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LEADERSHIP STYLE AS MODERATOR OF THE RELATIONSHIP BETWEEN ORGANIZATIONAL LEARNING AND FIRM PERFORMANCE OF MOBILE TELEPHONE SERVICE PROVIDERS IN KENYA

[1]Theresia Mueni Mutetei, [2]Esther Waiganjo, [3]Elegwa Mukulu

[1]Corresponding author PhD student, Jomo Kenyatta University of Agriculture and Technology
[2,3]Co-author & Supervisor, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

This study sought to establish the moderating effect of leadership style on the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya. It specifically sought to establish whether leadership style influences the firm performance of mobile service providers in Kenya and the moderating effect of autocratic leadership, democratic leadership as well as the laissez-faire leadership style. The study used a cross sectional survey research design and it targeted the mobile telephone service providers in Kenya. Data was collected using questionnaires and interviews. Data analysis was done using SPSS version 20.Linear regression models were fitted and hypothesis testing were done and it was established that leadership style had a positive moderating effect on the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya. The results of this study revealed that visionary managers guided their staff to achieve higher firm performance. The study recommended that effective leaders have to be visionary and should spearhead the creation of an enabling environment for creativity and innovativeness. It further recommended the appreciation and participation of all stakeholders in the implementation of major organizational changes.

Keywords: Autocratic leadership, Democratic leadership, Laissez-faire leadership, Firm performance, Organizational learning.

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INTRODUCTION

Organizational learning has become a key driver of competitive advantage in the global market in the 21st century. This concept of organizational learning is not confined to a particular type, size or form of organization (Smith, 2001). This is an area that has attracted a lot of research as the global market has become awash with cut throat competition. Watson (2002) posits that organizational learning has proven to be somewhat an elusive concept, making its practical implementation difficult. This is because different firms view learning from a different perspective. He proposed a re- conceptualisation of organizational learning and a new framework to guide management practice. This opened a research gap on the concept of organization-wide learning's impact on firm performance from a Kenyan perspective.

The global market for telecommunications has expanded rapidly in the 21st century. An increasing "demand pull" and "supply pull" has made telecommunications one of the leading growth sectors in the world economy. It has also made telecommunications one of the most important components of social, cultural and political activity (Budde, 2014). Compared to the rest of East Africa, Kenya's telecommunications and transportation infrastructure is relatively modern and well functioning (Waburi, 2009). At the end of June 2010 BMI according to estimates there were 20.165million mobile phone subscribers in Kenya (*Kenya Telcom Report* Q1 2010). Market leader Safaricom remained dominant with a market share of 79.1%, while alternative operators Bharti Airtel's Zain Kenya, the former Essar Telekom Kenya (Yu) and Orange Kenya had 11.2%, 7.4% and 2.3% market shares respectively. Zain was the first to slash tariffs in August 2010 in a move believed to be targeted at eroding Safaricom's market share. With all four mobile operators adopting a similar value-led strategy, it is expected that long-term competitiveness will depend on operators' network quality and coverage, ability to provide market-friendly data and value-added services, and the financial muscle to maintain low margins for an extended period (*Kenya Telcom Report* Q1, 2010). This calls for effective leadership if telecommunication firms are going to survive the stiff competition.

The foregoing scenario points to a fast developing sector; awash with stiff competition and strategic positioning of key players, each trying to have a competitive advantage over other market leaders. Safaricom limited, Orange Kenya, Airtel Kenya limited and the former Yu mobile are currently involved in fierce price wars and each working to outwit their rival in customer share and profit margins. Scholars the world over have done intensive research on the contribution of the telecommunications industry to the world economy. A lot of literature exists on the contribution of mobile telecommunication service providers to Kenya's economy in particular as articulated in the literature review. Few studies however portray organizational learning as a key competitive advantage strategy. The study highlighted the fundamental role

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played by leadership style on innovation and adaptability to change to mobile telephone service providers overall performance in Kenya.

