THE ROLE OF LEADERSHIP ON THE PRODUCTIVE PERFORMANCE OF AN ORGANIZATION: CASE OF TOP 100 MID SIZE COMPANIES

BY

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UNITED STATES INTERNATIONAL UNIVERSITY

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA)

SUMMER 2014
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: ___________________________

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This project report has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________

Dr. Paul Katuse

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
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DEDICATION

I dedicate this project to my wonderful parents; Mrs Lucy Njeru and Mr. John Njeru. You have been the two most solid pillars in my life who have always believed in me. Thank you for consistently pushing me to achieve great things in life and for being there for me. Your support has brought me this far, Thank you!
ABSTRACT

To general objective of this study was to review the role of leadership on the productive performance of an organization. The study was guided by the following research objectives: to evaluate the influence of leadership on the productive performance of employees and the effect of this on organization performance, to understand the role of leadership on the financial performance aspect of an organization and to evaluate the relation between strategic leadership and productive performance of an organization. The total population for this study comprised of top 100 mid-sized companies in Kenya. The population comprised of only those companies who were registered and operational at the time that the study was carried out. The study adopted a descriptive research design. Stratified sampling was used to select a sample of 50 companies out which 47 responded. The data analysis involved measures of central tendency and frequencies as well as regression analysis. The data was presented by bar graphs, pie charts and frequency tables and regression tables as well.

The study revealed that leadership has an influence on the productive performance of employees and the effect of this on organization performance. Additionally it was established that that organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully in order to unleash their potential. Also it was established that responsible and committed employees contribute greatly to attainment of the organization objectives.

The study further revealed that leadership plays a crucial role on the financial performance aspect of an organization. It was also revealed that indeed leaders must ensure high asset base for organization success. Finally the study revealed that there exists a positive significant relationship between strategic leadership and productive performance of an organization. It was further revealed that strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. Also the analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives. In the same regard, leaders should focus on control, innovation and entrepreneurship if they want to achieve extraordinary organization performance.
The study concludes that leadership has an influence on the productive performance of employees and the effect of this on organization performance. The study further concludes that leadership plays a crucial role on the financial performance aspect of an organization. It was also revealed that indeed leaders must ensure high asset base for organization success. Finally the study concludes that there exists a positive significant relationship between strategic leadership and productive performance of an organization. It was further concluded that strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization.

The study recommends that organization should ensure that should continue motivating employee by using both non-monetary, and monetary rewards to motivate employees, as this will satisfy their needs since it is necessary for basic physiological needs. The study further recommends for conceptualization of strategic leadership, which will go a long way in creating an environment that will enhance strategy execution in a manner that will boost the productive performance of an organization. Finally based on the research findings it is recommended that additional studies be conducted on the relationship between leadership and organization performance among top 100 mid-sized companies.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Leadership is very crucial for any organization to succeed. This topic continues to be one of the mostly widely discussed topics by researchers from all over the world according to Daft (2011). Leadership is the process of influencing people to follow with the aim of achieving organizational objectives. The objectives are diverse and vary from one organization to another but generally across the board would include: Profitability, Growth and expansion, survival for the organization, satisficing, increased market share and market leader among others. These objectives are very crucial for every organization and would determine the mode of operation put in place (Grimshaw and Baron, 2010).

Brilliant leaders would carefully consider all possible aspects of an organization as they lead in order to ensure that no areas are left out (Carter and Greer, 2013). Performance refers to the outcome of certain processes within an organization according to Cooper (2008). If for example the general objective of an organization is to achieve profitability or expand, then successful/productive performance would be achieved for this organization if high profitability is being achieved or if the firm is engaging in expansion projects. The performance could be in the long run or short term. Therefore for leadership to be successful, the leaders have to ensure that performance expectations are made clear to the team members (Shuck and Reio, 2013).

In addition, performance must be monitored and feedback on progress provided (Cooper, 2008). This is to ensure that the team is acting towards the achievement of the organization objectives. Brilliant leadership will involve considering all the necessary factors which includes both the internal and external business environment in order for the organization to achieve long lasting success. Some organizations base the success of their organization on the balanced scorecard to measure performance whereby the main focus is on four perspectives which include: Firstly is the customer's perspective. Managers must know if their organization is satisfying customer needs. The second perspective is the internal business perspective under which managers need to focus on those critical internal operations that enable them to satisfy customer needs with the main question being what the business must excel in. Thirdly is the innovation and learning
perspective which involves the organization's ability to innovate, improve, and learn ties directly to its value as an organization and how the organization can continue to improve and create value for its services. Finally is the financial perspective which focuses on profit making and increased market share (Achua and Lussier, 2013).

According to Dess, Peng and Lei (2013) ultimately, everything a leader does will show up in form of performance. Focusing on the wrong areas would be highly detrimental to the organization. Certain areas must be addressed efficiently and effectively in order for visible progress to be achieved. As the leader makes all the organization decisions, they should consider several factors which are the people, planning and the organization processes. The people are a major consideration for the successful performance of an organization because they provide the labour required for the organization to run smoothly. Through brainstorming, they come up with ideas that benefit the organization. It is important for the leadership of an organization to invest in its’ people. There are several ways in which an organization can invest in its people which include recruiting the best workforce. This means recruiting the people with the right skills who also have talent to grow and adapt as the team/organization develops.

Fisher (2009) cites that the leadership of an organization also needs to develop its people. This involves indulging them in training courses, coaching/ mentoring and targeted job assignments. As employees are developed, they become better placed to deliver better results. Building team synergy is also a very crucial area whereby leaders ensure they have a very strong team that is united towards achieving the organization goals. Leaders can do this by focusing on cross training, knowledge sharing and taking the teams effectively through various stages of development. It is also very important that the leadership of the organization ensures that the employees are well motivated. It is the leaders’ duty to evaluate factors that may motivate/ demotivate workers. The leaders will then focus on the motivating factors with the aim of ensuring the employees are delighted in performing their jobs which will in turn translate to better performance by the organization (Shuck and Reio, 2013).

The leaders of the organization should take seriously the issue of planning. In businesses, failing to plan is planning to fail and wise leaders know this. Planning refers to the process of laying down a course of action to be undertaken in order to attain certain goals
Leadership that brings in successful results for the organization involves spending a lot of their time planning so that their teams can operate proactively and in an organized manner. Planning would be in regards to resources which include planning the right human and physical resources such as equipment, planning for change in an organization, budget making planning whereby the organization plans on the expected income and expenditure for a specific period of time, planning for activities that involve training/staff development in the organization and planning for projects. These projects could be based on improvement, stretch objectives or special assignments. Ideally, these projects have to be planned in advance and build them into workflows and performance expectations for the team (Carter and Greer, 2013).

According to Luetge (2014) processes is also another crucial area of the organization. There are several processes in an organization which include: automation processes, efficiency improvements/increased efficiency and transition or change management processes. Strategically, it is much better if processes are handled proactively. If employees are involved in organization processes, then it becomes easier to lead them since they view it as part of their contribution to the organization. The steps taken by the leadership of an organization will determine whether the organization is successful or not. It is therefore very important that every decision the leaders take brings some positive impact for the organization in order for the organization to be successfully productive and achieve its vision.

Successful leaders must exhibit vision, influencing others to act, team work/collaboration, problem solving capacity and creating positive change (Holosko, 2009). Leaders have to lead by example, as the employees they lead see the leader exhibit positive behavior; they in turn pick it up and act like the leader. This creates a good organizational culture whereby every single employee of the organization is working for the good of the company. Great leadership will involve communicating clear and credible expectations to the employees. This will ensure that there are no misunderstandings whatsoever because everyone knows what is expected of them. This will in turn promote ownership within the employees while aligning them to the business strategy.

The successful leaders will also reward the behaviour they want to see more and stop tolerating what they do not want to be part of the organization. This is aimed at promoting
productivity at individual levels which then contributes to the organization success (Grimshaw and Baron, 2010). Great leaders should prevent employees from creating excuses on why they cannot achieve the organization goals and objectives. The behaviour of finger pointing and blame game should be discouraged by leaders in order for the employees to be more productive. As employees stop the negative behaviour, they pick up team work and work with one common goal of ensuring that the organization is very successful.

Sellnow (2013) cites that during crises, successful leaders will quickly react to solve the crises without too much damage to the organization. Mistakes should be treated as intellectual capital and in cases of negative feedback being given; this should be done in a manner that does not create stress within the people in the organization. In conclusion, Leadership is a very crucial factor to the success of any organization. Leaders build or break organizations depending on how they lead. Most of the successful organizations have had leaders who had a clear vision of where they wanted to have their organization. The leaders know that they cannot achieve this by themselves so they ensure that every single person in the organization has clarity on where they are heading to (Grimshaw and Baron, 2010)

A study by Hodgkinson (2010), shows that poor leadership translates to demotivated employees who are dissatisfied with their jobs and hence will not care to go an extra mile for the organization success. Bad leadership also leads to mismanagement of organization resources such as finances, assets as well as the inability to take up strategic decisions that benefit the organization and help it to have a competitive advantage in comparison to its competitors. It is therefore imperative that the people placed in leadership positions in an organization have the ability to lead positively and have the organizations’ vision at heart. Their ability to influence others to follow in the desired direction will translate into a very productive organization that becomes successful in all aspects of business.

1.2 Statement of the Problem

Leadership is a management function which is mostly directed towards people with the aim of influencing their actions towards achievement of organizational goals (Burtis, 2010). Numerous researches conducted indicate that there is a positive correlation between effective leadership and great performance of an organization. As this study was
conducted, the main reasons that were identified include the following:

In the current business world, there are organizations that are still struggling to achieve their objectives due to issues of bad leadership or other reasons. This means that there is a management gap that needs to be addressed critically. On the other hand, there are organizations that have shown exceptional positive performance due to the great leadership in the organization. Organizational success in terms of attainment of its goals and objectives depends on its ability to maintain a formidable, effective and stable leadership (Grimshaw and Baron, 2010). As this study was conducted, it will help understand the management gap in the area of leadership and how good and bad leadership affects the performance of the organization. It will also help identify what is expected of a leader in order for their leadership to be effective and how organizations that are performing badly can improve their performance.

This study contributed to the body of knowledge by helping learners and other interested parties to understand the key role of leadership on the performance of organizations and the possible remedy for bad leadership that negatively affects organization performance. Most of the studies done in the leadership area have mostly focused on the role of leadership on for example finance or motivation of employees only which is just a part of the organization. Mabonga (2013) in her study focuses on relationship among effective leadership, effective communication, effective process management and organizational change management. Isoka (2013) conducted a study on leadership motivation and empowerment. Mutua (2010) focused on the impact of leadership styles on student unrest. These are just a few of the studies among others that have been done in the field of leadership. However, unlike the other studies done earlier in the area of leadership, this study focused on the role of leadership on organization in totality whereby it reviewed all the sections of the organization which include employees, finances, leadership traits and strategic leadership matters focusing on all the stakeholders in an organization. Most of the information was obtained directly from people in leadership positions which made this study reliable due to the first-hand information on leadership.

