

## **LEADERSHIP PRACTICES AND PERFORMANCE OF SACCOS IN GARISSA COUNTY, KENYA**

**Mohamed Suleiman Mohamed**

Masters of Business Administration (Strategic Management), Kenyatta University, Kenya

**Shadrack Bett**

Lecturer, Business Administration Department, Kenyatta University, Kenya

©2018

**International Academic Journal of Human Resource and Business Administration (IAJHRBA) | ISSN 2518-2374**

**Received:** 25<sup>th</sup> October 2018

**Accepted:** 5<sup>th</sup> November 2018

Full Length Research

**Available Online at:**

[http://www.iajournals.org/articles/iajhrba\\_v3\\_i4\\_15\\_34.pdf](http://www.iajournals.org/articles/iajhrba_v3_i4_15_34.pdf)

**Citation:** Mohamed, S. M. & Bett, S. (2018). Leadership practices and performance of SACCOs in Garissa County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(4), 15-34

## **ABSTRACT**

Leadership practice is a key determinant of the success or failure of any organization. Despite all of the headlines about banking profitability, SACCOs and financial institutions still are not making enough return on investment, or the return on equity, that shareholders require. The SACCOs are also not meeting consumer expectations. The aim of this study was to establish the relationship between leadership practices and performance of SACCOs in Kenya. The study was guided by the following objectives; to find out the effect of leadership style, leadership structure, ethical leadership and leadership policies on performance of SACCOs in Kenya. The study was anchored on traits theory, behavioral theory, contingency and situational theories of leadership. The study adopted descriptive survey design. The intention of descriptive research was to gather data at a particular point in time and use it to describe the nature of existing conditions. The target population of 303 consisted of non-management employees in six major SACCOs in Garissa County. Sample design was stratified random sampling technique and a 30% of the total population of 303 which results to 92 respondents was used. Primary data was collected through use of open and closed ended questionnaires. The coefficient of correlation was 0.873 an indication of strong correlation between the variables. Adjusted coefficient of determination  $R^2$  was 0.747 an indication that variations in dependent variable can be explained by independent variables. The study concludes that leadership styles positively influenced organizational performance of SACCOs in Garissa County. This was

associated to the following factors; SACCOs employed democratic leadership styles, embraced transformational leadership styles and practised transactional leadership styles. Leadership structure significantly influenced organizational performance of Garissa county SACCOs. This was associated by the following factors; SACCOs branches were dependent on head office directives, leadership of SACCOs was centralised and the board guided all operations of the SACCOs. Ethical leadership negatively influenced organizational performance of SACCOs in Garissa County. Leaders took responsibility for the decision made in SACCOs. Leaders respected employees and involved them in decision making policies. Leadership policies positively influenced organizational performance of SACCOs in Garissa county. Pragmatic leadership was employed in SACCOs of Garissa county. The SACCOs embraced conceptual leadership policy and had favourable leadership policies. The study recommends that leadership styles should positively influence organizational performance of SACCOs in Garissa county. SACCOs should employ democratic leadership styles, embrace transformational leadership styles and practise transactional leadership styles. Garissa county SACCOs leaders should embrace changes in technology. SACCO branches should be dependent on head office directives. The leadership of SACCOs in Garissa County ought to be centralised. The board should guide all operations of the SACCOs. Leaders ought to take responsibility for the decision made in SACCO. Leaders ought to respect employees and involve them in decision making policies. Mutual respect among SACCOs management and employees

should be enhanced. Pragmatic leadership ought to be employed in SACCOs. SACCOs ought to embrace conceptual leadership policy and had favourable leadership policies. SACCOs leadership

need to be open for ideas and criticism and engaged in risk taking leadership policies.

**Key Words:** *leadership practices, performance, SACCOs, Garissa County, Kenya*

## **INTRODUCTION**

According to Albrecht (2011), performance is the extent to which an organization achieves a set of pre-defined targets that are unique to its mission. Leadership practice is a key determinant of the success or failure of any organization. The most common leadership styles and frameworks include leadership style, leadership governance, leadership policies and leadership structure, all of which are based on several different approaches to leadership. Leadership, as defined by Jordan (2012), is a process of serving the people that work for you by giving them the tools they need to succeed. Performance is the accomplishment and execution of tasks. Each leadership practice affects organizational performance differently; some helping organizations succeed and others hamper their growth leading to failure.

Whereas many different leadership theories have emerged from the last century, early theories on leadership concentrated on identifying qualities that differentiated between leaders and followers. Subsequent theories on leadership looked at other variables such as situational issues and levels of skill. Over time, a number of theories on leadership and performance have been proposed. Bratton (2007) observes that leadership theory types include two axes: of those which are related to organizational effectiveness and tend to be more prescriptive in orientation, and of those which are primarily analytic and meant to better understand the concept. However, it is not always easy to classify any of the theories as one or the other exclusively.

A Sacco is an institution that provides financial services, including issuing money in various forms, receiving deposits of money, lending money and processing transactions and the creating of credit (Mills, 2005). Sacco's are financial intermediaries that serve as financial resource mobilization points in the global economy. The role of Saccos in an economy is paramount because they execute monetary policy and provide means for facilitating payment for goods and services in the domestic and international trade.

### **Leadership Practices**

Every leader in every organization performs certain roles/tasks for the smooth operation of the organization and improvement of organizational performance. The manner in which the leader performs these roles and directs the affairs of the organization is referred to as his or her leadership practice. Leadership practice therefore it is a leadership behavior or behaviors that you choose to practice consciously every day. Different researchers and academicians alike have come up with different leadership styles.