Three leadership styles are commonly suggested by scholars of leadership. These are: autocratic leadership whereby the leader rewards or disciplines the follower depending on the adequacy of their performance (Bass & Avolio, 1994). The second style is the democratic leadership whereby leaders motivate group members to higher levels of collective performance and satisfaction by allowing an enabling environment of sharing ideas. The leader sets goals and incentives to push their subordinates to higher levels, while providing opportunities for personal and professional growth for each employee (Boerner et al, 2007). The third leadership style is the laissez-faire leadership which is essentially the avoidance or absence of leadership, and results to the lowest level of learning orientation (Farrell, 2000).

Review of related literature opened gaps for study in the area of strategic SHRM practices which can be diffused more readily to enhance firm performance and other determinants of firm performance not addressed in the study by Waiganjo (2013). The study recommended further research to determine which other SHRM practices could enhance firm performance. This study addressed the moderating effect of leadership style on firm performance. Effects of organizational learning on firm performance as recommended by Njuguna (2008) opened yet another research gap. Nzuve‘s recommendation on further study to assess the impact of organizational culture, organizational structure, leadership, management and inadequate resources to a firm’s competitive strategy (Nzuve, 2013) in deed prompted the proposed study. Manica and Vescovi (2011) recommended the need for looking into ways of alleviating the problems brought in by the introduction of the mobile phone and ICT which impact on culture of the people. This called for research on how to improve the firm performance of the key mobile service providers in Kenya. The study on the moderating effect of leadership style on the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya sought to address these gaps.

OBJECTIVE OF THE STUDY

This study sought to establish the moderating effect of leadership on the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya.

THEORETICAL FRAMEWORK

Firms rise or fall on their leadership style (Webster, 1994).Senior managers often shape the direction of the organization, and its values. Peter Senge (1990) posits that learning organizations require a new view of leadership, where leaders are seen as designers, stewards and teachers.

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They are responsible for building organizations where people continually expand their capabilities to understand complexity, clarify vision and improve on mental models. Bennet and O'Brien (1994) argued that in a learning-oriented organization, managers support staff development, encourage risk taking, and share insights and innovations. Good leaders share information readily, motivates people to learn and challenge their own assumptions and mental models (Slater & Naver, 1995). Leaders send signals to the wider organization regarding the manner in which the organization is to operate within its given market. This provides employees with an understanding of the environment in which they work and how they are expected to work within it.

Effective leaders are able to articulate the mission and vision of the organization that help in creating shared values (Wu, 2009). Slater and Naver (1995) further proposed that leaders should play a major role of unlearning traditional but detrimental practices and encourage generative learning instead. Three leadership styles are commonly suggested by scholars of leadership. These are: autocratic leadership whereby the leader rewards or disciplines the follower depending on the adequacy of their performance (Bass & Avolio, 1994). According to Lindgreen et al (2000), there are four core facets of autocratic leadership which include; contingent rewards, active management by exception, passive management by exception and laissez-faire. The leader clarifies the task to be accomplished, actively monitors the work , uses correction or punishment passively or altogether leaves too much responsibility with subordinates and lets work drift without due supervision. Autocratic leaders are essentially transactional in their approach.

The second style is the democratic leadership whereby leaders motivate group members to higher levels of collective performance and satisfaction by allowing an enabling environment of sharing ideas. The leader sets goals and incentives to push their subordinates to higher levels, while providing opportunities for personal and professional growth for each employee (Boerner et al, 2007). Democratic leadership is seen when;(a) leaders stimulate interest among colleagues and followers to view their work from new perspectives, (b) generate awareness of the mission or vision of the team and organization,(c)develop colleagues and followers to higher levels of ability and potential, and (d) motivate colleagues and followers to look beyond their own interests towards those that will benefit the group. Modern day scholars view democratic leaders as transformational in approach and hence the most effective organizational change managers (Bommer et al, 2004). This is imperative in the 21st century organization where change is the norm rather than the exception.

