcher exercised all ethical behaviour and practices that involve the principle of confidentiality and honesty throughout the research. The researcher gave assurance to the respondents of the information or feedback that was collected, confidential and only meant for academic purposes only.

## **CHAPTER FOUR: RESEARCH FINDINGS, INTERPRETATION AND DISCUSSIONS**

### **4.1 Introduction**

This chapter presents results and findings obtained from field responses and data, broken into two parts. The first section deal with the background information of the respondents; while the second part contains the other four sections presents findings of the analysis, based on the objectives of the study where both descriptive and inferential statistics have been employed.

### **4.2 Response Rate**

From the data collected, out of the 354 questionnaires administered, 123 were filled and returned. The respondents were the owners or managers of the business. This represented 34.7% response rate, which is considered satisfactory to make conclusion for the study. This corroborates Bailey (2000) assertion that a response rate greater than 30% is very good for sample size greater than 300. Creswell (2008) assert that response rate of 30% can be used in data analysis. This implies that based on this assertion; the response rate in this case of 34.7% is good.

### **4.3 Characteristics of Responding Small and Medium Enterprises**

#### **4.3.1 Distribution of Employees**

Table 4.1 shows the distribution of employees in the 123 businesses involved in the study.

**Table 4. 1: Distribution of Employees**

<b>Firm having Employees</b>	<b>Number of Business</b>	<b>Relative Frequency (%)</b>	<b>Cumulative Frequency (%)</b>
11-20	12	9.80	9.80
21-30	8	6.50	16.30
31- 40	16	13	29.30
41-50	10	8.10	37.40
51-60	14	11.40	48.80
61-70	14	11.40	60.20
71-80	16	13	73.20
81-90	22	17.90	91.10
91-100	11	8.90	100

Table 4.1 tabulates the highest number of respondents, about 22 out of 123 (17.9 per cent) of the respondents had between 81 and 90 employees, followed by 16 out of 123 (13 %) in the 71-80 ranges. For comparative purposes, the two categories of between 11-50 and 51-100 were categorized as Small and Medium Enterprises respectively. The results indicated that 46 out of 123 (37.4%) of the firms studied were by definition Small enterprises, while 77 out of 123 (62.6%) were Medium-Enterprises.

#### **4.3.2 Distribution of SMEs based on Legal Ownership**

The table 4.2 shows the distribution of legal ownership of 123 Small and Medium Enterprises in Nairobi involved in the study

**Table 4.2 distribution of legal ownership**

Nature of business	Sole trader	Partnership	cooperatives	Limited liability company	Total
Chemical and mining	1	3	4	22	30
Agro based	4	17	9	28	58
Engineering and constructions	4	4	11	16	35
<b>Total</b>	<b>9</b>	<b>24</b>	<b>24</b>	<b>66</b>	<b>123</b>

Table 4.2 indicates, majority 66 out of 123 SMEs (53.7%) were liability limited companies, followed by partnerships and cooperatives which both had each 24 out of 123 SMEs (19.5% each). These results indicate that the SMEs in Kenya are formal.

#### 4.3.3 Distribution of Small and Medium Enterprises Implementing Strategic Plans

The table 4.3 shows the distribution of the 123 small and medium enterprises implementing organizations strategic plans that were are involved in the study.

**Table 4.3: Distribution of Small and Medium Enterprises implementing strategic plans**

Subsector: Implementation of strategic plan	Agro-based	Chemical and Mining	Engineering and	Total
Yes	40	26	22	88
No	18	4	13	35
<b>Total</b>	<b>58</b>	<b>30</b>	<b>35</b>	<b>123</b>

Table 4.3 indicates, majority 88 out of 123 SMEs (71.5%) of the responding firms had implemented a formal strategic plan. SMEs were classified as either strategic plan

deploying or non-strategic plan deploying. The 88 respondents, with formal strategic plan were used for the analysis regarding the business and organization leadership style. This would seem relatively high (71.5%) since North *et al.* (1998) found that many SMEs tend to practice strategic plan implementation in an informal way.