Leadership theories present various leadership practice including styles, governance, policies and structure. Tannenbaum and Schmidt (1958) also identify four widely accepted and used leadership styles: democratic, autocratic, dictatorial, and laissez faire leadership. One of the most prominent formats for classifying and studying leadership includes three leadership styles laissez-faire (non-leadership), transactional (based on reward system and punishments) and transformational (based on inspiration and behavioral charisma) (Bass and Avolio, 1993). Below is a brief examination of some common leadership style dimensions listed above and their potential impact on organizational performance.

Leadership requirement in today's organizations in Kenya's perspective is very important to meet the global business challenges. Schermerhorn, Hunt and Osborn (2000) maintain that leadership is the heart of any organization, because it determines the success or failure of the organization. Mills (2005) observes that without leadership, organizations move too slowly, stagnate, and lose their way. Without leadership a people quickly degenerate into argument and conflict, because they see things in different ways and lean towards different solutions. Leaders help reduce ambiguity and uncertainty in organizations, and therefore leadership helps to point staff in the same direction and harness their efforts jointly to achieve organizational goals.

A leader has to make a commitment to the vision, to the organization, and to the members of the organization. Leadership also involves assuming a considerable amount of responsibility and risk (Mills 2005). According to Etemesi (2012) good leadership entails listening, getting time to understand and being prepared for the unexpected because that is what is expected. Charles Keating (1982) observes that Leadership is service in the sense that it seeks to meet the needs of one or of the group by performing needed functions. Sometime strong directive power is effective leadership such as when a group has lost its sense of direction or purpose. Sometimes the group needs to be encouraged and supported, at other times it may need to be re-oriented.

The ability to take a team from "getting the job done" to "surpassing every goal and expectation with flying colours" requires an understanding of the difference between what it means to manage a group of people and lead a group of people. For as many individuals that are leaders, there are almost as many ways to lead. Different leadership styles can be effective given the particular challenges being faced and particular needs of the people involved. Instead of selecting one leadership style, effective leaders are able to move among styles, selecting the one that is required in the moment (Dean Vella, 2013).

### **Firm Performance**

Brumbach (1988), as cited in Armstrong (2001), contends that performance refers to both behaviors and results, and adjusting organizational behaviours and actions of work to achieve results or outcomes. Behaviours are outcomes in their own right and reactions to the product of mental and physical effort applied to tasks. Koontz and Donnell (1993) define organizational performance as the ability of an enterprise to achieve such objectives as high

profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action.

Performance is a major multidimensional construct aimed to achieve results and has a strong link to strategic goals of an organization (Mwita, 2000). Therefore, performance is measured in terms of output and outcome, profit, internal processes and procedures, organizational structures, employee attitudes, and organizational responsiveness to the environment among others (William 2002). Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment); product market performance (sales, market share) and shareholder return (total shareholder return, economic value added).

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach) and employee stewardship.

McCloy, Campbell and Cudeck, (1994) as cited in Sheu, Fais and Husna (2012) defined the term performance as those behaviors or actions which are regarded relevant to the goals of the said organization in question. They further argued that performance itself cannot be said to be the outcome itself, consequences or the result of behaviors or action but rather performance can be said it is the action itself. Thus, they argued that performance tends to be multidimensional, a situation whereby for any specific-type of job, there tends to be a number of substantive performance components that are distinguished in terms of their inter-correlations and patterns on co-variation with other variables.

The financial statements of financial institutions commonly contain a variety of financial ratios designed to give an indication of the corporation's performance. Simply stated, much of the current bank performance literature describes the objective of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return (Alam et al., 2011). The best means of measuring firm performance therefore is based on its profitability margin, effectiveness in service delivery or production which meets stakeholder expectation and customer needs and above all efficiency which runs to resource use and cost cutting measures.

The concept of organizational performance is one of the most important dependent variables of interests for researchers concerned with just about any area of management (Richard et al., 2008). Although the concept of organizational performance is very common in the academic literature, its definition is difficult because of its many meanings. For this reason, there isn't a universally accepted definition of this concept. In the 1950s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their

objectives (Tannenbaum, 1957). Performance evaluation during this time was focused on work, people and organizational structure.

Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970). In this context, profit became one of the many indicators of performance.

Performance is organizational ability in producing something related to desired targets (Kaithen, 2002). Performance is work results achieved by someone or a group of people in an organization, in accordance with their respective authority and responsibility to reach the organizational goal legally, without breaking laws, and in accordance with moral and ethics (Prawirosentono, 2000). The style of leadership affects performance since performance cannot be achieved in the absence of a leadership that can adapt to the changes and challenges of the environment, that knows how to motivate the employees and that encourages them to take more ownership for their work.

Madrid et al. (2007) opine that high performing firms are able to generate a variety of company and society benefits like attracting resources, wealth creation and jobs generation. They further observe that an accurate measure of performance can provide reliable insight into what affects performance and how firms can develop good strategies, arrange resources, meet consumer expectations and compete. Profit is the ultimate goal of Saccos. All the strategies designed and activities performed thereof are meant to realize this grand objective. However, this does not mean that Saccos have no other goals. Saccos could also have additional social and economic goals (Alexandru et al., 2008).

### **SACCOs in Garissa County**

Saccos in Kenya are the main players in the financial sector and particularly in the banking industry in Kenya. The Companies Act (Cap 486), the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The Saccos have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the Saccos' interests and addresses issues affecting its members (Central Bank of Kenya, 2013).