1.3 General Objective

To general objective of this study was to review the role of leadership on the productive
performance of an organization.

1.4 Specific Objectives

1.4.1 To evaluate the role of leadership on the productive performance of employees and the effect of this on organization performance.

1.4.2 To understand the role of leadership on the financial performance aspect of an organization.

1.4.3 To evaluate the relation between strategic leadership and productive performance of an organization.

1.5 Significance of the Study

The main beneficiaries of this research will be:

1.5.1 Organization Leaders

This study will be of great importance to the current leaders and employees aspiring to take up leadership positions in the organizations studied. This is because the study will help obtain a better understanding of how leadership affects the productiveness of the organization in all aspects which include the employees, the finances, the strategic decisions and the environmental decisions taken among other key areas. As the leaders review their leadership, it will stir up a need to evaluate themselves for better performance of their organizations.

1.5.2 Consulting Institutions

Many consulting firms need to understand how an organization is performing as they engage in consulting for organizations. The consulting services provided are mostly on areas such as employees training, financial advice, auditing, risk management, strategic leadership, change management, transformational leadership coaching and emotional intelligence among other key areas. This study will provide information on leadership and key success factors or areas of weakness which will be in turn of valuable use to consulting firms as they deal with issues of leadership trainings for the successful performance of organizations.
1.5.3 Scholars

This study will provide scholars with a foundation on which they can base their future studies on. It will also widen their understanding and knowledge on leadership and the role it plays on the performance of organizations.

1.6 Scope of the Study

The geographical scope of the research will be several organizations in Nairobi County which have had tremendous leadership that has made the organizations perform exceptionally well. The population used for this study will be people in leadership position in the selected organizations in Nairobi County which are in the list of Kenya Top One Hundred Mid-sized Companies (2013). Finally, this research data collection will be conducted and analyzed in summer 2014.

The main limitations anticipated will include: Getting the organization leaders to agree to an interview. To mitigate this, appointments shall be booked early enough and keep communicating with the leaders during the period before the interview. Another limitation would be conflicting view of what success of an organization is by the different leaders interviewed. To mitigate this, from the beginning, there shall be an agreed consensus on the view of what successful performance of the organization is. This will be achieved by discussing it at the start. The last limitation would be lack of cooperation from the leaders. To mitigate this, an enabling environment that makes the leaders very comfortable and creates high trust level will be provided. This will be achieved by staying objective and non-judgmental.

1.7 Definition of Terms

1.7.1 Leadership

According to Grimshaw and Baron (2010) leadership refers to the ability to influence people to follow with the aim of achieving organization objectives.

1.7.2 Strategic Leadership

According to Fisher (2009), this is a person's ability to anticipate, envision, maintain flexibility and work with others to create change that will create a viable future for the organization.
1.7.3 Productive Performance/ Successful Performance

According to Achua and Lussier (2013) this is what the team collectively achieves in terms of attainment of organization objectives. Positive outcome is productive performance and unproductive performance is negative outcome.

1.7.4 Vision

According to Burtis (2010) this is the ambitious view of the future on where the organization wants to be.

1.7.5 Objectives

According to Daft (2011) this is the statement of what an organization wants to achieve and should be specific, measurable, attainable, realistic and time bound.

1.7.6 Environment

According to Fisher (2009), environment refers to all the internal and external factors that influence the performance of an organization.

1.7.7 Synergy

According to Covey (2009) this is the process of employees working together with unity of purpose to achieve the organization objectives.

1.7.8 Organizational Culture

According to Mansoor and Rehman (2012), this refers to the beliefs, attitudes, values and way of doing things that is shared by members of the organization.

1.7.9 Ethical Standards

According to Dess, Peng and Lei (2013) ethical standards refer to a person’s basis for differentiating right from wrong and forms the basis for behavior.

1.8 Chapter Summary

This chapter serves as an introduction to the research proposal by presenting the background information on the role of leadership on the performance of an organization.
The first section introduces the topic of study which is the critical review of the role of leadership on the performance of an organization. The second section describes the problem in context of the organization. The third section outlines the general objective of this study while the fourth section describes the specific objectives of this study. The fifth section analyses the significance of this study which is mainly the beneficiaries of the study. The sixth section provides the scope of the study which involves the boundaries of the study. The seventh section which is the last section provides definitions of key terms that will be commonly used in the study.

The next chapter which is chapter two will provide literature review for the five specific objectives of this study. The literature review chapter will discuss the following: Firstly, the general area of leadership which includes the leadership traits, the scope of leadership and what it entails. Secondly, the review will look at leadership in relation to workforce planning and the impact on this to productive performance. Thirdly, review of the relationship between leadership and financial performance. Fourthly, environmental decisions made by leaders and the impact on success of an organization. Finally, the process of strategic decision making by the leadership of an organization and how this affects the performance of an organization. After chapter two will be chapter three. This will address the research methodology of the study. Issues of research design, population and sampling design, data collection methods, research procedures and data analysis methods will all be covered in chapter three. The fourth chapter presents results and findings while the fifth chapter was on the summary, conclusions, discussion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Chapter two will review literature on the critical review of the role of leadership on organization performance. Part 2.2 will explore the scope of leadership focusing on the leadership traits and what successful leadership entails. Part 2.3 will look at role leadership has on the performance of employees. Part 2.4 will explores the role of leadership on the financial performance of an organization. Part 2.5 will discuss the influence of leadership on the business environment decisions taken, strategic leadership and the role on organization performance. Lastly, part 2.6 will summarize the whole content of literature review.

2.2 The Influence of Leadership on the Performance by Employees

According to Burtis (2010) Employees refer to the human capital that is used by the organization in helping it in achieving its objectives. This means that the organization has to critically understand its employees and create strategies that ensure that the employees are motivated fully inorder to unleash their fully potential. This will then lead to highest possible performance of the organization as the employees become responsible and committed to the organization objectives fully.

2.21 Recognizing Talent

Talent refers to the unique characteristics that are either in borne or learnt and that distinguish one individual from another (Covey, 2009). Some individuals are extremely talented in certain areas while weak in others. It is therefore the responsibility of the leaders to identify areas that the employees are good at and nurture it in order to unleash the potential of the employees fully. An employee could be exceptional good in the area of coming up with brilliant ideas. It is therefore the duty of those in leadership to place such an employee in sections of the business that involve decision making and not in a section that only involves dealing with paper work only. This will make the employee thrive and as this happens, the effect comes down to the performance of the organization (Carter & Greer, 2013).
2.2.2 Fair Treatment of Employees

Holosko (2009) cites that leadership is an art which has to be done diligently. According to Parvin (2012) fairness refers to receiving equal treatment and receiving the same services or benefits as other people in similar circumstances. Employees that are competent are very crucial to the success in performance for every organization. Effective leadership involves treating each employee as equal in the organization in terms of remuneration, promotions, assigning of duties and responsibilities is concerned. In most organizations, if there is a slight evidence of favoritism whereby some employees are viewed as better than others by the leaders, other employees will start feeling left out and this will have a direct impact on the way they conduct their duties in the organization. According to Hodgkinson (2010) this will lead to demotivation in employees who then become indifferent to the wellbeing of the organization and hence will not go the extra mile to ensure the organization succeed.

Employees should not be discriminated on the basis of race, gender, religion, family background or any other possible basis (Covey, 2009). Equality leads to the employees feeling as part of the organization family and that no individual person is viewed as being better than the rest. This creates team synergy and high levels of team work will be evident in such an institution (Daft, 2011). The leadership of an organization have therefore to put extra effort to ensure the employees feel equal inorder for the organization to succeed, perform well and achieve it’s objectives.

2.2.3 Remuneration of Employees

Remuneration refers to the salaries awarded to the employees (Achua and Lussier, 2013). Money in form of salaries is a greater source of motivation for employees because it enables them to be able to live a comfortable life and afford both needs and wants. According to Shuck and Reio (2013) motivation is the reason why employees want to work hard and work effectively for the business. Well motivated workers lead to high productivity, increased output and finally higher increased profits for the business unlike unhappy workers who have low motivation. The leadership of an organization have to implement a good remuneration system in the organization which creates a balance between well paid employees and good profitability for the shareholders at the same time such that the employees get a good salary according to the market standards while at the
same time the shareholders are able to reap a good return on their investment after the salary expenses have been deducted (Hermann, 2008).

Low paid employees will work with a defeated mentality whereby they feel like they are working so hard for the organization which does not care about their wellbeing (Covey, 2009). Such a mentality will create a bad work culture by the employees whereby they will not be bothered to go any extra mile to work hard for the benefit of the organization they work for. According to motivation theories by contributors such as Abraham Maslow, there is a hierarchy of needs that employees need to meet inorder for them to be able to work effectively. At the bottom of this hierarchy is the most basic of needs such as food, clothing and shelter before they can move to the next level of needs. These basic needs require money for the employees to be able to get them. Leaders must therefore deliberately make this decision to pay their employees well for effective performance of the organization (Simonet and Tett, 2012).

**2.2.4 Recognition of Employee’s Excellent Performance**

Balzac (2014) cites that human beings always want recognition. Motivational theories also argue that employees will also want their good work to be recognized and rewarded by those in leadership positions in the organizations they work for. Recognition involves giving rewards for the best employee of the month, giving the best employees a holiday trip fully paid by the organization promotions as reward for the best employees among other forms of recognition (Grimshaw and Baron, 2010). As leaders reward employees, they feel appreciated and that someone in the organization is noticing the extraordinary effort the employee is putting into the organization. This will in turn create a culture whereby employees desire to work harder because their effort will not go unrecognized (Frost, 2009).

**2.2.5 Fringe Benefits**

According to Guy (2009) fringe benefits refer to the non-financial rewards given to the employees and paid for by the organization. These rewards include: children’s education fee paid, discount’s on the firm’s products, healthcare paid for in form of medical insurance, company vehicle provided for those in top management and transport vehicles (buses) for those at functional levels, free accommodation, shares given to employees to
encourage responsibility created by share ownership, entertainment allowance, pension paid for by the organization and free trips/holidays abroad among other benefits. The employees will not have to pay for these benefits. This therefore makes them feel that the organization has their interest at heart and hence will show higher levels of commitment to the organization. Leaders who have successfully implemented the culture of providing fringe benefits to their employees have been able to achieve better success due to the fact that employees in their organization are happier and more committed to the success of the organization (Covey, 2009).

2.2.6 Employee Training, Development and Mentoring.

Grimshaw and Baron (2010) states that employees have to be aligned to the organization vision and leaders must whet the appetite for truth in the employees in every possible way. According to Burtis (2010) mentoring is the process of giving direction to the employees through constant guidance and advice on the course of action taken while training and development involves activities that add value to the education or skill levels of the employees. According to his definition, training will involve exposing the employees to expert coaching by specialist in their field so that they can learn new skills or improve their current way of carrying out tasks. Development will involve the organization allowing their employees to undertake courses that help them to progress in their careers such as in universities.