The most ineffective of the three is the laissez-faire leadership which is essentially the avoidance or absence of leadership, and results to the lowest level of learning orientation (Farrell,2000). Farrell further hypothesises that, the greater the level of transformative leadership, the greater the level of learning orientation. An effective leader would pick good aspects of the three styles and use them depending on the leadership challenge at hand, that is; situational approach to leadership (Armstrong, 2006). There could be other extraneous variables such as the personality of the CEO; his/her level of education, interpersonal skills, size of the firm and the global trends. These variables though not part of the proposed study might impact on the outcome in the long run.

CONCEPTUAL FRAME WORK

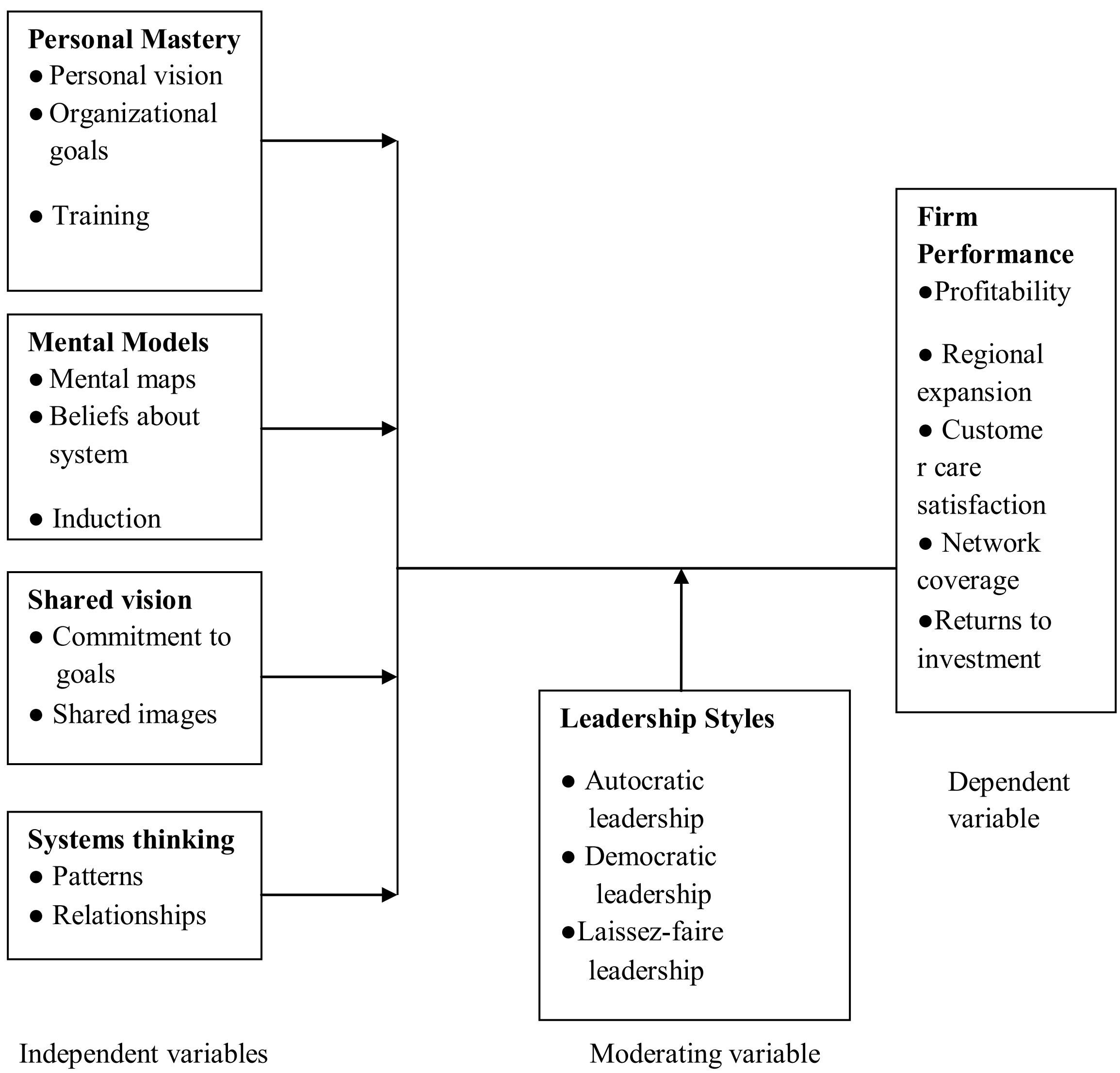

Figure 1 : Conceptual Framework

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METHODS

The study adopted a qualitative as well as a quantitative research approach, using cross sectional survey research design to establish the moderating effect of leadership on the relationship between organization learning and firm performance of mobile telephone service providers in Kenya. The target population comprised over 7000 employees of the three major mobile service providers in Kenya. They include; Safaricom Kenya Limited, Airtel Kenya, and Orange Kenya. The study specifically targeted CEOs, senior managers and key departmental heads. These employees are specifically chosen because they are pivotal in the day to day running of the mobile service firms in Kenya. They are hence deemed a vital source of information in this study. Stratified random sampling technique was used to single out the mobile service providers within the wider telecommunication industry in Kenya. Stratified random sampling involves selecting set criteria such that the existing subgroups in the population are more or less reproduced in the sample (Mugenda, 2003). Within the selected sampling unit (a mobile telephone service provider) systematic random sampling was further used to obtain the actual sample cases. The sample comprised 40 senior managers and departmental heads from Safaricom Limited, 36 from Airtel Kenya and 24 from Orange Kenya. Systematic random sampling was chosen to ensure that each category of workers was given an equal chance of inclusion (Kothari, 2004) and also to minimise systematic error in sampling (Mugenda, 2003). In systematic random sampling every K^{th} (10 th) case in the population was selected for inclusion in the sample to obtain 100 respondents. This sampling frame of 100 respondents was within the recommended size of at least 30 or more cases per group for correlation studies as recommended (Bryman, 2004). This is depicted on table 1.

Table 1: Sample size

