

# Impact of Leadership Capability in the Tourism State Corporations in Kenya: The Mediating Role of Strategy Implementation

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**Abstract:** Tourism and travel is one of the world's largest sectors, supporting over 266 million jobs and generating 9.5% globally. The viability of the industry is however under threat in the recent past. It has experienced declining revenue contribution especially to the Kenyan GDP. The main driver of performance of any sector is its capability to transform their strategies into deliverable results. It is however clear from literature that organization's capabilities have failed hence poor performance due to incapacity to implement their strategies. This is because strategy implementation is critical than strategy formulation. This study sought to provide an opportunity to empirically test the drivers of performance and the mediating role of strategy implementation by looking at organizational leadership capability. The study employed descriptive and cross-sectional research designs. The target population was all the Tourism state corporations in Kenya with the management of these firms being the respondents. A census was carried out due to small nature of the target population. Data collection involved the use of questionnaires which attracted quantitative responses. The data was analyzed using regression analysis. ANOVA test was carried out to test the significance of the model. The findings of the study indicated that that most organizations give room for contingent rewards to its employees. Further results indicated that indicated that Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation and command and Control affect performance of the organization to a great extent. The results also showed that individualized influence, intellectual stimulation and practicing command and control are positively and significantly related to performance of tourism organizations. The regression results indicated that organizational leadership capability was positively correlated to organization performance and it explains 29.1% of the changes in performance of the organizations. Organizational leadership capability was established to have a positive and significant effect on performance in the Tourism state corporations in Kenya. Based on these findings, the study concluded that individualized influence, intellectual stimulation and practicing command and control are positively and significantly related to performance of tourism corporations in Kenya. The study also came to the conclusion that organizational leadership capability has a positive and significant effect on performance in the Tourism state corporations in Kenya. The study recommended that Tourism state corporations in Kenya should have measures to adopt Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation among their leaders and command and Control.

**Keywords:** Performance drivers, strategy implementation, organizational leadership capability, tourism state corporations, Kenya.

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## 1. INTRODUCTION

### Background and Research Gap:

Tourism demand depends above all strongly on the economic conditions in major generating markets. When economies grow, levels of disposable income will usually also rise. A relatively large part of discretionary income will typically be spent on tourism, in particular in the case of emerging economies. Tourism is the fastest changing industry in the world because of technological changes. It also has the highest multiplier effect. Rowe, Smith and Borein (2002) highlight the multiplier effect from the tourism industry as being caused by the direct and indirect economic impact, where the direct includes benefit to the tourism industry players like tour and travel operators, transporters, accommodation, attraction sites and other tourist attractions. Indirectly, tourism promotes the economy through goods and services like laundry supplier,

food supplier, shops and banks used by tourists during their visits. This in return creates employment thus eradicating poverty and hunger in the society (Ragui, 2013).

Tourism and travel is one of the world's largest sectors, supporting over 266 million jobs and generating 9.5% of global GDP in 2013 (WTTC, 2014). International tourist arrivals worldwide are expected to increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030, according to UNWTO's long term forecast Tourism towards 2030. Between 2010 and 2030, arrivals in emerging destinations (+4.4% a year) are expected to increase at twice the rate of those in advanced economies (+2.2% a year). The market share of emerging economies increased from 30% in 1980 to 47% in 2013, and is expected to reach 57% by 2030, equivalent to over 1 billion international tourist arrivals (UNWTO, 2014).

Africa has continued to enjoy sustained growth, attracting 5% more international tourist arrivals in 2013, corresponding to an increase of 3 million. The region welcomed a total of 56 million tourists (5% of the world) last year after surpassing the 50 million mark in 2012. International tourism receipts remained at US\$ 34 billion. The region maintained a 5% share in worldwide arrivals and a 3% share in receipts. North Africa (+6%) had another year of robust growth. Morocco (+7%) is the first African destination to have surpassed the mark of 10 million international arrivals, while Tunisia (+5%) recovered further. Arrivals growth in sub-saharan Africa is estimated at 5%, though individual destinations with data available show a mixed picture. South Africa, the largest destination in the subregion, reported 4% growth. Seychelles (+11%) and Gambia (+9%) reported strong growth, while Mauritius (+3%), Zimbabwe (+2%) and Uganda (+1%) posted more modest increases (UNWTO, 2014).

