



STRATEGIC LEADERSHIP AND PERFORMANCE OF PETROLEUM INDUSTRY IN KENYA

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Abstract

Organization aims at making profit and maximizing shareholders wealth. The achievement of profitability is dependent on leadership approach in an organization. Hence, the current study aimed at investigating the effect of strategic leadership on performance of petroleum industry in Kenya. Specific objectives of the study were, to determine the effect of strategic human capital on performance of petroleum industry in Kenya. To examine the effect of strategic controls on performance of petroleum industry in Kenya. To evaluate the effect of strategic planning on performance of petroleum industry in Kenya. To establish the effect of strategic sourcing on performance of petroleum industry in Kenya. The study adopted descriptive research design. Primary data was collected through administration of questionnaires. Descriptive and inferential statistics analyzed the data. Study findings indicates that strategic human capital, strategic control, strategic planning and strategic sourcing have positive and significant effect on performance of petroleum industry in Kenya.

Introduction

Examination of firm performance is of interest in public, private, profit and non-profit making entities (Ondoro, 2017). The business environment is not static and is in constant change that call for adoption of strategic approaches that would optimize organization performance and enhance its competitive advantage (Wheelen & Hunger, 2015). In response to this organizations have adopted strategic leadership to sustain organization survival in sporadic business environment. Funda and Cihan (2014) argues that organization success is significant to firm's leadership capacity and commitment to deploy its capabilities.

According to Hitt, Haynes and Serpa (2010) even though strategic leadership capacity have influence on behaviour changes and organization interest there is need for strategic formulation and implementation of policies that would enhance organization performance. Hitt, Ireland and Hoskisson (2012) argues that strategic leaders have capacity to not only forecast and create flexibility but also maintain empowerment of different organization stakeholders. Further, Kabetu and Iravo (2018) purports that strategic leadership calls for harmony between internal and external environment. This may ultimately promote firm performance.

The quality of leadership in an organization should identify and respond to challenges that may hinder achievement of organization objectives. Funda and Cihan (2014) purports that strategic leadership have capacity to create timely approach to organization need for direction. Moreover, business operating environment of oil marketing companies is not static. Hence, there is need for them to create response mechanisms that would ensure that they are sustainable. The study was based on the following objectives:

- ✓ To determine the effect of strategic human capital on performance of petroleum industry in Kenya.
- ✓ To examine the effect of strategic controls on performance of petroleum industry in Kenya.
- ✓ To evaluate the effect of strategic planning on performance of petroleum industry in Kenya.
- ✓ To establish the effect of strategic sourcing on performance of petroleum industry in Kenya.

Literature Review

Mokeria and Muturi (2019) studied the influence of strategic leadership on performance of insurance companies in Kenya. Cross sectional research design was applied and primary data

collected among 287 respondents drawn from insurance companies. Descriptive and inferential statistics analyzed the data. Study findings indicated that there was positive and significant influence of employee engagement, strategic communication and envisioning on performance of insurance companies. The study should have reported diagnostic tests prior to fitting regression model. This would have increased the chances of fitting non-biased model.

Ogechi (2011) studied the effect of strategic leadership on performance of small and medium enterprises in Kenya. Descriptive research design was adopted and primary data collected through questionnaires administration. Univariate and multivariate techniques analyzed the data. Study findings indicates that there positive and significant effect of strategic leadership on performance of small and medium enterprises in Kenya. The findings may not mirror petroleum sector since most dealers are multinational corporations. Hence, they are better placed in strategic planning as compared to small and medium enterprises.

Mohammad and Mat (2018) studied the relationship between strategic leadership and organization performance in Jordanian industrial estates. Descriptive research design was applied and primary collected among 30 employees through administration of questionnaires. Descriptive and inferential statistics analyzed the data. Study findings indicated that there was a positive relationship between human and social capital on organization performance. Due to contextual differences between petroleum sector and industrial estates the findings may not be generalized in Kenya perspective. Thus, the need for a localized study.

Mathu (2017) studied the effect of strategic sourcing on organization performance in national police service in Kenya. The study adopted case study research design and primary data was collected through administration of questionnaires. Data was analyzed through descriptive and inferential statistics. Study findings indicate that there was positive effect of strategic sourcing on

organization performance in National police service. The study should have considered drawing respondents from different sectors in National Police Service.

