

# Moderated Mediated Effect of External Environment and Strategy Implementation on Relationship between Strategic Leadership and Organisation Performance

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**Abstract:** Parastatals have contributed immensely to Kenya's social and economic development, yet they often face financial and governance challenges in spite of them accounting for a sizeable share of the national budget. This often calls for appropriate and timely parastatal execution of reforms in line with the provisions and dictates of the national strategy on parastatal reforms. This study sought to establish the moderated mediated effect of external environment and strategy implementation on relationship between strategic leadership and organisation performance: case of agricultural, livestock and fisheries (ALF) parastatals in Kenya. Taking positivist approach, the study was anchored on Full Range Leadership Theory supported by Cultural Dimension, Open System Theory and Resource-Based View theory. Cross sectional survey design using a census was adopted with a target population consisting of 45 Chief executive officers and 135 senior managers from 45 ALF parastatals in Kenya. Primary data was collected using structured questionnaire and analysis done descriptively and inferentially using correlation, multiple regressions and bootstrapping. Model results showed that there was strong significant positive correlation of  $R=0.7731$  between all the study variables. Further study results shows that 59.8% ( $R^2 = 0.598$ ) of variation in performance can be explained by a unit change in strategic leadership style, strategy implementation and external environment. Bootstrapping results revealed that the index for moderation mediation is significant, where lower and upper confidence interval [LLCI: 0.154, ULCI: 0.384] where the zero (0) is outside the confidence interval and thus moderation mediation is significant. There is direct association between strategic leadership style and organization performance of Agricultural, Livestock and Fisheries parastatals in Kenya which is moderated by external environment and the interaction is significant while the indirect association between strategic leadership style and strategy implementation on level of external environment, the interaction is also significant thus the direct and indirect effects are both significant. External environment will influence directly and indirectly the organizational performance of Agricultural Livestock and Fisheries parastatals in Kenya therefore, if parastatals organizations leaders want to improve their organizational performance significantly they should engage in balanced control that involves strategic leadership style, strategy implementation and external environment. The study recommends re-evaluation of leadership

and strategy implementation policies at the inspectorate of state corporations in Kenya to enhance performance of the institutions and align them with stakeholder's demands and the global emerging trends in strategy implementation. The ALF leaders should allow departments to device viable ways of achieving strategic objectives and make sure that strategic plan is developed and implemented using a participatory approach. Finally, ALF parastatals leadership must take cognizance of external environment's influence and adjust their operations and leadership in tandem to perform better.

**Keywords:** Strategic Leadership, Strategy implementation, External Environment, Organizational Performance

## I. INTRODUCTION

The importance of leadership on organizational performance is a subject that has continued to attract attention particularly in this era of increasing globalization and stiff market competition. Indeed, the role of leadership in organizational performance has been examined widely and has thus elicited on-going debate both in academic and industry environments. Such discourse dwells mainly on the role of leadership on performance. For example, Yanney (2014) argued that leadership behavior of top management of enterprises can have strong impact on organizational performance and, therefore, as enterprises become globally competitive, there is need to develop new sets of vision to sustain their business and become more competitive. However, literature remains inconclusive on the relationship between leadership and firm performance and different approaches to leadership have elicited diverse metrics on organizational performance. Perhaps, this could arise from methodological and contextual differences in research. Olaka, Lewa and Kiriri (2017) operationalization of strategic leadership style entails a number of factors including: determining the strategic direction, exploiting and maintaining core competencies, developing human capital, developing social capital, sustaining an effective organizational culture, emphasizing ethical practices and establishing balance in organizational goals.

Leadership is defined as the formal and informal exercise of authority under laws, policies and rules that explain rights and responsibilities of parties involved in organizational activities to ensure that the vision of the firm is realized (Wambui, Wangombe & Muthura, 2013). Strategic leadership style on the other hand represents the interaction that exists between organizational leaders and their followers. This relationship enables the organizations achieve their goals and objectives by formulating and implementing necessary strategies (Hutzschenreuter, Kleindienst & Greger, 2012). The concept of strategic leadership style has inclination towards formulation of strategies in an organization where upon the organization's leadership plays a critical role in influencing the strategy formulation, implementation and decision making. Judge (2012) argued that strategic leadership brings interaction between leaders and their followers and how such leaders influence the said followers in pursuing certain organizational goals.

Strategic leaders define key and crucial organizational strategic change moments, create appropriate strategies and translate such strategies to actions in operational terms for the change direction required (Daft, 2014). Thompson, Strickland and Gamble (2010) posited that strategic leadership style is required to harness and deploy requisite organizational capabilities that allow entities to ensure successful strategy implementation. The definition of strategic leadership style as used in this study is adopted from Hutzschenreuter et al. (2012) since it clearly explains the role of a strategic leader towards realizing organizational goals. Strategic leadership style, therefore, plays a major role within an organization. First, through strategic direction, the leadership is in a position to develop and give a clear roadmap for the organization's future planning (Mutia, 2016). Secondly, through maintaining core competencies, the organization is able to meet the challenges emanating from globalization through identification of necessary competencies for specific jobs/functions (Suutari, 2010). Thirdly, effective organizational culture portrays the value and ethical practices that the management aims to practice, more so it defines the relationships among customers, employees, suppliers, competitors and how they interact with each other leading to positive performance of the organization (Barney, 2012).

