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Strategic Leadership, External Environment, and Performance of Small and Growing Businesses in Nairobi County, Kenya

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Abstract

Small and growing businesses are considered as the primary forces for sustainable economic growth and rapid industrialization. Despite their great potential, small and growing businesses face many challenges and as a result, most of them perform dismally and are eventually edged out by competitors. Given the studies done which recognize the role of strategic leadership practices on performance, the present leaders of small and growing businesses are viewed not only to be steering their companies through the process of strategic planning, mission development, and evaluation, but also to actively handle strategic leadership practices and firm performance. The overall objective of the study was to explore the impact of strategic leadership on performance of small and growing businesses in Nairobi County. The specific objectives of the study were to determine the influence of strategic direction, core competencies, human capital development and sustaining organizational culture on the performance of small and growing businesses in Nairobi County and to further establish the moderating role of operating environment on the relationship between strategic leadership and performance of small and growing businesses in Nairobi County. This research was based on five theories namely: strategic leadership theory, path-goal leadership theory, trait theory, performance maximization theory and contingency theory. To satisfy these objectives, both descriptive and explanatory research design were adopted. The population of this study was all the 1539 small and growing businesses in Nairobi County's Central Business District. Stratified random sampling was used as the sampling design while Yamane formula was used to compute the sample size of 318 SGBs. A self-administered questionnaire was used as the major tool for data collection. Both Google forms and hard copy questionnaires were used to collect data. The questionnaire consisted of three sections focusing on general information about the respondent and the organization, strategic leadership and actions that are geared towards performance and finally the level of organizational performance. Descriptive and inferential statistics were utilized for data analysis purposes. The study achieved a response rate of 66%. The study found that strategic direction, human development, and organizational culture have positive and significant effect on organizational performance with p values 0.000, 0.025 and 0.019 respectively while core competencies were found to have a positive but non-significant effect with p value being 0.053. External environment was also found to have a significant moderating effect on the relationship between strategic leadership and organizational performance. The study concluded that strategic

leadership is an important aspect in any organization as it leads to improved organizational performance.
Keywords: *Strategic Leadership, External Environment, Small and Growing Businesses, Strategic Direction, Core competencies, Human Capital Development, Sustaining Organizational Culture*

1.1 Introduction

Strategic leadership has turned into a major and commonly employed leadership strategy, with the goal of moving leadership away from internal company dynamics and towards strategic alignment to the external world. For modern business organizations, the current strength of competition in the contemporary market requires founders and leaders to employ strategic thinking with the aim of gaining competitive advantage which has been at the core of organizational success. Firms must fight to stay competitive in order to avoid being forced out of business by the ever-increasing operating costs as well as market competition (Dubin & ALrbabah, 2015).

As the market climate evolves, so do the obligations and responsibility of businesses in order to please their customers. With free entry to the market, entrant firms continue to erode market share for established firms, forcing companies to revisit their business plans and strategies on a regular basis. These reviews and changes call for a strong strategic leadership for speedy action that will see immediate results being delivered since traditional leadership approaches are not enough to serve the rapid changes in the knowledge economy (Aslan et al., 2011). Thus, in order to achieve the optimal performance in the firm's goals and objectives, the management of small and growing enterprises in Nairobi County must adopt a strategic leadership strategy.

This chapter provides a background overview of the study and states the problem of research. It also outlines the purpose, objectives and research questions. It provides the rationale, significance, scope and assumptions of the study as well as the study limitations and delimitations.

1.2 Background of the Study

Leadership continues to be among the most important as well as the guiding force for organizations (Dimitrios et al., 2013). In many organizations, leadership is perceived to have a distinct as well as positive impact towards organizational performance. Traditionally, most of the studies on leadership have been “leader centered” and have focused on the character of individual leaders. Nonetheless, in the present times, leadership has changed and now there are new leadership styles like servant leadership, strategic leadership, transformational leadership, and authentic leadership that have been applied in explaining effective leadership and the degree that followers can be influenced by leaders (Avolio, 2017).

Strategic leadership implies the firm’s ability of anticipating, envisioning, maintaining flexibility, and empowering others through creating strategic opportunities and a sustainable future for the company (Kjelin, 2015). Strategic leaders take a glance at the future with the aim of setting an organization’s direction. Their power increases as they search and interact with the vital sectors of their setting (Hambrick, 2011). That kind of leadership ought to have the ability to address the issues of difficulty, uncertainty and data overload needing flexibility as well as a timing intelligence. Strategists develop as well as make communication about decisions on the future of their organizations (Zaccaro, 2015).

In the 21st century where the environment is quite competitive, there is need for an organization's leaders to have strategic leadership skills. The main source of sustainable competitive advantage of any organization is social and human capital which should be developed and nurtured carefully (Hambrick, 2011). In comparison to the past, where physical assets and resources were viewed as the cornerstone of sustainable competitive advantage, today sustainable competitive advantage comes from the successful use of intellectual capital (Halawi et al., 2015).

