AN ASSESSMENT OF STRATEGIC LEADERSHIP ON CUSTOMER GROWTH IN SAVINGS AND COOPERATIVE SOCIETIES IN KENYA KIAMBU COUNTY

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Waihenya, M. W., Kimaru, E., & Kamaku, P.

*1 Masters Candidate, Department of Business Studies, St. Paul’s University [SPU], Kenya
2 Department of Business Studies, St. Paul’s University [SPU], Kenya
3 Department of Business Studies, St. Paul’s University [SPU], Kenya

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ABSTRACT

The study was carried out within savings and cooperative societies in Kiambu County that are registered with SASRA. The research primary focus was to assess the influence of strategic leadership on customer growth in SACCOs in Kiambu County. SACCOs in Kiambu County have experienced problems in the past; some even shutting down therefore there was need for customer growth to be enhanced so as to increase their incomes so as to sustain the business. The study used descriptive research design and data was collected from primary sources using a questionnaire. The study target population was 558 SACCOs in Kiambu County, and a sample of 56 SACCOs was selected from the population which was 10% of the population. The questionnaire which was given to 56 operations managers in the 56 selected SACCOs. The finding of the study shows that 42 out of 56 operations manager responded giving a 75% response rate. Descriptive design was used to analyze information statistically and from the findings, the study found that 75.3% of customer growth in SACCOs in Kiambu County is influenced by strategic leadership.

Key words: Strategic Leadership, Strategic Direction
INTRODUCTION

The dynamic nature of business operating environment has called on business leaders to be strategic in their leadership roles if they are to sustain their competitiveness into the unforeseen future (Wheelen & Hunger, 2011). Organizations that fail to change with the changing times are always rendered uncompetitive and if the situation persists, they are likely to shut down as customers move on to the competitor products and services (Gavetti, 2011). Customer’s attitudes and behavior increases customer’s purchasing power that translates to growth in a firm. In SACCOs customers are identified as members, the members growth in are SACCO is dependent on the services offered to them. Favorable members services attract and retain members and hence customer growth.

Savings and Credit Co-Operative (SACCO) movement in Kenya is of unique social and economic interest. It has at its core, the message of inspiration and emancipation of the individual economic wellbeing, community development and strengthening the fundamental economic foundations of the country (Kobia, 2011). The importance of the SACCOs in Kenya led to the government to enact a SACCO Act 2008 and the SACCO Societies Regulations 2010. This was done with the intention of protecting the interest of SACCO members and improving the confidence of the public in SACCOs. The government of Kenya established Sacco Societies Regulatory Authority (SASRA) under the Ministry of Cooperative Development and Marketing, whose mandate entails licensing, regulating and supervising SACCO Societies (Ministry of Cooperatives and Marketing, 2010).

The Ministry of Cooperative Development and Marketing (MCDM) Conference report of 2017 indicates that there are 5200 registered SACCOs with over 5.6 million registered members in Kenya. According to SASRA Report September 2017, there 175 deposits taking SACCOs which are licensed to undertake deposit-taking Sacco business in the country in accordance with the Act in the operation at the end of 2017. During Ushirika Day celebrations 2017, it was noted that there is a total of 558 SACCO’S which are of key interest of interest to this study. There is little customer growth in SACCOs in Kiambu County and some of the SACCOs have also closed down this study sorts to assess the role strategic leadership on customer growth in Savings and Cooperative Societies in Kenya (Kiambu County). The main focus on strategic leadership will be the strategic direction identification and leaders competences.

Objectives

- To establish the influence of strategic direction identification on customer growth in Savings and Cooperative Societies in Kiambu County.
- To determine the influence of leader’s competence on customer growth in Savings and

THEORETICAL REVIEW

Transformational Leadership Theory

The transformational theory of leadership is one of the most comprehensive theories of organizational transformation, and was proposed by Burns (1978), in his analysis of political leaders. It was further expounded in by Moynihan, Pandey and Wright (2011), who formulated the formal transformational leadership theory that among other things includes the model and characteristics of a transformational leader. The transformational theory of leadership postulates that transactional leadership and transformational leadership are distinct dimensions rather than opposite ends of one continuum and that, while transformational leadership are closely
related parts of leadership, they remain distinct (Roueche, Baker & Rose, 2014).

