Human Resource and Leadership Journal Journal (HRLJ)

INFLUENCE OF LEADERSHIP CHARACTERISTICS ON PERFORMANCE OF LARGE MANUFACTURING FIRMS IN KENYA

ALLAN SAMUEL NJOGU KIHARA, DR. PATRICK KARANJA NGUGI AND DR. KENNEDY OGOLLAH

CARI Journals

Human Resource and Leadership Journal
ISSN xxxx-xxxx (Paper) ISSN XXXX-XXXX (Online)
Vol.2, Issue No.2, pp64- 79, 2017
www.carijournals.org

INFLUENCE OF LEADERSHIP CHARACTERISTICS ON PERFORMANCE OF LARGE MANUFACTURING FIRMS IN KENYA

***[1]Allan Samuel Njogu Kihara**

Post graduate student, Jomo Kenyatta University of Agriculture and Technology, Kenya

Corresponding email address:njoguak@gmail.com

[2]Dr. Patrick Karanja Ngugi

Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

[3]Dr. Kennedy Ogollah

Lecturer, University of Nairobi, Kenya

Abstract

***Purpose*:** The purpose of this study was to determine the influence of leadership characteristics on performance of large manufacturing firms in Kenya.

Methodology: The study adopted a cross-sectional research design and descriptive survey design and the research philosophy was positivism. The study population study was 499 large scale manufacturing firmswhere a sample size of 217 firms was selected.

***Results*:** The study findings revealed that leadership characteristics have a positive and significant influence on performance of large manufacturing firms in Kenya.

***Policy recommendation*:** The study recommended that large manufacturing should put in place strategies that encourage their leaders to have leadership characteristics as it has a positive effect on performance. The firms should encourage and put in place measures that promote idealized influence, intellectual stimulation, inspiration motivation and individualized consideration as they influence performance positively.

***Keywords*:** *leadership characteristics, performance, manufacturing firms*

1.0 Introduction

The study sought to determine the influence ofleadership characteristics on performance of large manufacturing firms in Kenya. Manufacturing organizational factors flexibility towards performance due to contingencies has emerged as an important source of competitive advantage as firms seek to be responsive to changing customer demands while remaining competitive on the dimensions of cost and quality (Ward, McCrery & Anand, 2007);Hallgren,Olhager & Schroeder,2011).Galan and Sanchez - Bueno (2009) as well as (Teece, Pisano & Shuen,1997) argue that the dynamic capabilities view is especially applicable for the firms operating in dynamic and unpredictable environments requiring them to continually revise their routines.

Bass (1985) introduced a theory of transformational leadership that was based on Burn's (1978) classification of transactional and transformational political leaders. Bass argued that leadership is generally conceptualized as a transactional exchange process. Transformational leaders motivate subordinates to perform beyond expectations by developing intellectually stimulating and inspiring followers to transcend their own self-interests for a higher collective purpose, mission or vision (Geyer & Steyrer, 2010).

Idealized influence (charisma) is the degree to which a leader is seen as a role-model by followers. Such leaders are admired, respected and trusted because they inspire power and pride in their followers by going beyond their own individual interests and focusing on the interests of the group and of its members (Bass & Avolio, 1999). Some of the components of idealized influence include charisma, ethics and articulation of the organization vision (Bass, 1985).

Inspirational motivation is the capacity of the leader to articulate in simple ways the goals and objectives of the organization. It also refers to the capacity to create a mutual understanding of what is right and what is wrong. Transformational leaders provide visions of what is possible and how to attain it. They enhance meaning and promote positive expectations about what needs to be done (Bass, 1988).

Inspirational motivation refers to transformational leaders sharing a compelling vision or goal with their followers and constantly motivating them to reach for the goal while boosting their confidence and reassuring them that barriers faced can be overcome (Bass & Avolio, 1985)

Intellectual stimulation is the degree to which leaders encourage their followers to be innovative and creative. Through intellectual stimulation, transformational leaders encourage followers to question their own beliefs, assumptions and values and when appropriate, those of the leader which may be outdated or inappropriate for solving current problems (Bass & Avolio, 1999). Through intellectual stimulation, transformational leaders draw the interest of their followers by promoting creativity and innovative thinking, whereby followers are encouraged to view situations or problems in new perspectives in order to discover different methods of doing things or in finding new solutions to the problems (Bass & Avolio, 1999).

Individualized consideration is the degree to which the leader responds to each individual's specific needs in order to include everybody in the "transformation" process (Simic, 1998). A transformational leader by individualized consideration builds follower self-confidence and heightens personal development which in turn leads to the empowerment of followers (Conger, 1999). Transformational leaders also enhance followers' empowerment by providing meaning and challenge to their work (Avolio et al., 2004). Transformational leaders pay

attention to their followers where they act as coaches and mentors in recognizing and developing their followers (Bass & Riggio, 2006). They treat their followers as individuals and not only members of a team and thus establish a one to one relationship with the followers in order to listen to and understand their needs and goals (Bass & Avolio, 1999).