There are various Saccos in Garissa County. Among them are Garissa teachers Sacco, Rema Sacco, Garissa north women Sacco and Taqwa Sacco. The Saccos operates its business through the following segments: Retail Banking, Corporate Banking, Mortgages, Treasury and Another Group. The Retail Banking segment provides services such as customer current accounts, savings and fixed deposits to individuals. The Corporate Banking segment offers services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies.

## **STATEMENT OF THE PROBLEM**

According to the Digital Economy (2015) the banking industry faces major challenges. Despite all of the headlines about banking profitability, Saccos and financial institutions still are not making enough return on investment, or the return on equity, that shareholders require by Koech (2012). These days it's all about the customer experience, and many Saccos are feeling pressure because they are not delivering the level of service that consumers are demanding, especially in regards to technology. There is also increasing competition from financial technology companies. According to Braton (2007) financial technology (FinTech) companies are usually start-up companies based on using software to provide financial services. The increasing popularity of FinTech companies is disrupting the way traditional banking has been done. This creates a big challenge for traditional Saccos because they are not able to adjust quickly to the changes not just in technology, but also in operations, culture, and other facets of the industry. According to the banking act the pile regulatory pressure has also affected their performance like the recent capping of the interest rates among Saccos in Kenya (banking act, 2016). Regulatory requirements continue to increase, and Saccos need to spend a large part of their discretionary budget on being compliant, and on building systems and processes to keep up with the escalating requirements. Empirical studies into the direct links between leadership and performance have been lacking, inconclusive or empirically suspect, A notable exception is the detailed study of the 'Effect of Leadership Styles on Organizational Performance at State Corporations in Kenya' by Koech (2012). Although a number of studies have been conducted on bank performance, and on leadership strategies in Kenyan Saccos, no detailed study on leadership styles and performance of Saccos has been encountered so far in Garissa County. Wafubwa (2013) in his study entitled 'Factors Influencing Performance of Saccos in Kenya: A Case of the Kenya Commercial Bank, Bungoma County' outlines leadership as one of the factors that influence of performance of Commercial Banks. The limited nature of research findings in this area suggests the need to investigate further the nature of the relationship between leadership and performance of Commercial Banks. This study is a step in this direction. This study aimed at establishing the effect of leadership styles adopted by the organizations, and to examine its effect on organizational performance, which invariably translates to organizational performance. On the basis of this background, questions that arose are in this study are: What is the effect of transactional leadership style, transformation leadership style, bureaucratic leadership style and democratic leadership style as it is adopted by in Saccos in Kenya on organizational performance? Does leadership have a significant influence on the performance of commercial bank?

## **GENERAL OBJECTIVE**

The objective of this study was to establish the influence of leadership practices on the performance of Saccos in Kenya.

## **SPECIFIC OBJECTIVES**

1. To establish the effect of leadership style on performance of Saccos in Kenya

2. To examine the influence of structure on performance of Saccos in Kenya
3. To determine how ethical consideration affects performance of Saccos in Kenya
4. To establish the relationship between policies and performance of Saccos in Kenya

## **THEORETICAL REVIEW**

Globally, leadership has become the most widely studied aspect of organizational behavior and a number of theories have emerged focusing on the strategies, traits, styles and the situational approach to leadership. As a result of ever-growing interest in the field of leadership, behavioral scientists and sociologists began to analyze the possible consequences of leadership behaviors and the variables that are used to predict the leader's behaviors. Since it is the duty of leaders to get things done through the coordinated efforts of others, it is assumed therefore that leadership skills and strategies will translate into the subordinates' performance (Rollinson et. al, 2001).

### **Traits Theory**

This theory was proposed by Ralph Stogdill in 1974. The theory proposes that individuals possess certain personality traits that partially determine their behavior. Trait theorists believe personality can be understood by positing that all people have certain traits, or characteristic ways of behaving. Do you tend to be sociable or shy? Passive or aggressive? Optimistic or pessimistic? According to the Diagnostic and Statistical Manual (DSM) of the American Psychiatric Association, personality traits are prominent aspects of personality that are exhibited in a wide range of important social and personal contexts (Furnham et al, 1994). In other words, individuals have certain characteristics that partly determine their behavior; these traits are trends in behavior or attitude that tend to be present regardless of the situation (Yukl, 2006).

An example of a trait is extraversion–introversion. Extraversion tends to be manifested in outgoing, talkative, energetic behavior, whereas introversion is manifested in more reserved and solitary behavior. An individual may fall along any point in the continuum, and the location where the individual falls will determine how he or she responds to various situations (Stogdill, 1948). The trait perspective was one of the earliest theories of leadership in the 1940's which assumes that great leaders are born with distinguished personality traits that make them better suited for leadership and make them different from other people or their followers (Zaccaro et al., (2004). Stogdill's survey of the leadership literature came up with the most comprehensive list of traits. Stogdill's observation that leadership situations vary significantly and place different demands on leaders, destroyed trait theory, leading to the emergence of situational and behavioral approaches.

### **Behavioural Theory**

This theory was proposed by Dr. Rensis Likert in 1950s. Behavioral theory of leadership state that it is the behavior of leaders that distinguishes them from their followers. It focuses on the actions of leaders rather than on mental qualities or internal states with the belief that great

leaders are made, not born. According to this theory, people can learn to become leaders through teaching and observation. Behavior theory examines whether the leader is task oriented, people oriented, or both. Studies conducted at the University of Michigan and Ohio State University in 1945, established two major forms of leader behavior namely: employee-centered and production-centered (Hersey and Blanchard, 1988). Leadership is all about managing personalities or traits of people to enable them manage their abilities or potentials. Leaders can inspire positive traits for the human resources to be more productive by them being task and people oriented or even both.

