

Effect of Strategic Direction and Organizational Culture on Performance of Kenya Cutflower Sector, the Case of Cutflower Firms in Nakuru County

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Abstract

Original Research Article

Research on the application of strategic leadership model by Hitt, Ireland, & Hoskisson (1995), in Cutflower sector in Kenya, and how it influences performance in terms of sales, quality and brand equity remain inadequately researched justifying the current study whose main aim was to by assess effect of strategic leadership on performance of Kenya Cutflower Sector, taking the case of Cutflower firms in Nakuru County. The study analyzed two components of strategic leadership; effect of strategic direction and organization culture on performance of flower firms in Nakuru County. The study adopted descriptive research design with target population of thirty-five (35) Chief Executive Officers (CEOs) working in the thirty-five (35) flower firms in Nakuru County. This population was appropriate because of their ability to observe the application of strategic leadership as well as performance of the firms. The study used non-probabilistic purposive sampling technique to arrive at sample size of thirty-five respondents, which is a census of all the CEOs. The study used structured questionnaire as the main data collection tool. Besides, the study employed the Pearson Correlation to test the relationship between each of the elements of strategic leadership model and performance of flower firms. Regression model was used to establish the combined effect of the elements on performance. The analyzed data was useful in understanding how strategic leadership affects flower firms' performance. The study established that firms' long term goal and the culture of putting customers first had significant relationship with sales, quality and brand equity as measures of Cutflower firm's performance. The study recommended that the Department of Horticulture of the Ministry of Agriculture should streamline flower firms' management to comply with the principal of strategic leadership especially on organizational resource portfolio and organizational culture components that had no positive effect on the firms' performance. To improve practice of strategic leadership, the study recommends that the management of flower firms should train its employees on the components of strategic leadership so that the concept can be embraced and applied by every employee in the firms.

Keywords: Strategic Leadership, Organizational Culture, Strategic direction, Organizational performance.

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INTRODUCTION

Strategic leadership is a managerial capability of a firm expect, predict, keep flexibility, and endow others to generate strategic change and a feasible future of the firm [1]. It is therefore the capability of the leadership to keep on reinventing motives for the organization's sustained presence. The leader must have the ability to focus on the organisation's operational activities and at the same time monitor the changes that affect the organisation, both internally and externally. Such changes are bound to determine the existence of the organisation in the future and they are prospects to grow the firm. The performance of any firm is dependent on its leaders [2].

Globally, some researchers have attempted to develop a fully integrated global leadership model [3],

while others, such as the Global Leadership and Organisational Behavioural Effectiveness research project, have embarked on an expansive empirical study of the level to which leadership competencies are universal or culturally contingent. Other empirical researchers have attempted to define fundamentals of global leadership, such as building and translating a shared corporate vision across regions [2].

In Africa, Jooste & Fourie [4] established that strategy implementation is more important than strategy formulation in South African organisations and that the ability to implement a strategy in an organisation is more important than the ability to formulate a strategy in an organisation. In addition, strategy implementation is perceived to be more difficult than strategy formulation, and poor strategy implementation is perceived to result in a high failure rate of change

initiatives. In Kenya, Nthini [5] observed that the strategic leadership practices including: determined corporate strategic direction, effectively managed corporate resource portfolio, emphasized effective organisational culture, emphasized ethical practices and balanced organisational controls correlated highly with customer satisfaction, return on investment, net profit margin and low annual employee turnover in the Kenya State Corporations. The correlation analysis that tested the level and significance of relationships of research variables confirmed that effective strategic leadership affects organisational performance.

Kenya is a major global supplier of cutflowers; the sector is estimated to employ approximately 50,000 to 60,000 people directly and over 500,000 people indirectly [6]. Cutflowers, fruits and vegetables make up Kenya's horticulture industry; one of the country's major foreign exchange earners; along with tea and tourism. Horticulture is one of the fastest growing sectors in the Kenyan economy, largely attributable to cutflower exports. Agriculture, more broadly, accounts for approximately one quarter of GDP and 60% of export earnings and is the source of livelihood for the majority of Kenyans [7].

There are over 150 flower producers in Kenya, many of which are medium to large-scale commercial operations Ksoll *et al.* [6] conducted a firm-level survey of over 100 exporter producers. Data from Ksoll *et al.* [6] revealed that there are about 120 established grower-exporters, exporting right through the year. The established exporters have substantial heterogeneity across firms with respect to key characteristics, such as acreage, ownership structure, and level of vertical integration. Major investment over the past two decades and duty-free access to the European Union (EU) has contributed to strong growth in the sector. Cutflower importers and retailers in the EU have established (largely unwritten) contractual relationships with Kenyan producers to ensure adequate supplies and timely delivery; this vertical relationship requires a readily accessible labour force [8].

