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EFFECT OF SOCIAL-AWARENESS 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 social awareness leadership competency on performance of state corporations in Kenya.

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

Findings: Results revealed that the social awareness leadership competency had a positive a significant relationship with the financial performance of state corporations in Kenya. Results also revealed that social awareness leadership competency had a positive but insignificant relationship with the non-financial performance of state corporations in Kenya. This implies that social awareness 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 social awareness 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. Additionally, bilateral and multilateral donor organizations and creditors wish to know its social awareness leadership competencies of state corporations so as to make informed decisions on whether to finance them or not. This study will highlight the social awareness 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: *Social Awareness Leadership Competency, Financial Performance, Non-financial Performance*

INTRODUCTION

Background

A social awareness leadership competency has two elements. First, ethical leaders must act and make decisions ethically. Secondly, ethical leaders must also lead ethically – in the ways they treat people in everyday interaction, in their attitudes, in the ways they encourage, and in the directions in which they steer their organizations or institutions or initiatives (Wang, Tsui & Xin, 2011). An ethical Leadership competency is both visible and invisible (Andrews, Baker & Hunt, 2011). The visible part is in the way the leader works with and treats others, in his behavior in public, in his statements and his actions. The invisible aspects of Social awareness leadership competencies lie in the leader's character, in his decision-making process, in his mindset, in the set of values and principles on which he draws, and in his courage to make ethical decisions in tough situations.

Social awareness leadership competencies demand ethical behavior all the time, not just when someone's looking; and they're ethical over time, proving again and again that ethics are an integral part of the intellectual and philosophical framework they use to understand and relate to the world (Podolny, Khurana & Hill-Popper, 2010). The major distinguishing feature of Social awareness leadership competencies is its stress on characterized moral perception, moral judgment, moral management, and moral impression (Cannella & Monroe, 2009). Social awareness leadership competencies is mostly related with self-actualization, moral relationship, moral perception, and unbiased dealing (Parboteeah, Chen, Lin, Chen &Chung, 2010).

In Kenya, effective leaders build a sense of community within the workplace, that they not only increase employee retention figures, but they also improve productivity because employees are more willing to follow effective leaders than non - effective individuals. They do not coerce, cajole, threaten, plead, or bargain with their followers. They inspire them to do what needs to be done (Mutung'a, 2006).

State corporations have a significant role to play in provision of services. These services include: provision of utilities, education and health; reviewing, coordinating and implementing policies; correct market failure; preserve and protect Kenya's heritage and culture; exploit social and political objectives; and redistribute income. However, over the years, state corporations have been characterized by low performance and poor service delivery (Okundi, 2013).

Ochola notes that organization leadership competencies in Kenya faces enormous challenges which include: achieving the organization set goals and objectives, directing the organization towards the vision and mission, and being in a position to motivate and manage their employees by identifying their strengths and similarities while valuing their differences in the process of accomplishing the common organizational goals and vision.

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 social awareness leadership competency on performance of state corporations in Kenya.

Objective of the Study

The main objective is to assess the effect of social awaeness leadership competency on performance of state corporations in Kenya.

THEORETICAL REVIEW

Stewardship theory

The stewardship theory, also known as the stakeholders' theory, adopts a different approach from the agency theory. It starts from the premise that organizations serve a broader social purpose than just maximizing the wealth of shareholders. The stakeholders' theory holds that corporations are social entities that affect the welfare of many stakeholders where stakeholders are groups or individuals that interact with a firm and that affect or are affected by the achievement of the firm's objectives (Donaldson & Preston, 1995). Successful organizations are judged by their ability to add value for all their stakeholders. Some scholars consider the natural environment to be a key stakeholder (Starik & Rands, 1995; Dunphy *et al.*, 2003).

Stakeholders can be instrumental to success and have moral and legal rights (Donaldson & Preston, 1995). When stakeholders get what, they want from a firm, they return to the firm for more (Freaman & McVea, 2001). Therefore, leaders have to consider the claims of stakeholders when making decisions (Blair, 1995) and conduct business responsibly towards the stakeholders (Manville & Ober, 2003; White, 2009). Participation of stakeholders in decision-making can enhance efficiency (Turnbull, 1994) and reduce conflicts (Rothman & Friedman, 2001).