### **Situational Theory**

Fiedler's situational theory was developed by Fred Fiedler in the late 1960s. He believes in a situational leadership style; i.e. the successful leader is one who adapts his style to the circumstance. Fiedler believes that there are two key types of the leader, the task-oriented leader and the people-oriented leader. According to Fiedler's situational Theory, the elements that would affect the effectiveness of leadership are: how clearly defined and structured the job scope is, how much positional power the leader has and the relationship between the leaders and the followers.

Bass (2000) noted that the most favorable situation for a high level of achievement is a clearly defined job scope, high positional power and a good relationship between leaders and followers. A high positional power means that the leader stands clearly above everyone else and is recognized as the final voice on any issue (Pearce, 2003). All members are willing to submit themselves to this leader. Fiedler found that task-oriented leaders are more effective in extremely favorable or unfavorable situations, whereas relationship-oriented leaders will perform best in intermediate situations.

### **Contingency Theory**

A contingency theory is an organizational theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Contingency theory is an approach to leadership in which leadership effectiveness is determined by the interaction between the leader's personal characteristics and aspects of the situation. Contingency theories assume that the relationship between leadership style and organizational outcomes is moderated by situational factors related to the environment, and therefore the outcomes cannot be predicted by leadership style, unless the situational variables are known (Cheng and Chan, 2002).

Three models exist in this leadership approach: Fiedler's (1967) co-worker theory, House's (1971) path-goal theory, and Hersey and Blanchard (1969) situational leadership theory. From this approach and the three models no leadership style is best in all situations. Success depends upon a number of variables, including the leader's preferred style, the capabilities and behaviours of the followers, and aspects of the situation. Effective leadership requires adapting one's style of leadership to situational factors, and control is contingent on three

factors namely the relationship between the leader and followers, the degree of the task structure and the leaders' authority, position or power.

## **EMPIRICAL REVIEW**

### **Leadership Styles and Organizational Performance**

Assuming the essence of leadership is influence, leadership could broadly be defined as the art of mobilizing others to want to struggle for shared aspirations (Kouzes & Posner, 2010). However, it could be argued this influence, mobilization and struggle is of little value in an organizational context unless it ultimately yields an outcome in line with the shared aspiration for leadership to be deemed successful. Peter Drucker, (2011) captures this notion by simply stating leadership is all about results.

Creating results in today's ever changing and increasingly competitive world requires a very different kind of leadership from what was studied in the past. While leaders in the past managed perhaps complex organizations, this was in a world of relative stability and predictability. In today's globalized world, with organizations coping with rapidly changing environments, leaders face a new reality. Working in flexible contexts and connected by real-time electronic communication, increasingly mobile employees have themselves become the critical resource of their organizations (Reger, 2011).

What is now needed are leaders who simultaneously can be agents of change and centers of gravity, keep internal focus and enable people and organization to adapt and be successful, while at the same time never letting go of the customer focus and external perspective (Alimo Metcalfe, 2008). Furnham (2002) assert that the appropriate measurement outcome from leadership quality is effectiveness (reflecting the leader's efficacy in achieving organizational outcomes, objectives, goals and subordinates needs in their job). Thus, the measure of organizational performance in the current study represented the degree to which a company achieved its business objectives.

### **Leadership Structure and Organisational Performance**

Among the issues pointed out by Hrebiniak (2006) as overreaching factors that impede performance was the leadership structure. The study noted that managers were often trained to plan and not to execute strategies. The top managers are therefore always reluctant to "soil their hands" in the messy tasks of performance. This is because many of the areas of performance are behavioral in nature and are therefore multifaceted and messy in nature and their execution always creates the need to manage change in complex organizational contexts (Kazmi, 2008).

For the successful reforms the responsiveness of the whole organization is critical for an organization to avoid the difficulties associated with this performance (Al-Mashari & Zairi, 2000). Leadership structure plays an important role in helping management to achieve its objectives and follow the firm's strategy (Robbin & DeCenzo, 2005). Many studies have found a significant relationship between organization structures and enhanced performance

(Enz, 2008; Tarigan, 2005). Burns and Stalker (1961) and Covin and Slevin (1990), for example, reported such a structure to be more appropriate than its mechanistic counterpart in an environment characterized by high rates of technological and market change.

Maffei and Meredith (1995) recommended that organizations adopt a flexible structure to encourage greater staff participation, which, in turn, can improve problem identification and resolution and enhance performance and quality. Tarigan (2005) employed organizational structure as a moderating variable in analyzing the relationship between business strategies and performance. The study sought to find out how the leadership structure influenced the performance in the education sector and technical institutions in particular and how this has affected the quality of technical education.

### **Ethical Leadership and Organisational Performance**

Another important strategic leadership practice variable is ethical leadership practice. Ethical leadership practices in not-for-profit organizations are an issue demanding the attention of researchers and practitioners alike. Ethical practices come from the kind of leadership available in an organization. Hence for an ethical culture to be inculcated in the organization, the leadership must be in the forefront. In this study, ethical practices are discussed in the context of ethical leadership.