Strategy implementation is defined by Slater, Oisen and Hult (2010) as the process of converting plans and strategies into action with the view of reaching a certain goal. Afonina (2015) defined strategy implementation as a basic element within the process of strategic management which is perceived as the process of turning a formulated strategy into string of actions, which in the end ensure that the organizational vision, mission, strategy and also strategic goals are effectively accomplished as per the plan. Strategy implementation is operationalized through integrated and dynamic processes of institutionalization and operationalization (Kaplan & Norton, 2008). This is also supported by Njoroge (2015) in his study where he

operationalized strategy implementation as a process of institutionalization and operationalization. Institutionalization entails creating necessary frameworks such as structures, skills, systems, culture, shared values and norms while operationalization is concerned with breaking down broad strategies into action plans. For strategy implementation to attain the desired objectives, the right institutional frameworks must be in place for nesting the strategic plan and breaking down the necessary actions in the plan to achieve specific objectives (Markiewicz, 2011).

Environment comprises the surroundings, influences, forces or the conditions within which an organization operates. According to Herbane (2010) firms must adapt to the forces of their environment in order to survive. Environments are sources of constraints, contingencies, problems and opportunities that affect the terms on which organizations transact business. External environmental dimensions have been identified to be critical contingencies for effective strategic management. These include political, economic, social, technological, ecological and legal factors (Pearce & Robison, 2011). Furthermore, Hall et al. (2007) observed that the environment may change in the public sector because of government (legislative changes), technology, shifting demographics and natural disasters. Odundo (2012) also observed that positive environment of political influence coupled with support and enabled legal framework in a country can lead to a higher performance of State corporations in Kenya. This concurs with Oyugi's (2006) study on the lessons and experiences from public service reforms in Kenya which studied external forces relating to political influence and support and yielded results that were evident in Odundo (2012) study. Therefore, this study adopts Odundo's (2012) detailed operationalization indicators of the external environment with a focus on the legal framework as well as political influence and support.

Performance is fulfilling a chosen mission through sound management, strong governance and a persistent rededication to achieving results (Mahapatro, 2010). Performance continues to be a contentious subject among researchers, both in terms of the definition and measurements because of its multifaceted and multidimensional nature (Ongeti, 2014). In this study, performance will, therefore, be defined as a focus on resources within an organization which are put into effective and efficient use with the aim of achieving the objectives of the organization, depending on the arising present or future opportunities. Munyoki and Kobonyo (2015) argues that performance of state corporations is measured in due consideration of three firm outputs' specific areas; (a) stewardship and financial performance that as measured in terms of cost reduction, development index, service delivery, utilization of allocated resources and appropriation in aid, (b) non-financial performance which is measured considering such indicators as compliance with disposal of idle assets, strategic plan, International Standards for Organization (ISO) certification, competency development, statutory obligations

and (c) service delivery which is measured on the basis of compliance with statutory obligations, ISO 9001 certification, customer satisfaction and Information Technology. The study adopted all the three aspects of measuring organizational performance.

### *1.1 Agricultural, Livestock and Fisheries Parastatals in Kenya*

Parastatals, also referred to as State Corporations (SCs) in Kenya, are enterprises formed to meet Socio-Political-Economic goals, to correct market failure through provision of goods and services where such services cannot profitably be provided by private investors and to meet regulatory objectives (GoK, 2016). According to Kobia and Mohammed (2006), Agriculture, Livestock and Fisheries parastatals were incorporated into one with the enactment of 33 laws in Kenya. Before present reforms, the sector had over 130 laws that had made the sector inefficient, uncompetitive, and too bureaucratic for a business environment which is conducive. The reforms would also ensure the sector became globally and regionally competitive through the general reduction in production cost and increased effectiveness in the delivery of service. The laws were the Crops Act, the Agriculture Fisheries and Food Authority Act 2013, as well as, the Kenya Agricultural and Livestock Research Act 2013. Additionally, the Act formulates provisions for the founding of the AFFA, which took over former institutions.

### *1.2 Problem Statement*

The Kenyan parastatals are created with the vital role of fulfilling governmental responsibilities and are expected to participate in the policy development and service delivery to the public. The Agricultural sector in Kenya has for long been the mainstay of the economy considering its contribution to the growth and development of the country. It is for this reason that the government allocates vast resources to Agricultural, Livestock and Fisheries parastatals every financial year to drive service delivery and national development agenda. However, a number of these parastatals have folded up partly as a result of leadership challenges characterized by mismanagement of funds, resource wastage, bureaucracy, irresponsibility, political interference, corruption, management incompetence and poor implementation of strategies and plans (Kenya Institute for Public Policy Research and Analysis, 2018).