In the recent past, business environment and competitive markets have had a lot of uncertainty, volatility, turbulence, complexity, and heterogeneity (Stowell, 2016). In regard to this, organizations have adopted strategies, capabilities and competencies that are valuable for the business activities so as to ensure improved business excellence, promote competitive advantages, attain firm performance and be able to achieve sustainability of the organization given the conditions (Halawi et al., 2015). Strategic leadership is now one of the primary factors that drive and explain competitiveness and profitability in firms. Organizations having better strategic leadership attain better organizational performance and improve the success of the firms' business activities (Daft, 2014).

Small and Growing Businesses (SGBs) have been found throughout the world as being foundational to industrialization and economic muscle for both stable and growing economies. First world countries including the United Kingdom, United States of America, Russia and even China trace their economic power and stability to their focus on entrepreneurship resulting to growth and development of their small and impactful businesses. Kithae (2012) submits that small and growing businesses constitute about 90-95% of all registered businesses in Sub-Saharan Africa and their contribution to the economy can never be underestimated. Small and medium scale businesses are more often than not established in the service sector of most economies, accounting for about two-thirds of employment in those countries. In Kenya, the small and growing businesses contribute about 18% of the Gross Domestic Product (GDP) even as they facilitate approximately 80% of the new jobs for the working population (KNBS, 2019).

1.3 Objectives of the Study

i. To establish the influence of strategic direction on the performance of small and growing businesses in Nairobi County.
ii. To determine how core competencies affects performance of small and growing businesses in Nairobi County.
iii. To assess the influence of human capital development on the performance of small and growing businesses in Nairobi County.
iv. To examine the influence of sustaining organizational culture on the performance of small and growing businesses in Nairobi County.
v. To establish the moderating role of external environment on the relationship between strategic leadership and performance of small and growing businesses in Nairobi County.

2.1 Theoretical Review

2.1.1 Strategic Leadership Theory

The theory was pioneered by Finkelstein and Hambrick (1996) who advanced the notion that an organization's success as well as values are a result of its leaders' efforts. They argued that top managers' strategic decisions, for example, would have an effect on the organization's success in the long run (Oppong, 2014). Finkelstein and Hambrick (1996) built on the Upper Echelon Theory to investigate how top executives affect strategic decision-making in their organizations. From the perspective of Phipps and Burbach (2010), the most crucial Strategic Leadership Theory principles are the leader's vision, attitude, influence, and communication skills. Yukl (2010) adds to these principles and explains that the theory describes how mutual beliefs and motivation affect competitive strategies, organizational structure, model of management, overall organizational culture, as well as team effectiveness.

Ireland and Hitt (2016) have identified several actions characterizing strategic leadership which contributes specifically positively to effective firm performance. In their view, strategic leaders have a responsibility to determine strategic course, develop core competencies, manage human resources effectively, and maintain an efficient organization culture. Therefore, Strategic Leadership Theory is the most suitable because it addresses the interface between the study's independent and dependent variables. The current study will operationalize strategic leadership practices based on the works of Ireland and Hitt (2016) as well as Ireland et al. (2015).

2.1.2 Path-Goal Leadership Theory

Path-Goal Theory has its roots in the work of Evans (1970) who first came up with the path-goal leadership principle as well as House (1971) who refined the theory a year later. The path-goal theory claims that followers are motivated to complete a mission because they have a high degree of self-efficacy, or the expectation that their actions will result in a specific outcome or compensation, and that the result or incentive is valuable (Bhatia, 2009). In this theory, the leader's job is to inspire followers by rewarding good success and achieving goals. Effective leadership, according to Northouse (2013), occurs when a leader correctly diagnoses the subordinates' levels of operation and performance in a job situation and then displays the required leadership style that corresponds to that situation.

When implemented, path-goal approach to leadership improves subordinate motivation through clarifying the pathways toward which organizational success can be achieved. Strategic leadership is thought to be able to make a meaningful and constructive contribution to organizational success by inspiring others to follow the same strategic path. This theory was useful in this study because it focused on the leader's role in inspiring subordinates to achieve an organization's goals. It is argued that Path-Goal Theory is result-oriented, and that strategic leadership practices are also result-oriented. As both styles of leadership are result-oriented, there is a strong connection between Path-Goal Theory as well as strategic leadership practices. This theory backs up the claim that strategic leadership has an impact on organizational efficiency and vouches for its development and advancement.

2.1.3 Trait Theory

Trait theory was founded by Carlyle (1849) and it is about pinpointing qualities and personalities which are helpful while leading others. Responsiveness, reliability, decisiveness in decision-making skills, and consideration are some of these characteristics. None of these characteristics, however, guarantee outright success in leading a community or an organization. Traits are observable habits and attributes that are emitted from things running in our subconscious that only have an influence on effective leadership. The leader's effectiveness is proportional to his or her ability to inspire and influence his or her followers, which in turn affects their success, satisfaction, and their effectiveness in discharging their obligations (Derue et al., 2011).

