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INFLUENCE OF DEMOCRATIC LEADERSHIP STYLE ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA.

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Abstract

Purpose: The purpose of this study was to examine the influence of democratic leadership style on organizational performance of commercial state corporations in Kenya.

Methodology: The study adopted Cross sectional survey research design. The target respondents were 35729 middle level staff in the 20 commercial state corporations in Kenya. Stratified sampling was used to select 384 respondents for the study. This study used primary data which was collected through use of structured questionnaires. Data from the questionnaires were analysed using Statistical Packages for Social Sciences (SPSS) to derive descriptive results. Pilot study was conducted to measure the reliability and validity of the questionnaires. The reliability of the instrument was tested using the Cronbach Alpha method.

Results: The results of study revealed that there was a positive and significant relationship between democratic leadership and organizational performance ($r=0.352$, $p=0.000$). This was supported by a calculated t-statistic of 10.563 which is larger than the critical t-statistic of 1.96 and a p value of less than the conventional 0.05.

Unique contribution to theory, practice and policy: Based on the findings, it was recommended that the management should involve a wide range of people in decision making or building a consensus. Through the democratic leadership style, the leader shares the problem with the relevant team members as a group. Together they generate and evaluate alternatives and attempt to reach agreement on the solution. Involvement in decision making helps the employees in effective implementation of the agreed issue.

Keywords: *Democratic leadership, performance*

1.0 INTRODUCTION

The performance of state corporations has been a matter of on-going concern in an environment of resource scarcity and mounting needs. In 2011/12, eleven commercial State Corporations made losses, compared to twelve in 2010/11 and sixteen in 2009/10. This represents 21%, 23% and 31% respectively of all commercial oriented government owned entities. The pattern of stock of publicly guaranteed debt to state corporations in Kenya shows a decline in 2007 from 2006, but has been on an upward trend since then. Current Performance of State Corporations (Presidential task force on Parastatal reforms, 2013).

As currently described, state corporations performance has been mixed, characterized by notable successes, but also significant failures. Poor governance has led to resource loss and burdening the public purse which has also contributed to failure to provide strategic direction, facilitating their emasculation. It is also important to observe that there are notable failures and missed opportunities in the history of State Corporations in Kenya. The Kenya Railways, Kenya Airways, Kenya Meat Commission, Mumias Sugar company and Uchumi supermarkets Limited, to mention but a few, are some of the commercial based state corporations which are a shell of their former self, despite their significant role in creation of and realization of the nation of Kenya. The lack of strategic vision of what these entities could and should do has led to selection of sub-optimal choices that have cascaded negative effects into the wider economy. The Kenya Meat Commission represents another missed opportunity for transforming the livestock industry in Kenya. The sad story that is the mismanagement of state corporations has meant that Kenya has lost opportunities to other countries in the region and the world. This has worked to the detriment of the economy and the people of Kenya in terms of lost wealth creation opportunities (Presidential task force on Parastatal reforms, 2013).

To address the challenges facing commercial based state corporations in Kenya, the Presidential Taskforce on Parastatal Reforms of 2013 made some recommendations, geared at transforming the operations and performance of the corporations to ensure that they generate value for money expended as well as reduce dependence on the Exchequer. Among the recommendations was Undertake culture and attitude change training given that institutions are as good as the people who manage them.

Previous studies conducted in Kenya on State corporations did not focus on the influence of democratic leadership on the performance of these state corporations. Wekesa *et al* (2015) carried out a study on the influence of visioning on organizational commitment in Kenyan State Corporations. Mugambi *et al* (2015) undertook a study on influence of corporate entrepreneurship on performance of state corporations in Kenya. Koech *et al* (2012) conducted a study on effect of leadership styles on organizational performance at State Corporations in Kenya. Njoroge (2012) sought to determine talent management practices in commercial state corporations in Kenya. Muoria *et al* (2011) conducted a research on an analysis of the effect of corporate governance on performance of commercial state corporations in Kenya while Minja (2010) carried out a study on leadership practices: a case of selected corporate institutions in Kenya. It is against this background that this study was conducted to address the research gap, and also provide a better understanding through empirical evidence of the influence of

democratic leadership on organizational performance of state corporations from a Kenyan context. The study thus seeks to examine the influence of democratic leadership style on organizational performance of commercial state corporations in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

Contingency leadership theory looks at the effectiveness of leadership based on situational factors; however it does so by looking at both task-oriented and relations-oriented traits used in leadership decisions. The theory focuses on the measurement of successful leadership probability in a given situation through the use of the least preferred co-worker scale (LPC). Bass (1990) notes that contingency theory tends to “emphasize the need to place the person in the situation for which he or she is best suited”. The theory holds that the relations-oriented leader functions best during times of stability whereas the task-oriented leader functions best at the extreme ends of favorable circumstances.