According to Roueche, Baker III, and Rose (2014), leaders’ ability emanates from their capability to encourage and motivate workers to yield excellent output. These leaders are in pursuit of the necessities for a transformation on the usual way of doing things, it provides visualization to the people led, integrates mission and vision to contrivance the transformation with the commitment of the employees. In this leadership, the trailblazer actions as a good example also as a promoter that provides a vision, enthusiasm, reassurance and optimism and also gratification to the employees. The leader motivates his workers to upsurge their potentials, gain self-assurance and boost improvement in the entire organization. They focus on how they can enable the people working under them to produce results. This is enabled by focusing on the potentials and helping to develop them.

Kark and Shamir (2013), viewed transformational leadership from the perspective of leaders’ influence on their subordinates such that they become motivated to surpass their original expectations. A transformational leader has been characterized as one who articulates a positive vision of the future that can be shared with subordinates and among peers, pays a high attention to diversity, and intellectually stimulates subordinates to perform beyond their expectations. Transformational leaders believe in the need for change and engage in a process which includes a sequence of phases: recognizing the need for change, creating a new vision and institutionalizing the change (Hancott, 2005).

To be a transformational leader, one must have the ability to change the perspective of their followers so that they can be able to see a particular situation and elevate their needs in line with those of their leaders. Transformational leadership is necessary for effective management because the effectiveness of leaders determines the success of organizations (Kark and Shamir, 2013). This theory is most suitable and relevant to the study context as it enables managers to deal with others as individuals and understand that each customer has different needs, abilities, requires personal attention and has the need to feel valued. According to Hancott (2005), transformational leaders do this through spending time teaching, coaching and developing their followers by listening attentively, recognizing and valuing each customer’s contribution.

This theory helps explain how strategic direction identification is important if an organization is to achieve its objectives and mission. Through strategic direction determination, an organization is able to plan and coordinate its activities to ensure that they are achieved as planned. Determination of strategic direction enables organization leadership to make necessary steps to meet the customer need and hence have a sustained growth.

Skills Theory of Leadership

According to David (2010), skills theory grew from the trait approach, he states that skills theory sought to discover the skills and abilities that made leaders effective. The primary theories to develop from a skills approach were Katz’s three-skill approach and Mumford’s skills model of leadership. Katz’s approach states that effective leadership requires three skills, technical, human and conceptual. (David 2010), also states that effective leadership is dependent on how leader competencies are affected by the leader’s attributes, experiences and the environment.

Wolinski (2010), states that acquired skills/abilities and learned knowledge are significant factors in the practice of leadership. He argues that though the
learned skills, developed style, and acquired knowledge are keys to leadership performance, considerable effort and resources should be devoted to leadership training and development. The skill theory of Mumford’s group has five components, competences, individual attributes, leadership outcomes, career experiences and environmental influences.

This theory is important to the study as it helps in explaining the qualities that a leader should hold in order to increase the numbers of customers the firm has. The skills theory of leadership helps to anchor the study by linking best skills and leadership competences to growth of customers in SACCOs in Kiambu County. The leaders must have technical skills that are influenced by the environment that would lead to high performance that was lead to customer growth.

**EMPIRICAL REVIEW**

**Strategic Direction Identification**

According to Mutia (2015), strategic direction entails articulating the organization vision and mission, developing the organization’s strategic goals, objective and formulating a strategic plan. The vision of an organization aligns the actions of people across the whole organization (Hitt, Ireland, and Hoskisson, 2011). The mission statement describes the organization activities to be undertaken to achieve its vision. Strategic direction identification is setting direction where the management of the organization or planners comes to a conclusion about what the organization must do on certain issues and opportunities facing the organization.

Kiarie and Minja (2013), studied the role of corporate governance and strategic leadership practices in mitigating risks in stock brokerage firms in Nairobi. The study found out that the majority of strategic leaders do not practice strategic leadership leading to the collapse of many companies in Kenya. Similarly, Obunga, Marangu, and Masungo (2015) studied strategic leadership and performance of cooperative societies in Kakamega County in Kenya. The study concluded that the performance of these SACCOs could be explained by strategic leadership practices. Ndunge (2014), carried out a case study on Kenya Wildlife Services and its strategic leadership practices, and the study was focused on the change management programmes. The study concluded that strategic leadership is important in change management since it helps in setting a clear vision, planning and communicating the organization direction.