The main criticism of this theory is that it pegs effectiveness of a leader on inborn emotional mechanisms and restricts the importance obtaining skills through imparting knowledge on individuals through school (Pervin, 1994). At times, inborn traits are not as rigid or important when leading as the theory supposes. The theory does not consider circumstances that might affect the outcome given separate scenarios call for separate behavior from leaders.

2.1.4 Contingency Theory

Contingency Theory of leadership was developed by Fiedler (1967). Three critical situational dimensions that have been established are thought to have an impact on the leader's effectiveness. The first dimension is the relationship between the leader and his or her subordinates as well as the level of confidence that the subordinates have in the leader. This also involves the leader's attractiveness and the loyalty that is usually displayed to him. The second dimension is task structure, which is the proportion of followers' jobs that are routine or non-routine. The third dimension is the influence that comes with being in a leadership role, also known as position power. It can include traditional job-related incentives and penalties, the leader's formal authority based on managerial hierarchy, and the help that the leader receives from subordinates and the company as a whole. According to Donnelly et al. (1992), most managers today challenge the idea that a specific leadership style is effective in all circumstances. After years of debate and research, they assume that a manager acting as a thoughtful leader, for example, cannot guarantee positive results in all situations.

Fiedler and Garcia (1987) maintain that a leader's performance is determined by a variety of factors such as subordinates, tasks, and groups. The effectiveness of any pattern determined by the leader's behavior is therefore dependent on the demands imposed by the situation. Fiedler and Garcia (1987) further assert that when a leader does not adapt or alter his leadership style, he will never be effective at the highest levels of the company. This is one of the most common issues in companies, where managers are promoted based on their current accomplishments rather than their potential for future accomplishments, resulting in the organization's overall ineffectiveness.

2.1.5 Performance Maximization Theory

Performance Maximization Theory was put forward by Koetter (2004) who argued that optimum production is the result of using the best output and price levels that maximize return. The implementation of this theoretical model can be beneficial to a company while also having an effect on customers when that organization decides to raise commodity prices in order to maximize returns (Al-Hawar, 2014). Benefit maximization is the sole goal of companies, according to traditional economics. As a result, traditional theories are based on benefit maximization. It is regarded as an organization's most rational and profitable business goal. Besides that, profit maximization aids in predicting business behavior as well as the impact of various economic variables, such as price and output, in various market conditions (Kaushik & Rahman, 2015).

This theory has faced criticism mainly because of its assumptions. The profit maximization theory, for example, means that businesses are guaranteed of their maximum revenue. Profits, on the other hand, are very unpredictable because they are calculated based on the difference between future sales and expenses. Consequently, it is intolerable for businesses to increase profits in unpredictable times (Dabholkar, 2016). Furthermore, the firm's goal has little to no bearing on how the company is organized internally. For example, some managers seem to spend more than is

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necessary to increase the wealth or income of the firm's owners. They are found to place a premium on the firm's overall assets and profits as managerial priorities (Rishi & Saxena, 2014).

The theory was used to help the goal of determining how strategic leadership affects SGB success in Kenya. That is, the various ideas of the theory were used to better understand how SGBs in Kenya use strategic leadership to ensure accurate output prediction. As a result, this analysis put the various results of the performance-maximization principle to the test in order to determine if SGB performance is directly related to the leaders they choose.