The Kenya Auditor General five-year reports relating to the financial years 2013/2014 to 2017/2018 presents the statistics which indicates consistent increase in annual government allocation of funds to this sector which accounts for about 50% of the national budget. However, despite the over reliance on government funding and the substantial financial outlays from exchequer, the performance of Agricultural, Livestock and Fisheries parastatals have been declining with a number of them closing down and others continuously making losses. In some cases, some of the Agricultural,

livestock and fisheries parastatals have been merged, closed down or transformed into new outfits to perform specified roles in the economy. The figures of Agricultural, livestock and fisheries parastatals making losses stand at fifteen (15) as at the financial year 2016/2017, eleven (11) parastatals made losses during the years 2015/16, twelve (12) in 2014/15 and sixteen (16) in 2013/14 representing 30%, 21%, 23% and 31% respectively of all parastatals in Kenya. This prolonged decline in performance and closure of parastatals in Kenya has been marred with ineffective leadership and integrity issues (Africa Center for Open Governance, 2015). Ozer and Tinaztepe (2014) study on strategic leadership styles and firm performance also attribute the decline in performance of the parastatals to poor leadership. The study therefore sought to interrogate the moderating effect of External environment is significantly different from the mediating effect of strategy implementation on the relationship between strategic leadership style and organizational performance of Agricultural, Livestock and Fisheries parastatals in Kenya.

## II. LITERATURE REVIEW

### *2.1 Theoretical Literature Review*

This study was anchored on the Full Range leadership theory as the theoretical underpinning of strategic leadership style. In addition, the anchor theory was supported by three other theories which include; cultural dimensions theory, open system theory and resource-based view.

#### *2.1.1 Full Range Leadership Theory*

The Full Range Leadership Theory (FRLT) originated from a Bass' (1985) initiative to modify Burns' (1978) theory by integrating transactional and transformational leadership styles. The full range leadership theory transcends the transactional leader's emphasis on follower goal and role clarification (self-interest) concerning compensating or sanctioning behavior (Antonakis, Avolio, & Sivasubramaniam, 2003). It incorporates laissez-faire leadership (besides the former two typologies of leadership behavior) to predict leadership outcomes including leader effectiveness and performance as well as follower motivation and satisfaction. Bass (1985), thus, emphasized the need for the paradigm shift to understand how leaders influence followers to transcend self-interest for the greater good of their units and organizations to achieve optimal levels of performance (Antonakis et al., 2003). By incorporating the transcendent quality of transformational leadership, Bass (1985) proposed to develop a full and comprehensive leadership model.

The three-dimensional approach that yields the FRLT justifies the integration of diverse leadership styles in exercising strategic leadership in an organization. In particular, the theory demonstrates the rationale for a strategic leadership style approach that integrates the nine leadership factors associated with transformational (five factors), transactional (three factors), and laissez-faire (one factor) in pursuit of an entity's desired performance. In addition, research shows

some distinction in understanding and application of the leadership styles, yet there is limited evidence in research that combines leadership styles from the FRLT perspective especially in Agricultural, livestock and fisheries parastatals. It is against this background that the FRLT finds application in this study as a basis for developing a better understanding of the leader–follower relationship of the multi-level rank structure within organizations. However, the theory is also criticised for the insufficient support in terms of theory and empirical testing that explains the link between transformational leadership approaches to followers' perceptions, attitudes and behaviours. The other key criticism is that within its transformational leadership exists the potential for the abuse of power (Hall, Johnson, Wysocki & Kepner, 2007). The fundamental premise of this theory is envisaged on a contingent view of leadership in which the performance of organization relies on different leadership styles.

### 2.1.2 Cultural Dimensions Theory

Hofstede (1984) developed the Cultural Dimension Theory to propound the understanding of work-related cultural dimensions and to guide in analysis of organizational culture. Accordingly, Hofstede (1984) analyzed work-related cultural values along four work-related cultural dimensions which included power distance (showing power inequality between superiors and subordinates), uncertainty avoidance (which entailed people's tolerance of ambiguity), masculinity (evident in distribution of roles based on gender, and individualism). Further to this development, Hofstede and Hofstede (2010) improved the theory by expounding organizational culture as the aggregate programming of the brain that recognizes the individuals from one gathering or classification of individuals from others.

The cultural dimensions theory finds application in this study as it brings out the essence of harmonization of diverse cultural expectations, perceptions, norms, practices and strategic actions in pursuit of common organizational values and outcomes. This theory is inclined to strategy implementation in a diverse organizational environment. This theory is relevant to this study as it contends that strategy implementation involves harmonization of mixed cultures through good leadership and firm capacity as well as abilities to deploy resources, usually in combination using firm's processes, procedures and demand effect. This can take a transformation process where behavior is unlearned before new behavior can be learned in its place (Vliet, 2014) and an organization's structure and culture aligned with a proposed strategy and the new behaviors (Carlopio & Harvey, 2012) in an environment that permits free and effective communication amongst employees of all cadres (Ahmadi, Salamzadeh, Daraei, & Akbari, 2012). Notably, this theory has strengths and weakness. In terms of utility, the theory applies to nearly every employee in an organization. Since it is based on real-world observation, the theory is useful and practical. In terms

of logical consistency, the theory relies too heavily on shared meaning among organizational members. The theory does not provide prediction. In terms of scope, its expansive boundaries allow for vastness and potential vagueness.