The major flower-growing areas are Naivasha, Thika, Limuru, Nairobi, and the Athi River plains in the west, and the Nakuru, Nanyuki, Mount Kenya region, and Eldoret in the north. Naivasha-located about 100 kilometers Northwest of Nairobi-accounts for about 50% of the total land under cutflower cultivation, and about one-quarter of all flower exporters is located in the region. Additionally, the area is in close proximity to the Jomo Kenyatta International Airport and is linked by the Nairobi-Nakuru highway. Well-developed transportation networks are particularly important since fresh Cutflowers are highly perishable.

Cutflower sector in Kenya faces a number of challenges; competition among other international players, logistical challenges, compliance with EuroGap

standards, complicated activities along the supply chain and numerous actors along the supply chain [9]. Making Kenya Cutflower sector competitive requires strategic leadership by the Chief Executive Officers managing the firms. However, progress in understanding strategic leadership in organisations is limited because of the narrow focus of most available leadership theories in describing how leaders motivate individual followers to do more than they initially are expected [10]. Cut flower sector is a sensitive in terms of complex production operations, markets outside Kenya and the revenue base it is important that the sector have strategic direction, wisely exploit their competence, and develop motivated human capital with healthy working culture and effective management control.

Cutflower is an export product which faces the following challenges; tariff and non-tariff barriers. Formal barriers encompass customs duties and other import charges, quantitative restrictions, anti-dumping and countervailing restrictions, standards, testing and certification rules, government procurement laws, counter trade requirements, child labour laws, exchange and financial controls, export and other subsidies. These challenges can be addressed by strategic leadership approach which takes into consideration the strategic direction and application of leadership to accelerate firms towards the direction.

The study adopted Hitt, Ireland, & Hoskisson [11] strategic leadership model with its six critical components: Determining strategic direction; Exploiting and maintaining core competencies; Developing human capital; Sustaining an effective corporate culture; Emphasizing ethical practices and Establishing strategic controls. The justification for the choice of this model included; Research on the application of this model, in Cutflower sector in Kenya, and how it influences performance in terms of sales, quality and brand equity remain inadequately researched. How the cutflowers apply strategic leadership to their performance in international market is the research gap that this study addressed by assessing effect of strategic leadership on performance of Kenya Cutflower Sector, taking the case of Cutflower firms in Nakuru County.

Objectives

The study objectives were;

- To determine the effect of strategic direction on performance of Cutflower firms in Nakuru County
- To determine the combined effect of strategic leadership components on performance of Cutflower firms in Nakuru County.

HYPOTHESES

The hypotheses of the study were;

HO₁: Strategic direction does not significantly affect performance of Cutflower firms in Nakuru County

HO₂: Organisation culture does not significantly affect performance of Cutflower firms in Nakuru County

HO₃: that the combined affect of strategic leadership components does not significantly affect performance of Cut flower firms in Nakuru County

Conceptual Framework

The study tested the hypothesis using the following theories; diffusion of innovation theory and knowledge-worker productivity theory. Conceptually, the study hypothesized model identifying the concepts or variables under the study and their relationships. It is a scheme of concepts (variables), which the researcher will operationalize in order to achieve the set objectives. The purpose of the conceptual model is to help the researcher to relate the proposed relationships.

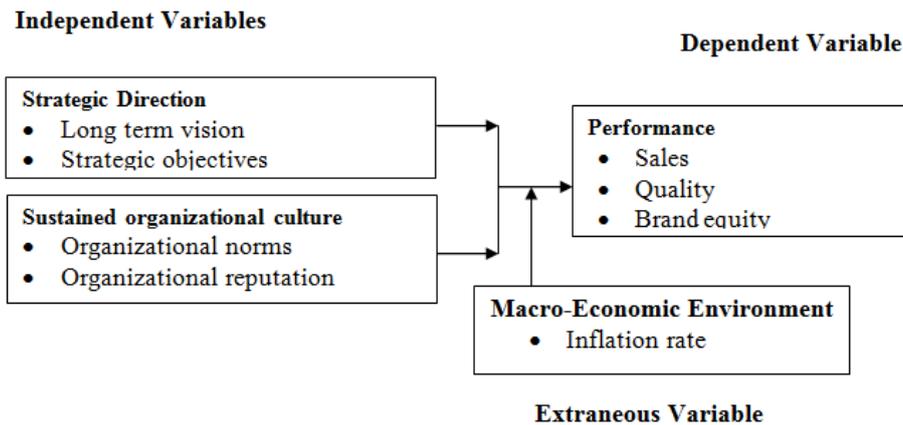


Fig-1: Effect of Strategic Leadership Components on Organisation Performance

Source: (Author, 2017)