2.2 Conceptual Framework

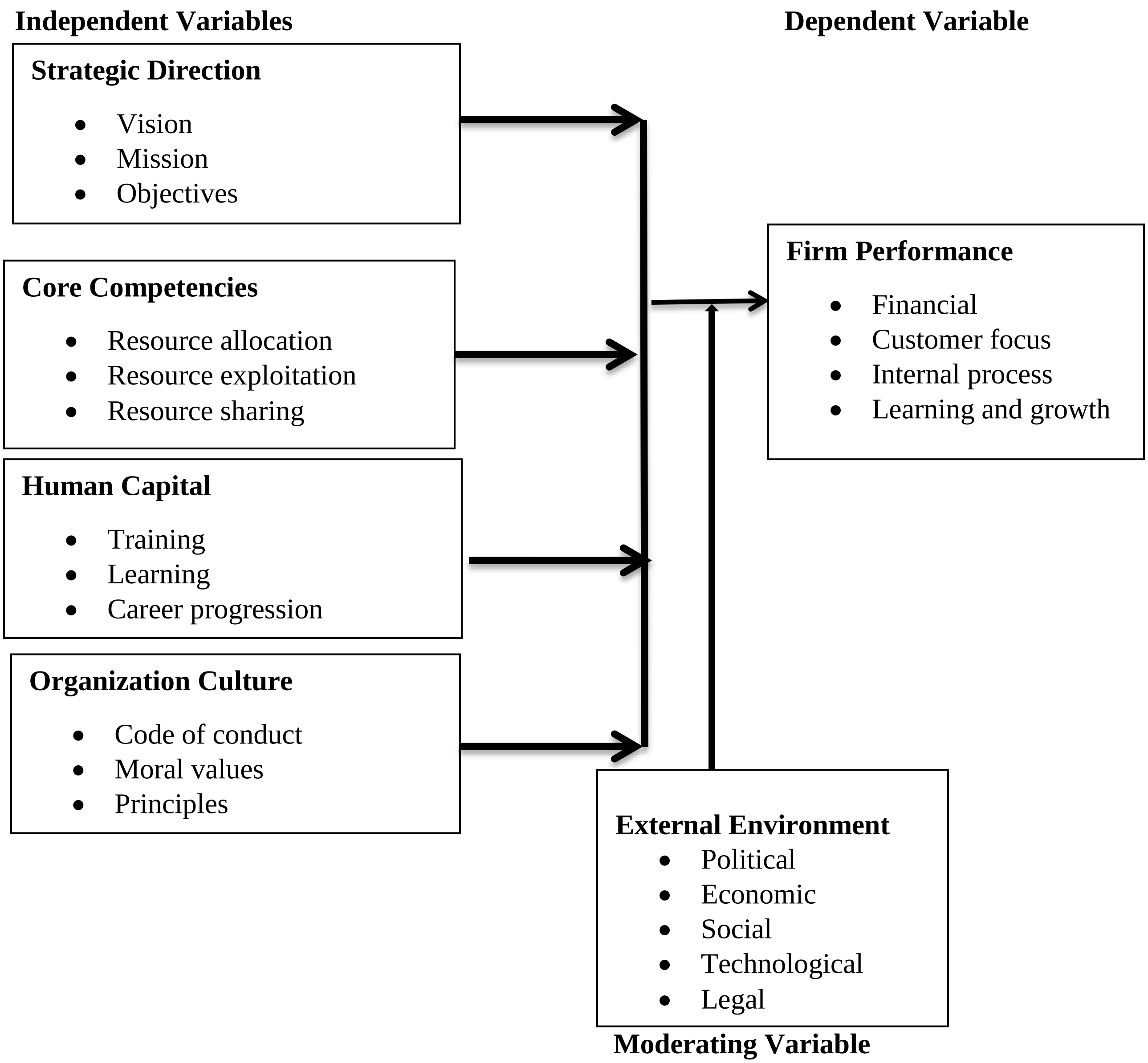

Figure 1: Conceptual Framework

2.3 Literature Review

2.3.1 Strategic Direction and Performance

One of the key strategic leadership actions is strategic direction which plays a critical role in ensuring strategies is executed effectively (Jooste & Fourie, 2009). Offering strategic direction aims to fulfil an organization's vision over time and involves identifying and prescribing the strategies that will enable attainment of the vision in the short run by mitigating threats and identifying opportunities. The strategic direction prescribes the culture that the firm's management desires to ingrain in any given period (Hitt et al., 2013).

Mutia (2015) opined that the process of determining direction involves the enunciation of the organization's goals and mission as well as vision, setting of objectives and strategy formulation. Ireland and Hitt (2010) agreed with this viewpoint, stating that the strategic leader determines the firm's strategic course. In this study, strategic direction has been operationalized into strategic intent, vision statement, mission statement and objectives.

Odita and Bello (2015) suggest that strategic direction has a positive and substantial relation to organizational performance and is based on its vision, mission, as well as objectives. Furthermore, according to Makori (2014), the aim of strategic intent is to provide guidance, exploration, and organizational survival. It avails more organizational opportunities and drives organizational outcomes (Collins, 2010; Makori, 2014).

Bass (2012) argues that action of the strategic leaders usually spells the direction that employee will follow and plays a major role in determining their commitment and satisfaction to the organization which subsequently impacts the changes and performance. The need to address the ever-changing business environment affecting organizations has forced the strategic leaders to give the appropriate direction at all levels. Bass pinpoints that no single firm can have competitive advantage, achieve goal of wealth maximization and be able to survive in the long run without a strong strategic direction and clear strategic management process which would enable the organization to achieve their expectations. Yukl (2010) discovered that effective performance cannot be achieved without the cooperation effort of multiple leaders who directs how the organization should adapt to the rapid and discontinuous changes that emerge and re-emerges as the organization progress into the future.

According to Taiwo and Idunnu (2010), organizational, environmental, as well as managerial variables play a role in deciding strategic planning strength. They demonstrated further that the clarity of mission and vision statement, recognition of the important values and realistic goals set as well as the long-term intents and development of action plans are very important in developing an effective strategic plan.

Strategic leadership however faces negative criticism in that strategic leaders have little or no impact on the organization changes (Hannan & Freeman, 1984). An explanation given by Yukl (2010) is that the individual leader such as the chief executive officer would have small influence on organization performance due to internal and external limiting factors such as powerful stakeholders, internal coalitions, scarce resources, strong organizational culture, strong competition and adverse economic conditions. Yukl (2006) echoes the same but emphasizes that very few researches have demonstrated leaders with less influence on the organizational success.