### 2.1.3 Open System Theory

The Open System Theory (OST) was pioneered by Bertalanffy (1956) to explain the dynamic influences of the environment within which organizations operate. The theory defines organizations as open systems which are influenced by external forces, where entities constantly seek equilibrium with the environment, shifting towards a fit with external environment. The theory is concerned with problems of relationships, of structures, and of interdependence, rather than with the constant attributes of the system. The theory avers that open systems are living systems; they maintain themselves in exchange of materials with the environment (Bertalanffy, 1956). Unless organizations can have permeable boundaries, they cannot interact with the environment (Kreitner, 2007). The open systems theory views an organization as a social system consisting of individuals who cooperate within a formal framework, drawing resources, people, and finances from the services they offer (Crespo, Grimaldi, Maione, & Vesci, 2017).

The theory espouses superior organizational performance drawing from continuous scanning of the environment, identifying opportunities, strengths, threats and weaknesses followed by proper strategic interventions (Ombaka, 2014). An open systems approach, thus, views the interaction of the organization with the external environment as vital for organizational survival and success (Crespo et al., 2017). Organizational performance is vastly associated to the vibrant evolutionary nature of the fit between the environment and the organization (Machuki & Aosa, 2011). For any organization to thrive, they must constantly interact with the ever-changing macro environment considering that the external environment is a firm's aggregate of factors, exogenous to the organization that may have potential to impact organizational performance (Murgor, 2014) and should not be left unchecked. The external environment provides firms with inputs which they transform to outputs through internal processes before the outputs are given back to the environment. However, organizations cannot single-handedly have full control over occurrences in the external environment. The environment is source of constraints, contingencies, problems as well as opportunities that affect the terms on which organizations transact business. The external environment comprises factors that originate beyond and usually irrespective of any firms operating situation (Hitt, Ireland, & Hoskisson, 2011). They include political, economic, social, technological, ecological and legal (PESTEL) factors (Pearce, Robinson, & Mital, 2012).



#### 2.1.4 Resource Based View

The Resource Based-View (RBV) was developed by Penrose (1959) who suggested that a company should be considered as a collection of physical and human resources bound together in an organizational structure. The theory suggests that strategic advantage of a firm revolves around the combination of distinct skills, assets and more so the organization's unique capabilities through utilization of the available resources and competences that are considered core (Barney, 1991). In its entirety, the RBV assumes that resources are more valuable when they are critical to serving customers, scarce or in short supply, contribute to profit and are durable. The theory is of the view that resources, especially the internal ones, are pivotal to predicting performance (Herbane, 2010).

The critics of this theory argue that the theory assumes that resources are heterogeneously distributed across organizations and that this can be sustained over time. It presents different resource variables leaving out other factors, for example the notion of variables co-alignment, a capability that could boost performance (Kuo, 2011). In this study, the theory conceptualizes the argument that organizational performance is enhanced when organizations use unique resources that they own and configure the same to enable the firm to attain a competitive advantage position. This theory is relevant since it helps in determining the resources available within an organization and associates them to the organizational skills, competencies and capabilities. For a company to achieve sustained success in the marketplace and maintain a competitive advantage over its rivals, it should accumulate and utilize appropriate set of superior resources and capabilities.

#### 2.2 Empirical Review

##### 2.2.1 Moderating effect of External environment and mediating effect of Strategy implementation, on the relationship between Strategic leadership style and performance

Strategic leadership style is an important driver of strategy implementation. Effective strategic leadership is critical for implementing plans and strategies towards realization of some desired results considering complex business environments in which organizations operate. Strategic leadership style, strategy implementation and organizational performance in diverse external environments have gained popularity in debate and research in various contexts. Substantial literature exists on planning, strategy formulation, implementation and the resultant organizational performance. Organizations adopt different approaches while implementing their varied strategies in the turbulent environment towards the realization of some set performance standards. Strategy implementation, in particular, is marred with various challenges both from the industry and research perspectives since research indicates that most strategies wobble at the implementation stage (Mudany, Ngala, & Gituro, 2021; Namada, 2020; Consolata,

Ogutu, Yabs, Njihia, & Kinoti, 2020; Lababidi, Lababidi, Colak, & Dayan, 2020; Hou, Hong, Zhu, & Zhou, 2019, James et al., 2019). In fact, there is little sector-specific literature on the moderating effect of external environment and the mediating role of strategy implementation on the relationship between leadership style and organizational performance.

