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EFFECT OF SELF-MANAGEMENT LEADERSHIP COMPETENCY ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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Abstract

Purpose*:* The main objective of the study was to establish the effect of self-management leadership competency on performance of state corporations in Kenya.

Methodology*:* The study adopted a cross-sectional survey research design.

Findings: Results revealed that the self-management leadership competency had a positive a significant relationship with the financial performance of state corporations in Kenya. Results also revealed that self-management leadership competency had a positive but insignificant relationship with the non-financial performance of state corporations in Kenya. This implies that self-management leadership competency only influenced the financial performance of state corporations.

Unique contribution to theory, practice and policy: Leadership competencies affect the development, functioning and management of state corporations thus improving the performance of these organizations. Hence, the study findings and recommendations of the study would be an eye opener to these corporations and provide them with the opportunity of improving its self-management leadership competencies. The findings of this study will also facilitate the availability of information for regulatory bodies such as CMA and NSE (in case of listed state corporations such as Kenya Power and Lighting Company) or supervisory bodies such as Inspectorate of State Corporations, Controller and Auditor-General. The study will provide invaluable input on its self-management leadership competencies of state corporations which they will adopt in formulating laws and regulations affecting their its self-management leadership competencies. Strengthening leadership competencies at corporation level might be a viable option for Kenya as a country which is faced by major Leadership competencies challenges characterized by corruption and misallocation of resources. Better performing public sector owing to good its self-management leadership competencies would contribute to improved economic performance which will be beneficial to the entire country. Besides, better performance would lead to better, efficient and effective service delivery to the citizens and advantageous as such since state corporations providing utility services do not receive competition from the private sector. Additionally, bilateral and multilateral donor organizations and creditors wish to know its self-management leadership competencies of state corporations so as to make informed decisions on whether to finance them or not. This study will highlight the self-management leadership competencies in the state corporations and provide suggestions for remedy. Lastly, given the limited knowledge in the same field, the findings of this study may also be used as a source of reference for other researchers.

Keywords: *Self-management Leadership Competency, Financial Performance, Non-financial Performance*

INTRODUCTION

Background

The dynamics, complexity and diversity, now characteristic of operational environment, are diffusing into the organization needs making increasing demands on management and leadership competencies at all organizational levels (Gregersen,2010; Harvey & Buckley, 2011).Increasing understanding of different aspects of governance, needs of various factors and their changes will help organizations to meet the new challenges brought by globalization, whether their primary operation environment is domestic, international or global. The development of leadership competencies should be based on the global business strategy which determines what kind of presence is desirable, how many and what types of jobs, projects, task forces, and other types of interactions exist (McCall & Hollenbeck, 2012). Competency development process should start from an analysis of the dynamics of the environment and the core competencies, continuing to identifying the profiles of resources and ending with identification of necessary competencies for specific jobs/functions (Suutari, 2010).

A competence in general can be understood as the ability of an individual to activate, use and connect the acquired knowledge in the complex, diverse and unpredictable situations. Competencies encompass knowledge, expertise, skills, personal and behavioral characteristics, beliefs, motives, values (Zakaria & Taiwo, 2013). Leaders have to ensure that changes in an organization are accepted and implemented in a way resulting not only in better job performance but also in general understanding and satisfaction of all. Leadership competencies are skills and behaviors that contribute to superior performance of leaders. By using a competency-based approach to leadership competencies, organizations can better identify and develop their next generation of leaders (Koman & Wolff, 2008).

These skills or competencies are enablers of leadership competencies which can be developed, not necessarily inborn, and which is manifested in performance, not merely potential and are acquired talent that leaders develop related to a specific task. While some Leadership competencies are essential to all firms, an organization should also define what Leadership competencies attributes are distinctive to the particular organization to create competitive advantage. A focus on self-management leadership competencies development promotes better Leadership competencies as skills needed for a particular position may change depending on the specific Leadership competencies level in the organization (Shahmandi, Silong, Ismail, Abu-Samah & Othman, 2011). Each skill is necessary for successful leaders to possess, but the amount of each skill may vary depending on position within the organizational hierarchy.