1.2 Statement of the Problem

Kenya has been experiencing turbulent times with regard to its organizational practices and this has resulted in declining profits in the manufacturing sector of the economy (Mutindi, Namusonge & Obwogi, 2013). Statistics from World Bank show that large scale manufacturers operating in Kenya registered stagnation and declining profits for the last five years due to a turbulent operating environment (WB, 2014). It is estimated that large manufacturing firms have lost 70 per cent of their market share in East Africa largely attributed to contingencies (RoK, 2014a).Further statistics from Kenya Association of Manufacturers have shown that some firms announced plans to shut down their plants and shift operations to Egypt due to negative influences of contingencies (KAM, 2014). In 2014, manufacturing sector in Kenya contributed barely 10% to the GDP which represented 3.4 per cent growth to Sh.537.3 Billion indicating a decline from the previous year 2013 where it had reported a 5.6 per cent growth mainly due to a challenging operating environment and high operational costs (KNBS, 2014).

Many large Manufacturing firms have relocated or restructured their operations opting to serve the local market through importing from low-cost manufacturing areas such as Egypt therefore resulting in job losses (Nyabiage & Kapchanga, 2014) citing turbulent operating environment and high operating costs. This is an indication that many manufacturing firms in Kenya are experiencing performance challenges with many reporting profit warnings due to challenges in the operating environment (RoK, 2014). Previous studies have shown that strategic contingency factors are critical drivers to performance of organizations (Brewster & Mayrhofer, 2012). Organizations seek to fit their organizational factors to contingencies in order to achieve high performance and to avoid any losses resulting from the misfit when contingencies change (Donaldson, 2006).

In addition, previous empirical findings show that strategic contingency factors measures have lacked precision and consistency by providing no clear direction on the influence of contingency factors on firm's performance (Walters & Bhuian, 2004; Lee &Runge 2001). Studies have focused on financial performance measures ignoring non-financial indicators like environment (Kargar & Parnell 2009).

Furthermore, previous studies have used different methodological approaches for instance a study by Pertusa-Ortega (2008) used Partial Least Squares (PLS) technique to analyze the internal factors of organizational structure which had an influence on the firm performance, Mouelhi (2008) used firm level panel data to examine the extent to which the use of information and communication technology has contributed to efficiency growth in Tunisian manufacturing firms while Jekel (2009) used generalized least square regression model in a study on the quality aspect of dynamic capabilities based on successful practices of 61 German manufacturing firms in China. This presented methodological research gaps in the previous studies conducted on the topic.

It is therefore inadequate to merely analyse firm's performance by financial performance especially under today's changing operating environment (Qi, 2010) using a different

methodology from the previous studies. The manufacturing sector in Kenya has a huge untapped potential contribution to employment and GDP if the challenges facing this sector are properly addressed (Wagana & Kabare, 2015). The study would eventually help in determining what is needed to stop manufacturing firms from failing, stagnating in performance or relocating from Kenya resulting to job losses and therefore continue in operation to the foreseeable future.

1.3 Research Objective

To determine the influence of leadership characteristics on performance of large manufacturing firms in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical review

2.1.1 Situational Leadership Theory

The situational leadership theory put forth by Paul Hersey and Ken Blanchard in 1969 proposes that effective leadership requires a rational understanding of the situation and an appropriate response rather than a charismatic leader with a large group of dedicated followers (Graeff, 1997; Grint, 2011). The theory evolved from task-oriented versus people-oriented leadership continuum (Bass, 2008; Conger, 2011; Lorsch, 2010).

The continuum represented the extent that the leader focuses on the required tasks or focuses on their relations with their followers. Various authors have classified SLT as a behavioral theory (Bass, 2008) or a contingency theory (Yukl, 2011). Both conceptions contain some validity. SLT focuses on leaders' behaviors as either task or people focused. This supports its inclusion as a behavioral approach to leadership similar to the leadership styles approach (autocratic, democratic, and laissez-faire), the Michigan production-oriented versus employee oriented approach, the Ohio State initiation versus consideration dichotomy and the directive versus participative approach (Bass, 2008; Glynn & DeJordy, 2010).

It also portrays effective leadership as contingent on follower's maturity. This fits with other contingency-based leadership theories including Fiedler's contingency theory, path-goal theory, leadership substitute theory and Vroom's normative contingency model (Glynn & DeJordy, 2010; Bass, 2008; Yukl, 2011). This theory instigates the fourth research hypothesis:

2.2 Conceptual Framework

The conceptual framework attempts to bring into focus leadership characteristics and performance of manufacturing firms in Kenya.