Contingency leadership theory and the LPC scale of measurement is the brainchild of Fred Fiedler. Fiedler’s work has spanned more than 40 years beginning in the 1950’s. According to Dunham (1984), Fiedler feels the effectiveness of a leader “is determined by the degree of match between a dominant trait of the leader and the favorableness of the situation. The dominant trait is a personality factor causing the leader to be either relationship-oriented or task-orientated”. The implication being that personal ability is suited to specific types of tasks and that for leaders to be successful they must either match their personal traits to the task or adapt the tasks so as to fit their personality traits.

Most of the work in contingency theory has focused on how to measure the probability of leadership effectiveness. The LPC scale, which measures effectiveness based on a person’s leadership style compared to their least preferred co-worker, seems to have withstood various competitive models such as those developed by Shifflet in 1974 and Schriesheim, Tepper, & Tetrault in 1988 (Bass, 1990). Overall these results supported the greater validity of Fiedler’s contingency model than of the proposed alternatives. In Fiedler’s model, characteristics are compared based on the leaders’ description of their ideal co-worker and their actual least preferred co-worker. High LPC values indicated a relationship motivated style and low values a task-motivated style (Bass, 1990).

2.2 Literature Review

In a democratic leadership style, one person takes control but is open to group input, often allowing the group to make decisions and collectively assign tasks. This leader guides rather than directs. Democratic leadership utilizes all of the expertise and skills of the group to work towards a common goal. It relies heavily on gaining consensus from the majority of the group and doesn’t function well in situations demanding immediate decisions (Goleman, 2013). The democratic leadership style is a very open and collegial style of running a team. Ideas move freely amongst the group and are discussed openly. Everyone is given a seat at the table, and discussion is relatively free-flowing. This style is needed in dynamic and rapidly changing

environments where very little can be taken as a constant. In these fast moving organizations, every option for improvement has to be considered to keep the group from falling out of date. The democratic leadership style means facilitating the conversation, encouraging people to share their ideas, and then synthesizing all the available information into the best possible decision. The democratic leader must also be able to communicate that decision back to the group to bring unity the plan is chosen.

Democratic leadership style is a useful style to adopt when attempting to involve a wide range of people in decision making or building a consensus. When using the democratic leadership style, the leader shares the problem with the relevant team members as a group. Together they generate and evaluate alternatives and attempt to reach agreement (consensus) on the solution. Here the leader's role is more facilitative – like that of a chairperson. : A democratic leader forces consensus through participation. Their most popular question is “What do you think?” The democratic style works best when a leader is he himself uncertain about the best direction to take and needs ideas and guidance from able employees. And even if a leader has a strong vision, this style works well to generate fresh ideas for executing that vision. This style is applicable when situations change frequently, democratic leadership offers a great deal of flexibility to adapt to better ways of doing things. Unfortunately, it is also somewhat slow to make a decision in this structure, so while it may embrace newer and better methods; it might not do so very quickly (Brown *et al.*, 2006).

Democratic leadership style can bring the best out of an experienced and professional team. It capitalizes on their skills and talents by letting them share their views, rather than simply expecting them to conform. If a decision is very complex and broad, it is important to have the different areas of expertise represented and contributing input – this is where democratic leader shines. Democratic leadership, also known as participative leadership, is a type of leadership style in which members of the group take a more participative role in the decision-making process. Everyone is given the opportunity to participate, ideas are exchange freely, and discussion is encouraged. While the democratic process tends to focus on group equality and the free flow of ideas, the lead of the group is still there to offer guidance and control. The democratic leader is charged with deciding who is in the group and who gets to contribute to the decisions that are made. Researchers have found that the democratic leadership style is one of the most effective and leads to higher productivity, better contributions from group members, and increased group morale. Some of the primary characteristics of democratic leadership include: group members are encouraged to share ideas and opinions, even though the leader retains the final say over decisions; members of the group feel more engaged in the process; creativity is encouraged and rewarded. Strong democratic leaders inspire trust among followers. They are sincere and base their decisions on their morals and values. Followers tend to feel inspired to take action and contribute to the group. Good leaders also tend to seek out diverse opinions and do not try to silence dissenting voices or those that offer a less popular point of view (Goleman, 2013).