**Leader’s Competences**

The concept of identifying and nurturing leader’s competences to drive competitive advantage and future growth should apply every organization. Odero (2013), studied the core competencies and choice of competitive strategies at Equity Bank Limited in Kenya. The study findings revealed that core competencies provide very important skill and techniques in building competitiveness and choice of competitive strategies. In addition, core competencies play an important role in the planning, developing, implementing and evaluating strategic competitive policies that result in a competitive advantage.

Leaders develop skills and perspectives which enable them to facilitate to the accomplishment of work in the organization systems. Work facilitation competences include managerial skills, the ability to think and act strategically and think creatively and initiate and implement change. Mwithi (2016), studied on the effect if leadership competences on performance of state corporations in Kenya. The study revealed that strategic leadership has a positive relationship with financial performance of state corporations in Kenya.
A great leader is one able to influence all employees and mold them together to achieve growth. The leaders must exhibit their abilities, skills, knowledge and competences to in the organization. The leaders can be developed and molded within the organization or sourced as an expert to lead an organization into success at the market place and expand to new frontiers (Jardon & Martos, 2011). Furthermore, exemplary leaders are leaders who can identify customer’s current needs and anticipate their need as they change, such leaders enable the organization to stay ahead of the competition and also ensure there is customer growth.

**Customer Growth**

Customer growth is measured by the total number of loyal customers who come back again and again to do repeat purchases and transactions (Davis and Shaver, 2012). Any business should aim to achieve customer growth so as to sustain in itself in the market. SACCOs customers are known as members and they can measure their growth in terms of increase in number of members over a specified timeframe like a month or annually and increase in share capital is also an indicator of growth of the SACCO.

**RESEARCH METHODOLOGY**

This study adopted a descriptive design to answer the research questions and the study population was all the 558 SACCOs in Kiambu County who are registered with SASRA. The study targeted 10% of the entire population which formed the sample size which was 56 SACCOs. In selection of the sample the study used simple random sampling, the study purposely selected one Operations Manager from each of the 56 SACCOs to participate in the study this is because of the information they hold on their SACCOs. Primary data collection was used and the data collection instrument was a structured questionnaire, which contained closed question
design to ensure that the responses are specific. The researcher adopted a drop and pick method, where the questionnaire which is the instrument was self-administered to the respondents in the 56 SACCOs and the respondents were given a period of three days to fill the questionnaire.

Quantitative data that was obtained from the research was coded and keyed into the Statistical Package for Social Sciences (SPSS Version 222) analysis software for analysis. The descriptive statistics were computed whereby frequencies, percentages, means and standard deviations were clearly shown in the form of tables and figures. The study used mean, standard deviation, frequency distribution and percentages in analyzing the data. To facilitate this, graphs and charts were used for easy understanding and describing the data.

RESULTS

Descriptive Analysis

Strategic Direction Identification

To understand on strategic direction identification applicable in SACCOs in Kiambu County, the respondents were given statements on strategic direction and were to rate the extent each of the statement describe strategic direction identification. The results are analyzed and tabulated as per the table below:

Table 1: Strategic Direction Identification

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Vision is descriptive of the SACCO ideal future state of success</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>4.01</td>
<td>0.890</td>
</tr>
<tr>
<td>Our Mission depicts the SACCO purpose for existence in relation to members</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.23</td>
<td>1.099</td>
</tr>
<tr>
<td>Our overall objectives are clear and specific in what we want to achieve</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.64</td>
<td>1.052</td>
</tr>
<tr>
<td>The SACCO priorities are well defined and in line with the members needs</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.35</td>
<td>1.082</td>
</tr>
<tr>
<td>The SACCO strategies match the priorities and respond to members changing needs</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.97</td>
<td>0.957</td>
</tr>
<tr>
<td>Aggregate</td>
<td></td>
<td></td>
<td></td>
<td>3.64</td>
<td>1.016</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2018