Market trends are constantly changing and the environment both internal and external is constantly turbulent. Employees have to be strategically positioned to respond to these changes effectively (Dess, Peng and Lei, 2013). It is therefore crucial that leaders of an organization strategically place themselves in a competitive position by heavily investing in the greatest resource, human capital. This can only be achieved by exposing their employees to training, constant guidance through mentoring and development. This prepares the employees for any changes in the business which in turn makes the leadership of an organization successful because as the employees perform well, then the results are evident in the organization performance. Trainings are offered either on job or off job. These trainings are conducted by consultants who have vast knowledge and experience in the field. The employees are trained on areas that affect the way they work. An example is whereby the organization employees are trained on how to handle
customers better (Simonetand Tett, 2012). As the employees gain the skills on proper handling of customers, there will be a ripple effect whereby the customers will keep coming back to buy from the business loyally. This will therefore provide constant sales for the organization and hence the successful performance of the organization.

2.3 The Role of Leadership on the Financial Performance of an Organization

Financial performance of an organization involves the evaluation of all aspects of the business that are related to profitability of the organization, assets, liabilities, cash flow, investment appraisal, budgeting, breakeven analysis and analysis of published accounts for the business (Fevurly, 2013).

2.3.1 Profitability of Organization

Profit refers to the gain made after a transaction has been executed by deducting the cost of goods sold from the sales value (Cleland, 2013). This is one of the most important reasons why shareholders invest in a business; they put in their money into the organization believing that the business will be a profitable venture that gives back their invested money as well as profit. Other stakeholders of the organization such as the suppliers, banks, government, employees and community will also have an interest on if the business is making profits because they have interest in how the organization is performing (Lack, 2013). Profitable businesses are safer because they do not face the risk of being liquidated or declared bankrupt. The government’s interest in the profitability of the organization is due to the economic contribution through taxes levied on the business as well as the creation of employment to the citizens of the country.

The organization also adds value through provision of goods and services within the country. Organizations that export provide foreign currency as well as contribute to good relations between the two trading countries. It is therefore of key interest to the government that the business is profitable. Suppliers of a business would want the business to remain profitable because this means that the organization is able to pay their debts to them as well as provides an assurance of trading continuously since the business is making profits (Fevurly, 2013). Banks offer loans to the organization which have to be repaid within a specific period of time and with interest (Bensoussan, 2009). This means that the banks will be very interested on the finances of the organizations because it will
determine the ability of the business to pay back the banks money or not. Employees represent the human capital that is used by the organization in achieving it’s objectives. Their salaries are paid from the profits as well as salary increments and benefits offered. The community in which the business operates values the organization more if it engages in corporate social responsibility which is funded by profits. Effective leadership ensures that the organization is earning more income from its sales than the cost of sales. This is done by implementing strategies that are aimed at high profitability for the organization.

2.3.2 Assets and Liabilities

Assets refer to items that are owned by an organization while liabilities are those items that a business owes in a specified period of time (Feverly, 2013). Assets are classified into two. Fixed assets: These are those assets that a business owns over a long period of time such as land, buildings, plant or machinery and motor vehicles. Current assets: These are the assets that a business owns in the short run such as debtors, stock and cash in hand or bank. Liabilities are also classified into two. Long term liabilities which include bank loans offered to the business over a long period of time (Cleland, 2013). Short term liabilities are those liabilities that an organization has to pay back within a shorter period of time such as creditors, bank loans and bank overdrafts.

Keith (2013) cites that effective leadership of an organization is evident when the net assets (working capital) of the organization is equal to the capital employed which comprises of the shareholder’s funds and the long term liabilities. This means that the leaders are being prudent in how they lead in terms of the financial aspect of the organization. An organization that has more liabilities than it’s assets would be a sign that the business has borrowed more than it owns and if there is a crisis, they will end up losing all the assets they had used as collateral for their liabilities. Every decision made by the leader in regards to the assets and liabilities of the organization must not pose any threat to the shareholders’ investment into the business. Hence, good financial performance is a reflection of effective leadership (Cleland, 2013).

2.3.3 Cash Flow Management

According to Lack (2013) cash flow is the cash inflows and cash outflows of a business within a specific period of time. The cash inflows include all the money coming into the
business form sales, payment from debtors, money received as loan from banks and money received from sale of assets that a business disposes off. Cash outflows is all the money being paid out by the business such as for materials, salaries and wages, rent, loan repayments to banks, creditors payment and other business expenses. Cash flow determines the success of the business since the business should be able to pay out expenses as they arise or are due. Failure to do this will result in a business being in a liquidity crisis whereby the organization has no working capital.

The cash flow cycle takes quite some time. Bensoussan (2009) defines a cash flow cycle as the stages between paying out for materials, labour & other production costs and the stage where money is received for the payment of goods and services from the consumers. Due to the fact that this cycle takes quite some time, leaders have to effectively find a way of operating without any challenges during production and before they get paid for their products. Effective leadership in this area will cause the organization to achieve excellent performance and achieve its objectives. This could be by arranging with the bank to be funded during moments of negative cash flow, delay some planned expenses, find ways of increasing income into the business or requesting customers to pay at an earlier date by for example offering them discounts for early payments (Fevurly, 2013).

2.3.4 Investment Appraisal

This refers to the careful strategic analysis of all the projects an organization wants to undertake through the use of several investment appraisal techniques (Bensoussan, 2009). Every leader must subject the upcoming projects of the organization to investment appraisal to ensure that the shareholders money is being invested wisely and not being wasted or being put to projects that will cause the shareholders to lose their money. Excellent performance of leaders will be based on their ability to judge on what to invest in and what not to. There are several investment appraisal techniques which include: Average rate of return which measures the annual profitability of an investment as a percentage of the initial investment, payback period which checks the length of time for the net annual cash inflows to pay back the original cost of investment in the project, net present value which measures today’s value of the estimated cash flows resulting from an investment and internal rate of return which gives the rate of discount that yields a net
present value of zero, the higher the internal rate of return, the more profitable the project will be (Stimpson and Farquharson, 2010).

Good projects chosen based on critical appraisal will greatly influence the success of an organization and will yield excellent performance. Leaders have to therefore subject all projects into critical analysis before they can be implemented (Luetge, 2014). When the organization does not have the capacity to do the appraisal internally, they can in that case source for the resources for appraisal externally through financial/ investment consultants.

2.3.5 Budgeting

This refers to the process of planning on the expected income and expected expenditure of an organization in a specific period of time (Bensoussan, 2009). This planning is aimed at ensuring that the organization will spend less than its income and is closely interconnected to cash flow management. For an organization to achieve excellent performance, the leaders of the organization must continuously budget in order to have a guide on their expenditure which is guided by the expected income as per the budget.

2.3.6 Breakeven Analysis

Effective leadership that translates into excellent performance of an organization must always conduct breakeven analysis. This refers to the process of evaluating the output at which the organization must operate in order not to make losses and to have their cost of production fully covered by the income that the organization receives from its sales (Stimpson and Farquharson, 2010). At Breakeven point, the total cost incurred in production is equal to the total revenue which means that the organization is neither making a profit nor a loss. Breakeven analysis helps the leaders know the level of output from which they start making profits (Cleland, 2013). This will also help the leaders on issues such as the best prices to charge their products based on their total costs and ways that they could reduce their costs inorder to enjoy economies of scale and increase their profitability which leads to a well performing organization.

2.3.7 Analysis of the Published Accounts

Leadership that leads to excellent performance of an organization involves the constant analysis and review of the published accounts of the organization such as the balance
This analysis and review helps leaders compare the past with the present and predict the future. Performance over the years is evaluated using published accounts hence leaders are able to forecast if the organization is performing as expected in achievement of organization objectives. This feedback helps take corrective measures if there is need and stay on the right course in terms of performance of the organization.

2.4 Relationship between Strategic Leadership and Productive Performance

According to Achua and Lussier (2013) Strategic leadership is a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. Decisions made by the leader in regard to the environment will affect how the organization performs and whether this provides competitive advantage over other organizations. In today’s rapidly changing global world, organizations that want to achieve extraordinary performance will have to place leaders with exceptional traits in leadership positions (Grimshaw and Baron, 2010). These leaders will be trusted with the mandate of ensuring that the organization applies strategies that lead it into its destination; the achievement of organization objectives. The internal factors refers to all issues that influence the organization from within such as the employees, organization culture while external factors refers to all issues that are from outside the business and which the leaders most of the time have no control of such as inflation, competition, political issues among others (Daft, 2011). A brilliant leader will be able to strategically respond to the environment with speed that ensures the organization is performing well.

2.4.1 Corporate Social Responsibility

Hermann (2008) cites that an organization has certain responsibilities and a duty to serve the society in general as well as to it’s stakeholders financially. Economic responsibility is the duty of managers and leaders as the agents of the company owners to maximize shareholders wealth. Legal responsibility is the duty of the firm to comply with government laws and regulations. Ethical responsibility involves the leaders engaging in right and proper business. Discretionary responsibility is voluntarily assumed by the business such as public relations and good citizenship (Keith, 2013).
Discretionary social responsibility is very crucial in the business world organizations operate in today because communities in which organizations operate in today want to feel that the businesses genuinely care about their wellbeing and are not just out to make profits without helping the community (Luetge, 2014). Leaders that desire to achieve high profitability and their objectives have to take in consideration factors such as paying school tuition fees for the less fortunate in the society, pay medical bills occasionally for the ailing, and create centers for the old and destitute. As these institutions do this, they are establishing bonds with the community and hence staying relevant in the minds of the community and consumers.

2.4.2 Going Green as per Global Trends

Businesses all over the world are going green and engaging in activities that are seen to be protecting the environment (Simonet and Tett, 2012). Any organization that does not do this is viewed as insensitive to the environment and so consumers will be hesitant to purchase its products. Therefore, leaders have to protect the environment by for example using bags that can be recycled for shopping, using chemicals that do not pollute the environment and making machines/ cars that do not cause air pollution. Leaders that are able to do this remain relevant and are appealing to the consumers and the world at large.

2.4.3 Analysis of the External Environment

This involves critical analysis of political, ecological, socio-economic, technological, economical, legal and competitive factors of the industry and their influence on the successful performance of an organization (Dess, Peng and Lei, 2013). Political stability makes trading favorable as peace prevails; ecological factors refer to issues of the preservation of the physical environment in which the organization operates. Socio-economic factor require the business to understand the culture of the community and be sensitive to the likes of the consumers while technological factors deal with issues of technological advancements and the influence this has on the operations of the organization. Economic factors require the business to consider inflation, trading government policies, pricing mechanisms among other factors while competitive factors involve the analysis of the competitors that are in the same industry as the organization and are offering similar products in order to create better strategies. Finally, the organization must follow the stipulated laws and regulations by the government.
According to Carter and Greer (2013) the ability of a leader to evaluate the external environment is very crucial for an organization and will determine whether the organization succeeds in achieving its goals or not. This involves high levels of strategic planning and the best strategic choices taken with the aim of achieving the stipulated organization goals.