According to Kaptein and Van Tulder (2003), corporations adopt reactive or proactive approaches when integrating stakeholders' concerns in decision making. A corporation adopts a reactive approach when it does not integrate stakeholders into its decision-making processes. This results into a misalignment of organizational goals and stakeholder demands (Mackenzie, 2007). Some authors attribute scandals such as those of Enron and WorldCom to the failure to consider stakeholder concerns in decision making (Currall & Epstein, 2003; Turnbull, 2002; Watkins, 2003; Zandstra, 2002).

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Following these scandals, some governments set up new regulations to align the interests of stakeholders with conduct. For example, the Sarbanes-Oxley Act (SOX) was passed as a result of the Collapse of Enron and WorldCom. Adams (2002) argues that the stewardship theory remains the theoretical foundation for much regulation and legislation. A proactive approach is used by corporations that integrate stakeholders' concerns into their decision-making processes and that establish necessary governance structures (de Wit *et al.*, 2006).

In summary, the stewardship theory suggests that a firm's board of directors and its CEO, acting as stewards, are more motivated to act in the best interests of the firm rather than for their own selfish interests. This is because, over time, senior executives tend to view a firm as an extension of themselves (Clarke, 2004; Wheelen & Hunger, 2002). Therefore, the stewardship theory argues that, compared to shareholders, a firm's top management cares more about the firm's long term success (Mallin, 2004). This theory informs this study in that it asserts that the abilities of the stakeholders impact the performance of an organization directly. Thus, it is expected that good social awareness leadership competencies would translate to better organization performance.

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 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 Social-Awareness Leadership Competency

The respondents were asked to indicate how frequently their organization has sponsored trainings on social-awareness for the leaders and top management for the last five years. Results are presented in Table 2. In the year 2010, 30% of the respondents indicated that their organization has never sponsored trainings on social-awareness for the leaders and top management, 25% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for one time and for more than two times respectively. Further, the results revealed that 19% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for two times.

In the year 2011, 30% of the respondents indicated that their organization has never sponsored trainings on social-awareness for the leaders and top management, 25% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for more than two times while 24% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for two times. Further, the results revealed that only 20% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for one time.

In the year 2012, 45% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for more than two times, 30% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for one time while 20% of the respondents indicated that their organization has never sponsored trainings on social-awareness for the leaders and top management. Further, the results revealed that only 5% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for two times.

In the year 2013, 45% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for more than two times, 31% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for two times while 15% of the respondents indicated that their organization has never sponsored trainings on social-awareness for the leaders and top management. Further, the results revealed that only 10% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for one time.

In the year 2014, 60% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for more than two times, 15% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for two times while 15%of the respondents indicated that their organization has never sponsored trainings on social-awareness for the leaders and top management. Further, the results revealed that only 11% of the respondents indicated that their organization has sponsored trainings on social-awareness for the leaders and top management for one time.

Over the years, results show that the numbers of training are increasing linearly. 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. These findings can be supported by those of Wang, Tsui and Xin (2011) who reiterated that a social awareness leadership competency has two elements. They further elaborated the importance of social awareness leadership competency. First, they stated that ethical leaders must act and make decisions ethically and ethical leaders must also lead ethically – in the ways they treat people in everyday interaction, in their attitudes, in the ways they encourage, and in the directions in which they steer their organizations or institutions or initiatives

Table 2: Frequency of Training on Social-Awareness Leadership Competency

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Never	30	30	20	15	15
Once	25	20	30	10	11
Twice	19	24	5	31	15
More than twice	25	25	45	45	60
Total	**100**	**100**	**100**	**100**	**100**

Social-Awareness Leadership Competency and Performance of State Corporations

The respondents were also asked to indicate the influence of social-awareness leadership competency on the performance of their state corporation. Results in Table 3 show that 50% of the respondents indicated that social-awareness leadership competency increased the performance of their state corporation by a range of 6-10%. Results in Table 3 also revealed that 34% of the respondents indicated that social-awareness leadership competency increased the performance of their state corporation by a range of 0-5% while only 11% of the respondents indicated that social-awareness leadership competency increased the performance of their state corporation by a more than 10%. Further, 5% of the respondents indicated that social-awareness leadership competency did not affect the performance of their state corporation.