In this study, the independent variables are the components of strategic leadership which include; strategic direction and sustenance of effective organisation culture. The dependent variable is organisations performance measured in terms of sales, quality and brand equity. The study hypothesizing that when Cutflower firms implement strategic leadership in their management paradigms then they are likely to improve on their performance in terms of sales volumes, quality delivery and advancing their respective brand equity assuming that business environment, motivation, employees’ knowledge and skills are controlled as moderating variables.

RESEARCH DESIGN

The study adopted descriptive research design targeting 35 executive officers of the cutflower firms. The researcher took a census of all the thirty-five chief executive officers by means of self-administered questionnaire. The firms’ physical addresses were used to arrange on how the questionnaires was delivered and collected. The researcher used close ended questionnaires based on Likert Scale as the main mode

of data collection. The use of questionnaires was justified because they assured an effective way of collecting information from a population in a short period of time and at a reduced cost.

The relationship between each of the elements of strategic leadership model [11] and performance of Cutflower firms was tested using a Pearson’s Correlation. The combined effect of all the elements and performance of Cutflower firms was tested with the Regression Model in equation 1, below:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where;

Y= Organisation performance

α =constant

$\beta_1 \dots \dots \beta_{2d}$ = parameter estimates

X_1 = strategic direction

X_2 = balanced organisational controls

ε = the error of prediction.

FINDINGS AND DISCUSSIONS

Descriptive Statistics of Cutflower Firms' Strategic Direction

Table-1: CEOs Views on Cutflower Firms' Strategic Direction

Strategic Direction	SA (%)	A (%)	NS (%)	D (%)	SD (%)
Long term vision	31	57	3	6	3
Functioning mission statement	29	57	3	7	4
Strategic objectives	26	49	11	6	8
Understand the environment	43	37	11	3	6
Functioning strategic plan in place	31	57	3	6	3
Understand core competence	26	49	11	6	8

Source: Field Data (2018)

Key: SA= Strongly Agree, A = Agree, NS = Not Sure, D = Disagree, SD = Strongly Disagree

Table 6 was used to analyze the CEOs Views on Cutflower Firms' Strategic Direction. The key elements of strategic direction analyzed in this section included; long term vision, functional mission statement, strategic objectives, understanding the environment the firms operated in, availability of a functioning strategic plan, understanding very well firms core competence.

The study established that majority of the respondents 88% agreed that their firms was operating with long term vision and functioning strategic plan respectively compared to 9% who disagreed and 3% who were not sure. Concerning functioning mission statement, the study established that majority of respondents 86% agreed that their firms operated with functioning mission statement compared to 11% who disagreed and 3% who were not sure. Further findings established that majority of the respondents 75% agreed that operated based on strategic objectives and that they understood very well firms core competence of their firms respectively compared to 14% who disagreed and 11% who were not sure. Concerning the understanding of the environment the business operated in, the study

established that majority of respondents 81% agreed that they understood the environment the business operated in compared to 11% who were not sure and 9% who disagreed.

These findings therefore showed that the cutflow firms in Nakuru County employed strategic direction as an element of strategic leadership including; having long term vision to steer their firms directional growth, functional mission statement to exhibit the reasons their firm currently exist in terms of the services offered, products produced, the customers/clients served and the business operative strategies employed, strategic objectives, understanding the environment the firms operated in terms of political, economic, social, legal and technological environment; availability of a functioning strategic plan as a blue print that guides the road map of their business and also understood very well the firms' core competence which they can leverage to face any competition that may arise.

Descriptive Statistics Cutflower Firms' Organization Culture

Table-2: CEOs View of Organization Culture Practice

Organizational Culture	SA (%)	A (%)	NS (%)	D (%)	SD (%)
Organizational norms	31	57	3	3	6
Norms are practiced by every employee	29	54	0	9	8
Shared entrepreneurial culture among employees	31	57	3	3	6
Culture of honesty	31	57	3	3	6
Culture of the customers first	17	57	0	14	12
Culture that protects our environment	17	57	0	14	12

Source: Field Data (2018)

Key: SA= Strongly Agree, A = Agree, NS = Not Sure, D = Disagree, SD = Strongly Disagree

This section presents the fifth element of strategic leadership which is firms' organizational culture practices measured in terms of; existence of organizational norms which are practiced by every employee, existence of shared entrepreneurial culture among employees, existence of culture of the customers first, the practice of the culture of customers first and

culture that protects environment where the business of cutflower exist and is supported.