Despite there being attempts in the past to address the indicated research problem, past studies have not been conclusive. For instance, Mudany, Letting, and Gituro (2020) investigated the moderating effects of macro environment on strategy implementation and performance in energy sector institutions in Kenya. The study was guided and anchored on the expectancy theory and buttressed by the open systems theory and resource-based view theory. This paper adopted positivism view with the aim of predicting and generalizing about the relationship between strategy implementation and performance of Energy sector institutions as moderated by macro environment. The target population was the 68 institutions under the energy sector. The Quantitative data was analyzed using Statistical Package for Social Sciences (SPSS version 22). The study results showed a statistically significant relationship between strategy implementation and performance. The study findings also indicated a positive and a statistically significant relationship between macro environment and performance. even though this study considered macro-environment as a possible moderator, the treatment variable in the study was strategy implementation (which in this study on Agriculture, Livestock and Fisheries Parastatals in Kenya, is the treatment), and strategic leadership was not considered as a variable. Additionally, the study did not have an intervening variable and thus no joint moderation-intervening interaction could be drawn for comparative purpose. The study by Mudany et al. (2020) also did not fill the said contextual gap given that it focused on only one (energy) sector as opposed to the current study which investigated the relationship between strategic leadership style and organizational performance of parastatals in Kenya drawn from different sub-sectors as represented in the Agricultural, Livestock and Fisheries Parastatals in Kenya.

Another study by Wasike and Owino (2020) sought to determine the influence of competitive environment on the relationship between top management team characteristics and strategy implementation. The study adopted the descriptive cross-sectional survey design. Data was obtained by administering structured questionnaire mailed to top managers in tea factory companies in Kenya. The moderation test was carried out using the product term of the standardized scores for top management team characteristics and competitive environment respectively. Data was processed through regression analysis. The study found out that, although management team characteristics had significant influence on strategy implementation, the results of moderation tests were not statistically significant and consequently the hypothesized moderating influence of competitive environment on the

relationship between top management team characteristics and strategy implementation was not supported. Conceptually, the study which was done by Wasike and Owino (2020) analyzed competitive environment as the moderator which is only one aspect of external environment at the expense of many other factors in the external environment. Ideally, there are a host of external environmental factors that influence leadership and management practices that are geared towards attaining some organizational objectives. However, a narrow focus on competitive environment has the effect of closing eyes to the potential impact of other constructs of external environment that come in to play in the framework of interactions between strategic leadership style, strategy implementation and organizational performance of parastatals. It is highly likely that the moderating effect of the competitive environment in the Wasike and Owino (2020) study was insignificant due to the fact that it focused on very few constructs of external environment, otherwise the moderating effect of the competitive environment in the relationship between top management team characteristics and strategy implementation. In this view, the current study, instead, considered political influence and legal framework and thus giving a more broadened moderation of the causal model. Furthermore, the study did not analyze the possible place of strategy implementation as an intervening variable that affect the relationship between strategic leadership style and performance as opposed to the current study which will consider performance of Agricultural, livestock and fisheries in Kenya as this study was only restricted to the tea sector. Moreover, ordinary least square method with an interactive process analysis will be used instead of standardized scores to fill the methodological gap.

According to Khourouh, Sudiro, Rahayu, and Indrawati (2020) in examining entrepreneurial marketing as a mediating variable in the relationship between environmental turbulence and dynamic capability with sustainable competitive advantage, applied a loading factor followed by SEM-PLS involving 130 craft Industries in Indonesia. The study was based on a model that showed how environmental turbulence and dynamic capability influence entrepreneurial marketing which degenerates into differentiation and enhanced performance as key indications of sustainable competitive advantage. The analysis implemented bootstrap procedure to test the indirect effect of environmental turbulence was insignificant. The results of the analysis indicated no significant relationship between environmental turbulence and sustainable competitive advantage as higher environmental turbulence never contributed to the sustainable competitive advantage for the firms. The study findings further demonstrated the mediating role of entrepreneurial marketing on the relationship between environmental dynamic capabilities with sustainable competitive advantage of craft industries in Indonesia. While the study brought out the role of environmental turbulences and the rationale for a well-maintained environmental on sustainable competitive

advantage of craft industries in Malang Regency, Malang City and Bantu City in Indonesia, it remains unclear whether the aspects of the environmental turbulence studied were examined from the perspective of their moderating effect on the firm performance as conceptualized under the sustainable competitive advantage variable.

While addressing the ambiguity concerning research findings on the relationship between strategic planning and organizational performance, Lababidi, Lababidi, Colak, & Dayan (2020) adopted the contingency theory and developed six hypotheses in an attempt to predict the relationship between strategic planning and organizational performance. The study which obtained data from senior executives and managers from United Arab Emirates (UAE) enterprises focused on alignment of environmental uncertainty and organizational structure both individually and jointly with the strategic planning process. The study data was analyzed inferentially using multiple regression analysis technique involving moderation and mediation of the study variables. The findings of the study recommended a holistic or multivariate fit approach to contingency theory to improve the planning-performance relationship among organizations.

Sawaeen, & Ali (2020) examined the association between determinants of organizational performance by studying the mediating effect of TQM practices on the relationship between entrepreneurial leadership and organizational performance of SMEs in Kuwait. The study used a quantitative survey design and collected data using a questionnaire from 500 SME owners and CEOs in Kuwait. The results of the study indicated significant beneficial influence of entrepreneurial leadership on organizational performance as mediated by TQM practices. Whereas the study examined the mediating effect of total quality management practices on the relationship between entrepreneurial leadership and organizational performance of SMEs in Kuwait, this study finds interest in the relationship between leadership and performance. However, this study seeks to examine the moderating effect of external environment and mediating effect of strategy implementation on the relationship between strategic leadership style and organizational performance of Agricultural, Livestock and Fisheries parastatals in Kenya. The Sawaeen, & Ali (2020) study brings in important empirical perspectives on entrepreneurial leadership and organizational performance, though from a wider contextual scope. This appears to be very general since the study does not cluster the SMEs in particular sector(s) hence the findings and recommendations may not perfectly find application in all sectors. This study takes a more specified approach that narrows down to SOEs in three sub-sectors under the agricultural sector.