### 2.4.4 Evaluation of Internal Environment

Achua and Lussier (2013) cite that the internal environment relates to planning, organizing, directing, staffing, controlling, restructuring and budgeting for organizations with the aim of attaining organization objectives. All these factors relate to the strategic management functions of the leaders and determine the successful performance of an organization. The resources of the organization have to be planned for such money, time and people on how they are going to help strategically in achieving the organization objectives and successful performance. Organizing, directing and staffing all relate to placing the right resources in the right place and give a sense of direction on the required actions to help achieve the organization objectives. Control is aimed at ensuring every action is progressing as planned towards achieving the objectives of the organization (Adair, 2010).

Restructuring and reengineering deals with organizing systems in a way that ensures that there are no wastages in the business and that resources are being effectively and efficiently utilized. Finally, budgeting in the process of planning on expected income and expenditure within a specified period of time. Good leadership should consider all factors that will influence the successful performance of the organization with the aim of providing strategic direction on each of the factor to ensure proper utilization of the organization resources, (Simonet and Tett 2012).

### 2.4.5 Control, Innovation and Entrepreneurship

Innovation and entrepreneurship refers to the continuous creativity by leaders and their ability to come up with new ideas/strategies that help the organization achieve competitive advantage over other firms in the same industry. Strategic control is a leadership effort to track a strategy as it is implemented, detect changes and make necessary adjustments. In this case, strategic leadership would be offered to ensure that
strategies adopted in regards to achieving the innovations by the leaders are controlled and achieving their intended purpose for the success of the organization (Northouse, 2009). The ability to follow up in terms of strategic control is very crucial for the organization since firms have to continuously innovate inorder to match the diverse continuously changing consumer likes.

2.4.6 Business Strategy

This refers to the course of action that a business takes to achieve it’s objectives after evaluating and considering all possible factors. This strategy is based on the vision and mission (Dess, Peng and Lei, 2013). It involves evaluating the internal and external environment and choosing the best option out of all the strategic choices available and thereafter finding the best strategy to implement the choice effectively. This is geared at ensuring the organization performance exceptionally well. Possible business strategies would include low cost leadership whereby the firm is able to incur low costs in its production and is hence able to provide better pricing than its competitors. This in turn attracts more consumers, hence higher sales turnover. The leader could choose product differentiation whereby the organization provides a very unique product which also leads to higher sales. The business would also focus on a certain market which involves niche markets whereby the business can charge high prices; price skimming (Hermann, 2008).

The leaders could also engage in major strategies such as acquisition of other firms in the industry to reduce competition such as mergers, conglomerates, integration among others (Adair, 2010). This is all aimed at a course of action that enhances the achievement of the organization objectives. Whichever the business strategy the leaders of an organization choose, it must be aimed at helping the organization have success in its performance and achieve the organization objectives (Carter and Greer, 2013).

2.4.7 Response to Crises and Change Management

According to Achua and Lussier (2013) crisis is an event that threatens the viability of an organization and requires decisions to be taken quickly. Crises come in many forms such as natural disasters, terrorist attacks, product failures, human error disasters, unexpected death of for example the Chief executive officer and system failures. Strategic leadership involves quickly resolving crises as they arise to mitigate any possible negative
occurrences that would be detrimental to the success of the organization if the issue is not quickly addressed (Sellnow, 2011). Strategic leadership will address each issue as it arises. In case of the death of the chief executive officer, the leader should strategically have succession planning and leadership development to create a long term process for managing talent pool. Natural disasters and terrorists attacks are also unexpected and would be managed by for example taking up insurance covers which are available in the current market though quite expensive.

Product failures and human disaster errors would be mitigated by planning and put in place proper mechanisms that will prevent this even before it happens (Burtis, 2010). Effective crises leadership requires a plan that is comprehensive with clear leadership, team and individual assignments in the form of roles and responsibilities. It must be upgraded frequently and supported by training and periodic drill sessions and finally coordinated across levels and units of the organization (Daft, 2011). An organization without a strategy that incorporates crisis planning is at high risk and exposed to failure due to unexpected crisis. Strategic leadership will involve the leader conducting SWOT (strengths, weaknesses, opportunity and threats) analysis that will help analyse the possible outcomes and hence help in plan. Crises management must be integrated with strategic management and leadership as a regular process for the successful performance of the organization (Dess, Peng and Lei, 2013).

Change management is involves helping employees transition from their norm routines to a new way of working (Achua and Lussier, 2013). Most people are rigid when it comes to change and hence employees would need to be properly prepared for the changes inorder to mitigate any form of resistance. Changes occurring include change of consumer preferences, technological advancements and environmental changes among other changes. Both crises and changes in an organization need to be communicated effectively and handled strategically by a leader to ensure that the organization achieves its objectives successfully (Luetge, 2014).
2.5 Chapter Summary

Literature review in this chapter has been done on the role of leadership on organization performance and has addressed the scope of leadership and leadership traits, the role of leadership on the performance by employees, the role of leadership on the financial performance of an organization and the influence of leadership on the business environment decisions taken, strategic leadership and their role on organization performance. The next chapter will be chapter three which will address research methodology. This will explore the best methodology the research will adopt to achieve the research objectives.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter will deal with the design and methodology of the study. It will deal with the following sections: Research Design, Population and Sampling Design, Data Collection Methods, Research Procedures and Data Analysis Methods.

3.2 Research Design

According to Saunders, Lewis and Thornhill (2012), Research Design refers to a framework for the collection and analysis of data to answer research question and meet research objectives providing reasoned justification for choice of data resources, collection methods and analysis techniques. This study will use descriptive research design utilizing both qualitative and quantitative approaches. The descriptive research design has been selected because of its ability to help determine relationships between variables as well as describe the characteristic of a phenomena. This approach also seeks to establish the degree to which underlying factors exist in a given situation. The approach describes the characteristics of a phenomena by explaining who, what, when, where and how. Descriptive research has three main objectives which have made it the most appropriate research design for this research which are: helps discover whether a relationship exists between variables, helps determine the frequency of occurrence and finally describes the state of a variable (Cooper and Schindler 2013). In this study, descriptive research will be used to review the role of leadership on organization performance. The research technique to be used is survey with tools such as interviews and questionnaires being used. The dependent variable is organization performance while the independent variable is leadership.

3.3 Population and Sampling Design

3.3.1 Population

According to Saunders, Lewis and Thornhill (2012), population is the complete set of cases or group members. The population for this study will be leaders in organizations that are listed in the Kenya Top one Hundred Mid-sized Companies (2013).The
qualitative information collected will involve the common leadership traits notable in the leaders of the selected successful organizations as well as the scope of leadership, issues of employee performance in the selected organizations, review of the financial performance, analyzing the environment in which the organizations have operated and finally evaluation of the strategic decisions that have been taken by the leaders that led to successful performance of those organizations. The main characteristic of the population will be that the leaders selected for the study are from organizations that have been ranked among the best performing top one hundred mid-sized companies in Kenya.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling frame is the complete list of all the cases in the population from which a probability sample is drawn (Cooper and Schindler 2013). The sampling frame for this study will be leaders selected from the list of Kenya Top One hundred Mid-sized Companies which ranks the best performing organizations wholistically in Kenya. The list of these companies is obtained from Kenya Top 100 Mid-sized Companies (2013) which is done by KPMG Kenya and Nation media group. This will be used to conduct a critical review on the role leadership on performance of an organization. The population is not homogenous in that there are different companies in this list of companies that are trading in different sectors. The commonly appearing sectors will be used as a basis for ranking the population as shown in the below table.

Table 3.1: Population Size Distribution

<table>
<thead>
<tr>
<th>Companies</th>
<th>Population Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and Travel Sector</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Insurance Sector</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Pharmaceutical Companies</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Energy Solutions and Other Sectors</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Technological-Linked Businesses</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Kenya Top 100 Mid-sized Companies (2013).
3.3.2.2 Sampling Technique

This refers to the methods used in drawing samples from a population in a way that the sample selected will help determine a stated hypothesis in regards to the population as stated by Cooper and Schindler (2013). For this study, stratified random sampling technique will be used. Stratified random sampling refers to a technique which divides the population into two or more relevant stratas based on one or a number of attributes (Saunders, Lewis and Thornhill, 2012). This is because the companies that are listed in the Kenya Top One Hundred companies are in different sectors such as the transport industry, insurance and pharmaceutical industry among others and hence those are different stratas which in some aspects are not homogenous. Stratified random sampling technique has been chosen due to the fact that it is accurate, easily accessible, divisible into relevant stratas, is very reliable for face to face interactions and offers better comparison and hence representation among across strata.

3.3.2.3 Sample Size

This refers to a sub-group or part of a larger population which is studied as a representation of the whole population. The sample size will be determined using formulae as provided by Yamane’s formula (Israel, 2002).

\[ n = \frac{N}{1+N \cdot (E \text{ squared})} \]

The population (N) is 100 which is the Kenya Top One Hundred Medium-sized Companies. The estimate error in this sample is 10% hence, \( E=0.1 \)

Using this formula,

\[ n=100/(1+100(0.1) \text{ squared}) \]

Thus, the sample size is 50 companies of the Kenya Top One Hundred Mid-sized Companies (2013).
Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Companies</th>
<th>Total Population</th>
<th>Percentage</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and Travel Sector</td>
<td>15</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Insurance Sector</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Pharmaceutical Companies</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Energy Solutions and Other Sectors</td>
<td>64</td>
<td>64</td>
<td>32</td>
</tr>
<tr>
<td>Technological Linked Businesses</td>
<td>14</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100 Companies</strong></td>
<td><strong>100</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Primary data will be used for this study to achieve the stipulated objectives. Primary data refers to data collected specifically for research project being undertaken (Cooper and Schindler, 2013). The tool to be used for this study is a questionnaire which will facilitate information collection and documentation as interviews are conducted on the selected respondents. The advantages of using questionnaires are that they help identify and describe the variability in different phenomena, if worded properly, questionnaires normally require less skill and sensitivity to undertake, they can be administered over the phone or sent via email and finally, they provide documented evidence of the research findings hence the choice to use them.

As questionnaires are administered, interviews will also be conducted for collection of any possible extra information. Interviews involve purposeful conversation between two or more people and their advantages include the ability to provide firsthand information directly from the source, they create room for clarifications to be made just in case the interviewee does not understand a concept and are also easy to conduct (Saunders, Lewis and Thornhill, 2012).

Interview guides will be used for this. Both open ended and closed ended questions will be used. The open ended questions allow respondents to give answers in their own way while closed ended questions provide a number of alternative answers from which the respondent is instructed to choose from (Cooper and Schindler, 2013).
the questionnaire will be as follows: Section A: General Information/ Demographic Data, Section B, C, D and E: Research Questions Data and Section F: General Organization Performance Questions/ Data.