#### 4.3.4 Distribution of Sub-Sectors Based on when the SME started implementing strategic plans

The table 4.4 shows when the small and medium enterprises started the implementation of strategic plans

**Table 4. 4: Distribution of Sub Sectors Based on When the Firm Started implementing strategic plans**

Nature of Business	When the SME started implementing strategic plans					Total
	1	2-5	6-10	11-15	>16 years	
Chemical and Mining	7	13	5	1	0	26
Agro-based	14	18	5	2	1	40
Engineering and Constructions	7	10	4	1	0	22
<b>Total</b>	<b>28</b>	<b>41</b>	<b>14</b>	<b>4</b>	<b>1</b>	<b>88</b>

Table 4.4 indicates majority (47%) of the organizations that implemented strategic plans had up to 2-5 years since commencement of their program, 16 % had more than 6 years but less than 10 years, while only one (1%) organization had the experience of above 16 years and only 4 (5%) firms had between 11-15 years of strategic plans implementation. Small and medium enterprises with least (1 year) experience in strategic plans

implementation accounted for 31.8 %. The results indicated reluctance of SMEs to implement strategic plans. The length of time using strategic plans significantly enhances organization growth.

#### 4.4 Descriptive Statistics on Leadership Styles

##### 4.4.1 Leadership Styles Adopted

The table 4.5 shows the leadership styles adopted by each category of the small and medium enterprises.

**Table 4. 5: Nature of business and leadership style**

		Chemical & Mining	Engineering & Construction	Agro based	Total
<b>Laissez Faire</b>	N	24	11	5	40
	%	46.2	20.8	27.8	32.5
<b>Democratic</b>	N	14	24	8	46
	%	26.9	45.3	44.4	37.4
<b>Autocratic</b>	N	1	4	0	5
	%	1.9	7.5	0	4.1
<b>Mixes leadership style</b>	N	13	14	5	32
	%	25	26.4	27.8	26.0
<b>Total</b>	N	<b>52</b>	<b>53</b>	<b>18</b>	<b>123</b>
	%	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

From the findings, 46.2% (n = 24) of SMEs in chemical and Mining adopted laissez faire leadership style, 44.4% (n = 8) and 45.3% (n = 24) of SMEs in agro based industry and engineering and construction industry adopted democratic leadership style respectively.



#### 4.4.2 Autocratic Leadership Style and Implementation

The study sought to establish the effects of autocratic leadership and how it affects the implementation of strategic plans of SMEs in Nairobi

**Table 4.6: Effects of autocratic leadership on the implementation of strategic plans**

	Mean	Std dev.
Business focus on task oriented improves implementation of strategic plans	4.2	0.121
High supervision of the business to ensure work is done the right way improves implementation of strategic plans	4.1	0.124
The manager being in control of business operation improves implementation of strategic plans	4.0	0.096
Decision making by the owner without consultation of employees improves implementation of strategic plans	3.9	0.156
The use of punishment to employees improves implementation of strategic plans	3.7	0.121

From the findings, the respondents agreed that business focus on task oriented improves implementation of strategic plans as shown by a mean of 4.2. Also the respondents agreed that high supervision of the business to ensure work is done the right way improves implementation of strategic plans as shown by a mean of 4.1. Further, the respondents agreed that decision making by the owner without consultation of employees improved implementation of strategic plans as shown by a mean of 3.9 and lastly the respondents agreed that the use of punishment to employees improved implementation of strategic plans as shown by a mean of 3.7.

#### 4.4.3 Democratic Leadership Style and implementation of organizational strategic plans

The study sought to establish the effects of democratic leadership style and the implementation of organization strategic plans in SMEs in Nairobi.