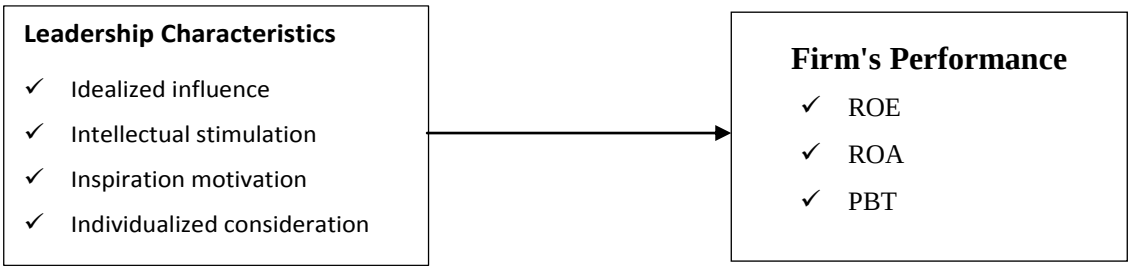

Figure.1: Conceptual Framework

2.3 Conceptual Review

2.3.1 Leadership characteristics

Ubben, Hughes and Norris (2001) assert that leadership is characterized by change and constant improvement. The leader persistently analyzes the standard to ensure that the organization is accomplishing its goals; otherwise the leader initiates change to improve the standards. In this regard, Bennis and Nanus (2005) argue that 'managers are people who do things right and leaders are people who do the right thing'. Ubben *et al*, (2001) posit that leadership is problem-finding as well as problem-solving oriented. In effect, leaders do manage but use their management skills from a leadership viewpoint asserting that leadership is 'providing vision and direction in a school whereas management is 'ensuring that organizational goals are achieved' (Ubben *et al.*, 2001).Importance and value of leadership varies across cultures and therefore leadership is culturally contingent (Den Hartog & House 2002,; House, Hanges, Javidan, Dorfman & Gupta. 2004).

According to Milburn (2012), there are eight specific and measurable outcomes to evaluate leadership effectiveness. Effectiveness is measured by the leader's ability to exhibit each behavior consistently over a period of time and within a variety of circumstances. These eight outcomes can be used as a measurement tool (reflect on past actions) or a mentoring tool (prepare for future actions).

These are divided into two categories: self and others. The first four focus on self-leadership. The second four deal with our leadership and interactions with others (Milburn, 2012). Self-leadership outcomes include: positive view of self, engaged in one's position of influence, willingness to invest discretionary effort and ability to self-regulate. Outcomes of leadership and interactions with othersinclude connecting with others, healthy relational skills, openness to diversity and contribute to the lives of others (Milburn, 2012).

Fausing *et al*. (2013) presents a review of recent survey-based research looking at the contribution of teamwork which is an aspect of inspirational motivation to organizational performance. In particular, it focuses on empirical studies in which both teamwork and performance are directly measured in a quantitative way.

2.4 Empirical Review

2.4.1 Leadership Characteristics

Hoogh (2014) examined relationships between idealized influence leadership and performance outcomes. Results revealed that idealized influence leadership was positively related to common-source and multi-source perceptual performance outcomes (subordinate's positive work attitude) and to organization's profitability but unrelated to organization liquidity and solvency.

Samad (2012) presented the findings of a study which examined the relationship between innovation, transformational leadership and performance. Data in the study was collected from a sample of 150 managerial staff in Malaysian logistics firms. The study by Samad (2012) found that transformational leadership and innovation were related to organizational performance. Both transformational leadership and innovation were found to have a significant influence on organizational performance.

Femi (2014) examined the significant relationship between communication as a way of inspiration and worker's performance in some selected organizations in Lagos State, Nigeria. Data for the study was collected through questionnaire with sample population of 120 respondents. The result of the study revealed that a relationship exists between effective communication and worker's performance, productivity and commitment.

Navqi et al (2013) studied the effect of job autonomy on job satisfaction and organizational commitment in Pakistan. A sample of 107 employees was considered for the study. Results showed that an increase in job autonomy results in an increased level of job satisfaction and organizational commitment and organizational culture moderates this relationship. Some of the components of idealized influence included charisma, ethics and communication/articulation of the organization vision (Manteklow, 2011).

Hoogh (2014) examined relationships between charismatic leadership and performance outcomes. Results revealed that charismatic leadership was positively related to common-source and multi-source perceptual performance outcomes (subordinate's positive work attitude) and to organization profitability but unrelated to organization liquidity and solvency.

Wilderom et al (2012) investigated the effects of charismatic leadership and organizational culture on perceived and objective company performance using a longitudinal design. Employees (N = 1214) in 46 branches of a large Dutch bank rated branch management on charismatic leadership, organizational culture in terms of work practices, as well as perceived organizational performance. Results revealed that charisma improved performance.