Kimetto, Ojino and Ayoo (2019) studied the effect of strategic sourcing on performance of Acacia hotel in Kisumu County. Descriptive research design was applied and primary data collected through issue of questionnaires. Univariate and multivariate techniques were used for data analysis. Study findings indicates that there was a positive and significant effect of strategic sourcing on performance of hospitality sector. Since the sector aims at providing services it may not be a replica of petroleum industry that provides goods and services.

Mutua and Juma (2018) studied the influence of strategic sourcing on procurement performance in banking industry in Kenya. Descriptive research design was applied and primary data collected through issue of questionnaires. Univariate and multivariate techniques were adopted for data analysis. Study findings indicates that there was a positive and significant relationship between strategic sourcing and procurement performance in banking industry in Kenya. Industry specific characteristics in the banking differs from petroleum sector hence the findings may be mutually exclusive of the sectors.

Ikoru and Nwosu (2017) studied the effect of strategic planning on organization performance of bottling companies in Nigeria. Survey research design was applied and primary data collected through administration of questionnaires among 124 respondents. Descriptive and inferential statistics were used to analyze the data. Study findings indicate that there is a positive and significant effect on organization performance in Nigeria.

Owolabi and Makinde (2012) studied the effect of strategic planning on corporate performance in university education in Nigeria. Descriptive research design was applied and primary data was gathered through issue of questionnaires. Descriptive and inferential statistics were used for data

analysis. Study findings indicated positive and significant effect of strategic planning on corporate performance.

Gaturu, Waiganjo, Bichang'a and Oigo (2017) studied the influence of strategic controls on performance of mission hospitals in Kenya. Descriptive research design was applied and primary data collected through issue of questionnaires. Study findings indicates that there was positive and significant effect of strategic controls on performance of mission hospitals in Kenya. The study may have considered reporting on diagnostic tests prior to regression modelling. This may have minimized the chances of drawing biased conclusions.

Adilson and Alberto (2018) studied the effect of strategy on performance. Descriptive research design was applied and primary data collected through issue of questionnaires. Descriptive and inferential statistics were used for data analysis. Results of the study indicates that there was a positive and significant effect of strategy on firm performance in turbulent environment. These findings were customized for a specific business environment though its constancy may not be guaranteed.

Research Methodology

The study adopted descriptive research design which according to Oso and Onen (2009) aims at examining the what, why and how the variables of interest are at the time of the study. The design was selected since the study aimed at examining strategic leadership adopted by petroleum industries and how they affected performance of respective companies.

The target population for the study comprises of complete count of all individuals or elements under consideration (Sekaran & Bougie, 2013). In this study target study comprised of 106 Chief Executive Officers and 500 directors of oil marketing companies in Kenya. The target population is as shown in Table 3.1.

Table 3.1 Target Population

	Count	Percentage
CEO	106	17
Directors	500	83
Total	606	100

To select the respondents on the study simple random sampling was used and the sample size was determined by Yamane (1976) formula as follows; $n = N / [1 + N (e)^2]$ Where n is the sample size, N is the population size, and e is the level of precision.

$$n = 606 / [1 + 606 (0.10)^2] = 86.$$

Further stratified sampling was used to stratify the respondents as CEOs and directors in respective oil companies as shown in Table 3.2.

Table 3.2 Sample Size

	Count	Percentage
CEO	15	17
Directors	71	83
Total	86	100

Primary data was collected through administration of questionnaires among respondents. The choice of questionnaires was based on the fact that there were easier to administer as compared to alternative primary data collection tools such as interview and focus group discussion guides. In addition, questionnaires may be administered through online platforms thus an appropriate tool in situations of natural calamities (Kothari, 2011).

Data was analyzed through use of descriptive and inferential statistics. Descriptive methods of data analysis were mean and standard deviation. Inferential statistics used in the study were Product moment correlation coefficient for evaluation of the strength of the effect of strategic leadership on firm performance. Multiple regression analysis examined the effect of strategic

human capital, strategic controls, strategic planning, strategic sourcing on firm performance of petroleum industries in Kenya. Multiple regression model of the study was:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where Y = Firm performance

X_1 = Strategic human capital, X_2 = Strategic controls, X_3 = Strategic planning, X_4 = Strategic sourcing, α = constant term, $\beta_{1..4}$ = Slope coefficients for $X_{1..4}$, μ = Error term.

Findings and Interpretation

The first objective of the study examined the effect of strategic human capital on performance of petroleum industry in Kenya. The respondents were requested to indicate their level of agreement on five-point Likert scale ranging from strongly disagree to strongly agree. Findings in Table 4.1 that majority agreed that strategic human capital have effect on performance of petroleum industry in Kenya. Majority either (mean = 3.9) agreed that they have prepared skills set requirements in their database or they continuously train their employees to respond to strategic needs. They were an agreement that petroleum industry have a culture of preparing succession plans in their human capital (mean = 4.2). Further, majority agreed that they have a policy of developing their human capital internally (mean = 4.3). Finally, it was agreed that petroleum industry have a strategy of developing employee values and core principles.