The study established that majority of respondents 88% agreed that the Cutflower Firms have organizational norms that guide their operations, existence of shared entrepreneurial culture among

employees and existence of culture of honesty respectively compared to 9% who disagreed and 3% who were not sure. Majority of respondents 83% agreed that norms are practiced by every employee without discrimination compared to 17% disagreed. Concerning customers and environmental protection, majority of the respondents 74% agreed that the firms have the culture that puts customers first and also promotes the protection of environment compared to 26% who disagreed.

These findings showed that the cutflow firms employed all the elements organizational culture

practice as an element of strategic leadership including; existence of organizational norms which are practiced by every employee, existence of shared entrepreneurial culture among employees, existence of culture of the customers first, the practice of the culture of customers first and culture that protects environment where the business of cutflower exist and is supported.

Cutflow Organizational Performance

This section presents the descriptive statistics on the cut firms' organization performance measured in terms of sales performance, quality and brand performance.

Table-3: Descriptive Statistics of Cutflow Firms' Performance

Performance	N	Minimum	Maximum	Mean	Std. Deviation
Brand Performance	35	2	5	4	0.82
Sales Performance	35	2	6	4	0.98
Quality Performance	35	2	6	4	0.95

Source: Filed Data (2018)

Table 10 shows that the means of performance variables had minimum and maximum scores ranging from 1 to 5. All mean scores were found to be 4, which according to Likert Scale indicate that the variables are important and that the respondents agreed that cutflow firms in Nakuru County had brands that had better performance based on quality production performance and sales performance.

Hypotheses Test

Effect of Strategic Direction on Performance

This section presents the analysis and hypothesis test of effect of strategic direction on performance of Cut flower firms in Nakuru County. The study carried out in-depth analysis to the specific elements strategic direction elements and how they related with cutflower firms' performance.

Table-4: R Square for Effect of Strategic Direction on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990 ^a	.980	.977	.15107

The R value was 0.990 whereas R Square was 0.980, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, "cutflower firms' performance", was explained by the

elements of independent variables, "strategic direction". In this case, 98.0% was the R Squared, which was very large indicating high degree of correlation.

Table-5: ANOVA for Effect of Strategic Direction on Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.22	5	6.64	291.14	.000 ^b
	Residual	0.66	29	0.02		
	Total	33.89	34			

Predictors "long term vision, functional mission statement, strategic objectives, understanding the environment the firms operated in, availability of a functioning strategic plan, understanding very well firms core competence" Dependent variable "cutflower firms performance. Table 12 indicated that the regression model predicted the outcome variable significantly with $p=0.000$, which was less than 0.05, and indicated that; overall, the model statistically and significantly predicted the outcome variable.

The study established 2 of the elements of strategic direction that is 'long term vision' and 'strategic objective' had $p<0.05$ and therefore there was

evidence to reject the **H₀**: Strategic direction does not significantly affect performance of Cut flower firms in Nakuru County. In order for the study to influence the practice, the regression analysis was also used to indicate which of the elements of strategic direction had greater effect on cutflower firms' performance.

According to the finding long term vision $r=0.946$, $p=0.000<0.05$ had great effect than strategic objective $r=0.141$, $p=0.015<0.05$. It is also important to note that there was no multicollinearity of the data used to arrive at this conclusion since the Variance Inflation Factor was $VIF>1$ but <10 in each case of the strategic direction elements and cutflower firms' performance.

Table-6: Effect of Strategic Direction on Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.254	.208		-1.222	.231
Long term vision	.946	.057	.871	16.565	.000
strategic objective	.141	.054	.137	2.598	.015
Environmental scanning	-.013	.024	-.016	-.563	.578
strategic plan	-.026	.029	-.029	-.906	.372
core competence	.010	.023	.012	.445	.659

Effect of Organization Culture on Performance

This section presents the analysis and hypothesis test of effect of organizational culture on performance of Cut flower firms in Nakuru County.

The study carried out in-depth analysis to the specific elements organizational culture elements and how they related with cutflower firms' performance.

Table-7: R Square Effect of Organization Culture on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.489 ^a	.240	.108	.924

The R value was 0.489 whereas R Square was 0.240, which indicated a low degree of correlation. The R² value indicates how much of the dependent variable, "cutflower firms' performance", was explained by the

elements of independent variables, "organization culture". In this case, 24.0% was the R Squared, which was fairly small indicating low degree of correlation.