With the facts that tourism is a contributor to world economy, Policy makers should propel tourism destination toward resilience against short-term shocks and prepare for long-term stability by focusing on certain areas where leading countries stand out over their underperforming peers. Best-practice policies and sector-development strategies from highly competitive tourism destinations have proven successful in weathering the economic downturn and preparing for more volatility going forward. Each country should identify its specific key areas of tourism opportunities and align its policy focus around these core capabilities. These differentiators are diverse reflecting a mixture of international travel needs and experiences—and range from reestablishing the trust of visitors after periods of instability and maintaining price competitiveness in uncertain market surroundings to making sustainability a winning factor and turning an affinity for tourism into successful destination development (WEF, Boaz & Company, 2013). This study seeks to establish the impact of performance drivers in the Tourism state corporation. This is because performance of an organization in an environment translates to its output and contribution to growth of the environment and the economy in general.

#### **Problem Statement:**

The greatest challenge as stated in the background of the study is the poor performance of the tourism industry (Economic survey of Kenya, 2014). It is also notable that the tourism industry has not emerged very strong in Poverty Alleviation (Kareithi, 2003). Kenyan vision 2030, regional stability and security, and a stable global economic environment, together with the effectiveness and efficiency of State Corporation however can be a platform of the Tourism sector revival (KIPPRRA, 2013). The Group of Twenty (also known as the G-20) an international forum for the governments and central bank governors from 20 major economies, has identified Tourism as one of the sectors that can spur the global economic recovery (WTO, 2012).

The tourism state corporations capability is therefore critical in improving the industry performance. The drivers that are involved in the translation of business strategies into deliverable results in the State Corporations are of concern with the mediating role of strategy implementation in order to maximize organizational performance (Miriam & Wario, 2014).

Literature shows that management decisions in organizations are driven by the organizations capabilities and drivers which have an effect on the performance of those organizations. Fwaya *et al*, (2012) stated that there is a relationship between drivers and results of performance. If organizations do not depict performance capabilities, the strategies they adopt may not be achievable (Uzel, 2012). An organizations performance is informed by its capability to translate the strategies at hand to deliverable results. This study therefore sought to establish the influence of drivers of performance, by filling the gap that is exists on how firms execute their strategies and the mediating role of strategy implementation in the Tourism State Corporations in Kenya.

#### **Study Objectives:**

The general objective of the study was to ascertain the effect of performance drivers and the mediating role of strategy implementation in the Tourism State Corporations in Kenya. The study specifically sought to establish the effect of organizational leadership capability on performance in the Tourism state corporations in Kenya.

## 2. RESEARCH METHODOLOGY

This study adopted a mixed research design of cross-sectional research design and descriptive survey design. The study used cross-sectional design to obtain research data over the same period of time. Descriptive research design was also used to establish the cause and effect relationship between the dependent variable (Tourism state corporations performance) and the independent variable (organization leadership capability). The Tourism industry comprise of 9 state corporations (Ministry of Tourism, 2015). These corporations represented the total population of this study. The target respondents were management of the state corporations. Because of the small nature of the population, that is 9 Tourism State corporations, the study adopted a census enquiry approach. The study used quantitative primary data which was collected through administration of a questionnaire to the managers to provide a complete picture of the respondent feelings and attitudes and perceptions on the drivers of performance and the mediating role of strategy implementation. The data was analyzed using descriptive, regression and correlation analysis. The analysis of variance (ANOVA) also referred to as F-test was used to test the significance of the overall model below. Regression analysis was carried out to find out the rate of change of variables in relation to changes in one another.

The main statistical model that was used for this study was the multiple linear regression model.

$$Y = \alpha + \beta_1 X_1 + \mu$$

Where: Y = Performance of Tourism State Corporations

$\alpha$  = the Y intercept;

$X_1$  = Organizational leadership capability

$\mu$  = error term which is assumed to be normal in distribution with mean zero and variance ( $\sigma$ )

The strength of the associations between the variables was measured using correlation coefficients.

## 3. FINDINGS AND DISCUSSION

### Response Rate:

The number of questionnaires that were administered was 144. A total of 102 questionnaires were properly filled and returned. This represented an overall successful response rate of 71% as shown on Table 1. This concurred with Kothari (2004) that a response rate of 50% or more is adequate for a descriptive study. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars 71% response rate is adequate for the study.

**Table 1: Response Rate**

Response Rate	Frequency	Percent
Returned	102	71%
Unreturned	42	29%
Total	144	100%

### Organizational leadership Capability:

The study sought to establish the effect of organizational leadership capability on performance in the Tourism state corporations in Kenya. The respondents were asked to indicate whether their organizations give room for contingent rewards to its employees. The results in Figure 1 indicate that majority of the respondents, 75%, agreed that their organizations give room for contingent rewards to its employees.