3.5 Research Procedures

A pilot study will be conducted. This involves a pre-test of the questionnaire well in advance before the main research is conducted. The aim of this is to help refine the questionnaire so that the respondents during the main research will not have problems in recording of data (Saunders, Lewis and Thornhill, 2012). The questionnaire pre-test will be administered to peers, subject experts and a group of leaders who will not be considered for the main research due to the fact that they are not in the list of the Kenya Top One Hundred Mid-sized Companies (2013). This pre-test questionnaire will thereafter be discarded.

After the pilot test of the questionnaire, analysis will be undertaken to check each completed questionnaire to ensure that respondents had no problems understanding or answering the questions and that all the instructions were correctly followed. Problem areas will be identified on the questionnaires based on the pre-test and thereafter amendments made to ensure that the final questionnaire will be very clear. The techniques used to administer the questionnaires will be book an appointment in advance so that to facilitate dropping the questionnaires and waiting for it to be filled out. This will be aimed at ensuring there is 100% response rate from the selected respondents.

3.6 Data Analysis Methods

This study will involve both qualitative and quantitative methods of data collection. Quantitative analysis will be done through editing and coding of filled questionnaires, data entry then cleaning of the data and finally analysis through the use of Statistical Package for Social Sciences (SPSS). Before the final analysis is done using the Statistical Package for Social Sciences, excel will also be used to record data as it is collected. Qualitative data will be recorded using English as collected from the respondents. The data analysis techniques to be used will be descriptive and inferential techniques. Descriptive statistics is used to display characteristics of the location, spread and shape of an array of data. The main possible descriptive statistics to be used for this study include
measures of central tendency and measures of dispersion. Inferential statistics includes the estimation of population values and draw conclusions from data collected for the research. The possible inferential statistics to be used are linear regression, kie square and the T test (Cooper and Schindler, 2013). Data will be presented using both tables and figures to present the findings of the research.

3.7 Chapter Summary

This chapter highlights the research methodology to be used to get information on the critical review of the role of leadership on organization performance. Section 3.2 will cover the Research Design, section 3.3 will look at Population and Sampling Design, section 3.4 will look at Data Collection Methods, section 3.5 will tackle Research Procedures and finally section 3.6 will cover Data Analysis Methods. The Chapter thereafter will be Chapter Four which will cover Results and Findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The first section presents the background information with regards to the respondents. The second section covers the influence of leadership on the productive performance of employees. The third section looks at the role of leadership on the financial performance aspect of an organization and the final section was on the relation between strategic leadership and productive performance of an organization. A total of 47 questionnaires were returned, which indicates 94% response rate. According to Nachmias and Nachmias (2004) survey researches face a challenge of low response rate that rarely goes above 50%. Accordingly they suggest that a response rate of 50% and above is satisfactory and presents a good basis for data analysis. Further, Mangione (1995) provided the following classification of response rate: over 85% excellent, 70% - 85% very good and 60%-70% acceptable and below 50% not acceptable. The current study therefore falls under the excellent range as it attained 94% response rate. Cronbach Alpha was used to test reliability of the instrument and the cutoff point of 0.7 was considered.

4.2 Reliability and Validity Test
A pilot test was done on five companies to ensure that respondents would be comfortably able to answer the questions during the research.

4.3 Demographic Information
This section presents the background information with regards to the respondents’ age gender, and level of education. These aspects were put into consideration because of the meaningful contribution they offer to the study.

4.3.1 Gender of the Respondents
Table 4.1 provides a summary of the respondents who were engaged in the survey on the basis of their gender. The results of the study show that 53 percent of the total respondents were of the male gender, while the remaining 47 percent were of the female gender. This finding affirms that the study was not gender biased. This implies that
gender is not a relevant factor in influencing inclusion in decision making in organizations. This however is bound to change with time in the Kenyan context with the passing of the new constitution that emphasises on the 1/3 representation of either gender in all institutions.

### Table 4.1: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender of the Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>25</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
</tr>
</tbody>
</table>

#### 4.3.2 Age of the Respondents

The study findings show that 26 percent of the respondents were below 40 years, 34 percent of the respondents between 31-40 years, 34 percent of the respondents between 41-50 years and none of the respondents above 50 years. This is an indication that majority of the respondents were not young and therefore they have been well equipped with the relevant experience emanating from their age, and thus well placed to take charge of leadership positions in the organizations.

### Table 4.2: Age of the Respondents

<table>
<thead>
<tr>
<th>Age of the Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Below 30 years</td>
<td>12</td>
</tr>
<tr>
<td>31-40 years</td>
<td>19</td>
</tr>
<tr>
<td>41-50 years</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
</tr>
</tbody>
</table>

#### 4.3.3 Number of Years in Leadership Position

When asked to indicate whether the years of in leadership position in an organization was an important attribute of an employee, the results as depicted in table 4.3. As seen in the table majority of the respondents have more than 10 years in leadership positions,
followed by 30 percent with 6-10 years, 12 percent with 3-5 years and finally 14 percent with less than 2 years.

**Table 4.3: Number of Years**

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 2 Years</td>
<td>7</td>
</tr>
<tr>
<td>3-5 years</td>
<td>6</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>14</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>

### 4.4 The Role of Leadership on Employee Performance

The first objective of the study was to establish the role of leadership on employee performance. The following subsection presents a summary of the findings in this regard.

#### 4.4.1 Leadership need to Create Strategies for Employee Motivation

The results of the study findings indicate that 34 percent of the respondents strongly agree, 39 agree, 7 percent strongly disagree, 8 percent disagree, while 12 percent are neutral that organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully in order to unleash their potential.

![Figure 4.1: Leadership need to Create Strategies for Employee Motivation](image-url)
4.4.2 Responsible and Committed Employees

The results of the study findings indicate that 41 percent of the respondents strongly agree, 31 agree, 9 percent strongly disagree, 9 percent disagree, while 10 percent are uncertain that responsible and committed employees contribute greatly to attainment of the organization objectives.

Figure 4.2: Responsible and Committed Employees

4.4.3 Talent Identification

The results of the study findings indicate that 35 percent of the respondents strongly agree, 35 agree, 10 percent strongly disagree, 12 percent disagree, while 8 percent are uncertain that leadership need to identify the talent of each employee by leaders is crucial for the success of an organization.

Figure 4.3: Talent Identification
4.4.4 Employee Placement

The results of the study findings as seen in figure 4.4, indicate that 51 percent of the respondents strongly agree, 28 agree, 10 percent strongly disagree, 7 percent disagree, while 4 percent are uncertain that leaders have to place employees in departments that are related with the employee’s talent for maximum employee productivity.

![Figure 4.4: Employee Placement](image)

4.4.5 Equal Treatment of Employees

Figure 4.5, presents a summary of the findings with regards to efficiency and effectiveness of E-learning platform. The results of the study findings indicate that 51 percent of the respondents strongly agree, 32 agree, 9 percent strongly disagree, 6 percent disagree, while 2 percent are uncertain that all employees must be treated equally and with fairness in order for an organization to become successful. This culture must be created by the organization leaders.

![Figure 4.5: Equal Treatment of Employees](image)
4.4.6 Employee Remuneration

As seen in figure 4.6, it is evident that 54 percent of the respondents strongly agree, 36 agree, 4 percent strongly disagree, 3 percent disagree, while 3 percent are uncertain that indeed all employees should be remunerated, promoted, assigned duties and responsibilities based on their capability not equality based for effective leadership to result in organization success.

![Employee Remuneration Pie Chart]

Figure 4.6: Employee Remuneration

4.4.7 Employee Recognition

The results of the study as seen in the figure 4.7, reveals that indeed 41 percent of the respondents strongly agree, 39 percent agree, 5 percent strongly disagree, 9 percent disagree, while 6 percent are uncertain that recognition of employees’ excellent performance by leaders causes increased productivity in an organization.

![Employee Recognition Bar Chart]

Figure 4.7: Employee Recognition
4.4.8 Employee Training

As seen in the figure 4.8, the results of the study findings indicate that 52 percent of the respondents strongly agree, 31 agree, 10 percent strongly disagree, 4 percent disagree, while 3 percent are uncertain that indeed employee training, development and mentoring if encouraged by leaders are great contributors to organization success.

![Employee Training](image)

Figure 4.8: Employee Training

4.4.9 Leadership and Employee Performance

As seen in table 4.4 there is a positive significant relationship between leadership and employee performance.

Table 4.4: Leadership and Employee Performance

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Employee Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Variable</strong></td>
<td>Coefficient</td>
</tr>
<tr>
<td>Leadership</td>
<td>5.33*</td>
</tr>
<tr>
<td>Constant</td>
<td>1.894</td>
</tr>
<tr>
<td><strong>Pseudo R²</strong></td>
<td></td>
</tr>
<tr>
<td><strong>LR chi²(10)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sample Size</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Imply significance at 1 percent level while ** imply significance at 5 percent level.

4.5 Leadership and Financial Performance

The second objective of the study was to investigate the relationship between leadership and financial performance. The following subsection presents a summary of the findings with regards to the objective of the study. In Table 4.5 a list of the key leadership
attributes that are useful in influencing financial performance are shown with the relative mean value of importance as well as the standard deviation, F, and Sig.

The study revealed that indeed Leaders must ensure high asset base for organization success. Proper cashflow planning by leaders contributes greatly to the success of an organization. Brilliant leaders have a tendency to ensure cash inflows are greater than cash outflows. Leaders ensure accurate investment appraisals for projects. Budgeting is a crucial area in order for an organization to succeed. The success of an organization depends on it’s ability to critically conduct breakeven analysis. Finally, the study revealed that leaders must constantly analyse the published accounts.