Mihelic, Lipicnik, and Tekavcic, (2010) notes that ethical practices concern strategic leaders' ability to be humble, to have concern for the common good, strive for fairness, taking responsibility and showing respect for each individual. According to Hale (2013), ethical practices in not-for-profit organizations have been associated with greater reputation, trust, confidence and above all organizational performance. Toor and Ofori (2009), ethical practices play a critical role in mediating organizational culture and employee performance. Alshammari, Almutairi, and Thuwaini (2015) notes that firm successes are attributable to sound ethical practices which equally contributes significantly to organizational performance.

The relevancy of ethical leadership practice has been on the increase as a result of several major scandals in the form of fraud, corruption and mismanagement of organizations firms' resources (Hsin-Kuang, Chun-Hsiung, & Dorjgotov, 2012). Neubert, Wu, and Roberts (2013) argue that the collapse of many organizations points to failure in strategic leadership practices. Engaging in ethical leadership practices in organizations is one of the key strategic leadership practices that leads to organizational performance. Piccolo, Greenbaum, Hartog, and Folger (2010) suggests that strong ethical practices is responsible in motivating employees in organizations to be passionate about ethical practices which leads them to achieve firm performance.

According to Ireland, Hoskisson, and Hitt (2009) ethical leadership practices enables employees/ staff in an organization to act ethically while implementing the organizational strategies (Mutia, 2015). Further, Ireland and Hitt (2005) remarked that in the 21st-century, effective strategic leaders would be required to exhibit honesty, trust, and integrity as they lead their organizations through the competitive landscape. Nthini (2013) observes that firms'

competitiveness when they are based on ethical leadership practices. Likewise, Lear (2012) opine that integrity in leadership is vital for a corporation to achieve its goals.

### **Leadership Policies Organisational Performance**

Miller et al. (2007) states the new form of ROI, not return on investment but return on individuals, a supervisor succeeds only to the degree that each person under you produces; you are judged on the performance, the productivity and efficiency of others. It is also worth to note that the attention given to leadership policy assumes that subordinates are more likely to work effectively for managers who adopt a certain policy of leadership than they will for managers who adopt alternative policies (Mullins, 2008).

According to Luthans (2011), leadership policy can make a difference, both positively and negatively. For example, a survey found that senior executives view their companies' leadership policy as pragmatic rather than conceptual, and conservative rather than risk taking. These executives felt that to meet their current and future challenges, the policies should be the other way around. Work unit leadership theory suggests that leaders should analyze factors in their work unit and act accordingly. For example, to be effective, you should assess your followers' environments, abilities and behave in ways that complement them. Jamal (2012), comments that a part of good leadership is to set a clear direction, find your employees' innate gifts and encourage them to use those gifts. By doing this, you encourage your employees to work to their potential.

In addition, you should try to compensate for subordinate's deficiencies, improve subordinate satisfaction and enhance individual and group performance (Andre, 2008). If an employee is satisfied with his or her job, the employee may be more likely to reciprocate by helping others through their contextual performance. Employees may be less likely to perform extra duties, endorse, support or defend the organization's objectives if they have low levels of satisfaction with the job (Pablos & Tennyson, 2014).

## **RESEARCH METHODOLOGY**

### **Research Design**

The research study applied the descriptive research design in the process of determining the findings in relation to the relationship between leadership styles and performance of the Saccos in Kenya where Saccos in Garissa County was the context of focus. According to Cooper and Schindler (2006), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enabled the researcher to generalize the findings to a larger population. The intention of descriptive research was to gather data at a particular point in time and use it to describe the nature of existing conditions. The underlining concept was to select several targeted cases where an intensive analysis identified the possible alternatives for solving the research questions on the basis of the existing solution applied in the selected case study. The study attempts to describe and define a subject, often by creating a profile of group of problems (Cooper and

Schindler, 2003). The study attempts to describe and define a subject, often by creating a profile of group of problems. Thus, Saccos in Kenya were the focus of the study which provides a natural setting on which data was collected.

### **Target Population**

Population is the aggregate of all that conforms to a given specification (Cooper and Schindler, 2003). According to Mugenda (2003), target population is a complete set of individuals, case or objects with some common characteristic to which the researcher wants to generalize the results of the study. In this study, the target population was composed of 303 employees of the six SACCOs registered and regulated by the Central Bank of Kenya operating in Garissa County.

### **Sample Design**

A sample of 30% of the entire population was significant for the study to draw conclusions and recommendations (Mugenda, 2003). The sampling plan describes how the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample was selected (Cooper & Schindler, 2006). According to Oso and Onen (2005) stratified random sampling ensured inclusion, increase statistically efficiency, in the sample, of subgroup, which otherwise was omitted entirely by other sampling technique. Therefore, a sample of 92 employees was selected using stratified random sampling technique.

### **Data Collection, Procedures and Instruments**

The study used a questionnaire which had close-ended questions. The closed ended questions were used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided additional information that may not have been captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

### **Data Analysis**

Data was analyzed using descriptive statistics such as mean, median, mode. The researcher carried out a multiple regression analysis so as to determine the relationship between leadership styles and performance of Saccos in Kenya. The data was broken down into the different leadership styles employed by the various Saccos in Garissa County and how this affects their performance in the banking industry in Kenya. The data was analyzed using a multiple linear regression model which was aimed at establishing influence of the independent variables on the dependent variable. A regression model was used to test the influence of leadership style on performance of Saccos. This helped to evaluate and understand the relationships between the dependent and independent variables of the study.