Walumbwa (2014) investigated the link between ethical leadership and performance using data from the People's Republic of China. Consistent with social exchange, social learning and social identity theories, the study examined leader–member exchange, self-efficacy and organizational identification as mediators of the ethical leadership to performance relationship. Results from 72 supervisors and 201 immediate direct reports revealed that ethical leadership was positively and significantly related to employee performance as rated by their immediate supervisors and that this relationship was fully mediated by leader-member exchange, self-efficacy and organizational identification controlling for procedural fairness.

3.0 METHODOLOGY

The research philosophy for this study was positivism. The study adopted both cross-sectional research design and descriptive survey design. The 499 large scale manufacturing firms represented the total population for this study. A sample size of 217 manufacturing firms was used during the study. This study utilized a questionnaire to collect primary data. A pilot study was conducted among 22 manufacturing firms which constituted 10 per cent of the sample size. Data was analyzed using SPSS software which generated both descriptive and inferential statistics.

4.0 RESULTS FINDINGS

4.1 Response Rate

The results for response rate are as indicated in Table 1. The number of questionnaires that were administered was 217. A total of 157 questionnaires were filled and returned. This represented an overall successful response rate of 72.4%. They fit with the argument of Kothari (2004) that a response rate of 50% or more is adequate for a descriptive study.

Table 1: Response Rate

Response	**Frequency**	**Percent**
Returned	157	72.4%
Unreturned	79	27.6%
Total	**217**	**100%**

4.2Results of Pilot Test

The study conducted a pilot test to test for the instrument reliability. The participants in the pilot test were not included in the final study. The reliability of an instrument refers to its ability to produce consistent and stable measurements, Cronchba Alpha value is widely used to verify the reliability of the construct. The results are presented in Table.2. The findings in Table 2 indicate that leadership characteristics had Cronbach's alpha of 0.716 which was above the set alpha coefficients cut off point of 0.7.

Table 2: Alpha coefficient

Variable	Cronbach's Alpha	Comment
Leadership Characteristics	0.716	Accepted

4.3Demographic Characteristics

4.3.1 Gender Composition of Respondents

The respondents were asked to indicate their gender. Results in Figure 2 reveal that a majority of the respondents were male as supported by 69% while 31% were female. The manufacturing firms that are registered members of KAM are male dominated. In addition, the gender distribution was below the Constitutional of Kenya (2010) threshold of a third, however this did not affect the results of the study as women were under-represented in the management of manufacturing firms.

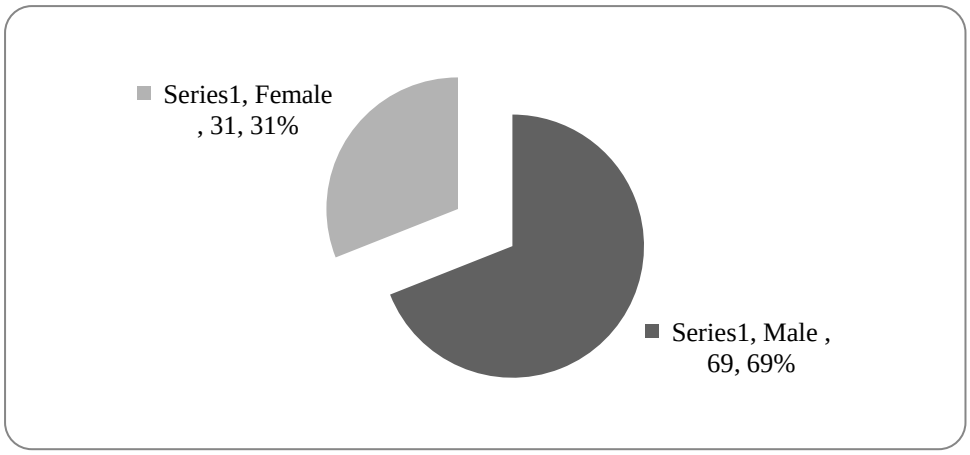

Figure 2: Gender Composition of Respondents

4.3.2 Age of Respondents

The respondents were also asked to indicate their age. The results are presented in Figure 3 reveal that 6% of the respondents were over 50 years, 30% were between 18 and 30 years while those who were between 40 to 50 years were 25%. Majority of the respondents, 39%, were between 30 to 40 years. This implies that majority of the workers at manufacturing firms that are registered members of KAM are between 30 to 40 years of age.