These findings agree with those of Walumbwa et al. (2011) who investigated the link between social awareness leadership competencies and performance using data from the People's Republic of China. Results from 72 supervisors and 201 immediate direct reports revealed that social awareness leadership competencies was positively and significantly related to employee performance as rated by their immediate supervisors and that this relationship was fully mediated by LMX, self-efficacy, and organizational identification, controlling for procedural fairness. These results imply that social-awareness 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 social-awareness leadership competency so as to ensure improved performance of the state corporations.

Table 3: Influence of Social-Awareness Leadership Competency

Influence	Frequency	Percent
None of the above	5	5
Increased performance by 0-5%	35	34
Increased performance by 6-10%	52	50
Increased performance by more than10%	11	11
Total	**103**	**100**

Right Combination of Social-Awareness Leadership Competency

The respondents were asked to indicate whether their organization has the right combination of the social awareness leadership competencies it should use so as to ensure consistency in its performance. Results in Table 4 reveal that majority of the respondents (85%) indicated that their state corporations have the right combination of social awareness leadership competencies. Only 15% of the respondents indicated that their state corporations do not have the right combination of social awareness leadership competencies.

These findings are supported by Podolny, Khurana and Hill-Popper (2010) on the need for social awareness leadership competencies and stated that this type of competency demand ethical behavior all the time, not just when someone's looking; and they're ethical over time, proving again and again that ethics are an integral part of the intellectual and philosophical framework they use to understand and relate to the world.

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 3 above which revealed that the number of training on social awareness leadership competencies has been increasing with time.

Table 4: Right Combination of Social-Awareness Leadership Competencies

Response	Frequency	Percent
No	15	15
Yes	88	85
Total	**103**	**100**

Influence of Right Combination of Social-Awareness Leadership Competency

The respondents who agreed that their state corporation has the right combination of social awareness leadership competencies were asked to indicate its influence on the performance of their state corporation. Results in Table 5 reveal that 48% of the respondents indicated that having the right combination of social awareness leadership competencies increased cross cultural communication in the corporation, 30% of the respondents indicated that having the right combination of social awareness leadership competencies increased the virtue of integrity in the corporation while 23% of the respondents indicated that having the right combination of social awareness leadership competencies increased the aspect of divertible change manager in the corporation.

These findings are coherent with those of Bello (2012) who examined the concept of social awareness leadership competencies, the characteristics of an ethical leader, social awareness leadership competencies and its impact on employee job performance and how organizations can develop leaders that are not only sound in character but sound in action. The study concluded that leaders must create an ethically friendly work environment for all employees, communicate ethical issues, serve as role models and put mechanism in place for the development of responsible employees.

Table 5: Influence of Right Combination of Social-Awareness Leadership Competency

Influence	Frequency	Percent
Increased cross cultural communication in the corporation	42	48
Increased the virtue of integrity in the corporation	26	30
Increased the aspect of divertible change manager in the corporation	20	23
Total	**88**	**100**

Further, the respondents were asked to indicate other ways in which the use of right combination of social awareness leadership competencies influenced the performance of your organization. Results revealed that having the right combination of social awareness leadership competencies encouraged exchange of cultures and improved performance. They also indicated that it has increased uptake of cross cultural registrations in the institution as well as bringing the corporations services closer to the clients across cultural divides.

Influence of Lack of Right Combination of Social-Awareness Leadership Competency

The respondents who indicated that their state corporation does not have the right combination of social awareness leadership competencies were asked to indicate its influence on the performance of their state corporation. Results in Table 6 reveal that most of the respondents (67%) indicated that failure to have the right combination of social awareness leadership competencies decreased cross cultural communication in the corporation while 33% of the respondents indicated that failure to have the right combination of social awareness leadership competencies decreased the virtue of integrity in the corporation.