While testing the links between environmental uncertainty, organizational creativity and organizational agility, Darvishmotevali, Altinay, & Koseoglu (2020) focused on three main aspects of environmental uncertainty and extended

a moderating model of organizational agility in uncertain environments. The study relied on data from 174 managers of classified five-star hotels and found out that environmental uncertainty has negative moderating effect on organizational creativity and that organizational agility moderates the negative impacts of competitive and technological uncertainty on creativity. While the study suggests that organizations should build their agile capabilities to help tackle the shortcomings of environmental correlates of organizational performance, Darvishmotevali *et. al* (2020) study does not detail the methodological approach that was adopted and the geographical and contextual setting of the study as well. The study also lacks in presentation of the joint effect of the mediating and moderation correlated of organizational performance. Conversely, this study offers a more detailed analysis of the moderating role of the external environment and the mediating role of strategy implementation on the relationship between leadership style and organizational performance.

In examining the effect of leadership styles on performance of foam manufacturing firms in Anambra State in Nigeria, Dim and Nzube (2020) specifically purposed to find out the effect of autocratic leadership style, laissez-faire leadership style, democratic leadership style and transformational leadership style on organizational performance of the foam manufacturing firms. The said study was anchored on Fielder's contingency Theory taking a population of 1,647 and a sample of 321 employees from six different manufacturing firms. The study tested the hypotheses using the multiple regression analysis results which revealed significant positive effect of all the leadership styles on organizational performance except for autocratic leadership style which showed a significant negative effect on organizational performance. Although, the study population was expansive despite the few numbers of units of analysis, some of the study variables were conceptually similar to this study, the empirical analysis shows that the Dim and Nzube (2020) analysis lacked focus on a specific leadership styles and failed to carry out thorough analyses on the macro-environmental effect, hence the little analytical and empirical research contributions. This study, however, deviates from the narrow scope of Dim and Nzube (2020) study as it involves a more expanded number of units of analysis with specifically targeted selection of respondents with a bias on units of observation with higher potential to provide relevant data to inform the study outcomes with high level of precision. Unlike Dim and Nube (2020), the study also entails an in-depth analysis of the moderating effect of the external environment and the mediating effect of strategy implementation on organizational performance of Agricultural, Livestock and Fisheries Parastatals in Kenya.

A study by Mudany, Ngala and Gituro (2020) on the moderating effect on the intervening effect of capital structure on the relationship between strategy implementation, and performance of energy sector organizations in Kenya adopted

a positivism philosophy with a target population of 68 institutions in the energy sector. Whereas the study does not provide details on the research methodology used, the analysis done using SPSS version 22 revealed a statistically significant moderating effect of macro environment on the intervening effect of capital structure on the relationship between strategy implementation, and performance of energy sector organizations in Kenya with a higher and significant joint effect unlike the individual effect of each variable on its own. Although the study was done in the context of the Kenyan energy sector, it would somewhat be subjective to critique the methodology it adopted since the details were not provided. However, contextually, the study was a bit general on the energy sector organizations and so the findings, even if generalized, may not perfectly apply to all energy sector organizations owing to differences in size, magnitude of operations, areas of focus, ownership and performance. On the contrary, this study took a different approach that only focused on Agricultural, Livestock and Fisheries Parastatals in Kenya and obtained data with a clearly defined research methodology from well-defined units of analysis and observation.

### 2.2.2 Null Hypothesis

*Ho<sub>1</sub>*: There is no significant moderating effect of external environment on the mediating role of Strategy implementation in the relationship between strategic leadership style and Organizational performance of Agricultural, Livestock and Fisheries parastatals in Kenya.

## III. RESEARCH METHODOLOGY

### 3.1 Research Philosophy

According to Saunders, Lewis and Thornhill (2016), a research philosophy refers to a set of beliefs, and underlying assumptions that guide the development of knowledge in a particular area of study. In general terms, research philosophy adopted in a given study would be informed by three broad assumptions including: epistemological assumptions, ontological assumptions and axiological assumptions. The epistemological assumptions relate to human knowledge while ontological assumptions relate to the realities that a researcher faces while undertaking their study as axiological assumptions basically underpin the extent to which and the ways in which a researcher's values influence the research process, they engage in. It is on the basis of these assumptions that the understanding and design of research questions, and the general research methodology is informed. As put forth by Saunders, Lewis, & Thornhill, (2016) there are about five research philosophies that have found application in research on various spheres of business and management related disciplines. These philosophies are listed to include; positivism, interpretivism, critical realism, post modernism and pragmatism. Based on the foregoing discussion and the inherent need for researcher neutrality in studying the



relationships between various variables within the context of Agricultural, Livestock and Fisheries parastatals in Kenya, the philosophical foundation of this study was based on Positivism. The Positivism philosophy emphasizes that knowledge is based on facts and that no ideas of each human being are put into consideration. Therefore, this philosophy becomes valid when grounded on facts collected through direct observation and experiences, analyzed through quantitative methods and statistical analysis.