In Kenya, Ogech (2016) investigated how strategic leadership affects SMEs' performance. Determining corporate strategic course, controlling corporate capital portfolios, emphasizing organizational culture, ethical principles, and organizational controls were among the strategic leadership practices reviewed.

2.3.2 Core Competences and Performance

Core competencies in a nutshell are the capabilities serving as a competitive edge or advantage source for a business in comparison to competitors. Core competencies continue to evolve as the business learns from the outcomes of strategic decisions and reactions taken in the course of engaging with competitors (Hitt et al., 2013). Firms learn and reshape their skills on a continuous basis, resulting in core competencies that are useful to gain a competitive edge over competitors in the marketplace. The aspect of leveraging core competencies entails sharing resources through divisions within the organization; a role those successful strategic leaders demonstrate. The focus of core competencies is intangible capital. According to Lear (2012), these are the most effective since they are less apparent in relation to employees' expertise as well as skills. Hambrick and Mason (2011) alludes that strategic leadership is one of the best competencies needed for the 21st century organizational leaders working in dynamic business environments. Strategic leaders have the responsibility of carrying out such roles as formulating organizations' goals and objectives, developing suitable organizational structures and processes and controlling the core competencies of a firm among others (Kabetu & Iravo, 2018).

According to Cones (2012), the development of organizational capabilities deals with the organization as a system and the focus on the system yields better results than directing individual employees to improve performance. Armstrong (2018) opines that developing organizational capabilities is an executive leadership strategic function which aims at increasing organizational effectiveness and performance through building effective teams, developing human capital, improving organizational processes like formulating and implementing strategies that will improve quality customer satisfaction.

Srivastava (2005) highlighted that the ability to use core competencies for the good of the company is more important than possessing core competencies. Core competencies are developed over time as a company learns from the outcomes of competitive behavior when engaging with competitors, requiring them to constantly reshape their skills to ensure that they are developing the core competencies required to create one or more competitive edge (Hitt et al., 2013). Assets only have an impact on success to the degree that an organization can effectively use them, and how a firm utilizes its assets is just as critical as having those resources (Ndofor et al., 2011).

Strategic leaders manage firms' portfolio of resources by coordinating and clustering the assets into unique proficiencies, firm restructuring to enhance utilization of those capabilities, as well as selecting tactics via which those abilities can be efficiently used to generate value for consumers, resulting in a competitive edge (Hitt et al., 2013). Firms use the three key processes of mobilizing, coordinating, and deploying to leverage their competencies in 50 diverse market arenas with all the three processes working in a harmonic manner for the capabilities to be leveraged effectively (Sirmon et al., 2007). When choosing strategies during the strategy design stage, strategic leaders should ensure that the firm's core competencies are recognized, and then emphasized when executing the chosen strategies (Hitt et al., 2013).

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Journal of Strategic Management
Volume 6||Issue 2||Page 67-85 ||April||2022|
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2.3.3 Human Capital Development and Firm Performance

The skills and knowledge of all employees is what is known as human capital. Employees are seen as capital resources that must be continuously invested in when it comes to human capital. Employees may be the only source of long-term competitiveness as competition dynamics increase. In any organization, the rising value of human capital plays an important part in the organization's human resources role (Hitt et al., 2013). They further hold the position that valuable intangible assets have higher chances of generating competitiveness and provide shareholders with value supporting the contention of the firm's theory of resource-based view.

McIsaac et al. (2013) noted that human capital is crucial in all organizations and includes the skills, knowledge, competencies, and individual traits creating value in the workforce. Every organizational leader should think about the firm from its expertise, experience as well as competencies provided by human capital to compete in the current business environment.

McDemott (2013) observed that managing human capital and its contribution to performance is very complex without a system that measures performance. The performance management system is a leadership practice and should focus on developing organizational human capital and raising the level of competencies, assessing how long it requires new talent to reach optimum performance, and give feedback on programs required such as training, coaching, and mentoring of employees to improve performance.

Vinesh (2014) stated that training imparts basic skills, techniques, and knowledge among staff. According to Masood (2010) and Khanfar (2011), it is an active approach that allows workers to use their talents and ability for the benefit of the company. Bowra et al. (2011) add that successful companies recognize that investing in human resources put them ahead of the competition.

Human resource management practices promote the selection and implementation of organization strategies. Employee growth and training initiatives increase the chances of transforming some of the company's human capital into strategic leaders (Hitt et al., 2013). Further, Hitt et al. (2013) propose that training and development programs not only build the human capital skills and knowledge but also instill a mutual compilation of fundamental values, presenting a methodical approach to the organization, supporting its visions and assisting to come up with an organizational culture that is effective. In addition, training and development programs provide a positive contribution to the firm's efforts to establish core competences (Zhou & Li, 2012). Strategic leaders benefit from these programs in that they acquire skills necessary for completion of other activities relevant to strategic leadership's characteristics. Some of the skills include deciding on the strategic direction, utilization and sustaining key competencies and creation of the firm culture which promotes proper practices. These fuel the assumption that developing human capital is important for successful strategic leadership implementation (Hitt et al., 2013).