Multiple linear regression was employed as it used two or more independent variables to predict the outcome. The general form of multiple Regressions:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y = Performance of Saccos; X1 = Leadership style; X2 = Leadership Structure; X3 = Ethical Leadership; X4 = Leadership policies;  $\beta_0$ = Constant Term;  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$  = Beta coefficients;  $\varepsilon$  = Error Term.

## **RESEARCH RESULTS**

The main objective of the study was to establish the influence of leadership practices on the performance of Saccos in Kenya. The study was guided by the following research questions; what is the effect of leadership style on performance of SACCOS in Kenya? What is the influence of leadership structure and performance of SACCOS in Kenya? What is the effect of leadership ethics on performance of Saccos in Kenya? What is the relationship between leadership policies and performance of SACCOS in Kenya?

The researcher adopted descriptive statistics to establish influence of leadership practices on the performance of Saccos in Kenya. The sample size of 92 was drawn from the target population will be composed of employees of the six SACCOS registered and regulated by the Central Bank of Kenya operating in Garissa County. The study relied on primary data collected by use of structured questionnaires. The collected data was coded for analysis and presentation. The coefficient of correlation was 0.873 an indication of strong correlation between the variables. Adjusted coefficient of determination R<sup>2</sup> was 0.747 an indication that variations in dependent variable can be explained by independent variables.

### **Leadership Styles**

The study established that leadership styles positively influenced organizational performance of SACCOS in Garissa County. The study found out that the SACCOS employed democratic leadership styles, embraced transformational leadership styles and practised transactional leadership styles. Respondents agreed to a great extent that Garissa County SACCOS leaders embraced changes in technology. Leaders embraced dialogue when solving conflict among the employees and consultative forums were created to create forum in the SACCOS. The study further established that employee's welfare was addressed by the management of the SACCOS.

### **Leadership Structure**

The study found out that leadership structure significantly influenced organizational performance of Garissa county Saccos. Respondents agreed to a great extent that Sacco branches were dependent on head office directives. The leadership of SACCOS in Garissa County was centralised. The board guided all operations of the Saccos. The SACCO had a formal structure of management, had network of branches that were independent. The study further found out that the Sacco did not represent employees in leadership decision.

### **Ethical Leadership**

The study established that ethical leadership negatively influenced organizational performance of SACCOs in Garissa County. Respondents agreed that leaders took responsibility for the decision made in Sacco. Leaders respected employees and involved them in decision making policies. There was a mutual respect among SACCO management and employees. The SACCOs in Garissa County had a prudent organizational culture and the Sacco management appreciated employees’ achievements and hard work. The study further established that the decision made was not biased and the SACCOs promoted employees based on merits.

### **Leadership Policies**

The study found out that leadership policies positively influenced organizational performance of SACCOs in Garissa County. Respondents indicated their agreement on pragmatic leadership employed in their Saccos. The Sacco embraced conceptual leadership policy and had favourable leadership policies. The SACCO leadership was open for ideas and criticism and engaged in risk taking leadership policies. The study further established that management employed conservative leadership policy.

### **REGRESSION ANALYSIS**

The study used regression analysis to establish the influence of leadership practices on the performance of Saccos in Garissa Kenya. The findings of coefficient of correlation R and adjusted coefficient of determination R<sup>2</sup> are indicated in Table 1.

**Table 1: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.873 <sup>a</sup>	.762	.747	2.56760

a. Predictors: (Constant), Leadership Policies, Leadership Styles, Leadership Structure, Ethical Leadership

From the findings, coefficient of correlation R was 0.873 an indication of strong correlation between the variables. Adjusted coefficient of determination R<sup>2</sup> was 0.747 an indication that variations in dependent variable can be explained by independent variables. 25.3% can be explained by other factors affecting organizational performance of Garissa county Saccos beyond the scope of the current study. An ANOVA was carried out at 5% level of significance. A comparison between F Calculated and F Critical was carried out. The findings are indicated in the Table 2.

Table 2 show that F<sub>Calculated</sub> was 51.981 and F<sub>Critical</sub> was 2.513 an indication that F<sub>Calculated</sub> > F<sub>Critical</sub> (51.981 > 2.513). This indicates that the overall regression model significantly influenced the study. The p value was 0.00 < 0.05 indicating that at least one variable was significant in establishing the influence of leadership practices on the performance of Saccos in Garissa Kenya.

**Table 2: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1370.756	4	342.689	51.981	.000 <sup>b</sup>
Residual	428.516	65	6.593		
Total	1799.271	69			

a. Dependent Variable: Performance

b. Predictors: (Constant), Leadership Policies, Leadership Styles, Leadership Structure, Ethical Leadership

To determine the individual factor influencing performance of Saccos in Garissa county Kenya, the following coefficient of regression were generated.

**Table 3: Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	15.693	3.973		-3.950	.000
Leadership Styles	.331	.139	.197	2.372	.021
Leadership Structure	.655	.132	.469	4.973	.000
Ethical Leadership	.023	.135	.021	.169	.866
Leadership Policies	.411	.146	.308	2.813	.006

a. Dependent Variable: Performance

The resultant equation becomes:

$$Y = 15.693 + 0.331X_1 + 0.655X_2 - 0.023X_3 + 0.411X_4$$

Where: Y= organizational performance; X<sub>1</sub>= Leadership Styles; X<sub>2</sub>= Leadership Structures; X<sub>3</sub>= Ethical Leadership; X<sub>4</sub>= Leadership Policies

From the findings, when all the variables are held constant (Leadership Styles, Leadership Structures, Ethical Leadership and Leadership Policies) organizational performance of saccos in Garissa county would be at 15.693. A unit increase in leadership styles when all other factors were held constant, organizational performance would be at 0.331. A unit increase in leadership structures when all other factors were held constant, organizational performance would be at 0.655. A unit decrease in ethical leadership when all other factors were held constant, organizational performance would be at 0.023. A unit increase in leadership policies when all other factors were held constant, organizational performance would be at 0.411.