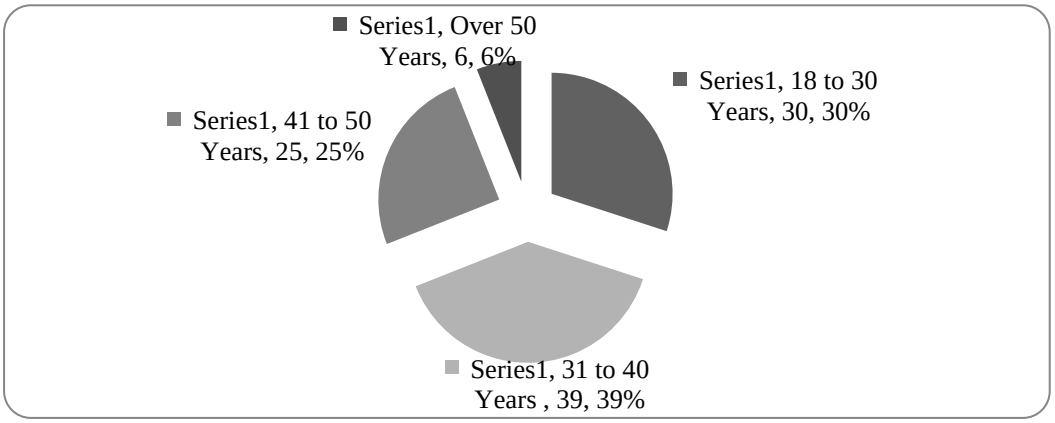

Figure 3: Age of Respondents

4.3.3 Level of Education

The respondents were asked to indicate their level of education. Results in Figure 4 reveal that 13% of the respondents had education up to the secondary school level, 39 % indicated that they had attained education up to tertiary level while 48% of the respondents indicated that they had attained education up to University level.

This implies that workers at manufacturing firms that are registered members of KAM are educated. It also implies that majority of the respondents (48%) had university qualification, and a few others had both tertiary and secondary education levels. This means that majority of the workers at manufacturing firms that are registered members of KAM are knowledgeable and could easily understand the contents of the questionnaire and the concept of contingency factors.

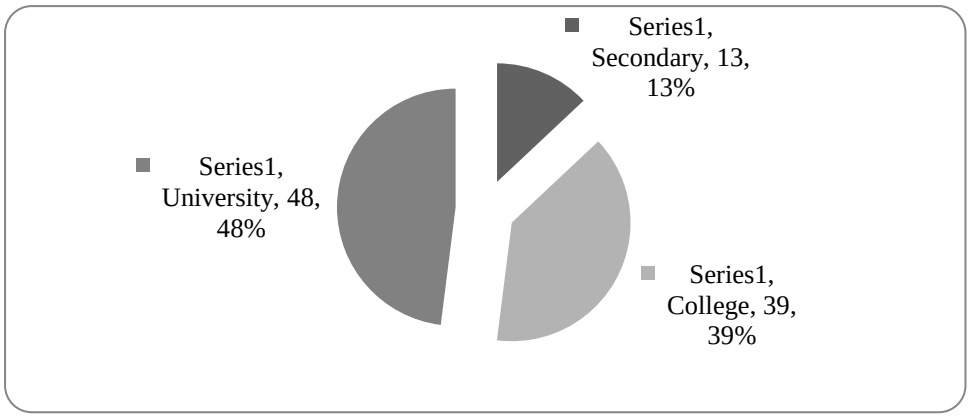

Figure 4: Level of Education

4.3.4 Years of experience in the industry

The respondents were asked to indicate their years of experience in the field. Results in Figure 5 reveal that 33% of the respondents had worked in the field for a period less than 2 years, 24% had worked in the field for a period of three years and those who had worked in the field for over three years were 43%. This implies that the rate of turnover in the sector is low.