Table 4.5: Leadership and Financial Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders must ensure high asset base for organization success.</td>
<td>50%</td>
<td>41%</td>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>4.13</td>
<td>1.113</td>
<td>55.9</td>
<td>0.000</td>
</tr>
<tr>
<td>Proper cashflow planning by leaders contributes greatly to the success of</td>
<td>55%</td>
<td>28%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>3.88</td>
<td>1.119</td>
<td>59.5</td>
<td>0.000</td>
</tr>
<tr>
<td>an organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brilliant leaders have a tendency to ensure cash inflows are greater than</td>
<td>55%</td>
<td>38%</td>
<td>7%</td>
<td>0</td>
<td>0</td>
<td>3.09</td>
<td>1.234</td>
<td>45.4</td>
<td>0.005</td>
</tr>
<tr>
<td>cash outflows.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaders ensure accurate investment appraisals for projects</td>
<td>65%</td>
<td>34%</td>
<td>3.0</td>
<td>0</td>
<td>0</td>
<td>3.97</td>
<td>1.143</td>
<td>45.98</td>
<td>0.000</td>
</tr>
<tr>
<td>Budgeting is a crucial area in order for an organization to succeed.</td>
<td>52%</td>
<td>39%</td>
<td>1%</td>
<td>2%</td>
<td>7%</td>
<td>4.43</td>
<td>1.226</td>
<td>64.22</td>
<td>0.000</td>
</tr>
<tr>
<td>The success of an organization depends on it’s ability to critically</td>
<td>50%</td>
<td>53%</td>
<td>7%</td>
<td>0</td>
<td>0</td>
<td>4.21</td>
<td>1.307</td>
<td>50.54</td>
<td>0.005</td>
</tr>
<tr>
<td>conduct breakeven analysis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaders must constantly analyse the published accounts.</td>
<td>47%</td>
<td>44%</td>
<td>10%</td>
<td>3%</td>
<td>0</td>
<td>4.27</td>
<td>1.205</td>
<td>55.9</td>
<td>0.000</td>
</tr>
</tbody>
</table>

4.5.1 Relationship between Leadership and Financial Performance

As seen in table 4.6 there is a positive significant relationship between leadership and financial performance.
Table 4.6: Leadership and Financial Performance

| Dependent Variable | Coefficient | Z    | P>|z|  | [95 percent Conf. Interval ] |
|--------------------|-------------|------|------|-----------------------------|
| Leadership         | 4.97*       | 2.561| 0.000| 3.761                       |
| Constant           | 1.006       | 2.35 | 0.005| 3.980                       |

Pseudo R² 0.335

LR chi²(10) 66.90

Sample Size 47

* Imply significance at 1 percent level while ** imply significance at 5 percent level.

4.6 Strategic Leadership on Organizational Performance

The third and final objective of the study was to establish the influence of strategic leadership on organization performance. This sub section is a representation of the findings in this regard.

4.6.1 Strategic Leadership and Future of the Organization

As seen in the figure 4.9, it is evident that 47 percent of the respondents strongly agree, 33 agree, 8 percent strongly disagree, 8 percent disagree, while 4 percent are uncertain that Strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization.

Figure 4.9: Strategic Leadership and Future of the Organization
4.6.2 Strategic Leadership and Corporate Social Responsibility

In order to analyze how strategic leadership engages in corporate social responsibility, Figure 4.10 shows that 55 percent of the respondents strongly agree, 33 percent agree, 6 percent strongly disagree, 4 percent disagree, while 2 percent are uncertain that successful organizations leaders have formed a culture of engaging in Corporate Social Responsibility.

Figure 4.10: Strategic Leadership and Corporate Social Responsibility

4.6.3 Strategic Leadership and the Environment

Figure 4.11 shows that 57 percent of the respondents strongly agree, 27 percent agree, 6 percent strongly disagree, 6 percent disagree, while 4 percent are uncertain that going “green” is the new trend which all business must take into consideration as they conduct business in order to succeed.

Figure 4.11: Strategic Leadership and the Environment
4.6.4 Strategic Leadership and Environmental Analysis

Figure 4.12 presents a summary of findings with regards to how respondents regard analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives. As shown in the figure 4.12, 51 percent of the respondents strongly agree, 41 percent agree, 3 percent strongly disagree, 2 percent disagree, while 3 percent are uncertain that indeed analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives.

![Figure 4.12: Strategic Leadership and Environmental Analysis](image)

4.6.5 Leadership Control and Innovation

Figure 4.13 presents a summary of findings with regards to how respondents regard the leadership control and innovation. As shown in the figure 54 percent of the respondents strongly agree, 38 percent agree, 2 percent strongly disagree, 2 percent disagree, while 4 percent are uncertain that leaders should focus on control, innovation and entrepreneurship if they want to achieve extraordinary organization performance.

![Figure 4.13: Leadership Control and Innovation](image)
4.6.6 Relationship between Strategic Leadership and Organization Performance

As seen in table 4.7 there is a positive significant relationship between leadership and financial performance.

Table 4.7: Leadership and Financial Performance

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Employee Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Variable</strong></td>
<td>Coefficient</td>
</tr>
<tr>
<td>Leadership</td>
<td>5.34*</td>
</tr>
<tr>
<td>Constant</td>
<td>2.08</td>
</tr>
<tr>
<td>Pseudo R²</td>
<td></td>
</tr>
<tr>
<td>LR chi²(10)</td>
<td></td>
</tr>
<tr>
<td>Sample Size</td>
<td></td>
</tr>
</tbody>
</table>

*Imply significance at 1 percent level while ** imply significance at 5 percent level.

4.7 Chapter Summary

In this chapter, results and findings based on the specific objectives have been presented in form of pie charts, tables and figures as well as graphs. Chapter five provides a detailed discussion of the results and findings. The following section provides conclusions as well as recommendations. Thereafter recommendations for improvement on each specific objective will be provided followed by recommendations for further studies.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is made up of four sections, this includes the chapter summary, discussion, conclusions, and recommendations respectively. The first section provides a summary of the study, while section two presents a discussion of the major findings of the study. The third Section offers a discussion as well as the conclusions based on the specific objectives, and finally the last sub-section provides the recommendations for improvement which are indeed based on the specific objectives.

5.2 Summary

To general objective of this study was to review the role of leadership on the productive performance of an organization. The study was guided by the following research objectives: to evaluate the influence of leadership on the productive performance of employees and the effect of this on organization performance, to understand the role of leadership on the financial performance aspect of an organization and to evaluate the relation between strategic leadership and productive performance of an organization.

The total population for this study comprised of top 100 mid-sized companies in Kenya. The population comprised of only those companies who were registered and operational at the time that the study was carried out. The study adopted a descriptive research design. This design was appropriate for this study because it necessitated collection, organization and summarizing data from a sample for conclusions. Stratified sampling was used to select a sample of 50 companies out which 47 responded. The data analysis involved measures of central tendency and frequencies as well as regression analysis. The data was presented by bar graphs, pie charts and frequency tables and regression tables as well.

The study revealed that leadership has an influence on the productive performance of employees and the effect of this on organization performance. Additionally it was established that that organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully in order to unleash their potential. Also it was established that responsible and committed employees
contribute greatly to attainment of the organization objectives. Similarly, talent of each employee by leaders, employee training as well as employee recognition was seen to be crucial for the success of an organization. Finally it was revealed that that all employees must be treated equally and with fairness in order for an organization to become successful.

The study further revealed that leadership plays a crucial role on the financial performance aspect of an organization. It was also revealed that indeed leaders must ensure high asset base for organization success. Proper cash flow planning by leaders contributes greatly to the success of an organization. Brilliant leaders have a tendency to ensure cash inflows are greater than cash outflows. Leaders ensure accurate investment appraisals for projects. Budgeting is a crucial area in order for an organization to succeed. The success of an organization depends on their ability to critically conduct breakeven analysis.

Finally the study revealed that there exists a positive significant relationship between strategic leadership and productive performance of an organization. It was further revealed that strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. Also the analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives. In the same regard, leaders should focus on control, innovation and entrepreneurship if they want to achieve extraordinary organization performance.

5.3 Discussion

5.3.1 Leadership and Employee Performance

The study revealed that leadership has an influence on the productive performance of employees and the effect of this on organization performance. Additionally it was established that that organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully in order to unleash their potential. This means that the organization which critically understand its employees and create strategies that ensure that the employees are motivated fully in order to unleash their fully potential are likely to experience highest possible performance of the
organization as the employees become responsible and committed to the organization objectives fully.

Also it was established that responsible and committed employees contribute greatly to attainment of the organization objectives. Similarly, talent of each employee by leaders, employee training as well as employee recognition was seen to be crucial for the success of an organization. The study affirms, that indeed some individuals are extremely talented in certain areas while weak in others. It is therefore the responsibility of the leaders to identify areas that the employees are good at and nurture it in order to unleash the potential of the employees fully. An employee could be exceptional good in the area of coming up with brilliant ideas. It is therefore the duty of those in leadership to place such an employee in sections of the business that involve decision making and not in a section that only involves dealing with paper work only. This will make the employee thrive and as this happens, the effect comes down to the performance of the organization (Carter & Greer, 2013).

Finally it was revealed that that all employees must be treated equally and with fairness in order for an organization to become successful. These findings provide an indication that competent employees are very crucial to the success in performance for every organization. Effective leadership involves treating each employee as equal in the organization in terms of remuneration, promotions, assigning of duties and responsibilities is concerned. In most organizations, if there is a slight evidence of favoritism whereby some employees are viewed as better than others by the leaders, other employees will start feeling left out and this will have a direct impact on the way they conduct their duties in the organization. The findings also agree largely with Hodgkinson (2010), who argues that if employees are not treated with fairness then they are likely to be demotivated and thus become indifferent to the wellbeing of the organization and hence will not go the extra mile to ensure the organization succeed.

Finally the findings on employee rewards provide an indication of how well motivated workers lead to high productivity, increased output and finally higher increased profits for the business unlike unhappy workers who have low motivation. The leadership of an organization have to implement a good remuneration system in the organization which
creates a balance between well paid employees and good profitability for the shareholders at the same time such that the employees get a good salary according to the market standards while at the same time the shareholders are able to reap a good return on their investment after the salary expenses have been deducted (Hermann, 2008).

In the same regard, the findings agree with Covey (2009), who stated that low paid employees will work with a defeated mentality whereby they feel like they are working so hard for the organization which does not care about their well-being. Such a mentality will create a bad work culture by the employees whereby they will not be bothered to go any extra mile to work hard for the benefit of the organization they work for.

5.3.2 Leadership and Financial Performance

The study further revealed that leadership plays a crucial role on the financial performance aspect of an organization. It was also revealed that indeed leaders must ensure high asset base for organization success. These findings agree with Keith (2013), who argues that effective leadership of an organization is evident when the net assets (working capital) of the organization is equal to the capital employed which comprises of the shareholder’s funds and the long term liabilities. This means that the leaders are being prudent in how they lead in terms of the financial aspect of the organization. An organization that has more liabilities than its assets would be a sign that the business has borrowed more than it owns and if there is a crisis, they will end up losing all the assets they had used as collateral for their liabilities. Every decision made by the leader in regards to the assets and liabilities of the organization must not pose any threat to the shareholders’ investment into the business. Hence, good financial performance is a reflection of effective leadership (Cleland, 2013).

The study also revealed that proper cash flow planning by leaders contributes greatly to the success of an organization. Brilliant leaders have a tendency to ensure cash inflows are greater than cash outflows. The findings affirm that since cycle takes quite some time, leaders have to effectively find a way of operating without any challenges during production and before they get paid for their products. Effective leadership in this area will cause the organization to achieve excellent performance and achieve its objectives. This could be by arranging with the bank to be funded during moments of negative cash flow, delay some planned expenses, find ways of increasing income into the business or
requesting customers to pay at an earlier date by for example offering them discounts for early payments (Fevurly, 2013).

Leaders ensure accurate investment appraisals for projects. Budgeting is a crucial area in order for an organization to succeed. Every leader must subject the upcoming projects of the organization to investment appraisal to ensure that the shareholders money is being invested wisely and not being wasted or being put to projects that will cause the shareholders to lose their money. Excellent performance of leaders will be based on their ability to judge on what to invest in and what not to.