**Table 4. 7: Effects of democratic leadership on the implementation of strategic plans**

	Mean	Std dev.
The owner and the employees are involved in the decisions and plans for the business improves implementation of strategic plans	4.2	0.111
Open communication in the business with constant feedback from owners to employees and from employees to owners improves implementation of strategic plans	4.2	0.093
Encouragement of team work in the accomplishment of tasks improves implementation of strategic plans	3.5	0.134
The owner of the business cares for the wellbeing of the employees improves implementation of strategic plans	3.4	0.143
Delegation of authority and employees being allowed to contribute their ideas improves implementation of strategic plans	3.6	0.164

From the findings, the respondents agreed that the owner and the employees are involved in the decisions and plans for the business improved implementation of strategic plans and that open communication in the business and constant feedback from owners to employees and from employees to owners improves implementation of strategic plans as shown by means of 4.2 respectively. Further the respondents agreed that encouragement of team work in the accomplishment of tasks improves implementation of strategic plan with a mean of 3.5. The respondents were neutral on the owner of the business cares for the wellbeing of employees improves implementation of strategic plans with a mean of 3.4. Lastly, the respondents agreed that delegation of authority and employees being allowed to contribute their ideas and improve the implementation of strategic plans as shown by a mean of 3.6.

#### 4.4.4 Laissez faire leadership style and implementation of organizational strategic plans.

The study sought to establish the effects of laissez faire leadership on implementation of organization strategic plans in SMEs in Nairobi.

**Table 4. 8: Effects of laissez faire leadership style on the implementation of strategic plans**

	Mean	Std Dev
Employees setting their own target improves implementation of strategic plans	4.4	0.231
Complete freedom to employees and work is done with no or less supervision improves implementation of strategic plans	4.3	0.212
Employees solve their own work related problems without management interfering improves implementation of strategic plan	4.1	0.133

From the findings, the respondents indicated that employees setting their own target improves implementation of strategic plans and that complete freedom to employees and work is done with no or less supervision improves implementation of strategic plans improves the implementation of strategic plans as shown by means of 4.4 and 4.3 respectively. Lastly the respondents indicated that employees solving their own problems without management interfering improved the implementation of strategic plan as shown by a mean of 4.1.

## 4.5 Reliability Analysis results

The reliability of each construct was examined to ensure the items collectively measured their intended construct consistently as recommended in the extant literature

**Table 4. 9: Reliability of Research Instruments**

Variable	Cronbach's alpha	No of items	Verdict
Autocratic leadership style	0.7221	5	Accepted
Democratic leadership style	0.7145	4	Accepted
Laissez faire leadership style	0.7021	3	Accepted

Internal consistency reliability was examined in the way of Cronbach's alpha (Nunnally, 1978). Generally, 0.70 or higher value is considered to be an acceptable value for Cronbach's alpha reliability (Sekaran, 2003). Table 4.8 indicates, Cronbach's alpha values were well above 0.70, so the results were acceptable.

## 4.6 Inferential Statistics

### 4.6.1 Analysis of Variance

Table 4.10 shows the ANOVA table:

**Table 4. 10: ANOVA**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	35.775	2	8.944	15.066	.044()
Residual	13.654	120	.594		
Total	49.429	122			

The significance value is .044 which is less than 0.05 thus the model is statistically significant in predicting independent variables (autocratic leadership style, democratic

leadership and laissez faire leadership style) this shows that the overall model was significant.

#### 4.6.2 Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to determine the effects of leadership style on the implementation of strategic plans. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

**Table 4.11: Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851	.724	.676	.77048

a Predictors: (Constant), autocratic leadership style, democratic leadership and laissez faire leadership style.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (implementation of strategic plans) that is explained by all the independent variables (autocratic leadership style, democratic leadership and laissez faire leadership style).

The correlation and the coefficient of determination of the dependent variables when all independent variables are combined can also be measured and tested as in the table above. From the findings 67.6% of implementation of strategic plans is attributed to combination of the independent factors that relate to autocratic leadership style, democratic leadership

and laissez faire leadership style investigated in this study. A further 32.4% of implementation of strategic plans is attributed to other factors not investigated in this study.

**Table 4. 12: Regression Analysis Results**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.147	3.93		2.915	.000
Autocratic leadership style	.488	.221	.663	1.908	.001
Democratic leadership style	.384	.106	.397	3.608	.001
Laissez faire leadership style	.269	.115	.192	1.917	.003

a Dependent Variable: implementation of strategic plans

The Unstandardized beta coefficients column in Table 4.12 were used to obtain the overall equation as suggested in the conceptual framework. When these beta coefficients are substituted in the equation, the model becomes:

$$Y = 1.147 + 0.488X_1 + 0.384 X_2 + 0.269X_3 \text{ where}$$

Y = implementation of strategic plans, X1 = Autocratic leadership style, X2 = democratic leadership style and X3 = Laissez faire leadership style

From the above regression equation, holding (autocratic leadership style, democratic leadership and laissez faire leadership style) constant at zero, the implementation of strategic plans will be 1.147. A one unit change in autocratic leadership results to 0.488 units increase in implementation of strategic plans, a one unit change in democratic leadership results to 0.384 units increase in implementation of strategic plans.