Mobile Service Provider	**Population**	**Sampling percentage**	**Sample**
Safaricom Limited	2805	70	40
Airtel Kenya	2500	70	36
Orange Kenya	1695	70	24
Total	**7000**	**70**	**100**

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Primary data for the study was obtained by use of an interview guide for the senior managers covering key variables in the study. Both closed ended and open ended questions were employed to obtain in-depth information vital to the study on a face to face basis. A structured questionnaire that focused on the key variables of the study was administered to heads of department and the line staff. The questionnaire contained both open ended and closed ended questions to obtain gather information on the proposed study. The closed ended items helped to minimise biased opinions while the open ended items granted respondents the freedom to express their views and give vital suggestions to enrich the study (Kothari, 2004).

DATA ANALYSIS

Descriptive data was analyzed using the measures of central tendency, dispersion, skewiness or one way ANOVA using SPSS version 20. Quantitative analysis was done by use of parametric and non- parametric tests of hypothesis testing. A logistic regression model was estimated to establish the moderating effect of leadership style on the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya. Logistic regression is a useful means of representing decision outcomes, makes relatively few statistical assumptions for example normality (Matanda, 2008) and is robust to the statistical assumptions that are made (Matanda, 2008, & Nzomo *et al.,* 2007).

RESULTS

The null hypothesis for the moderating variable for this study: H05: Leadership does not have a significant moderating effect on the relationship between organizational learning and firm performance of mobile telephone service providers. The moderating variable in this study was the leadership style adopted by the senior management of mobile telephone service providers in Kenya**.** The research instrument gave three leadership styles: autocratic leadership, democratic and laissez faire. When the influence of the moderating variable leadership style was tested on each of the independent variable using three models, the models were significant:

$Y=B_0 +B_{ix}+e$

$Y=B_0+B_{ix}+B_mM$

$+e$

$Y=B_{0\,+}\, B_{i\ Xi\ +}B_m\, M +B_{i\ m}\, X_i\, M +e$

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In the first model the independent variable personal mastery yielded F=22.211,p <0.001 .This indicated that personal mastery is a good predictor of firm performance. The second model noted a significant change in F =21.754,p<0.001 on adding the moderator as a predictor the model improves significantly as indicated on tables 4.56. Therefore leadership significantly improved the relationship between personal mastery and firm performance.