The success of an organization depends on their ability to critically conduct breakeven analysis. Effective leadership that translates into excellent performance of an organization must always conduct breakeven analysis. This refers to the process of evaluating the output at which the organization must operate inorder not to make losses and to have their cost of production fully covered by the income that the organization receives from its sales (Stimpson and Farquharson, 2010). At Breakeven point, the total cost incurred in production is equal to the total revenue which means that the organization is neither making a profit nor a loss. Breakeven analysis helps the leaders know the level of output from which they start making profits (Cleland, 2013). This will also help the leaders on issues such as the best prices to charge their products based on their total costs and ways that they could reduce their costs inorder to enjoy economies of scale and increase their profitability which leads to a well performing organization.

The findings affirm that indeed a leadership that leads to excellent performance of an organization involves the constant analysis and review of the published accounts of the organization such as the balance sheet, trading profit and loss account, cash flow statements among others (Bensoussan, 2009). This analysis and review helps leaders compare the past with the present and predict the future. Performance over the years is evaluated using published accounts hence leaders are able to forecast if the organization is performing as expected in achievement of organization objectives. This feedback helps take corrective measures if there is need and stay on the right course in terms of performance of the organization.
5.3.3 Leadership and Productive Performance

Finally the study revealed that there exists a positive significant relationship between strategic leadership and productive performance of an organization. It was further revealed that strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. The findings are in agreement with Achua and Lussier (2013) who argues that strategic leadership is a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. Decisions made by the leader in regard to the environment will affect how the organization performs and whether this provides competitive advantage over other organizations. In today’s rapidly changing global world, organizations that want to achieve extraordinary performance will have to place leaders with exceptional traits in leadership positions (Grimshaw and Baron, 2010).

The study also revealed that the analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives. According to Carter and Greer (2013) the ability of a leader to evaluate the external environment is very crucial for an organization and will determine whether the organization succeeds in achieving its goals or not. This involves high levels of strategic planning and the best strategic choices taken with the aim of achieving the stipulated organization goals. In the same regard the study revealed that leaders should focus on control, innovation and entrepreneurship if they want to achieve extraordinary organization performance. Achua and Lussier (2013) crisis is an event that threatens the viability of an organization and requires decisions to be taken quickly. Crises come in many forms such as natural disasters, terrorist attacks, product failures, human error disasters, unexpected death of for example the Chief executive officer and system failures. Strategic leadership involves quickly resolving crises as they arise to mitigate any possible negative occurrences that would be detrimental to the success of the organization if the issue is not quickly addressed (Sellnow, 2011). Strategic leadership will address each issue as it arises. In case of the death of the chief executive officer, the leader should strategically have succession planning and leadership development to create a long term process for managing talent pool. Natural disasters and terrorists attacks are also unexpected and
would be managed by for example taking up insurance covers which are available in the current market though quite expensive.

Additionally the study findings affirm that possible business strategies would include low cost leadership whereby the firm is able to incur low costs in its production and is hence able to provide better pricing than its competitors. This in turn attracts more consumers hence higher sales turnover. The leader could choose product differentiation whereby the organization provides a very unique product which also leads to higher sales. The business would also focus on a certain market which involves niche markets whereby the business can charge high prices; price skimming (Hermann, 2008).

5.4 Conclusions

5.4.1 Leadership and Employee Performance

The study findings lead to a conclusion that leadership has an influence on the productive performance of employees and the effect of this on organization performance. Additionally it can be concluded that that organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully in order to unleash their potential. Also the study concluded that responsible and committed employees contribute greatly to attainment of the organization objectives. Similarly, talent of each employee by leaders, employee training as well as employee recognition was seen to be crucial for the success of an organization. Finally it can be concluded that that all employees must be treated equally and with fairness in order for an organization to become successful.

5.4.2 Leadership and Financial Performance

The study concludes that leadership plays a crucial role on the financial performance aspect of an organization. It was also concluded that indeed leaders must ensure high asset base for organization success. Proper cash flow planning by leaders contributes greatly to the success of an organization. Brilliant leaders have a tendency to ensure cash inflows are greater than cash outflows. Leaders ensure accurate investment appraisals for projects. Budgeting is a crucial area in order for an organization to succeed. Finally the
study concludes that the success of an organization depends on their ability to critically conduct breakeven analysis.

5.4.3 Strategic Leadership and Productive Performance

Finally the study concludes that there exists a positive significant relationship between strategic leadership and productive performance of an organization. It can be further concluded that strategic leadership involves a leader’s ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization. Also the study concluded that the analysis of both the internal and external environment by the leaders causes tremendous success in achieving organization objectives. In the same regard, leaders should focus on control, innovation and entrepreneurship if they want to achieve extraordinary organization performance.

5.5 Recommendations

5.5.1 Recommendations for Further Studies

5.5.1.1 Leadership and Employee Performance

The study recommends that organization should ensure that should continue motivating employee by using both non-monetary, and monetary rewards to motivate employees, as this will satisfy their needs since it is necessary for basic physiological needs such as food, clothing and shelter, which must be satisfied before other needs can be satisfied with a non-monetary reward scheme. Additionally the study recommends the need for employee training and development so as to enhance employee motivation and commitments and thus improved employee performance.

5.5.1.2 Leadership and Financial Performance

The study recommends that organization leaders need to be prudent in terms of financial management by putting in place measures and policies that will go a long way in not only improving the financial position of the organization but as well enhance organization performance.
5.5.1.3 Strategic Leadership and Productive Performance

The study recommends for conceptualization of strategic leadership, which will go a long way in creating an environment that will enhance strategy execution in a manner that will boost the productive performance of an organization. Additionally there is need to involve all members of the organization in the strategic process so as to ensure that the strategy is all inclusive.

5.5.2 Recommendations for Further Studies

Based on the research findings it is recommended that additional studies be conducted on the relationship between leadership and organization performance among top 100 mid-sized companies. First of all the study recommends further studies on the aspect of employees having similar ages and being within the same income bracket and in the same cycle phase. Secondly the study recommends for a longitudinal study over a longer period of time the present study only looked at top 100 midsized companies in the year of the study, a scenario which might change the following years.
REFERENCE


APPENDICES

APPENDIX 1: INTRODUCTORY LETTER

Dear Sir/Madam,

RE: RESEARCH STUDY

My name is Ms Mercy W. Njeru. I am a student at United States International University pursuing a degree of Masters in Business Administration (MBA) my concentration being Strategic Management. As partial fulfillment for my degree, I am conducting research on The Role of Leadership on Organization Performance; the focus being on Kenya Top One Hundred Mid-sized Companies.

Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Yours faithfully,

Mercy W. Njeru.

Cell Phone: +254700513580

Email: wnjeme@gmail.com
APPENDIX 2: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Company name ……………………………

2. Please indicate your gender

   Male

   Female

3. Kindly indicate your age category

   Below 30 years

   31-40 years

   41-50 years

   Over 51 years

4. For how long have you been working in the organization in leadership position?

   Less than 2 years

   3-5 years

   6-10 years

   Over 10 years

5. Apart from in 2013, has your company been ranked before within the last five years in the Kenya Top 100 Mid-sized Companies ranking?

   Yes

   No
## SECTION B: THE ROLE OF LEADERSHIP ON PERFORMANCE BY EMPLOYEES

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 5 = strongly agree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>6) Organization leaders have to critically understand employees and create strategies that ensure that the employees are motivated fully inorder to unleash their potential.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7) Responsible and committed employees contribute greatly to attainment of the organization objectives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8) Identifying the talent of each employee by leaders is crucial for the success of an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9) Leaders have to place employees in departments that are related with the employee’s talent for maximum employee productivity.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10) All employees must be treated equally and with fairness in order for an organization to become successful. This culture must be created by the organization leaders.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11) Employees should be remunerated, promoted, assigned duties and responsibilities based on their capability not equality based for effective leadership to result in organization success.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12) Favoritism is a sign of leadership failure; it is a major cause of demotivation and poor performance in organizations.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13) Recognition of employees’ excellent performance by leaders causes increased productivity in an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14) Fringe benefits for organization employees must be incorporated by leaders for successful performance of an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15) Employee training, development and mentoring if encouraged by leaders are great contributors to organization success.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16) Effective leadership encourages employees to be cross trained in all sections of organization operations.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>17) The number of hours employees work continuously in their work station affects their productivity.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>18) Organization leaders must invest in better working conditions for improved employee performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
19) In your opinion, what do you think employees can do inorder to ensure the organizations they work for perform well?

20) Do you think employees should be allowed to give their opinion on the running of an organization on certain areas for better organization performance?

SECTION c: THE ROLE OF LEADERSHIP ON THE FINANCIAL PERFORMANCE OF AN ORGANIZATION

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 5 = strongly agree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>21) Profitability is the most important reason why shareholders invest in a business and hence is key area of focus for leaders.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>22) Other stakeholders of the organization such as the suppliers, banks, government, employees and community have great interest on the profitability of an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>23) Leaders must ensure that the organizations they lead have high asset base both fixed and current assets for organization success.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>24) Liabilities of a successful organization in most cases are less than their assets.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>25) Proper cashflow planning by leaders contributes greatly to the success of an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>26) Brilliant leaders that experience successful organization performance have a tendency to ensure cash inflows are greater than cash outflows.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>27) Successful organization performance involves accurate investment appraisals for projects by the leaders.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>28) Budgeting is a crucial area in order for an organization to succeed.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>29) The success of an organization depends on it’s ability to critically conduct breakeven analysis for understanding of production levels required.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>30) Leaders must constantly analyse the published accounts to observe trends in the past that could help predict the future for the successful performance of an organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
31) What do you feel is the most appropriate way of ensuring that an organization is achieving it’s profitability objective? ……………………………

32) In your opinion, should organizations have high profitability as it’s main objectives or are there issues that organizations should consider important?

SECTION D: INFLUENCE OF, STRATEGIC LEADERSHIP ON ORGANIZATION PERFORMANCE

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 5 = strongly agree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>33) Strategic leadership involves a leader’s ability to anticipate,</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>envision, maintain flexibility, think strategically and work with others</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>to initiate changes that will create a viable future for the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34) Successful organizations leaders have formed a culture of engaging</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>is Corporate Social Responsibility.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35) Going “green” is the new trend which all business must take into</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>consideration as they conduct business inorder to succeed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36) Analysis of both the internal and external environment by the leaders</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>causes tremendous success in achieving organization objectives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37) Leaders should focus on Control, Innovation and Entrepreneurship</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>if they want to achieve extraordinary organization performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION E: GENERAL ORGANIZATION PERFORMANCE DATA

38) In your opinion, what business strategies do you think have been the key areas that have led to the successful performance of your organization? ……………………………………………………………………………………..