From the table 1, the SACCO’s vision as descriptive of the ideal future state of success played the greatest role in describing strategic direction identification at Kiambu County with the highest mean score of 4.01 and standard deviation of 0.890; followed by the SACCO’s strategies that match the priorities and respond to members changing needs with mean score of 3.97 and standard deviation of 0.957. The overall objectives as clear and specific in what the SACCOs want to achieve was third with mean score of 3.64 and standard deviation of 1.052; fourthly, the SACCO’s priorities as well defined and in line with the members needs with mean score of 3.35 and standard deviation of 1.082; and lastly the mission that depicts the SACCO’s purpose for existence in relation to members with mean score of 3.23 and standard deviation of 1.099. The aggregate scores approximates to a score of 3.64 on the five point Likert scale adopted by the study. This implies that on average the respondents agreed with the items in the strategic direction identification of the structured questionnaire. The standard deviations are relatively small with an average of 1.016 implying that the respondents’
responses closely clustered around the aggregate score of 3.64.

Further, the study sought to assess the extent which strategic direction identification has an effect on customer growth. The findings were shown in Table 2 below.

Table 2: Strategic Direction Identification Effect on Customer Growth

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at All</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Little Extent</td>
<td>3</td>
<td>7.2</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>9</td>
<td>21.4</td>
</tr>
<tr>
<td>Large Extent</td>
<td>24</td>
<td>57.1</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>6</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2018

As indicated in Table 2 above, most of the respondents (57.1%) indicated that strategic direction identification influenced customer growth by a large extent, 21.4% of the respondents indicated moderate extent, 14.3% indicated to a very large extent and only 7.1% of the respondents indicated to a little extent. None of the respondent indicated strategic direction identification has no effect on customer growth.

The respondents were asked to indicate the extent to which each of the following statements described the leader’s competences as applicable in SACCOs in Kiambu County. The results were analyzed and tabulated as per Table 3 below.

Table 3: Leader’s Competences

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SACCO Leaders have the requisite skills to deliver the overall objectives</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.76</td>
<td>0.984</td>
</tr>
<tr>
<td>The SACCO Leaders have the essential knowledge to deliver the overall objectives</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>4.06</td>
<td>0.814</td>
</tr>
<tr>
<td>The SACCO Leaders have the vital abilities to deliver the overall objectives</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.71</td>
<td>0.997</td>
</tr>
<tr>
<td>The SACCO Leaders have the relevant experience</td>
<td>42</td>
<td>1.00</td>
<td>5.00</td>
<td>3.52</td>
<td>1.012</td>
</tr>
<tr>
<td><strong>Aggregate</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>3.7625</strong></td>
<td><strong>0.95175</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2018

From the analysis, the SACCO’s leaders had the essential knowledge to deliver the overall objectives played the greatest role in describing the leader’s competences among the respondents in Kiambu County with the highest mean score of 4.06 and standard deviation of 0.814; followed by the SACCO’s leaders have the requisite skills to deliver the overall objectives with mean score of 3.76 and standard deviation of 0.984. The SACCO’s leaders had the vital abilities to deliver the overall objectives was third with mean score of 3.71 and standard deviation of 0.997; and lastly the SACCO’s leaders have the relevant experience with mean score of 3.52 and standard deviation of 1.012. The
aggregate scores approximates to a score of 3.7625 on the five point Likert scale adopted by the study. This implied that on average the respondents agreed with the items in the leader’s competences of the structured questionnaire. The standard deviations were relatively small with an average of 0.95175 implying that the respondents’ responses closely clustered around the aggregate score of 3.7625.

In addition, the study sought to assess the extent which leader’s competences has an effect on customer growth. The findings are shown in table 4.

Table 4: Leader’s Competences Influence on Customer Growth

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at All</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Little Extent</td>
<td>6</td>
<td>14.3</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>6</td>
<td>14.3</td>
</tr>
<tr>
<td>Large Extent</td>
<td>17</td>
<td>40.5</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>12</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2018

From table above, majority of the respondents (40.5%) indicated that leader’s competences influenced customer growth by a large extent, 28.6% of the respondents indicated to a very large extent; and 14.3% indicated both to a moderate extent and little extent and only 2.4% of the respondents indicated not at all.