### 3.2 Research Design

Research design is a plan selected by the researcher for obtaining answers to the research questions under study (Lavrakas, 2008; Kothari, 2014). The research design therefore sets out the conditions for collecting and analyzing of data. This study adopted a cross sectional survey design. Lavrakas (2008) described a cross-sectional survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composing of closed and/or with open-ended questions, observations, and interviews. Therefore, this design was found to be suitable for this study as it enabled the researcher to explore the pervasiveness of the study variables in a cross section of the study population which made it possible to compare and co-relate different study variables as espoused by Kothari (2014). This is with the view that the research was aimed at getting the required information within the chosen period thus allowing a strong snapshot of what was happening within that period. The research design was envisaged to offer the researcher an opportunity to collect data across different parastatals and empirically test the relationship of the constructs along its conceptualization.

### 3.3 Population of the Study

Population is a large collection of individuals and /or objects forming the main focus of a scientific query and to whose benefit the study is carried out (Castillo, 2009). It entails a total enumeration of all individuals, subjects, or objects of interest in whom a study is conducted and generalizations drawn. For the purposes of this study, the study population comprised the 45 Agricultural, Livestock and Fisheries parastatals in Kenya as at December 2019 which formed the unit of analysis. The study used census because the target population was too small to be sampled. According to Cooper and Schindler (2014), the census is feasible when the population is small and more so necessary when the elements are quite different from each other while Kothari and Garg (2014) opine that a census approach enhances the generality of research findings this is because it helps in eliminating both sampling error and sampling bias. The Agricultural, Livestock and Fisheries parastatals are categorized in to three state departments: agriculture, livestock and fisheries departments each having varying number of state corporations as shown in Table 1.

Table 1: Distribution of target population

Category	Number of Parastatals	Percent
Agriculture	34	76
Livestock	10	22
Fisheries	1	2
Total	45	100

Source: Inspectorate of State Corporations (2020)

### 3.4 Data Collection and Instruments

Data Collection is the procedure of getting-together and measuring information on variables of interest, in a recognized systematic manner which allows one to answer research questions, test hypotheses, and weigh up the results (Nachmias & Nachmias, 2007). This study used primary and secondary data. Primary data was collected using structured questionnaire. This method was chosen because it allows efficient and effective method of collecting information within a short period of time. The questionnaire for the study comprised of closed ended questions in a structured format to capture opinions for the respondents regarding the variables in the study. The choice of the structured questionnaire was premised on the fact that the questionnaire makes it convenient to collect data from a large number of respondents more cost effectively (Cooper & Schindler, 2014).

The total number of respondents was made up of forty-five (45) Chief Executive Officers (CEO) and one hundred and thirty-five 135 (45\*3) senior managers from all the forty five Agricultural, livestock and fisheries parastatals in Kenya to enable get rich information related to cases of the phenomenon of interest (Creswell, 2014). Therefore in this study to enable get key and rich information on strategic leadership style a role that is played by the CEO by the virtue of been at the top of leadership in an organization, implementation of strategic plans which is majorly tasked at the operational level and spearheaded by Head of Operations, dynamics in external environment that affects business which marketing department always try to understand and advises the organization and looks into ways to beat the competitors and performance of the Agricultural, Livestock and Fisheries parastatals in Kenya and the Head of finance who is tasked with reporting and plays a key role on the performance of an organization. The four key respondents were; Chief executive, Head of Finance, Head of Operations, and Head of Marketing.

### 3.5 Pilot Study

Ravitch and Riggan (2012) posited that pilot testing builds on the questionnaire to limit problems in answering the questions by the respondents. For high precision and due to time, cost and practicality of the pilot study, 1% to 10% of the sample size can make a good pilot test size (Arain, Campbell, Cooper & Lancaster, 2010). It is on this basis that a pilot study was



conducted using 6% of the target population which is equivalent to 10 respondents. Pilot testing helps in ensuring viability before rolling out large scale and also avoids costly errors and therefore, the questionnaire was tested for reliability and validity.

3.6 Data Processing and Analysis

According to Bihani and Patil (2014), analysis of data begins with a process of checking, cleaning, transforming, and modelling data in order to obtain useful information that can be used to arrive at decisions and draw a conclusion. In this study, all the questionnaires which were administered and returned were first checked for completeness whereupon all incomplete questionnaires were excluded from the analysis. The complete questionnaires were then assigned codes to facilitate uniformity and accuracy in making entries into the Statistical Package for Social Sciences (SPSS) Version 25.