39) What would you advise other leaders who would want to have their organization performing well and who would also like to recognized among the Kenya Top 100 Mid-sized Companies? ……………………………..
APPENDIX 3: INTERVIEW GUIDE

INTERVIEW GUIDE FOR LEADERS IN ORGANIZATIONS THAT HAVE BEEN RANKED KENYA TOP 100 MID-SIZED COMPANIES.

RESPONDENT DETAILS

Name:

Position in company:

Period in the position:

BACKGROUND

This section seeks to find out details on the background of the company

1) Briefly give an overview of your organization.
2) Briefly explain your view of the Kenya Top 100 Mid-sized Companies.
3) Has your organization been recognised in the same forum before?

ROLE OF LEADERSHIP ON ORGANIZATION PERFORMANCE

This section tries to review the role of leadership on organization performance.

4) What is the scope of leadership in your opinion and what are the most critical traits a leader must possess inorder for an organization to perform well?
5) Explain your view on the role of leadership on the performance by employees.
6) What is the role of leadership on the financial performance of an organization?
7) Briefly explain your opinion on the influence of leadership on the business environment decisions taken, strategic leadership and the role of the two on organization performance.
### APPENDIX 4: LISTED COMPANIES IN KENYA TOP 100 MID-SIZED COMPANIES 2013

<table>
<thead>
<tr>
<th>Name of Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LEAN ENERGY SOLUTIONS LTD.</td>
</tr>
<tr>
<td>2. EAST AFRICAN CANVAS CO. LTD</td>
</tr>
<tr>
<td>3. DIGITAL CITY LTD</td>
</tr>
<tr>
<td>4. PLENSER LTD.</td>
</tr>
<tr>
<td>5. ALLWIN AGENCIES (K) LTD</td>
</tr>
<tr>
<td>6. PROPACK KENYA LTD</td>
</tr>
<tr>
<td>7. VIVEK INVESTMENTS LTD</td>
</tr>
<tr>
<td>8. POWERPOINT SYSTEMS (EA) LTD</td>
</tr>
<tr>
<td>9. CONINX INDUSTRIES LTD</td>
</tr>
<tr>
<td>10. SYNERMEDICA PHARMACEUTICALS (KENYA) LTD</td>
</tr>
<tr>
<td>11. COAST INDUSTRIALS &amp; SAFETY SUPPLIES LTD</td>
</tr>
<tr>
<td>12. ISOLUTIONS ASSOCIATES</td>
</tr>
<tr>
<td>13. WOTECH KENYA LIMITED</td>
</tr>
<tr>
<td>14. AVTECH SYSTEMS LIMITED</td>
</tr>
<tr>
<td>15. KENYA BUS SERVICE</td>
</tr>
<tr>
<td>16. MURANGA FORWARDERS</td>
</tr>
<tr>
<td>17. SYNERMED PHARMACEUTICALS (K) LTD</td>
</tr>
<tr>
<td>18. TISSUE KENYA LTD</td>
</tr>
<tr>
<td>19. KENYA HIGHLAND SEED CO LTD</td>
</tr>
<tr>
<td>20. FAMIAR GENERATING SYS LTD</td>
</tr>
</tbody>
</table>
21  ALEXANDER FORBES
22  CHEMICALS & SCHOOL SUPPLIES LTD.
23  CHARLSTONE TRAVEL LIMITED
24  ONFON MEDIA LTD
25  ELITE TOOLS LTD
26  EUROCON TILES PRODUCTS LTD
27  ENDEVOUR AFRICA LIMITED
28  RONGAI WORKSHOP & TRANSPORT LTD
29  R & R PLASTICS LTD
30  CHIGWELL HOLDINGS LTD
31  CLASSIC MOULDINGS LIMITED
32  PEWIN CABS LIMITED
33  NOVEL TECHNOLOGIES EA LTD
34  XTREME ADVENTURES LTD
35  VINTAGE AFRICA LIMITED
36  PUNJANI ELECTRICAL AND INDUSTRIAL HARDWARE LIMITED
37  SPRY ENGINEERING CO. LTD
38  GENERAL CARGO SERVICES LTD
39  PINNACLE (K) TRAVEL & SAFARIS
40  PANESARS KENYA LIMITED
41  SPECIALIZED ALUMINIUM RENOVATORS LTD.
42  CUBE MOVERS LIMITED
<table>
<thead>
<tr>
<th></th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>BROGIIBRO COMPANY LTD</td>
</tr>
<tr>
<td>44</td>
<td>TOTAL SOLUTIONS LTD</td>
</tr>
<tr>
<td>45</td>
<td>TYREMASTERS LTD</td>
</tr>
<tr>
<td>46</td>
<td>XRX TECHNOLOGIES LIMITED</td>
</tr>
<tr>
<td>47</td>
<td>SENSATION LTD</td>
</tr>
<tr>
<td>48</td>
<td>EUREKA TECHNICAL SERVICES LTD</td>
</tr>
<tr>
<td>49</td>
<td>PALBINA TRAVEL LIMITED</td>
</tr>
<tr>
<td>50</td>
<td>WAUMINI INSURANCE BROKERS LTD</td>
</tr>
<tr>
<td>51</td>
<td>ASL CREDIT LIMITED</td>
</tr>
<tr>
<td>52</td>
<td>ZAVERCHAND PUNJA LIMITED</td>
</tr>
<tr>
<td>53</td>
<td>CANON CHEMICALS LTD</td>
</tr>
<tr>
<td>54</td>
<td>PACKAGING MANUFACTURERS(1976) LTD</td>
</tr>
<tr>
<td>55</td>
<td>TRIDENT PLUMBERS LTD</td>
</tr>
<tr>
<td>56</td>
<td>TYPOTECH</td>
</tr>
<tr>
<td>57</td>
<td>KINPASH ENTERPRISES LTD</td>
</tr>
<tr>
<td>58</td>
<td>VEHICLE &amp; EQUIPMENT LEASING LTD</td>
</tr>
<tr>
<td>59</td>
<td>SHEFFIELD STEEL SYSTEMS</td>
</tr>
<tr>
<td>60</td>
<td>COMPLAST INDUSTRIES LTD</td>
</tr>
<tr>
<td>61</td>
<td>DUNE PACKAGING LIMITED</td>
</tr>
<tr>
<td>62</td>
<td>HEBATULLAH BROTHERS LIMITED</td>
</tr>
<tr>
<td>63</td>
<td>SPICE WORLD LIMITED</td>
</tr>
<tr>
<td>64</td>
<td>MUSEUM HILL WINES LTD</td>
</tr>
<tr>
<td></td>
<td>Company Name</td>
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<tr>
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</tr>
<tr>
<td>65</td>
<td>YOGI PLUMBERS LTD</td>
</tr>
<tr>
<td>66</td>
<td>VAJRA DRILL LTD</td>
</tr>
<tr>
<td>67</td>
<td>MELVN MARSH INTERNATIONAL LTD</td>
</tr>
<tr>
<td>68</td>
<td>KANDIAFRESH PRODUCE SUPPLIERS LTD</td>
</tr>
<tr>
<td>69</td>
<td>FAYAZ BAKERS LIMITED</td>
</tr>
<tr>
<td>70</td>
<td>SPECICOM TECHNOLOGIES LIMITED</td>
</tr>
<tr>
<td>71</td>
<td>MOMBASA CANVAS LTD</td>
</tr>
<tr>
<td>72</td>
<td>SILVERBIRDTRAVEL PLUS LTD</td>
</tr>
<tr>
<td>73</td>
<td>IRON ART</td>
</tr>
<tr>
<td>74</td>
<td>RADAR LIMITED</td>
</tr>
<tr>
<td>75</td>
<td>MASTER POWER SYSTEMS</td>
</tr>
<tr>
<td>76</td>
<td>HARDWARE &amp; WELDING SUPPLIES</td>
</tr>
<tr>
<td>77</td>
<td>MASTERS FABRICATORS LTD</td>
</tr>
<tr>
<td>78</td>
<td>SOFTWARE TECHNOLOGIES LTD</td>
</tr>
<tr>
<td>79</td>
<td>HERITAGE FOODS KENYA LTD</td>
</tr>
<tr>
<td>80</td>
<td>AFRICA TEA BROKERS LTD</td>
</tr>
<tr>
<td>81</td>
<td>RAEREX (EA) LIMITED</td>
</tr>
<tr>
<td>82</td>
<td>TRAVELSHOPPE COMPANY LTD</td>
</tr>
<tr>
<td>83</td>
<td>ORIENTAL GENERAL STORES LTD</td>
</tr>
<tr>
<td>84</td>
<td>CHUMA FABRICATORS LTD</td>
</tr>
<tr>
<td>85</td>
<td>STATPRINT LTD</td>
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<tr>
<td>86</td>
<td>SOLLATEK ELECTRONICS LTD</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>87</td>
<td>SMARTBRANDS LTD</td>
</tr>
<tr>
<td>88</td>
<td>DE RUITER EAST AFRICA LTD</td>
</tr>
<tr>
<td>89</td>
<td>KISIMA DRILLING (EA) LTD</td>
</tr>
<tr>
<td>90</td>
<td>CARE CHEMISTS</td>
</tr>
<tr>
<td>91</td>
<td>BROLLO KENYA LTD</td>
</tr>
<tr>
<td>92</td>
<td>CANON ALUMINIUM FABRICATORS LTD</td>
</tr>
<tr>
<td>93</td>
<td>SATGURU TRAVEL &amp; TOURS LTD</td>
</tr>
<tr>
<td>94</td>
<td>KUNAL HARDWARE AND STEEL</td>
</tr>
<tr>
<td>95</td>
<td>DEEPA INDUSTRIES LIMITED</td>
</tr>
<tr>
<td>96</td>
<td>SKYLARK CREATIVE PRODUCTS LTD.</td>
</tr>
<tr>
<td>97</td>
<td>UNEEK FREIGHT SERVICES LTD</td>
</tr>
<tr>
<td>98</td>
<td>BBC AUTO SPARES LTD</td>
</tr>
<tr>
<td>99</td>
<td>LANTECH (AFRICA) LIMITED.</td>
</tr>
<tr>
<td>100</td>
<td>POLYTANKS LIMITED</td>
</tr>
</tbody>
</table>
## APPENDIX 5: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost in Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proposal Development</td>
<td></td>
</tr>
<tr>
<td>• Proposal Materials</td>
<td>1,500</td>
</tr>
<tr>
<td>• Printing</td>
<td>1,500</td>
</tr>
<tr>
<td>• Photocopying</td>
<td>5,00</td>
</tr>
<tr>
<td>• Binding</td>
<td>5,00</td>
</tr>
<tr>
<td>2. Data Collection (Fieldwork)</td>
<td></td>
</tr>
<tr>
<td>• Photocopying</td>
<td>3,000</td>
</tr>
<tr>
<td>• Travelling</td>
<td>5,000</td>
</tr>
<tr>
<td>3. Data Analysis &amp; Interpretation</td>
<td>--------</td>
</tr>
<tr>
<td>4. Report Writing &amp; Dissemination</td>
<td>--------</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,000</strong></td>
</tr>
</tbody>
</table>