Marimuthu, Arokiasamy and Ismail (2009), examined the human capital development and firm performance in the developmental economics. They argued that human capital development is one fundamental solution of the developing economics to join the international world and hence there is need to dedicate time and efforts to acquire knowledge, skills and education that will culminate in what is referred to as human capital investment which has a positive impact on the performance of the firm.

Omar (2018) studied Zenko Kenya Limited as a case study to investigate the impact of strategic leadership on the success of Kenyan manufacturing firms. Knowledge management, resources and skills, main work processes, and ICT were all found to be significant measures of success, according to the findings. It was also discovered that Zenko Kenya Limited's success is moderately influenced by strategic intent. The study concluded that good strategic direction communication has an effect on Zenko Kenya Limited's success since the company's mission, core values, as well as vision have a significant impact on the company's performance.

2.3.4 Organization Culture and Firm Performance

Hitt et al. (2013) opined that corporate culture, according to him, is a diverse collection of beliefs, symbols, as well as ideologies that are mutual within an organization and affects the way businesses are operated. Most generally, culture has been defined by common fundamental premises, which are devised, discovered, or established by a particular group. In the group's efforts to address the challenges it encounters when it adapts to external factors, it orchestrates internal integration using approaches that have functioned well enough to be regarded as effective hence, are able to be passed to new affiliates of the team as the right mode to view, reason, as well as feel in connection with those challenges (Ireland et al., 2003).

When an organization is developing and implementing a selected strategy, it uses all its tangible resources such as physical or financial and intangible resources which are culture and human resources. In most cases, intangible resources in comparison with tangible resources have a higher likelihood of providing an organization with competitive advantage since they are scarce and hard to copy. Further, intangible assets are socially dynamic. For instance, culture being the outstanding and exclusive, is always evolving and so difficult to mimic. Therefore, managers ought to customize the practices into culture in order to complement the strategy adopted (Klein, 2008). Additionally, Klein (2008) revealed that a healthy culture is able to represent a critical resource and in order for it to offer a sustainable competitive advantage, it ought to be unique. Regardless of the strategic plan, cultural norms have a reasonably clear impact on quality and thus on success.

An organizations' culture ought to encourage strategic thinking and with this it will be able to deal with the challenges that arise from shared assumption of the core mission which can restrict both the strategy and the vision of the company (Goldman & Casey, 2010). The development of a culture that promotes strategic thinking is an essential effort that relies on personal, interpersonal, and organizational resources and is therefore strongly influenced by the executive. Schneider et al. (2013) indicate that theoretical literature on organizational culture is abundant with debates about the impact that the founders and senior managers have on the culture of the organization though only a few empirical studies have been carried out.

Supportive and trustworthy social interactions, as well as supportive management, were found to promote psychological protection in a study by Mohda et al. (2016). Employees and other organizational stakeholders will feel secure in their work environments as a result of this, more so, where organizational members are accessible and supportive of one another. According to Mohda et al. (2016), positive environments encourage members to explore different things and sometimes even fail without fear of repercussions.

Laursen (2012) is of the view that allowing workers to choose how best to complete assigned tasks to them encourages the pursuit of ambitious projects with high risk levels as well as potentially high rewards. In contrast, jobs with strict responsibilities, conditions, as well as low freedom, on the other hand, tend to promote limited perspectives and imaginative output. This is due to the fact that employee creativity is hampered when it comes to finding new uses for existing concepts or innovations due to a lack of autonomy.

An empirical study by Kelemba et al. (2017) to explore the relationship among Kenya's public sector, teamwork activities as well as employee efficiency found a correlation between teamwork and employee performance. Teamwork, according to their findings, maintains organizational democracy, promotes progress, encourages innovation and creativity, and allows for successful decision-making as well as connectivity. Furthermore, the study found that teamwork allows participants to improve their talents, expertise, as well as abilities by collaborating with others.

Kitonga et al. (2016) investigated the relationship between strategic leadership practices and non-profit organization performance. In the study a positive substantial relation was found between strategic leadership variables and organizational performance. Findings showed that if leaders of such organizations utilize strategic leadership well, they will substantially improve the performance of their organizations. This paper examined strategic leadership in non-profit institutions in Nairobi

3.0 Research Methodology

This study was based on positivism approach. Positivism approach differentiates the researcher from the subjects as independent and cannot influence each other’s outcome or results (Saunders et al., 2007). This thesis used both descriptive as well as explanatory analysis designs.