Democratic leadership attempts to manage with democratic principles, such as self-determination, inclusiveness, equal participation and deliberation. The features that characterize

democratic leadership are : Distribution of responsibility - A manager that leads democratically will distribute responsibility among his group to facilitate participation in decision-making ; Empowering group members - Leaders must empower their members so that the members can accomplish their responsibilities. Empowerment includes providing training and education necessary for delegated task completion: Aiding group decision-making process - A major role of a democratic leader is to ensure democratic deliberation in making group decisions. This means that a leader should act as a facilitator and mediator between group members and ensure that a psychologically healthy and respectful environment is maintained: A democratic leader shares the decision-making and problem-solving responsibilities with his or her employees, while retaining the ultimate say in the final resolution (Day *et al.*, 2007).

Democratic style of leadership encourages employee involvement, engagement, and participation. Environments with democratic leaders often yield followers with high morale who are more motivated to generate and offer up creative solutions, and it produces an atmosphere of cooperation and team spirit. The democratic leadership style is also known as the "participative" leadership style because it depends on employee participation. The goal of a democratic leader is to foster employee investment in the organization by investing workers in their role in the company. This type of leader encourages employees to set workable goals and recognizes their achievements. They develop plans with their employees to help them evaluate their own performances, and push their employees to grow on the job, while supporting them in their promotions and advancements. Because group members are encouraged to share their thoughts, democratic leadership can leader to better ideas and more creative solutions to problems. Group members also feel more involved and committed to projects, making them more likely to care about the end results (Goleman, 2013).

3.0 RESEARCH METHODOLOGY

The study adopted Cross sectional survey research design. The target respondents were 35729 middle level staff in the 20 commercial state corporations in Kenya. Stratified sampling was used to select 384 respondents for the study. This study used primary data which was collected through use of structured questionnaires. Data from the questionnaires were analysed using Statistical Packages for Social Sciences (SPSS) to derive descriptive results. Pilot study was conducted to measure the reliability and validity of the questionnaires. The reliability of the instrument was tested using the Cronbanch Alpha method.

4.0 RESULTS

4.1 Descriptives

The respondents were asked to indicate in their opinion the extent to which democratic leadership in the organization affect performance. The findings are as shown in table 1.

Table 1: Extent of Democratic Leadership Influence on Performance

Extent	Frequency	Percent
Low extent	26	9.0%
Moderate extent	39	13.5%
Large extent	223	77.5%
Total	288	100%

From the findings 77.5% of the respondents indicated that democratic leadership influences organizational performance to a large extent, followed by 13.5 % who indicated that democratic leadership influences organizational performance to a moderate extent and 9% who indicated that democratic leadership influences organizational performance to a low extent.

Descriptive analysis was conducted on democratic leadership. For interpretation purposes, strongly agree and agree were grouped together to be agree, strongly disagree and disagree were grouped together as disagree. The results were presented in percentages, means and standard deviations as shown in table 2 below.

Table 2: Democratic Leadership Style and Performance

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	Standard Deviation
The top management delegates the responsibility as per the capability of the employee	0.35%	5.90%	19.79%	46.88%	27.08%	3.94	0.86
The executive allows participation of all subordinates in decision making	0.00%	3.82%	13.19%	52.43%	30.56%	4.1	0.76
The executive gives preference on human values and the leaders gives concerns for the followers	0.69%	3.82%	15.97%	53.12%	26.39%	4.01	0.8
The executive imposes flexible work, designs goals with freedom for the performance of work.	0.35%	5.90%	13.54%	52.78%	27.43%	4.01	0.82
The top management emphasizes in results than on action	0.00%	4.17%	14.58%	51.39%	29.86%	4.07	0.78

The executive focuses on frequent and supportive communication	0.35%	3.12%	11.81%	57.29%	27.43%	4.08	0.74
The executive forges consensus through participation, encouraging employee's involvement, engagement and partnership	0.69%	4.17%	18.06%	49.31%	27.78%	3.99	0.83
The top management provides guidance without pressure and empowers group members	1.39%	7.64%	12.85%	55.12%	23.00%	3.93	0.9
Average						4.02	0.81

From the results in Table 2 majority of the respondents 73.96% (46.88%+27.08%) agreed with the statement that the top management delegates the responsibility as per the capability of the employee. The statement had a mean score 3.94 and a standard deviation of 0.86. This implies that most of the respondents were agreeing to the statement and response variation was very low.