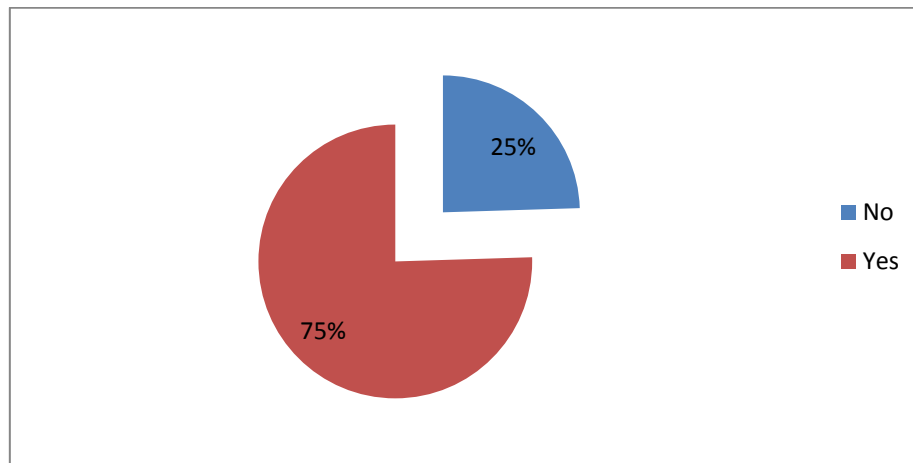


Figure 1: Organizations giving room for contingent rewards

**Attributes of organizational Leadership capability:**

The respondents were also asked to rate the effect of various attributes of organizational leadership capabilities on performance of the organization. The rating was on a five point likert scale of 1 to 5 ranging from not at all to very great extent. The results in Table 2 indicates that 55.9%, 57.8%,49.0%,59.8% and 65.7% of the respondents indicated that Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation and command and Control affects performance of the organization to a great extent. The findings of the study are consistent with the argument by Michael (2011) who indicated that leadership has a direct cause and effect relationship upon organizations and their success. The results are also consistent with the results of a study by Voon, Lo, Ngui and Ayob (2011) which results showed that transformational leadership style has a positive relationship with job satisfaction.

Table 2: Attributes of Organizational leadership capability

	Not at all	Little extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Individual characteristics	7.80%	22.50%	13.70%	16.70%	39.20%	3.57	1.40
Idealized influence	14.70%	13.70%	13.70%	23.50%	34.30%	3.49	1.45
Inspirational motivation	19.60%	17.60%	13.70%	26.50%	22.50%	3.15	1.46
Intellectual stimulation	9.80%	15.70%	14.70%	28.40%	31.40%	3.56	1.34
Command and Control	13.70%	5.90%	14.70%	35.30%	30.40%	3.63	1.34
Reward culture	11.80%	14.70%	18.60%	31.40%	23.50%	3.40	1.31
Duration taken in solving problems	7.80%	5.90%	21.60%	26.50%	38.20%	3.81	1.23
<b>Average</b>						<b>3.52</b>	<b>1.36</b>

**Correlation analysis for attributes of Organizational Leadership capability:**

The association of the attributes of organizational leadership capability and organization performance was also established. The results in Table 3 indicate that all the attributes of organizational leadership capability were positively associated with organization performance. The association between Individual characteristics, Idealized influence, Intellectual stimulation, Command and Control, Duration taken in solving problems and organization performance was found to be significant though weak with Pearson coefficients of 0.212, 0.287, 0.405,0.236 and 0.244 respectively.

**Table 3: Correlation analysis for organizational Leadership capability**

		Individual characteristics	Idealized influence	Inspirational motivation	Intellectual stimulation	Command	Reward culture	Duration	Performance
Individual characteristics	R	1.00	(0.18)	-.206*	0.01	.250*	0.07	.239*	.212*
	Sig.		0.07	0.04	0.89	0.01	0.46	0.02	0.03
Idealized influence	R	(0.18)	1.00	0.14	0.03	(0.06)	0.15	0.06	.287**
	Sig	0.07		0.17	0.80	0.53	0.13	0.53	0.00
Inspirational motivation	R	-.206*	0.14	1.00	.267**	(0.10)	(0.01)	0.19	0.13
	Sig	0.04	0.17		0.01	0.30	0.96	0.05	0.20
Intellectual stimulation	R	0.01	0.03	.267**	1.00	0.06	(0.01)	0.11	.405**
	Sig	0.89	0.80	0.01		0.54	0.96	0.29	-
Command	R	.250*	(0.06)	(0.10)	0.06	1.00	0.05	0.03	.236*
	Sig	0.01	0.53	0.30	0.54		0.64	0.77	0.02
Reward culture	R	0.07	0.15	(0.01)	(0.01)	0.05	1.00	.218*	0.15
	Sig	0.46	0.13	0.96	0.96	0.64		0.03	0.13
Duration	R	.239*	0.06	0.19	0.11	0.03	.218*	1.00	.244*
	Sig	0.02	0.53	0.05	0.29	0.77	0.03		0.01
Performance	R	.212*	.287**	0.13	.405**	.236*	0.15	.244*	1.00
	Sig	0.03	0.00	0.20	-	0.02	0.13	0.01	