The p value of leadership styles was 0.00<0.05 an indication that leadership styles significantly influenced organizational performance of Garissa county Saccos. This is supported by Furnham (2002) who indicated that the measure of organizational performance is the degree to which a company achieved its business objectives. The p value of leadership structure was 0.021<0.05 an indication that leadership structure positively influenced performance of Garissa county saccos. This is similar to a study by Robbin and DeCenzo (2005) who stated that leadership structure plays an important role in helping management to

achieve its objectives and follow the firm's strategy. Similarly, Tarigan (2005) stated that there is significant relationship between organization structures and enhanced performance. The p value of leadership policies was  $0.006 < 0.05$  an indication that leadership policies significantly influenced organizational performance of Garissa county sacco. Mullins (2008) stated that the attention given to leadership policy ought to assume that subordinates are more likely to work effectively for managers who adopt a certain policy of leadership than they will for managers who adopt alternative policies.

## **CONCLUSIONS**

The study concludes that leadership styles positively influenced organizational performance of SACCOs in Garissa County. This was associated to the following factors; SACCOs employed democratic leadership styles, embraced transformational leadership styles and practised transactional leadership styles. Garissa county Saccos leaders embraced changes in technology and embraced dialogue when solving conflict among the employees. SACCOs in Garissa County created consultative forums for easier communication between the management and the staffs. Employee's welfare was addressed by the management of the Saccos in Garissa. The study also concludes that leadership structure significantly influenced organizational performance of Garissa County SACCOs. This was associated by the following factors; Sacco branches were dependent on head office directives, leadership of Saccos was centralised and the board guided all operations of the SACCOs. The Saccos had a formal structure of management, had network of branches that were independent. The Saccos did not represent employees in leadership decision therefore, management made right decision due to their increased skills. The study further concludes that ethical leadership negatively influenced organizational performance of SACCOs in Garissa County. Leaders took responsibility for the decision made in Sacco. Leaders respected employees and involved them in decision making policies. There was a mutual respect among Sacco management and employees. The SACCOs in Garissa County had a prudent organizational culture and the Sacco management appreciated employees' achievements and hard work. Decisions made were not biased and the Sacco promoted employees based on merits. Finally, the study concludes that leadership policies positively influenced organizational performance of SACCOs in Garissa County. Pragmatic leadership was employed in SACCOs of Garissa County. The Saccos embraced conceptual leadership policy and had favourable leadership policies. The SACCOs leadership was open for ideas and criticism and engaged in risk taking leadership policies. Management employed conservative leadership policy while making decisions and policies.

## **RECOMMENDATIONS**

The study recommends that leadership styles ought to positively influence organizational performance of SACCOs in Garissa County. SACCOs ought to employ democratic leadership styles, embrace transformational leadership styles and practise transactional leadership styles. Garissa County SACCOs leaders ought to embrace changes in technology. Leaders ought to embrace dialogue when solving conflict among the employees and consultative forums ought to be created. Employee's welfare ought to be addressed by the

management of the Saccos. The study also recommends that leadership structure ought significantly to influence organizational performance of Garissa county Saccos. Sacco branches ought to be dependent on head office directives. The leadership of SACCOS in Garissa County ought to be centralised. The board ought to guide all operations of the Saccos. The SACCOS ought to have a formal structure of management and have network of branches that are independent. The SACCOS ought to present employees in leadership decision making. The study further recommends that ethical leadership ought to positively influence organizational performance of Saccos in Garissa County. Leaders ought to take responsibility for the decision made in Sacco. Leaders ought to respect employees and involve them in decision making policies. Mutual respect among Sacco management and employees ought to be enhanced. The SACCOS in Garissa County ought to adopt a prudent organizational culture. SACCO management ought to appreciate employees' achievements and hard work. Finally, the study recommends that leadership policies ought to positively influence organizational performance of SACCOS in Garissa County. Pragmatic leadership ought to be employed in Saccos. The Sacco ought to embrace conceptual leadership policy and had favourable leadership policies. The SACCO leadership ought to be open for ideas and criticism and engaged in risk taking leadership policies. Management ought to employee conservative leadership policy.

## REFERENCES

- Ahmad, H. K., Raza, A., Amjad, W., & Akram, M. (2011). Financial Performance of Finance Companies in Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 2(12), 732-744.
- Alam, M., Raza, A., & Akram, M. (2011). Financial Performance of Leasing Sector. The Case of China. *Interdisciplinary Journal of Contemporary Research in Business*, 2 (12), 339-345.
- Alexandru, C., Genu, G., Romanescu, M.L. (2008). The Assessment of Banking Performances-Indicators of Performance in Bank Area. *MPRA Paper No. 11600*.
- Antonakis, A./Avolio, B.J./ Sivasubramaniam, N. (2003): *Context and leadership: an examination of the nine-factor full-range leadership theory using the multi-factor leadership Question*. *Leadership Quarterly*,14,261-295
- Armstrong, M. (2004). *Human Resource Management Theory and Practice*. London: Bath Press Ltd.
- Avolio, B. J. & Bass, B. M. (2004). *Multifactor Leadership Questionnaire: Manual and Sampler Set* (3rd ed.). Redwood City, CA: Mind Garden.
- Bainbridge, S.M. (1996). "Participatory Management Within a Theory of the Firm", *The Journal of Corporation Law*, Vol. 21 No.4.
- Bass, B. M. (2000). The future of leadership in learning organizations. *Journal of Leadership & Organizational Studies*, 7(3), 18-40.