State corporations play a major role in most economies through the provision of public services. In Kenya, they play a significant role in enhancing equitable distribution of development gains and solve regional imbalance; indigenize the economy; provide secure employment; help government to implement and learn from implementation of industrial policy; and, accelerate economic growth through provision of important services such as electricity, water, sugar, seeds and research for agriculture, and marketing to mention but a few (Mwaura, 2007).

Statement of the Problem

Review of literature shows that most leaders in the state corporations have poor leadership competencies (Baruch, 2012). Despite their important socio-economic roles, most of the state corporations are characterized by inefficiency, losses, provision of poor and unreliable products and services, and lack of accountability, transparency and financial probity. A good example is the recent case of Mumias Sugar Company. Kariuki (2015) reported that Mumias Sugar has almost doubled its loss to Sh 4.6 billion in the 12 months to June 2015 blaming closure of factory and poor sugarcane delivered for the poor result. Announcing its 2015 financial results, Mumias Sugar said that the loss was atop 2014's reported loss of Sh 2.7 billion which ushered Kenya's leading sugar miller to its deathbed. Another example is the Kenya Airways case. According to Nation Juma (2015), Kenya Airways plunged into a record Sh25.7 billion loss after tax for the 12 months that ended in March, the worst performance in the country's corporate history. Hence, this study seeks to assess the effect of self-management leadership competency on performance of state corporations in Kenya.

Objective of the Study

The main objective is to assess the effect of self-management leadership competency on performance of state corporations in Kenya.

THEORETICAL REVIEW

Agency theory

It has been pointed out that separation of control from ownership implies that professional managers manage a firm on behalf of the firm's owners (Kiel & Nicholson, 2003). Conflicts arise when a firm's owners perceive the professional managers not to be managing the firm in the best interests of the owners. According to Eisenhardt (1989), the agency theory is concerned with analyzing and resolving problems that occur in the relationship between principals (owners or shareholders) and their agents or top management. The theory rests on the assumption that the role of organizations is to maximize the wealth of their owners or shareholders (Blair, 1995).

The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Such conditions expose businesses to two agency problems namely adverse selection and moral hazard. Adverse selection occurs when a principal cannot ascertain whether an agent accurately represents his or her ability to do the work for which he or she is paid to do. On the other hand, moral hazard is a condition under which a principal cannot be sure if an agent has put forth maximal effort (Eisenhardt, 1989). According to the agency theory, superior information available to professional managers allows them to gain advantage over owners of firms.

The reasoning is that a firm's top managers may be more interested in their personal welfare than in the welfare of the firm's shareholders (Berle & Means, 1967). Donaldson and Davis (1991) argue that managers will not act to maximize returns to shareholders unless appropriate governance structures are implemented to safeguard the interests of shareholders. Therefore, the agency theory advocates that the purpose of governance is to minimize the potential for managers to act in a manner contrary to the interests of shareholders.

Proponents of the agency theory belief that a firm's top management becomes more powerful when the firm' stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between governance and the amount of stock owned by the top management (Mallin, 2004). Wheelen and Hunger (2002) argue that problems arise in corporations because agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation.

The agency theory also advocates for the setting up of rules and incentives to align the behavior of managers to the desires of owners (Hawley & Williams, 1996). However, it is almost impossible to write a set of rules for every scenario encountered by employees. Consequently, the Australian Stock Exchange Governance Council (2003) associates good governance with people of integrity.

Carpenter and Westpal (2001) argue that the agency theory is mainly applied by boards of profit making organizations to align the interests of management with those of shareholders. Dobson (1991) argues that the demands of profit making organizations are different from those of stakeholders such as shareholders, local communities, employees and customers. The conflicting demands can be used to justify actions that some may criticize as immoral or unethical depending on the stakeholder group.

According to this theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. The agency theory presents the relationship between directors and shareholders as a contract (Adams, 2002). This implies that the actions of directors, acting as agents of shareholders, must be checked to ensure that they are in the best of the shareholders.

METHODOLOGY OF THE STUDY

The study used cross-sectional survey research design. The study's population was the state corporations in Kenya. The unit of observation was the 187 state corporations. The unit of

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analysis was a top manager who reports to the CEO in the state corporation. The study used both stratified sampling technique to come up with the sample. The sample size was 131 state corporations. The study used both primary and secondary data which was largely quantitative and descriptive in nature. Primary data was collected through questionnaire. A pilot study was conducted to measure the research instruments reliability and validity. Descriptive and inferential analysis was conducted to analyze the data.The data was presented using tables, graphs and charts.