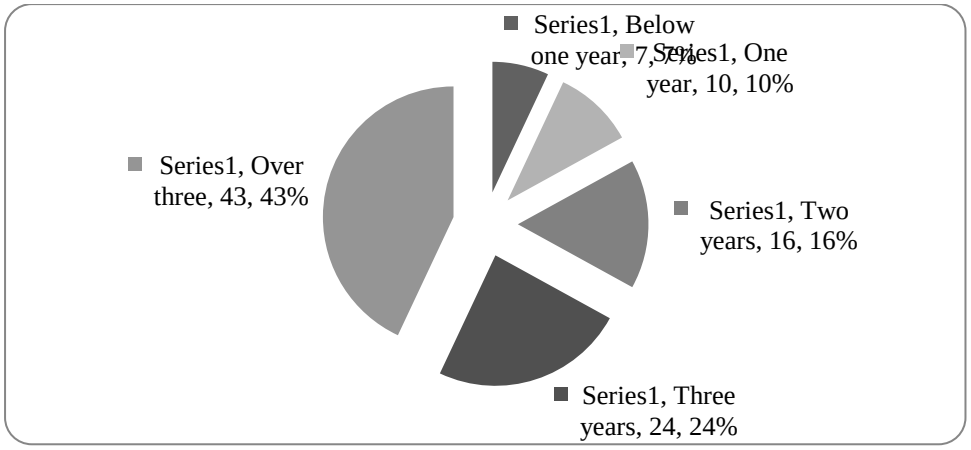

Figure 5: Years of Eexperience

4.4.1 Relationship between Leadership Characteristics and ROE

The study sought to establish the relationship between leadership characteristics and ROE. The results are presented in Table 3. The results in Table 3 indicate the odd ratio regression with regard to ROE. The results reveal that intellectual stimulation, idealized influence, individualized consideration and inspiration motivation are positively related to ROE. The relationship between intellectual stimulation as well as inspiration motivation and ROE is significant at 5% level of significance. The odds of observing a high ROE were 3.532 times higher for those firms whose leaders have intellectual stimulation leadership characteristics as compared to those firms whose leaders do not have intellectual stimulation leadership characteristics.

The results also revealed that the odds of observing a high ROE were 3.806 times higher for those firms whose leaders have inspiration motivation leadership characteristics as compared to those firms whose leaders don't. This implies that having intellectual stimulation and inspirational motivation leads to a high ROE. Berg and Karlsen (2007) stated that contingent Leadership approach where a leader integrates and leads the work of the entire project team against challenges in the environment to function effectively leads to improved performance. The finding of the current study confirms the argument by Berg & Karlsen (2007).

Table 3 Relationship between Leadership Characteristics and ROE

	B	S.E.	Wald	df	Sig.	Exp(B)
Idealized influence	1.16	0.77	2.269	1	0.132	3.191
Intellectual stimulation	1.262	0.555	5.163	1	0.023	3.532
Inspiration motivation	1.337	0.444	9.066	1	0.003	3.806
Individualized consideration	0.225	0.606	0.138	1	0.71	1.253
Constant	-2.059	0.679	9.192	1	0.002	0.128

4.4.2 Relationship between Leadership Characteristics and Profit Before Tax

The study also sought to establish the relationship between leadership characteristics and profit before Tax. The results are presented in Table 4

Table 4Relationship between Leadership Characteristics and Profit Before Tax

	B	S.E.	Wald	df	Sig.	Exp(B)
Idealized influence	0.911	0.81	1.265	1	0.261	2.488
Intellectual stimulation	0.927	0.614	2.277	1	0.131	2.527
Inspiration motivation	1.666	0.483	11.897	1	0.001	5.293
Individualized consideration	1.248	0.585	4.545	1	0.033	3.482
Constant	-2.276	0.731	9.681	1	0.002	0.103

4.4.3 Relationship between Leadership Characteristics and ROA

The study also sought to establish the relationship between leadership characteristics and ROA. The results are presented in Table 4.The results reveal that the relationship between all the aspects of transformational leadership and profit before tax is positive. Further, inspirational motivation and individualized consideration are significantly related to PBT. The odds of observing a high PBT were 5.293 times higher for those firms whose leaders have inspiration motivation leadership characteristics as compared to those firms whose leaders do not have inspiration motivation leadership characteristics.

On the other hand, the odds of observing a high PBT were 3.482 times higher for those firms whose leaders have individualized consideration leadership characteristics as compared to those firms whose leaders don't. This implies that having inspiration motivation and individual consideration leads to a high PBT. These findings confirm the argument by Berg and Karlsen (2007) who stated that contingent Leadership approach where a leader integrates and leads the work of the entire project team against challenges in the environment to function effectively leads to improved performance.

The finding also confirm the findings of a study by Samad (2012) which examined the relationship between innovation, transformational leadership and performance and found that transformational leadership and innovation were related to organizational performance. Both transformational leadership and innovation were found to be the significant influence to organizational performance.

Table 4indicates the odd ratio regression with regard to ROA. The results reveal that the relationship between all the aspects of transformational leadership and ROA is positive. The results reveal that inspiration motivation is positively and significantly related to ROA. The odds of observing a high ROA were 2.988 times higher for those firms whose leaders have inspiration motivation leadership characteristics as compared to those firms whose leaders do not have inspiration motivation leadership characteristics. This implies that having inspirational motivation leads to a high ROA.

The findings of the study confirms the findings of a study by Simpkins (2009) which concluded that adoption of situational leadership style in an uncertain environment would help managers develop and implement high strategic contingency decisions faced by unknowns. The study found out that a form of contingent leadership approach in an uncertain environment would result to more benefits to a firm. Rather than focusing on disasters or major disruptions, this style considers in advance various risks to deal with in the current situations than depending on laid strategies.