Table-8: ANOVA for Effect of Organization Culture on Performance

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	7.796	5	1.559	1.827	.139 ^b
	Residual	24.750	29	.853		
	Total	32.546	34			

Predictors "existence of organizational norms which are practiced by every employee, existence of shared entrepreneurial culture among employees, existence of culture of the customers first, the practice of the culture of customers first and culture that protects environment where the business of cutflower exist and is supported." Dependent variable "cutflower firms

performance. Table 24 indicated that the regression model did not predicted the outcome variable significantly with $p=139>0.05$, which was greater than 0.05, and indicated that; overall, the model did not statistically and significantly predicted the outcome variable.

Table-9: Effect of Organization Culture on Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	5.989	1.120		5.347	.000
	norms practiced by everybody	.141	.207	.171	.679	.503
	share entrepreneurial culture	-.157	.219	-.160	-.716	.480
	culture of honesty	-.062	.143	-.076	-.434	.668
	culture of customers first	-.391	.188	-.507	-2.084	.046
	culture to protect environment	-.171	.143	-.213	-1.195	.242

The study established 1 of the elements of organization culture that is 'culture of customers first' had $r=-0.391$, $p=0.046<0.05$, there was evidence to reject the H₀₅: Organisation culture does not significantly affect performance of Cut flower firms in Nakuru County. There was no multicollinearity of the data used to arrive at this conclusion since the Variance Inflation Factor was $VIF>1$ but <10 in each case of the strategic direction elements and cutflower firms' performance.

Combined Effect of Strategic Leadership Components on Performance

This section presents the analysis and hypothesis test of combined effect of strategic leadership components on performance of Cutflower firms in Nakuru County. The study carried out multiple regression analysis to the specific elements strategic leadership elements (strategic direction and ethical practice and organization culture) and how they affected with cutflower firms' performance.

Table-10: R Square for Combined Effect of Strategic Leadership Components on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587 ^a	.344	.257	.843

The R value was 0.587 whereas R Square was 0.344, which indicated a average degree of correlation. The R² value indicates how much of the dependent variable, "cutflower firms' performance", was explained

by the elements of independent variables, "strategic leadership". In this case, 34.4% was the R Squared, which was average indicating average degree of correlation.

Table-11: ANOVA Combined Effect of Strategic Leadership Components on Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.208	4	2.802	3.939	.011 ^b
	Residual	21.338	30	.711		
	Total	32.546	34			

Predictors "strategic direction and organization culture." Dependent variable "cutflower firms performance. Table 27 indicated that the regression model predicted the outcome variable significantly with

$p=0.11<0.05$, and indicated that; overall, the model statistically and significantly predicted the outcome variable.

Table-12: Combined Effect of Strategic Leadership Components on Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.578	1.872		2.981	.006
	Strategic Direction	.635	.239	.395	2.660	.012
	Organizational Culture	-.408	.265	-.228	-1.538	.134

The study established 1 of the elements of strategic leadership that is 'strategic direction practice' $r=0.635$, $p=0.012<0.05$ had relationship with firms performance, there was evidence to reject the H_0 that the combined effect of strategic leadership components does not significantly affect performance of Cut flower firms in Nakuru County. There was no multicollinearity of the data used to arrive at this conclusion since the Variance Inflation Factor was $VIF>1$ but <10 in each case of the strategic direction elements and cutflower firms' performance. This finding is supported by Lear [12] who established that in order for employees to effectively understand and deploy strategy throughout the organisation, they must have a clear understanding of what the strategy is. The results indicate that employees have a moderate understanding of the strategy throughout the organisation, which therefore does not translate into people development and processes that are focused on customer needs. Useful information about customer needs is not provided to employees, and this tends to impact on the implementation of all the other alignment constructs. The results indicate that investment in top management team place a greater focus on strategy than employees' experience of the other three alignment constructs, with the lowest focus on processes. While it can be argued that strategy is the focus of leadership, failure to deploy the strategy throughout the organisation will influence organisational effectiveness and performance.

CONCLUSION

This section presents the conclusion on analyze effect of strategic leadership components on performance of Kenya Cutflower Sector, taking the case of Cutflower firms. The conclusion was based on multiple regression analysis to the specific elements strategic leadership elements (strategic direction organization culture) and how they affected with cutflower firms' performance. The study established that the combined effect of strategic direction significantly affect performance of Cut flower firms in Nakuru County.

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