Table 6: Influence of Lack of Right Combination of Social-Awareness Leadership Competency

Influence	Frequency	Percent
Decreased cross cultural communication in the corporation	10	67
Decreased the virtue of integrity in the corporation	5	33
Total	**103**	**85.8**

Inferential Statistics

Inferential analysis included a multiple linear regression analysis.

Relationship between Social-Awareness Leadership Competency and Financial Indicators of Performance

The results presented in Table 7 present the fitness of model used of the regression model in explaining the study phenomena. Social-awareness leadership competency explained 0.6% of the financial performance of state corporations in Kenya. This is supported by coefficient of determination also known as the adjusted R square of 0.6%. This means that social-awareness leadership competency explain 0.6% of the performance of state corporations in Kenya.

Table 7: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.059	0.004	0.006	0.73261

Table 8 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 0.552 which is greater than the critical p value of 0.05. The $F_{cal=0.356} < F_{critical=3.933 \text{ at } \alpha \, 0.05}$ implying that social-awareness leadership competency is not a good predictor of the financial performance of state corporations.

Table 8: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig
Regression	0.191	1	0.191	0.356	0.552
Residual	54.208	101	0.537		
Total	54.399	102			

Regression of coefficients results in Table 9 shows that there is a positive but insignificant relationship between social-awareness leadership competency and financial performance of state corporations as show by a p value of 0.552 which is higher than the critical p value of 0.05. This was supported by the t values whereby $t_{cal=0.596} < t_{critical=1.96 \text{ at a 95 percent confidence level}}$ which depicts that accept the null hypothesis. This implies that social-awareness leadership competency on its own does not influence the financial performance of state corporations. These findings agree with those of Walumbwa et al. (2011) who investigated the link between Social awareness leadership competencies and performance using data from the People's Republic of China. Results from 72 supervisors and 201 immediate direct reports revealed that social awareness leadership competencies was positively and significantly related to employee performance as rated by their immediate supervisors and that this relationship was fully mediated by LMX, self-efficacy, and organizational identification, controlling for procedural fairness.

Table 9: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	1.934	0.18	10.721	0.000
Social Awareness Leadership Competency	0.059	0.099	0.596	0.552

Relationship between Social-Awareness Leadership Competency and Non-Financial Indicators of Performance

The results presented in Table 10 present the fitness of model used of the regression model in explaining the study phenomena. Social-awareness leadership competency explained 1.6% of the non-financial performance of state corporations in Kenya. This is supported by coefficient of determination also known as the R square of 1.6%. This means that social-awareness leadership competency explain 1.6% of the non-financial performance of state corporations in Kenya.

Table 10: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.159	0.025	0.016	0.21707

Table 11 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 0.109 which is greater than the critical p value of 0.05. The $F_{cal=2.618} < F_{critical=3.933 \text{ at } \alpha\ 0.05}$ which imply that social-awareness leadership competency is not a good predictor of the non-financial performance of state corporations.

Table 11: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig
Regression	0.123	1	0.123	2.618	0.109
Residual	4.759	101	0.047		
Total	4.882	102			

Regression of coefficients results in Table 12 shows that there is a positive but insignificant relationship between social-awareness leadership competency and non-financial performance of state corporations as shown by a p value of 0.109 which is greater than the critical p value of 0.05. This was supported by the t values whereby $t_{cal=1.618} < t_{critical=1.96 \text{ at a 95 percent confidence level}}$ which depicts that accept the null hypothesis. This implies that social-awareness leadership competencies have no effect on the non-financial performance of state corporations in Kenya.

Table 12: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	1.922	0.053	35.968	0.000
Social Awareness Leadership Competency	0.047	0.029	1.618	0.109

CONCLUSIONS

Based on the findings the study concluded that social awareness leadership competency influenced the performance of state corporations in Kenya. This was supported by the regression results which showed that social awareness leadership competency 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 social awareness leadership competency. This could go a long way in ensuring better financial and non-financial performance of the state corporations. This would be realized as through training the cross-cultural communication in the corporation would be increased, the virtue of integrity in the corporation would also be increased as well as the aspect of divertible change manager in the corporation

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