Table 2. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.486[a]	.236	.225	.51837	.236	22.211
2	.644[b]	.415	.399	.45671	.179	21.754
3	.644[c]	.415	.390	.45989	.000	.021

In the third model when the interaction term was added to the model containing personal mastery (x1) and leadership style (M), the model did not improve significantly, F=0.021, p=0.885. This third model does not add significance to the relationship between personal mastery and firm performance; hence its effect has been ignored. This is indicated on table 4.57.

The study had hypothesized that; leadership has no moderating effect on personal mastery, mental models, shared vision and systems thinking. A step wise regression analysis was carried where three models tested the effect of each independent variable, moderator and moderated variable. Results indicated that there was a positive significant relationship between personal mastery and firm performance (F=22.211, p<0.001). After moderating, the positive relationship changed from (F= 21.754, p<0.001) which shows that leadership improved the positive relationship between personal mastery and firm performance.

Results from the study also indicated that there was positive significant relationship between the second independent variable: mental models and firm performance (F=39.269, p<0.001). After moderation, the relationship changed (from F=8.110, p<0.001,). This shows that leadership improved the positive relationship between mental models and firm performance. Results from the study further indicated that there was a positive significant relationship between the third independent variable: shared vision and firm performance (F=75.999, p<0.001).After

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moderation, the relationship changed from (F=2.694, $p<0.001$ to F=1.278, $p<0.001$) hence leadership improved the relationship. Results further proved that leadership had a positive moderating effect on the fourth independent variable: systems thinking and firm performance (F=33.286, $p<0.001$). After moderating the relationship changed (F=11.175, $p< 0.001$) improving the relationship further.

DISCUSSION

Effective leaders are able to articulate the mission and vision of organizations and helps in creating shared views among the employees. The study proposed that; leadership has no moderating effect on personal mastery, mental models, shared vision and systems thinking. A step wise regression analysis was carried where three models tested the effect of each independent variable, moderator and moderated variable. Results indicated that there was a positive significant relationship between personal mastery, mental models, shared vision, systems thinking and firm performance .After moderating, the positive relationship changed considerably, which shows that leadership continued to improve the positive relationship between organizational learning and firm performance.

The conclusion is that leadership is a significant moderator of the relationship between organizational learning and firm performance of mobile telephone service providers in Kenya. Hence the null hypothesis is rejected. Leadership therefore has a great influence on firm performance of mobile telephone service providers in Kenya. There was also evidence of moderation from the scatter diagrams especially the relationship between shared vision and firm performance. The conclusion is hereby drawn that leadership is a significant moderator of the relationship between organizational learning and firm performance of mobile telephone service providers. The null hypothesis H05 : Leadership does not have a significant moderating effect on the relationship between organizational learning and firm performance of mobile telephone service providers was rejected.

According to the results of the study, leadership style had a significant moderating effect on the relationship between organizational learning and firm performance. Therefore the visionary CEOs can steer their crews to higher performance through merging the good aspects of each leadership style. The management of parastatals in Kenya and other private firms should walk the talk towards building commitment to their firms' missions and visions rather than forcing employees to follow blindly. Policy makers can also make use of stakeholder involvement and marketing skills before passing decrees which affect the masses. The mobile telephone industry values customer satisfaction and hence this can be replicated when policy on health, education or national security are being passed by law makers in any given country. According to the

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findings, the three mobile service providers have a young workforce which abhors micro management. To retain this vibrant workforce, firms should provide an enabling environment for creativity and innovativeness to ensure higher staff retention rates hence higher performance. The high staff turnover being witnessed in the private sector can be slowed by coming up with a system of rewarding and promoting creativity and innovativeness.

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