Table 4.1 Descriptive Statistics on Strategic Human Capital

	Mean	Std. Dev
We have prepared skills set requirements in our database	3.9	1.1
We continuously train our employees to respond to strategic needs	3.9	0.9
We have a culture of preparing succession plans in our human capital	4.2	0.8
We have a policy of developing our human capital internally	4.3	0.9
We have a strategy of developing employee values and core principles	4.1	0.9
Overall average	4.1	0.9

The second objective of the study examined the effect of strategic controls on performance of petroleum industry in Kenya. In a five-point likert scale the respondents were requested to indicate their level of agreement ranging from strongly disagree to strongly agree. Descriptive statistics mean and standard deviation were used for data analysis. Results in Table 4.2, indicate that strategic controls have effect of performance of petroleum industry in Kenya (mean = 4.2). There was an agreement that majority (mean = 3.9) agreed that they have clear control to enhance achievement of strategic goals. Majority (mean = 4.4) agreed that they have clear policies that forecasts expected outcomes due to strategy compliance. Further, majority (mean = 4.2) agreed that they have clear procedures for resources optimization. Moreover, they were an agreement that there are clear corrective measures for enhancing achievement of organization goals and objectives (mean =4.3).

Table 4.2 Descriptive Statistics on Strategic Controls

	Mean	Std. Dev
We have clear control to enhance achievement of strategic goals	3.9	0.9
We have clear policies that forecasts expected outcomes due to strategy compliance	4.4	0.8
We have clear procedures for resources optimization	4.2	0.7
We have clear corrective measures for enhancing achievement of our goals and objectives	4.3	1.1
We have clear procedures for identification of strategic resources	4.1	1.2
Overall average	4.2	0.9

The third objective of the study investigated the effect of strategic planning on performance in petroleum industry in Kenya. Respondents level of agreement was sought on five-point Likert scale ranging from strongly disagree to strongly agree. On overall majority (mean = 4.1) agreed that strategic planning have effect on performance in petroleum industry in Kenya. Majority agreed (mean = 4.1) either their organization vision and mission guides in strategic planning or their leadership continuously evaluate strategic choices adopted. Majority agreed (mean = 4.2) either their leadership provides guidance on strategic actions to be considered or it continuously

guides on improvements to be adopted. Finally, majority agreed (mean = 3.9) that their leadership provides targets that guides strategic procedures.

Table 4.3 Descriptive Statistics on Strategic Planning

	Mean	Std. Dev
Our organization vision and mission guides in strategic planning	4.1	0.9
Our leadership provides guidance on strategic actions to be considered	4.2	0.8
Our leadership provides targets that guides strategic procedures	3.9	0.7
Our leadership continuously evaluate strategic choices adopted	4.1	0.8
Our leadership continuously guide on improvements to be adopted	4.2	1.1
Overall average	4.1	0.9

The fourth objective of the study examined the effect of strategic sourcing on performance of petroleum industry in Kenya. Findings in Table 4.4 indicates that majority agreed that strategic sourcing have effect on performance of petroleum industry in Kenya (mean = 4.4). Majority either agreed that they have created cooperative business environment with their stakeholders or they have enhanced purchases specifications. Majority agreed (mean 4.3) that they have created efficiency in resources procurement cycle. Majority mean = 4.2, agreed that due to strategic leadership they have created joint understanding with other stakeholders.

Table 4.4 Descriptive Statistics on Strategic Sourcing

	Mean	Std. Dev
Have created collaborative business environment with our stakeholders	3.9	0.9
Have improved intra and inter teamwork and communication	3.8	0.8
Have fostered business networking amongst stakeholders	4.1	0.7
Have improved our joint understanding of stakeholders.	4.2	1.1
Have created efficiency in resources procurement cycle	4.3	1.2
Have enhanced purchases specifications	3.9	0.8
Overall average	4.0	0.9

Further, descriptive statistics was adopted in evaluation of performance of petroleum industry. Five-point level of agreement was applied. Descriptive and inferential statistics were applied for data analysis. Findings in Table 4.5 indicate that majority mean = 4.0, agreed that they were

changes in performance of petroleum industry. Majority mean = 4.2 either agreed that their product quality has improved in response to demand or their revenue have been increasing. Further, there was agreement that the number of customers have been consistently growing. There was an agreement that profitability of petroleum industry have been growing mean = 3.9.