The participants in this study were made up of SGBs from Nairobi County since it is Kenya’s Capital city and has more likelihood of having many innovative SGBs. There were 8,259 registered SMEs within Nairobi County (Nairobi County Council, 2018) with 1,539 SMEs found within the Nairobi’s Central Business District which qualify to go through the scale up acceleration to potentially become SGBs. The study targeted SGBs that have been operating for over three years when this study was undertaken and not startups or idea-stage businesses. This was necessary in ensuring some level of maturity of the business and further that authentic information regarding performance of the business would be available. The study also targeted SGBs of the various sectors comprising of hospitality, transport and communication, entertainment, manufacturing, agriculture, general trace, educational, technical, or professional. The unit of observation were both the founders and top managers as well as employees of the selected SGBs.

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Journal of Strategic Management
Volume 6||Issue 2||Page 67-85 ||April||2022|
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Table 1: Population Distribution

Classification of SGBs	Population
General Trade	247
Transport and Communication	231
Agriculture	211
Hospitality	205
Professional and Technical	217
Education and Entertainment	207
Manufacturing	221
TOTAL	**1539**

Source: Nairobi County Council (2018)

Stratified sampling technique was used, in which the population was divided into seven strata based on the industry in which the company operated. Within - stratum, simple random sampling technique was used to select a representative sample from the population.

The study adopted Yamane (1967) formula with assumption of 95% of confidence level to estimate the sample size as follows.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = population size

e = the level of precision

1 = Constant

n = 1539/ 1+ 1539$(0.05)^2$

= 317.48≈ 318 respondents

As per the presented workout, a sample size of 318 respondents was used. Table 3.2 shows the sample size distribution.

Table 1: Sample Size Distribution

Classification of SGBs	Population	Sample Size
General Business	247	51
Transport and Communication	231	48
Agriculture sector	211	44
Hospitality	205	42
Professional and Technical	217	45
Education and Entertainment	207	43
Manufacturing	221	45
TOTAL	**1,539**	**318**

Source: Nairobi County Council, 2018

A structured questionnaire was used to collect primary data for the study. Correlations and regression analysis was calculated to draw inferences to the entire population. The multiple regression model was applied as follows:

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where,

Y= SGBs Performance

βo = Constant Term; When all the predictor values are zero it is equal to Y

β1, β2, β3, β4 and β5 = Beta Coefficient of variable (i) which measures whether there is responsiveness of Y to change in (i)

X1 = Strategic direction

X2= Core competencies

X3= Human capital

X4= Organization culture

X5= External environment

Ɛ=Error term

4.0 Results and Findings

The response rate for the study was therefore 66%. According to Dogan (2013) a response rate of below 50% is considered poor while a response rate of above 50% is considered good for data analysis. Therefore, a response rate of 66% for this study was considered good to proceed with data analysis.

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Journal of Strategic Management
Volume 6||Issue 2||Page 67-85 ||April||2022|
Email: info@stratfordjournals.org ISSN: 2616-8472

4.1 Correlation Analysis

The correlation results revealed that the independent variable strategic direction has a positive correlation with organizational performance (r=0.709, p=0.000). The results also revealed that core competencies has a positive correlation with organizational performance (r=0.646, p=0.000). Moreover, the variable human development has a positive relation with organizational performance (r=0.650, p=0.000). Finally, results revealed that the organizational culture has a positive correlation with organizational performance (r=0.702, p=0.000). This finding agrees with the strategic leadership theory by Hambrick and Mason (1984), which pointed that a significant portion of the executive decision on change is anchored on the laid down strategic direction. Similarly, research findings by Marimuthu et al (2009), indicated that human capital development is one fundamental solution of the developing economics to join the international world and hence there is need to dedicate time and efforts to acquire knowledge, skills and education that will culminate in what is referred to as human capital investment which has a positive impact on the performance of the firm. Further still, the findings agree with the research by Armstrong (2018) who opines that developing organizational capabilities is an executive leadership strategic function that increases organizational effectiveness and performance through building effective teams, developing human capital, improving organizational processes like formulating, and implementing strategies that improve customer satisfaction.

4.2 Multiple Linear Regression

The results reveal that the R^2 was 0.579 implying that the independent variables strategic leadership, core competencies human development and organizational culture together explained 57.9% of the variation in the dependent variable organizational performance. The remaining 42.1% could be explained by other variables not accounted for in the regression model. The independent variable strategic direction as per correlation results was found to have a positive correlation with organizational performance (r=0.709, p=0.000). The results also revealed that core competencies have a positive correlation with organizational performance (r=0.646, p=0.000). Moreover, the variable human development has a positive correlation with organizational performance (r=0.650, p=0.000). Finally, results revealed that the organizational culture has a positive correlation with organizational performance. This implied that a positive change in strategic leadership would result in a positive change in organizational performance.

The significance of the model employed to represent the relationship between the study variables was also indicated by the ANOVA findings (F=70.362, p=0.000). The regression coefficients revealed that the relationship between the variable strategic direction and organizational performance was positive and significant (β=0.388, p=0.000). This was in line with Odita and Bello (2015), who found a positive and substantial relation between strategic direction and performance of the organization, and which is based on its vision, mission, as well as objectives. These results are further in line with the findings of previous studies by Palladan, Abdulkadir and Chong (2016); Hakimpoor (2014); Lear (2012); Opoku (2016) and Nzoka (2017) who found out that organizational performance was positively correlated with strategic leadership. Nthini (2013) found a positive correlation between strategic leadership on organizational performance in Commercial and Financial State Corporations in Kenya.