The results also showed that majority of the respondents 82.99% (52.43%+30.56%) agreed to the statement that the executive allows participation of all subordinates in decision making. The statement had a mean score of 4.10 and a standard deviation of 0.76. This implies that most of the respondents were agreeing to the statement and the variation in response was very low. Successful leaders should get rid of personal style and try their best to invite everyone to be part of leadership, and the leadership style mainly with the human resource management strategy will generate suitable strategies in time (Guo, 2004).

Further, the results indicated that majority of the respondents 79.51% (53.12%+26.39%) agreed to the statement that the executive gives preference on human values and the leaders gives concerns for the followers. The response had a mean score of 4.01 and standard deviation of 0.8. This indicated that most of the respondents were agreeing to the statement and that the response variation was low. Campbell (2007) observed that when executives use their leadership style to concern, care and respect for employees, it would increase self-interests of employees in work as well as organizational promises, enable them to make better performance in work place and affect their job satisfaction

Furthermore, the results showed that majority of the respondents who were 80.21% (52.78%+27.43%) agreed with the statement that The executive imposes flexible work, designs goals with freedom for the performance of work. The statement response had a mean of 4.01 and a standard deviation of 0.82. This indicates that most of the respondents were agreeing to the statement and the response variation was very low.

Additionally, the results indicated that majority of the respondents who were 81.25 % (51.39%+29.86%) agreed that the top management emphasizes in results than on action. The statement had a mean of 4.07 and a standard deviation of 0.78. This indicated that most of the respondents were agreeing with the statement and the variations in responses were low. Smith

(2008) asserts that if the task is highly structured and the leader has good relationship with the employees, effectiveness will be high on the part of the employees. His findings further revealed that democratic leaders take great care to involve all members of the team in discussion, and can work with a small but highly motivated team.

In addition, results indicated that majority of the respondents who were 84.72% (57.29%+27.43%) agreed with the statement that the executive focuses on frequent and supportive communication. The statement had a mean of 4.08 and a standard deviation of 0.74. This is indicative that most of the respondents were agreeing to the statement and the variation in response was very low.

The results too showed that majority of the respondents who were 77.09% (49.31%+27.78%) agreed that The executive forges consensus through participation, encouraging employee's involvement, engagement and partnership. The statement had a mean score of 3.99 and a standard deviation of 0.83 which implies that most of the respondents were agreeing to the statement and that the variation in responses was low. These results are supported by those of Rezael and Safa (2010) who found that Participative leadership significantly impacts on employees' commitment to service quality. Their study also found that directive leadership style has negative influences on employees' commitment to quality while Participative leadership style has positive effect on employee commitment.

Finally, the results revealed that majority of the respondents who were 78.12% (55.12%+23.00%) agreed to the statement that the top management provides guidance without pressure and empowers group members. The statement had a mean of 3.93 and a standard deviation of 0.90 which indicates that most of the respondents were agreeing to the statement and that the variation in response was low.

Overall, the average mean of the responses was 4.02 which means that majority of the respondents were agreeing to the statements in the questionnaire on visionary leadership. The standard deviation was 0.81 meaning that the responses were clustered around the mean response.

4.2 Inferential Analysis

Table 3 presents the model fitness for used for regression model in explaining the study phenomena.

Table 3: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.389 ^a	.151	.114	.41089

Democratic leadership was found to be satisfactory in explaining organizational performance of commercial state corporations in Kenya. This is supported by coefficient of determination also known as the R square of 10.7%. This means that democratic leadership explains 15.1 % of the

variations in the dependent variable which is organizational performance. Goleman (2013) observed that democratic leadership style can bring the best out of an experienced and professional team. Empirically, the result is consistent with (Nicholls, 1988; Quick, 1992; Simms, 1997) which establishes that democratic leadership is associated with financial performance due to the co-operative atmosphere created among leaders and followers.

Table 4: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.324	8	.291	4.721	.0093
Residual	47.104	279	.169		
Total	49.429	287			

Table 4 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variable which is democratic leadership is a good predictor of organizational performance. This was supported by an F statistic of 4.721 and the reported p value (0.093) which was less than the conventional probability of 0.05 significance level. Goleman (2012) found a direct relationship between democratic leadership and organizational performance.