RESULTS OF THE STUDY

Data analyzed was summarized in line with the research objective and appropriate frequency tables inserted for presentation.

Response rate

In this study, 131 questionnaires were administered. A total of 103 questionnaires were duly completed and returned. This represents a response rate of 78.63%. The Table 1 shows the response rate.

Table 1: Response Rate

Issued questionnaires	Returned Questionnaires	Response Rate
131	**103**	**78.63%**

Demographics

The respondents were required to provide about their gender, level of education, number of years in current employment and age of the respondents. Results showed that a majority of the respondent were male (54%) while the rest (43%) were female. Results also showed that 15% of the respondents had attained education up to college level while only 5% of the respondents had attained education up to post graduate level. Further, the study showed that 41% of the respondents had worked in their current employment for more than 5 years, 30% of the respondents indicated that they had worked in their current positions for 3 to 5 years, 24% of the respondents indicated that they had worked in their current employment for 1 to 2 years while only 5% of the respondents had worked in their current employment for less than one year. Results also showed 31% of the respondents were aged 51 years and above, 32% of the respondents were aged between 41 – 50 years, 27% of the respondents were aged between 31-40 years while only 10% were below 30 years.

Descriptive Statistics

Frequency of Training on Self-Management Leadership Competency

The respondents were asked to indicate how frequently their organization has sponsored trainings on self-management for the leaders and top management for the last five years. Results are presented in table 1. In the year 2010, 46% of the respondents indicated that their organization has never sponsored trainings on self-management for the leaders and top management, 24% of the respondents indicated that their organization has sponsored trainings on

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self-management for the leaders and top management for two times while 20% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for more than two times.

In the year 2011, 35% of the respondents indicated that their organization has never sponsored trainings on self-management for the leaders and top management, 29% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for two times while 20% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for one time. Further, the results revealed that only 16% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for more than two times.

In the year 2012, 35% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for more than two times, 31% of the respondents indicated that their organization has never sponsored trainings on self-management for the leaders and top management while 19% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for one time. Further, the results revealed that only 19%of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for two times.

In the year 2013, 35% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for more than two times and one time respectively, 20% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for two times while only 10% of the respondents indicated that their organization has never sponsored trainings on self-Management for the leaders and top management.

In the year 2014, 40% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for more than two times, 36% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for two times while 19% of the respondents indicated that their organization has sponsored trainings on self-management for the leaders and top management for one time. Further, the results revealed that only 5% of the respondents indicated that their organization has never sponsored trainings on self-management for the leaders and top management.

These findings are consistent with those of Bwoma (2011) who sought to assess the influence of entrepreneurial skills on performance of youth group projects in Kisii Central District. The major findings of the study indicated that youth groups' member need to be encouraged to train in financial management skills, leadership competencies, marketing and business management skills to help them to earn higher profit margins in their groups hence improved performance.

Over the years, results show that the numbers of training are increasing linearly especially in the year 2014. This could be due to sensitization on the importance of training and capacity building among the state corporations. This shows that the state corporations have embraced the importance of building the capacity of their employees with an aim of boosting the performance.

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Table 1: Frequency of Training on Self-Management Leadership Competency

Year	2010	2011	2012	2013	2014
Never	46	35	31	10	5
Once	0	20	19	35	19
Twice	34	29	15	20	36
More than twice	20	16	35	35	40
Total	**100**	**100**	**100**	**100**	**100**

Self-Management Leadership Competency and Performance of State Corporations

The respondents were also asked to indicate the influence of self-management leadership competency on the performance of their state corporation. Results in table 2 show that most of the respondents (60%) indicated that self-management leadership competency increased the performance of their state corporation by a range of 6-10%. Results in table 4.20 also revealed that 19% of the respondents indicated that self-management leadership competency increased the performance of their state corporation by a range of 0-5% while only 5% of the respondents indicated that self-management leadership competency increased the performance of their state corporation by a more than 10%.