Table 5 Relationship between Leadership Characteristics and ROA

	B	**S.E.**	**Wald**	**df**	**Sig.**	**Exp(B)**
Idealized influence	0.914	0.754	1.471	1	0.225	2.495
Intellectual stimulation	0.487	0.53	0.842	1	0.359	1.627
Inspiration motivation	1.095	0.416	6.911	1	0.009	2.988
Individualized consideration	0.802	0.641	1.565	1	0.211	0.448
Constant	-0.433	0.513	0.713	1	0.398	0.648

4.4.4 Hypothesis Testing

The hypothesis was tested by running an ordinary least square regression model. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the Ho was not rejected but if it was less than 0.05, the Ho failed to be rejected.

The aspects of leadership were combined and run against the combined measures of performance. An ordinary least regression Model was used.

The null hypothesis for the fourth objective was: Leadership characteristics do not influence performance of large manufacturing firms in Kenya. The alternative hypothesis for the fourth objective was: Leadership characteristics influence performance of large manufacturing firms in Kenya. The results of the regression model are as indicated in Table 6. The results reveal that leadership characteristics explain 23.3% of the changes in performance of large manufacturing firms in Kenya. The remaining, 76.7%, of the change in performance of large manufacturing is explained by other factors.

Table 6 Leadership Characteristics Model Summary

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.482a	0.233	0.228	0.34798

The study also established the model fitness by comparing the F- calculated and F-critical values. The results for F-calculated are in Table 4.38. The F-Critical, $F_{0.05,\ 1,\ 155}$ was 3.84. Since F calculated, 47.58 was greater than F-Critical, $F_{0.05,\ 1,\ 155}$, 3.84, the study concluded that the model fits well. This is further supported by a p-value of 0.00 which is significant at 5% level of significance implying that the model fit well.

Table 7 Leadership Characteristics Model Fitness

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.762	1	5.762	47.58	.000b
Residual	19.011	155	0.121		
Total	24.773	156			

The regression coefficients are as presented in Table 7. The result in Table 7 indicated that the relationship between leadership characteristics and performance of large manufacturing firms in Kenya was significant at 5% level of significance. The p-value was 0.000 which indicated that the null hypothesis was rejected at 5% level of significance hence leadership characteristics has significant influence on the performance of large manufacturing firms in Kenya.

The findings are consistent with the findings of a study by Hoogh (2014) which revealed that idealized influence leadership was positively related to common-source and multi-source perceptual performance outcomes (subordinates' positive work attitude) and to organization profitability. The findings were also consistent with the findings of a study by Kombo, Obonyo and Oloko (2013) which established that there is a positive relationship between individualized consideration form of leadership and performance of firms.

Table 8 Leadership Characteristics Model Coefficients

	B	**Std. Error**	**t**	**Sig.**
(Constant)	0.192	0.083	2.318	0.022
Leadership combined	0.670	0.097	6.898	0.000

Performance of Large Manufacturing firms = 0.192 + 0.67 Leadership Characteristics

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1Summary of Findings

The objective of the study was to assess the influence of leadership characteristics on performance of large manufacturing firms in Kenya. The findings of the study revealed that majority of the large manufacturing firms in Kenya have leaders with idealized influence leadership, intellectual stimulation leadership characteristics, inspiration motivation leadership characteristics and individualized consideration leadership characteristics. The findings also indicated that having leaders with idealized influence, intellectual stimulation; inspiration motivation and individualized consideration leadership characteristics improve performance.

The findings further revealed that intellectual stimulation, idealized influence, individualized consideration and inspiration motivation are positively related to ROE. The relationship between intellectual stimulation as well as inspiration motivation and ROE is significant at 5% level of significance. The odds of observing a high ROE were higher for those firms whose leaders have intellectual stimulation leadership characteristics as compared to those firms whose leaders do not have intellectual stimulation leadership characteristics.

5.2 Conclusion

The study concluded that leadership characteristics have a significant influence on performance of large manufacturing firms in Kenya. The sub-constructs of leadership characteristics that is idealized influence, intellectual stimulation, inspiration motivation and individualized consideration influence performance positively. The study also concluded that legal and regulatory environmenthas no moderating effect on the relationship between strategic contingency factors and performance of large manufacturing firms in Kenya. The study also concluded that strategic contingency factors are positively associated with performance of large manufacturing firms.

5.3 Recommendations of the Study

The study recommended that large manufacturing should put in place strategies that encourage their leaders to have leadership characteristics as it has a positive effect on performance. The firms should encourage and put in place measures that promote idealized influence, intellectual stimulation, inspiration motivation and individualized consideration as they influence performance positively.

5.4 Areas for Further Research

Further studies can be done to establish the influenceof leadership characteristics on performance of firms in other sectors other than manufacturing firms in Kenya.

REFERENCES

Ward, P.T., McCrery, J.K. & Anand, G. (2007).“Business strategies and manufacturing decisions: an empirical examination of linkages”, *International Journal of Operations & Production Management*, 27(9), 951-973.

Teece, D.J., Pisano, G., &Shuen, A.(1997). Dynamic capabilities and strategic management. *Strategic Management Journal* 18(7), 509-533.