Lastly, a one unit change in laissez faire leadership style results to 0.269 units increase in implementation of strategic plans. This shows that there is a positive relationship between (Autocratic leadership style, democratic leadership style, and Laissez faire leadership style) and implementation of strategic plan

The result indicates that autocratic leadership style had the highest beta of 0.488 has the largest influence on implementation of strategic plans. The second most important variable was democratic leadership style with a beta of 0.384. The least important predictor of these three variables is Laissez faire leadership style with a beta of 0.269. The t-test statistic shows that all the B coefficients of are significant (since  $p < 0.05$ ).

#### **4.7 Discussions**

The study revealed that autocratic leadership had an effect on implementation of strategic plans. This finding agrees with Murigi (2013), who conducted a study on influence of autocratic leadership style on performance. According to Murigi (2013) autocratic leadership style involves the application of punishment, task oriented, commands and supervision. This implies that autocratic leader focuses in his managerial role and he is task oriented and is mainly concerned about getting things done.

Further, the study showed that in SMEs that adopted democratic leadership style had the owner and the employees involved in the decisions and plans for the business, there is open communication in the business and constant feedback from owners to employees and from employees to owners thus improved implementation of strategic plans. This finding concurs with Ogbeide and Harrington (2011) findings who observed that higher levels of action plan implementation success for restaurants firms were more likely to use participation in decision making and plan execution. Small firms are likely to use an

approach with greater participation than larger firms. This finding implies that for SMEs to successfully implement strategic plans there is need to involve employees.

Lastly the study found that laissez faire leadership style influences the implementation of strategic plans. From the findings, it was revealed that employees who set their own target and have complete freedom as well as work being done with no or less supervision improved implementation of strategic plans. This finding disagree with Chaudhry and Javed (2012) findings in regard to their study on impact of transactional and Laissez faire leadership styles on motivation.

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## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study.

### **5.2 Summary**

#### **5.2.1 Effects of autocratic leadership on implementation of organizational strategic plans**

The summary of findings focused on the main objective of the study which was to evaluate the effect of leadership styles on implementation of organization strategic plans in SMEs

From the findings, the respondents agreed that business focus on task oriented improves implementation of strategic plans as shown by a mean of 4.2. Also the respondents agreed that high supervision of the business to ensure work is done the right way improves implementation of strategic plans as shown by a mean of 4.1. Further, the respondents agreed that decision making by the owner without consultation of employees improved implementation of strategic plans as shown by a mean of 3.9 and lastly the respondents agreed that the use of punishment to employees improved implementation of strategic plans as shown by a mean of 3.7.

#### **5.2.2 Effects of democratic leadership style on implementation of organizational strategic plans**

From the findings, the respondents strongly agreed that the owner and the employees are involved in the decisions and plans for the business improves implementation of strategic

plan and that open communication in the business and constant feedback from owners to employees and from employees to owners improves implementation of strategic plans as shown by means of 4.2 respectively. Further, the respondents agreed that the owner and the employees are involved in the decisions and plans for the business improves implementation of strategic plans and open communication in the business and constant feedback from owners to employees and from employees to owners improves implementation of strategic plans as shown by means of 4.1 and 3.9 respectively. Lastly, the respondents agreed that employees being allowed to contribute their ideas and have freedom in operation improve the implementation of strategic plans as shown by a mean of 3.6.

#### **5.2.3 Effects of Laissez faire leadership style on implementation of organizational strategic plans**

From the findings, the respondents indicated that employees setting their own target improves implementation of strategic plans and that complete freedom to employees and work is done with no or less supervision improves implementation of strategic plans improves the implementation of strategic plans as shown by means of 4.4 and 4.3 respectively. Lastly the respondents indicated that employees solving their own problems without management interfering improved the implementation of strategic plan as shown by a mean of 4.1.