These findings are supported by Rahman and Castelli (2013) who investigated the impact of empathy on leadership competencies effectiveness by testing four hypotheses to determine the relationships between empathy, leadership competencies effectiveness, and leaders' backgrounds using a sample of 216 business leaders located in the United States (51.9%) and Malaysia (48.1%). The results indicate that American business leaders have significantly higher empathy than Malaysian business leaders, and that leaders with higher empathy appear to be more effective. The clear implication is that multinational organizations need to develop leaders with high empathy skills.

These results imply that self-management leadership competency has a positive influence on the performance of state corporations. This puts emphasis on the need to build the capacity of leaders and top managers in their self-management leadership competency so as to ensure improved performance of the state corporations.

Table 2: Influence of Self-Management Leadership Competency

Influence	Frequency	Percent
None of the above	5	5
Increased performance by 0-5%	31	30
Increased performance by 6-10%	62	60
Increased performance by more than10%	5	5
Total	**103**	**100**

Right Combination of Self-Management Leadership Competency

The respondents were asked to indicate whether their organization has the right combination of the self-management leadership competencies it should use so as to ensure consistency in its performance. Results in table 3 reveal that majority of the respondents (90%) indicated that their state corporations have the right combination of self-management leadership competencies. Only 10% of the respondents indicated that their state corporations do not have the right combination of self-management leadership competencies.

These findings are supported by those of Koman and Wolff (2008) who argued that leaders have to ensure that changes in an organization are accepted and implemented in a way resulting not only in better job performance but also in general understanding and satisfaction of all. Koman and Wolff (2008) also argued that leadership competencies are skills and behaviors that contribute to superior performance of leaders. By using a competency-based approach to leadership competencies, organizations can better identify and develop their next generation of leaders.

This is an indication that state corporations in Kenya are up to the task with regard to building the capacity of their employees especially those in the top management. This can be supported by the results in table 1 above which revealed that the number of training on self-management leadership competencies has been increasing with time.

Table 3: Right Combination of Self-Management Leadership Competencies

Response	Frequency	Percent
No	10	10
Yes	93	90
Total	**103**	**100**

Influence of Right Combination of Self-Management Leadership Competency

The respondents who agreed that their state corporation has the right combination of self-management leadership competencies were asked to indicate its influence on the performance of their state corporation. Results in table 4 reveal that 33% of the respondents indicated that having the right combination of self-management leadership competencies increased the ability of leaders to manage conflicts, 27% of the respondents indicated that having the right combination of self-management leadership competencies increased the ability of leaders to solve problems, 23% of the respondents indicated that having the right combination of self-management leadership competencies increased the tactical and interpersonal skills of leaders while 17% of the respondents indicated that having the right combination of self-management leadership competencies increased the ability of leaders to think strategically. These finding are supported by Koman and Wolff (2008) who asserts that leadership competencies are skills and behaviors that contribute to superior performance of leaders. By using a competency-based approach to leadership competencies, organizations can better identify and develop their next generation of leaders.

Table 4: Influence of Right Combination of Self-Management Leadership Competency

Influence	Frequency	Percent
Increased the ability of leaders to solve problems	25	27
Increased the tactical and interpersonal skills of leaders	21	23
Increased the ability of leaders to manage conflicts	31	33
Increased the ability of leaders to think strategically	16	17
Total	**93**	**100**

Further, the respondents were asked to indicate other ways in which the use of right combination of self-management leadership competencies influenced the performance of your organization. Results revealed that having the right combination of self-management leadership improved interpersonal skills, improved performance and increased profitability. . They also indicated that it has helped to expand the organization/ institutions service to prospective clients thus creating mutually beneficial links.

Influence of Lack of Right Combination of Self-Management Leadership Competency

The respondents who indicated that their state corporation does not have the right combination of self-management leadership competencies were asked to indicate its influence on the performance of their state corporation. Results in table 5 below reveal that 50% of the respondents indicated that failure to have the right combination of self-management leadership competencies decreased the ability of leaders to solve problems while 50% of the respondents indicated that failure to have the right combination of self-management leadership competencies decreased the ability of leaders to manage conflicts.

Table 5: Influence of Lack of Right Combination of Self-Management Leadership Competency

Influence	Frequency	Percent
Decreased the ability of leaders to solve problems	5	50
Decreased the ability of leaders to manage conflicts	5	50
Total	**10**	**100**

Inferential Statistics

Inferential analysis included a multiple linear regression analysis.