Contrary to past research findings, the study established that the relationship between the variable core competencies and organizational performance was positive but not statistically significant (β=0.125 p=0.053). The finding contrasted with results of a study by Srivastava (2005) who highlighted that the ability to use core competencies for the good of the company is more important than possessing core competencies.

The relationship between human development and organizational performance was however positive as well as significant (β=0.138, p=0.025). This was in line with Omar (2018) who found that knowledge management, resources and skills, main work processes, and ICT are all significant measures of success.

Finally, the findings revealed that organizational culture and performance had a statistically significant relationship (β=0.159, p=0.019). This concurred with Kelemba et al. (2017) who established that teamwork, according to the report, maintains organizational democracy, promotes progress, encourages innovation and creativity, and allows for successful decision-making as well as connectivity. It was deduced from the findings that strategic direction unit change resulted in 0.388 significant alteration organizational performance, core competencies unit change yielded 0.125 non-significant change organizational performance, human development unit change could yield 0.138 significant variation in organizational performance and organizational culture unit alteration could yield a 0.019 significant change organizational performance.

The model was therefore,

$Y = \beta o + 0.388X_1 + 0.125X_2 + 0.138X_3 + 0.159X_4$

Where,

Y= SGBs Performance

X1 = Strategic direction

X2= Core competencies

X3= Human capital

X4= Organization culture

4.3 Moderating effect of External Environment

The moderating effect of external environment on the link between strategic leadership features and organizational performance was also examined in the study. Table 3 summarizes the output.

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Table 3: Moderating Effect of External Environment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.491	.481	.39918

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.485	4	7.871	49.398	.000[b]
	Residual	32.666	205	.159		
	Total	64.151	209			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.241	.128		17.458	.000
	Strategic Direction*M	.054	.021	.355	2.607	.010
	Core Competence*M	.008	.017	.056	.438	.662
	Human Development*M	.029	.017	.212	1.685	.093
	Organizational Culture*M	.014	.019	.104	.764	.446

a. Dependent Variable: Organizational performance
Source: Field Data (2021)

The results showed that with the introduction of the moderating variable external environment, the R^2 decreased to 0.491 revealing that 49.1% of independent variables explained the variation in the dependent variable in the presence of the moderator. The ANOVA results however showed that the model was significant (F=49.398 p=0.0000). The regression coefficients for the independent variables in the presence of the moderator revealed that the variable strategic direction was positively and statistically correlated significantly with performance of organization (β=0.054, p=0.010). Though, the variable core competencies were not correlated significantly with organizational performance (β=0.008, p=0.662). More so, the variable human development was also not significantly related with organizational performance (β=0.029, p=0.093). Further, the variable organizational culture was found to be positively but not significantly related with organizational performance (β=0.014, p=0.446). This implies that the variable external environment moderated the relationship between strategic leadership and organizational performance. It can thus be inferred from this finding that the introduction of external environment leads to a reduction on the effect the independent variables on organizational performance.

5.0 Conclusions

The conclusion of this research, based on the results, is that strategic leadership remains an important aspect of any organizations and not only the large and established organizations but also small and growing businesses. The study further concludes that organizations that have adopted and implemented strategic leadership will have a higher performance compared to those that have not as the study revealed that strategic leadership positively affect organizational performance. More specifically, the link was discovered to be moderated by external environment between strategic leadership and organizational performance. This study therefore concluded that if not considered, external environment could hamper the effectiveness of strategic leadership in enhancing the organizational performance.

Core competencies were also viewed to be key in determining organizational performance by creating a competitive edge for businesses. Firms that leverage on their core competencies and those that remain focused to building and developing new competencies perform better than their peers and competitors.

Investing in human capital development as evidenced in the study is paramount in determining organizational success. Firms that invest in training their staff and expanding their knowledge base end up performing well. Employees are keen on career opportunities for their personal growth and development. It is necessary thus for leaders in organizations to have clear career progression structures to motivate their teams to upscale and grow along the ladder.

The culture adopted by the organization and to a great extent influenced by the leadership has potential to impact performance of the organization. Much as culture is unique, every organization has a shared culture which could potentially by an asset towards achieving the organization’s vision. Some cultures which encourage innovation and creativity along strategic lines and further have ethical considerations have great potential to improve on performance of the firms.

6.0 Recommendations

According to the findings, it was established that strategic direction, human development and organizational culture also have a positive and substantial impact on performance of organization. This study therefore recommends that small and growing organizations should strive to enhance the performance of these strategies. They should come up with internal policies that would govern how strategic leadership is affected and strategies to achieve the same. More so, small and growing organizations need to avail enough funds for the implementation of these strategic leadership practices.

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