Table 5: Regression of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.932	.279		10.500	.000
The top management values harmony and good relationships above tangible results	.027	.030	.055	.914	.361
The executive allows participation of all subordinates in decision making	.007	.034	.014	.221	.826
The executive gives preference on human values and the leaders gives concerns for the followers	.043	.031	.083	1.371	.0172
The executive imposes flexible work, designs goals with freedom for the performance of work.	.062	.030	.124	2.077	.039

The top management emphasizes in results than on action	.014	.032	.026	.422	.0374
The executive focuses on frequent and supportive communication	.021	.034	.037	.618	.0437
The executive forges consensus through participation, encouraging employee's involvement, engagement and partnership	.018	.030	.035	.585	.0259
The top management provides guidance without pressure and empowers group members	.037	.027	.080	1.349	.178

Regression of coefficients results in table 5 showed that valuing harmony and organizational performance had a positive and insignificant relationship ($r=0.027$, $p=0.361$). The results also revealed that allowing participation of all subordinates and organizational performance had a positive and insignificant relationship ($r= .007$, $p=0.826$). The results also revealed that giving preference on human values and organizational performance had a positive and significant relationship ($r=.043$, $p=0.0172$). The results also revealed that imposing flexible work, designs goals with freedom and organizational performance had positive and significant relationship ($r= 0.062$, $p=0.039$). The results also showed that emphasizing in results than on action and organizational performance had a positive and significant relationship ($r= 0.014$, $p=0.0374$). In addition, the results showed that supportive communication and organizational performance has a positive and significant relationship ($r= 0.021$, $p=.0437$). The results also revealed that encouraging employee's involvement and organizational performance has a positive and insignificant relationship ($r= 0.018$, $p=0.0259$). Lastly, providing guidance and organizational performance had a positive and insignificant relationship ($r=0 .037$, $p=0.178$).

Table 6: Optimal Model for Democratic Leadership

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.480	.235		10.563	.000
Democratic leadership	.352	.060	.327	5.858	.000

Regression coefficients in Table 6, revealed that there was a positive and significant relationship between democratic leadership and organizational performance ($r=0.352$, $p=0.000$). This was supported by a calculated t-statistic of 10.563 which is larger than the critical t-statistic of 1.96 (Kothari, 2011). These results match with Goleman (2013) that Democratic leadership style can bring the best out of an experienced and professional team. Jikandar (2010) who examined the different leadership styles on employees' performance in Pakistan found out that there is a relationship between employees' performance with democratic style was statistically significant and concluded that if the leader involves the employees in decision making process, having friendly relationship with them and decrease their stress at work place, he can maximize their Performance.

The model for democratic leadership was:

$$Y=2.480+0.352X_1$$

Where;

Y=Organizational Performance

X_1 = Democratic Leadership

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The findings revealed that democratic leadership was satisfactory in explaining organizational performance. The analysis of the variance (ANOVA) results indicated that the overall model was statistically significant. Further, the results implied that the independent variable which is democratic leadership is a good predictor of organizational performance.

Regression of coefficients showed that valuing harmony and organizational performance had a positive and insignificant relationship ($r=0.027$, $p=0.361$). The results also revealed that allowing participation of all subordinates and organizational performance had a positive and insignificant relationship ($r= 0.007$, $p=0.826$). The results also revealed that giving preference on human values and organizational performance had a positive and significant relationship ($r=0.043$, $p=0.0172$). The results also revealed that imposing flexible work, designing goals with freedom and organizational performance had positive and significant relationship ($r=0.062$, $p=0.039$). The results also showed that emphasizing in results than on action and organizational performance had a positive and significant relationship ($r=0.014$, $p=0.0374$). In addition, the results showed that supportive communication and organizational performance has a positive and significant relationship ($r=0.021$, $p=.0437$). The results also revealed that encouraging employee's involvement and organizational performance has a positive and insignificant relationship ($r= 0.018$, $p=0.0259$). Lastly, providing guidance and organizational performance had a positive and insignificant relationship ($r= 0.037$, $p= 0.178$). Overall findings indicated that there was a positive and significant relationship between affiliative leadership and organizational performance.

5.2 Conclusion

The study concluded that that democratic leadership and organizational performance have a positive and significant relationship. Management that holds on human values motivates the

employees. Forging consensus through participation, encouraging employee's involvement, engagement and partnership in the organizational activities gives them a sense of acceptance in the organization and motivates them towards achieving the objectives.

5.3 Recommendation

The study recommends that the management should involve a wide range of people in decision making or building a consensus. Through the democratic leadership style, the leader shares the problem with the relevant team members as a group. Together they generate and evaluate alternatives and attempt to reach agreement on the solution. Involvement in decision making helps the employees in effective implementation of the agreed issue.

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