The findings indicated that strategic direction identification and leader’s competences had combined significant influence on customer growth in SACCOs in Kenya. The research findings were in agreement with Mason and Brown (2014) and Ronald (2015) which shown a significant relations between strategic leadership and customer growth in SACCOs. Therefore, the study addressed the problem and from the findings it had helped determine the correlation between strategic leadership and customer growth in SACCOs in Kenya. From the analyzed data 75.3% of customer growth was influenced by strategic leadership; and the study findings conclusively helped achieve the purpose of this study was an assessment of strategic leadership on customer growth in Savings and Cooperative Societies in Kenya (Kiambu County).

Summary

The purpose of this study was to assess how strategic leadership affects customer growth in Savings and Cooperative Societies in Kiambu County. The study was guided by the following specific objectives; to establish the influence of strategic direction identification on customer growth in Savings and Cooperative Societies in Kiambu County, and determine the influence of leader’s competence on customer growth in Savings and Cooperative Societies in Kiambu County. These objectives were achieved in this study as discussed below.

The first objective of the study was to establish the influence of strategic direction identification on customer growth in Savings and Cooperative Societies in Kiambu County. On the findings drawn from data analysis, the SACCO’s vision as descriptive of the ideal future state of success played the greatest role in describing strategic direction identification at Kiambu County with the highest mean score of 4.01 and standard deviation of 0.890. Other factors that define strategic direction identification are the SACCO’s strategies that match
the priorities and respond to members changing needs; overall objectives as clear and specific in what the SACCOs want to achieve; the SACCO’s priorities as well defined and in line with the member’s needs; and the mission that depicts the SACCO’s purpose for existence in relation to members.

In assessing strategic direction identification effect on customer growth, most of the respondents (92.8%) indicated that strategic direction identification influenced customer growth by either moderate, large extent or to a very large extent. Thus, the findings are in agreement with previous studies that depicts strategic direction identification as key in strategic leadership with firm’s ability to maintain flexibility in its operations by being future oriented through anticipation, development of visions and empowering other to strategically position itself to deal with changes in the future operating environment (Kjelin, 2009, and Daft, 2011).

The second objective of the study was to examine the influence of leader’s competence on customer growth in Savings and Cooperative Societies in Kiambu County. On the findings drawn from data analysis, the SACCO’s leaders have the essential knowledge to deliver the overall objectives played the greatest role in describing the leader’s competences among the respondents in Kiambu County with the highest mean score of 4.06 and standard deviation of 0.814. Other components of leader’s competences that constitute leader’s competences are the SACCO’s leaders have the requisite skills to deliver the overall objectives; leaders have the vital abilities to deliver the overall objectives; and the leaders have the relevant experience in SACCOs in Kiambu County.

In assessing leader’s competences and its influence on customer growth, most of the respondents (83.4%) indicated that leader’s competences has an effect on customer growth by either moderate, large extent or to a very large extent. This indicates that leader’s competences significantly influenced customer growth in SACCOs in Kiambu County. Therefore, the findings are in agreement with previous studies that links leader’s competences with customer growth among other firm’s performance measures. Odero (2013) found out that identifying and nurturing leader’s competences to drive customer growth should apply every organization. More so, Mwithi (2016) who studied effects of leadership competences on firm performance in Kenya, revealed that leader’s competences has a positive relationship with customer growth.

Conclusion

The findings of this study had practical implications for SACCOs in Kenya. The study found several statistically significant relationships with practical applications. The study revealed that strategic direction identification significantly influenced customer growth in SACCOs. Based on this finding, the study recommends to top management of all SACCOs in Kenya to ensure that they have clearly established strategic direction for growth of their customers. Because the overall objectives greatly influenced strategic direction identification, the study recommends that the top management of all SACCOs need to improve on their overall objectives that guide their future direction.

Leader’s competence had significant influence on customer growth. In view of this finding, the study recommends to top management of all financial institutions in Kenya to ensure they attract and retain competent leaders for growth of customers. The two significant factors of leadership competence were the relevant experience and requisite skills of the leader. Based on this finding, the study recommends to the Human Resourcing Department of all SACCOs to pay attention on experience and skills during hiring process of both leaders and other staffs.
This research can also be replicated in the future in Kiambu County as devolution continues to take root in Kenya and economy would continue to grow. It would be worthwhile to conduct investigations on how strategic leadership styles will have an influence on customer growth in SACCOs. Interested researchers may also carry out a study on strategic leadership influence on customer growth using different variables.

REFERENCES