Table 4.5 Descriptive Statistics on Performance

	Mean	Std. Dev
The number of our customers have consistently been growing	4.1	1.4
Our product quality has improved in response to demand	4.2	1.1
Our revenue has been increasing	4.2	0.9
Our profitability position has improved	3.9	1.2
We have managed to expand our business volumes	3.8	0.9
Overall average	4.0	1.1

Product moment correlation coefficient evaluated the effect of strategic leadership on performance. Findings in Table 4.6 indicates that there was a positive and significant effect of strategic human capital on performance ($\rho = 0.838$, p value < 0.05). Strategic controls have positive and significant effect performance of petroleum industry in Kenya ($\rho = 0.833$, p value < 0.05). Strategic planning has positive and significant effect on performance ($\rho = 0.906$, p value < 0.05). Strategic sourcing has positive and significant effect on performance of petroleum industry in Kenya ($\rho = 0.867$, p value < 0.05).

Table 4.6 Correlation Analysis

		Performance	Strategic human capital	Strategic controls	Strategic planning	Strategic sourcing
Performance	Pearson					
	Correlation	1	.838**	.833**	.906**	.867**
	Sig. (2-tailed)		0.00	0.00	0.00	0.00
Strategic human capital	N		61	61	61	61
	Pearson					
	Correlation		1	.182**	.474**	.397**
Strategic human capital	Sig. (2-tailed)			0.00	0.00	0.00
	N			61	61	61

Strategic controls	Pearson			
	Correlation	1	.376**	.397**
	Sig. (2-tailed)		0.00	0.00
	N		61	61
Strategic planning	Pearson			
	Correlation		1	.289**
	Sig. (2-tailed)			0.00
	N			61
Strategic sourcing	Pearson			
	Correlation			1

** Correlation is significant at the 0.01 level (2-tailed).

Multiple regression analysis evaluated the effect of strategic leadership on performance of petroleum industry in Kenya. Findings in Table 4.7 has an R squared of 0.870, that indicates that 87% of changes in performance of petroleum industry in Kenya can be explained by strategic human capital, strategic controls, strategic planning and strategic sourcing while the remaining percentage can be explained by other factors excluded in the model. The F statistics indicates that strategic leadership have significant effect on performance of petroleum industries in Kenya ($F = 91.964$, $p \text{ value} < 0.05$).

There was a positive and significant effect of strategic human capital on performance of petroleum industry in Kenya ($\beta = 0.169$, $p \text{ value} < 0.05$). This indicates that unit increase in strategic human capital increases performance of petroleum industry by 0.169 units while holding strategic controls, planning and sourcing constant.

Secondly, there was a positive and significant effect of strategic controls on performance of petroleum industry in Kenya ($\beta = 0.276$, $p \text{ value} < 0.05$). This implies that unit increase in strategic controls increases performance of petroleum industry by 0.276 units while holding constant strategic human capital, planning and sourcing.

Thirdly, there was a positive and significant effect of strategic planning on performance of petroleum industry in Kenya ($\beta = 0.510$, $p \text{ value} < 0.05$). This implies that unit increase in

strategic planning while holding constant strategic human capital, controls and sourcing increases performance by 0.510 units.

There was a positive and significant effect of strategic sourcing on performance of petroleum industry in Kenya ($\beta = 0.206$, p value < 0.05). This implies that unit increase in strategic sourcing while holding constant strategic human capital, control and planning increases performance by 0.206 units.

Table 4.7 Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.301	0.066		-4.551	0.00
Strategic human capital	0.169	0.070	0.141	2.436	0.002
Strategic controls	0.276	0.114	0.220	2.426	0.019
Strategic planning	0.510	0.140	0.441	3.635	0.001
Strategic sourcing	0.206	0.075	0.194	2.760	0.008
R Squared	0.870				
Adj R squared	0.860				
F	91.964				0.000

Conclusion and Recommendations

From the findings it can be concluded that there is need for petroleum industry in Kenya to evaluate policies on strategic human capital, strategic controls, strategic planning and strategic sourcing practices. This would enhance performance and optimize resources allocation and planning in respective firms.

There is need for adoption of alternative modelling while examining the effect of strategic leadership on performance of petroleum industry. Structural equation model should be fitted. Through it, the study may examine the contribution effect of respective attribute of strategic leadership on performance of petroleum industry in Kenya.

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