**Relationship between Attributes of organizational leadership capability and performance in the Tourism state corporations in Kenya:**

The study sought to establish the relationship between attributes of organizational leadership capability and performance in the Tourism state corporations in Kenya. To do this, the study used an Ordinary least square regression model. The results in Table 4 indicated that all the attributes of organizational leadership capability combined were positively associated with performance as indicated by a correlation coefficient of 0.599. The results further indicated that organizational leadership capability explains 35.9% of the changes in performance as indicated by an R-square of 0.359. The results further indicated an F statistic of 7.512 which is significant at 5% level of significance implying that the model fit well.

Further results in Table 4 indicated that having leaders with individual characteristics, idealized influence, intellectual stimulation and practicing command and control is positively related to performance of tourism organizations as indicated by coefficients of 0.053, 0.082, 0.107 and 0.053 respectively. The relationship between these attributes of organizational leadership capability and performance was also found to be significant at 5% level of significance as indicated by their respective P-values of 0.042, 0.001, 0.000 and 0.037. The implication is that, a unit increase in leadership with individual characteristics, idealized influence, intellectual stimulation and practice of command and control results to an improvement in performance by 0.053, 0.082, 0.107 and 0.053 units respectively. The findings of the study are also consistent with findings of a study by Achoch, Gakure and Waititu (2014) which found that leadership is important in terms of both perceptions of leader effectiveness and follower satisfaction. The findings of the study are also consistent with findings of a study by Walumbwa, Mayer, Wang, Wang, Workman and Christensen (2011) which revealed that ethical leadership was positively and significantly related to employee performance. The findings are also consistent with findings of a study by Shafie, Baghersalimi and Barghi (2013) which indicated that development-oriented and pragmatic-oriented leadership style has a positive impact on employee performance. Transformational leadership style had a higher association with performance.

**Table 4: Attributes of Organizational leadership capability and performance**

			R	0.599
			R2	0.359
			F	7.512
			Sig	0.000
	B	Std. Error	T	Sig.
(Constant)	2.202	0.194	11.341	0.000
Individual characteristics	0.053	0.026	2.059	0.042
Idealized influence	0.082	0.023	3.534	0.001
Inspirational motivation	0.007	0.024	0.28	0.780
Intellectual stimulation	0.107	0.025	4.221	0.000
Command and Control	0.053	0.025	2.117	0.037
Reward culture	0.018	0.026	0.702	0.485
Duration taken in solving problems	0.038	0.029	1.308	0.194

The study combined all the attributes of leadership capability into one variable by the mean and then ran an ordinary least square regression model against performance. The results indicated that organizational leadership capability was positively correlated to organization performance (R=0.540). Further, the results revealed that organizational leadership capability explains 29.1% of the changes in performance of the organizations. Further results indicated that the model for the relationship between organizational leadership capability and organization performance fit well. The results are indicated in Table 5.

**Table 5: Organizational leadership capability and performance**

			R	0.540
			R2	0.291
			F	9.765
			Sig	0.000
	B	Std. Error	t	Sig.
(Constant)	2.231	0.197	11.327	0.000
Organizational Leadership capability	0.354	0.055	6.411	0.000

The coefficient for organizational leadership capability was significant at 5% level of significance as indicated in Table 5 which implies that organizational leadership capability is significantly related to performance of tourism state corporations in Kenya. The study findings also show that a unit increase in organizational leadership capability leads to a 0.354 units improvement in performance of tourism state corporations in Kenya.

#### 4. CONCLUSION

Based on the findings, the study also concluded that most organizations give room for contingent rewards to their employees. Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation and command and Control affect performance of tourism corporations in Kenya to a great extent. The study also concluded that individualized influence, intellectual stimulation and practicing command and control are positively and significantly related to performance of tourism corporations in Kenya. The study also came to the conclusion that organizational leadership capability has a positive and significant effect on performance in the Tourism state corporations in Kenya

#### 5. RECOMMENDATIONS

The study recommended that Tourism state corporations in Kenya should have measures to adopt Individual characteristics, Idealized influence, Inspirational motivation, Intellectual stimulation among their leaders and command and Control.



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