Relationship between Self-Management Leadership Competency and Financial Indicators of Performance

The results presented in table 6 present the fitness of model used of the regression model in explaining the study phenomena. Self-management leadership competency explained 23.2% of the financial performance of state corporations in Kenya. This is supported by coefficient of determination also known as the R square of 23.2%. This means that self-management leadership competency explain 23.2% of the performance of state corporations in Kenya.

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Table 6: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.489	0.239	0.232	0.64016

Table 7 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant as supported by a p value of 0.000. The $F_{cal=31.742} > F_{critical=3.933 \text{ at } \alpha\, 0.05}$ which imply that self-management leadership competency is a good predictor of the financial performance of state corporations.

Table 7: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.008	1	13.008	31.742	0.000
Residual	41.391	101	0.41		
Total	54.399	102			

Regression of coefficients results in table 8 shows that there is a positive and significant relationship between self-management leadership competency and financial performance of state corporations as supported by a p value of 0.000 and a beta coefficient of 0.547. This was supported by the t values whereby $t_{cal=6.552} > t_{critical=1.96 \text{ at a 95 percent confidence level}}$ which depicts that we reject the null hypothesis and accept the alternative. These findings are agree with those of Rahman and Castelli (2013) who investigated the impact of empathy on leadership competencies effectiveness by testing four hypotheses to determine the relationships between empathy, leadership competencies effectiveness, and leaders' backgrounds using a sample of 216 business leaders located in the United States (51.9%) and Malaysia (48.1%). The results indicate that American business leaders have significantly higher empathy than Malaysian business leaders, and that leaders with higher empathy appear to be more effective. The clear implication is that multinational organizations need to develop leaders with high empathy skills. This implies that increase in self-management leadership competencies amongst the leaders in the top management would increase the financial performance of state corporations by 0.547 units.

Table 8: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	1.129	0.172	6.552	0.000
Self-Management Leadership Competency	0.547	0.097	5.634	0.000

Financial Performance = 1.129+0.547 Self-Management Leadership Competency

Relationship between Self-Management Leadership Competency and Non-Financial Indicators of Performance

The results presented in table 9 present the fitness of model used of the regression model in explaining the study phenomena. Self-management leadership competency explained 0.9% of the non-financial performance of state corporations in Kenya. This is supported by coefficient of

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determination also known as the R square of 0.9%. This means that self-management leadership competency explain 0.9% of the non-financial performance of state corporations in Kenya.

Table 9: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.138	0.019	0.009	0.21777

Table 4.28 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was not statistically significant as supported by a p value of 0.166 which is greater than the critical p value of 0.05. The $F_{cal=1.947} < F_{critical=3.933 \text{ at } \alpha\, 0.05}$ which imply that self-management leadership competency is not a good predictor of the non-financial performance of state corporations.

Table 9: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig
Regression	0.092	1	0.092	1.947	0.166
Residual	4.79	101	0.047		
Total	4.882	102			

Regression of coefficients results in table 10 shows that there is a positive but insignificant relationship between self-management leadership competency and non-financial performance of state corporations as shown by a p value of 0.166 which is greater than the critical p value of 0.05. This was supported by the t values whereby $t_{cal=1.395} < t_{critical=1.96 \text{ at a 95 percent confidence level}}$ which depicts that accept the null hypothesis. This implies that self-management leadership competencies have no effect on the non-financial performance of state corporations in Kenya.

Table 10: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	1.925	0.059	32.846	0.000
Self-Management Leadership Competency	0.046	0.033	1.395	0.166

Non-financial Performance = 1.925+0.046 Self-Management Leadership Competency

CONCLUSIONS

The study concluded that self-management leadership competency influenced the performance of state corporations in Kenya. This was supported by both the regression analysis which revealed that self management leadership competency only influenced the financial performance of the state corporations but did not influence the non-financial performance of state corporations in Kenya.

RECOMMENDATIONS

The study recommended that state corporations should adopt a culture of conducting trainings on self-management leadership competency. This could go a long way in ensuring better financial performance of the state corporations. This would be realized as through training the ability of leaders to solve problems would be increased, the tactical and interpersonal skills of leaders would also be increased as well as the ability of leaders to manage conflicts. Further, the ability of leaders to think strategically would be increased.

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