- Bass, B.M. (1985). *Leadership and Performance Beyond Expectation*, Free Press, New York, NY,
- Blanchard, K. H & Hersey, P. (1988). *Management of Organizational Behavior: Utilizing Human Resources*. New Jersey: Prentice Hall.
- Bourke, P. (1989). "Concentration and Other Determinants of Bank Profitability in Europe, North America and Australia", *Journal of Banking and Finance*, Vol. 13 pp.65-79.
- Central Bank of Kenya (2013). Bank Supervision Annual Reports, Central Bank of Kenya, Nairobi.
- Cooper, R. D. & Schindler, S.P. (2003). *Business research methods*. 8th Edition  
Boston: Irwin McGraw-Hill.
- Cooper, D.R. and Schindler, P.S. (2006) *Business Research Methods*, 9th Edition. Boston: McGraw-Hill Irwin.
- Chan, Donna Suk-Hing (2005). *Relationship between Generation-responsive Leadership Behaviors and Job Satisfaction of generations X and Y Professionals*. Unpublished dissertation, University of Phoenix, United States -Arizona.
- D. Quinn Mills (2005). *Leadership: How to Lead, How to Live* – Mind Edge Press
- Karl A. (2011) *Organizational Performance: Meeting the Challenges of the New Business Environment*
- Etemesi, R. (2012). Thoughts on Leadership Management, *Management, A KIM Publication April 2012 page 19*
- Gadot, E. V. (2007). *Leadership Style, Organizational Politics, and Employees*, McGraw-Hill Irwin
- Hair, J. F. (1998): *Multivariate Data Analysis (5th.ed)*. London, UK: Prentice Hall
- Gastil. J (1994), *A definition and illustration of democratic leadership*. Human relations 47,953-975
- Howell, J. M. and Avolio, B. J. (1993). Transformational Leadership, Transactional Leadership, Locus of Control and Support for Innovation: Key Predictors of Consolidated- Business-Unit Performance.
- Bratton, J. (2007). *Work and Organizational Behaviour*, Palgrave MacMillan
- Keating, C. (1982) *The Leadership Book*. New York: Paulist press,
- Koontz V. and Donnel O. (1993). *Principles of Management*. Mc Grawhill
- Kothari, C. R. (2003) *Research Methodology, Methods and Techniques*, Wishwa Prakshan, New Delhi
- Mugenda O.M and Mugenda A.G. (2003). *Research Methods. Quantitative and Qualitative Approaches*. Nairobi: African Center for technology Studies. (ACTS).

- Neuman, L. W. (2006). *Social research methods: Qualitative and quantitative approaches*, 6th Ed. London: Pearson International Edition.
- Mwita, J. I. (2000). Performance Management Model: A System-based Approach to System Quality. *The International Journal of Public Sector Management*, 13(1), 19-37.
- Northhouse, P. G. (2004). *Leadership: Theory and Practice*, Northhouse Publishing
- Ojokuku R., Odetayo, T. and Sajuyigbe H. (2012), Impact of Leadership Style on Organizational Performance: A Case Study of Nigerian Saccos. *American Journal of Business and Management* 1(4), 202-207
- Oloo, O. (2011). Banking Survey Report, The Best Saccos this Decade 2001-2010, Think Business Limited, Kenya, [www.bankingsurvey.co.ke](http://www.bankingsurvey.co.ke)
- Orodho, J. A. (2009). Elements of education and social science research methods, second edition. Maseno: Kanezja
- Oso WY, Onen D (2005). A General guide to writing research proposal and report; option press and publishers
- Pearce C. L, Conger J. A. (2003). *Shared leadership: Reframing the how and whys of leadership*. Thousand Oaks: Sage
- Performance: An Empirical Examination of Two Competing Models. *Personnel Review*, 36(5), 661-683.
- Popa, B. M. (2012). The Relationship between Leadership Effectiveness and Organizational Performance. *Journal of Defense Resources Management*; 3(1), 123-133.
- Richard, P.J., Devinney, T.M., Yip, G.S. & Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice.
- Schermerhorn, J. R, Hunt, J. G & Osborn, R. N (2000). *Organization Behavior*. New York. Wiley and sons Inc.
- Sheri-Lynne, L. and Parbudyal S. (2007). Leadership Development: Learning from Best Practices. *Leadership and Organization Development Journal*, 28(5).
- Stogdill, R.M. (1948). Personal Factors Associated with Leadership. *Journal of Psychology*,
- Vincent Okoth, Ongore Gemechu, Berhanu Kusa (2013). Determinants of Financial Performance of Saccos in Kenya, *International Journal of Economics and Financial Issues* Vol. 3, No. 1, (237-252)
- Vroom V.H Jago A.G. (2007). The role of the situation in leadership. *American Psychologist*, 62, 17-24
- Yukl, G. A. (2006). *Leadership in organizations* (6<sup>th</sup> edition). Upper Saddle River, NJ: Pearson Prentice Hall
- Zaccaro, S. J., & Saccos, D. (2004). Leader visioning and adaptability: Bridging the gap between research and practice on developing the ability to manage change. *Human Resource Management Journal*, 43, 367-380