Adner, R., &Helfat, C.E. (2003). “Corporate effects and dynamic managerial capabilities”, *Strategic Management Journal*, 24(10), 1011-1025.

Ambrosini, V., Bowman, C. & Collier, N. (2009). 'Dynamic capabilities: An exploration of how firms renew their resource base', *British Journal of Management*, 20(1),9-24.

Augier, M.,& Teece, D. J. (2006). 'Understanding Complex Organization: The Role ofKnow-How, Internal Structure, and Human Behavior in the Evolution of Capabilities', Industrial and Corporate Change, 15 (2), 395-416

Barretto, I. (2010). Dynamic Capabilities: A Review of Past Research and an Agenda for the Future. *Journal of Management*, 36 (1),256-291.

Bradley, S. Aldrich, H. Shepherd, D.,& Wiklund, J. (2011). Resources, environmental change, and survival: asymmetric paths of young independent and subsidiary organizations. *Strategic Management Journal*, 32 (5): 486-495.

Brewster, C. J., & Mayrhofer. (ed.). (2012). *Handbook of Research on Comparative Human Resource Management, Cheltenham*: Edward Elgar Publishing Inc.

Daniel, E.& Wilson H.N. (2003). The role of dynamic capabilities in business transformation. *European Journal of Information Systems* 12(4): 282-296.

Donaldson, L. (2006). “The contingency theory of organizational design: challenges and opportunities”, in Burton, R.M., Eriksen, B., Hakonsson, D.D. and Snow, C.C. (Eds), Organization Design: The Evolving State-of-the-Art, Springer, New York, NY

Eisenhardt, K.M.& Graebner, M.E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal* 50(1): 25-32.

Eisenhardt, K.M., & Martin, J.A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal* 21(10-11): 1105-1121.

Galan, J.I. & Sanchez-Bueno, M.J. (2009). “The continuing validity of the strategy-Structure nexus: new findings, 1993-2003*”, Strategic Management Journal*, 30(11), 1234-43.

Grant, R.M. & Baden-Fuller, C. (2004). "A knowledge accessing theory of strategic alliances", *Journal of Management Studies*, 41(1),61-84.

Hallgren, M., Olhager, J. & Schroeder, R.G. (2011). "A hybrid model of competitive capabilities", *International Journal of Operations & Production Management*, 31(5),511-526.

Helfat, C., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece D. & Winter S. (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations.* London: Blackwell.

Helfat, C. & Winter, S. (2011). Untangling dynamic and operational capabilities: Strategy for the (n) ever-changing world. *Strategic Management Journal*, 32 (11), 1243–1250.

Helfat, C.E.,& Peteraf, M.A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic Management Journal*, 24(10), 997-1010.

Hitt, M.A. (2011). "Relevance of strategic management theory and research for supply Chain management", *Journal of Supply Chain Management,* 47 (1), 9-13.

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques (2nd ed.).* New Delhi: New Age Publications (Academic).

Lichtenthaler, U. & Lichtenthaler, E. (2009). "A capability-based framework for open innovation: complementing absorptive capacity", *Journal of Management Studies*, 46 (8),1315-1338.

Miles, R.E., & Snow, C.C. (1978).Organizational Strategy, Structure and Process. New York, USA: McGraw-Hill.

Nelson, R.& Winter, S. (1982). *An Evolutionary Theory of Economic Change*. Belknap Press of Harvard Press: Cambridge MA

Ramanujam, V., Ramanujam, N.,& Camillus, J. C. (2006). Multi objective assessment of effectiveness of strategic planning and discriminant analysis approach. *Academy of management Journal* 29(2),347 – 472.

Salvato C. 2003. The role of micro-strategies in the engineering of firm evolution. *Journal of Management Studies* 40(1), 83-108.

Schreyögg, G., & Kliesch, E. M. (2007). How dynamic can organizational capabilities be? Towards a dual-process model of capability dynamization. *Strategic Management Journal* 28(9), 913-933.

Senge, P.M. (1990).*The Fifth Discipline: The Art and Practice of the Learning Organization*, Doubleday, New York, NY

Walters, B.A.,&. Bhuian, S.N,(2004). ”Complexity Absorption and Performance: A Structural Analysis of Acute-Care Hospitals”, *Journal of Management 30(1, 97–121*

Ward, P.T., McCrery, J.K. & Anand, G. (2007).“Business strategies and manufacturing decisions: an empirical examination of linkages”, *International Journal of Operations & Production Management*, 27(9), 951-973.

Wilson, J. & Eilertsen, S. (2010). How did strategic planning help during the economic crisis? *Strategy & Leadership*. 38 (2), 5-24.

Woodward, J., (1965).*Industrial Organization: Theory and Practice*, Oxford University