#### **5.2.4 The influence of leadership styles on the implementation of organizational strategic plans**

The study revealed that 67.6% of implementation of strategic plans is attributed to combination of the independent factors that relate to autocratic leadership style, democratic

leadership and laissez faire leadership style investigated in this study. A further 32.4% of implementation of strategic plans is attributed to other factors not investigated in this study.

Also the study showed that holding (autocratic leadership style, democratic leadership and laissez faire leadership style) constant at zero, the implementation of strategic plans will be 1.147. A one unit change in autocratic leadership result 0.488 units increase in implementation of strategic plans; also a one unit change in democratic leadership results 0.384 units increase in implementation of strategic plans. And lastly, a one change laissez faire leadership style results to 0.269 units increase in implementation of strategic plans. This shows that there is a positive relationship between (Autocratic leadership style, democratic leadership style, and Laissez faire leadership style) and implementation of strategic plans.

### **5.3 Conclusions**

The study concludes that all three leadership style had a positive effect on implementation of organization strategic plans in small and medium enterprises. Autocratic leadership style had the highest effect on implementation of strategic plans. The study agrees with Murigi (2013) that autocratic leaders are task oriented.

The study revealed that democratic leadership style had the second highest effect on implementation of organizations strategic plans. The study supports Ogbeide and Harrington (2011) implementation success of small firms are likely to involve employees in decision making.

The study showed that laissez faire leadership style had the least effect on implementation of organization strategic plans. The study disagree with Chaudhry and Javed (2012)

findings in regard to their study on impact of transactional and Laissez faire leadership styles on motivation.

#### **5.4 Recommendations**

There is no one leadership styles that fits all situation in implementation of organizations strategic plans, managers should choose the style of leadership depending on the situation therefore the study recommends all the three leadership style depending on the situation in the business to maximize implementation of organization strategic plans.

- i. When focusing on task and making quick decisions without consultations of employees in the business autocratic leadership style is suitable in this situation in implementation of organization strategic plans.
- ii. In situations where decision is complex and there is need to involve managers and employees, democratic leadership style should be applied during implementation of strategic plans .
- iii. The study recommends laissez faire in situation where there is consultations and the employees in the business have high skills and are capable of working on their own.

#### **5.5 Recommendations for Further Studies**

While this study successfully examines the variables, it also presents rich prospects for several other areas to be researched in future. This study focused on the SMEs in Nairobi in Kenya. It would be useful to carry out the same type of research across East Africa and beyond and see whether the same results would be replicated.

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## APPENDICES

### Appendix I: introductory letter



**DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY**  
**P.O. BOX 657, 10100 – NYERI KENYA**  
**TELEPHONE: 0713-835965 EMAIL: [schoolofbusiness@dkut.ac.ke](mailto:schoolofbusiness@dkut.ac.ke)**  
**OFFICE OF THE CHAIRMAN, DEPARTMENT OF BUSINESS**  
**ADMINISTRATION**

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**TO:** Whom it may concern

**FROM:** Chairman, Business Administration Department

**DATE:** 8<sup>th</sup> January 2015

**SUBJECT: ASSISTANCE IN DATA COLLECTION**

This is to certify that **CHEGE ALEX NJUGUNA** – Registration No. **B211-003-0005/2013** is registered in the Masters of Business Administration Programme at Dedan Kimathi University of Technology. In partial fulfillment of the requirements for the award of the Degree, the candidate is required to undertake an empirical study to enable him write a thesis.

To this end, **CHEGE ALEX NJUGUNA** is carrying out a study entitled “**EFFECTS OF LEADERSHIP STYLES ON IMPLEMENTATION OF ORGANIZATION STRATEGICS PLANS IN SMALL AND MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT, KENYA.**” This is to request you to offer him the necessary support to enable her collect primary data, which will be used for academic purposes only.

Thank you.

Dr. Ofunya, F.A., PhD., FCIM (UK)

**CHAIRMAN, BUSINESS ADMINISTRATION DEPARTMENT**



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