In order to understand and be able to interpret the responses obtained correctly, the author relied on SPSS Version 25 to compute statistical mean for each of the study variables, considering all the statements drawn from each of the operationalized indicators for each of the variables. The function applied for statistical mean function was MEAN (numexpr,numexpr[...]). The Function Returned the arithmetic mean (variable) of its arguments (statements) that have valid, non-missing values. This function requires two or more arguments, which must be numeric. The mean results obtained for each of the study variables were further used in inferential analysis as they were deemed to represent, on average, the responses of the participants as coded. The same also applied to the analysis and interpretation of the respondent’s perceptions for all the indicators of interest per study variable. According to Kent State University Libraries (2021), statistical mean function is used by a researcher to compute a subscale score from items on a survey or applying a computation conditionally, so that a new variable is only computed for cases where certain conditions are met and thus each statement contributes equally to the final mean (variable).

3.7 Moderated Mediating Hypotheses Testing Model

An empirical model was employed to test the statistical significance of the relationship between strategic leadership style and organizational performance of Agricultural, Livestock and Fisheries Parastatals in Kenya. To facilitate the application of the regression model, weighted averages of the five constructs for the independent variable was computed using the following equation:

$$X_1 = \frac{\sum(W_1 + W_2 + W_3 + W_4 + W_5)}{5} \dots\dots\dots i$$

$$X_2 = \frac{\sum(W_6 + W_7)}{2} X_3 = \frac{\sum(W_8 + W_9)}{2} \dots\dots\dots iii$$

Where:

- $X_1$ = Strategic Leadership Style (Composite index of Strategic direction, Human capital, social capital, Ethical practices and Core competencies)
- $X_2$ = Strategic Implementation (Composite index of Institutionalization and Operationalization)
- $X_3$ = External Environment (Composite index of Political goodwill support and Legal framework)
- $W_{1...9}$  = The value of each individual item in the list of statement in the construct being averaged

To determine moderating effect of external environment on the mediating role of strategy implementation in the relationship between strategic leadership style and organizational performance of Agricultural Livestock and Fisheries Parastatals in Kenya, Hayes (2013) model for Mediation, Moderation, and Conditional Process Analysis was adopted.

$$I = \beta_0 + \beta_1 X_1 + \beta_2 X_3 + \beta_3 X_2 + \beta_4 X_1 * X_3 + \epsilon \dots\dots\dots (1)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_3 + \beta_3 X_1 * X_3 + \epsilon \dots\dots\dots (2)$$

Where;

- $\beta_0$ = Constants
- I (Indirect Effect)= Performance;
- Y (Direct effect) = Performance;
- $X_2$ = Strategy implementation;
- $X_3$ = External environment;
- $X_1$ =Strategic leadership styles
- $X_1 * X_2$  = Interaction
- $\epsilon$  = Error term

IV. DATA ANALYSIS AND RESEARCH RESULTS

4.1 Response Rate

The number of questionnaires which were administered to all the respondents was 180. A total of 163 questionnaires were properly filled and returned by the respondents, this represents 90.5% response rate. The remaining 9.5% were unresponsive even after several follow-ups and reminders.

Table 2: Response Rate

Category	Administered Questionnaires	Questionnaires filled and Returned	Response Rate
Agricultural	136	123	68.3
Livestock	40	36	20.0
Fisheries	4	4	2.2
Respondents	180	163	90.5%

This study response rate is considered very good for survey research by Babbie (2004) who proposes a response rate of 50% as acceptable to analyze and publish, 60% response rate as good and 70% and above response rate as very good.

4.2 Reliability Test results

This study used a cut off Cronbach Alpha coefficient with a reliability threshold of 0.7. Different authors recommended different cut off points for reliability. Bryman (2016) indicates that Cronbach value of 0.7 and above is considered reliable. Cooper and Schindler (2014), suggest a range of 0.7 to 0.9 Cronbach’s Alpha coefficient to be good for reliability test, while Marshall and Rossman (2014) recommends a reliability cut off point of 0.6. This study adopted a cut off Cronbach value of 0.7 which is considered a strong measure of reliability consistency (Creswell & Clark, 2017). Reliability of the survey instrument was thus established by carrying out a pilot study on representatives from selected parastatals under Agriculture, Livestock and Fisheries in Kenya who were required to respond to the questionnaire and report any ambiguous questions, identify any defects in the questions or lack of clarity in the instructions as well as suggest any changes. Accordingly, the results for all the variables are above the 0.7 threshold, it is inferred that the measurement items for each variable are internally consistent. The results of the reliability tests are summarized in table 3.

Table 3: Summary of Cronbach’s Alpha Reliability Coefficients

Variable	Number of Items	Cronbach Alpha
Strategic Leadership Style	25	0.892
Strategy Implementation	14	0.935
External Environment	14	0.967
Performance	11	0.928

4.3 Multi-Collinearity Test

According to Cohen *et al.*, (2003), the suggested cut-off point for multi-collinearity is tolerance level of 0.8. Also, Hair *et al.*, (2006) proposed a cut-off point for determining presence of multi-collinearity at a VIF of less than 10. This study adopted tolerance value of less than 0.8 and VIF value of less than 10 to mean there is no issue of multicollinearity that arises when there is an approximate linear relationship among independent variables. The study tested the tolerance and the VIF among the study variables as shown in table 4 for multicollinearity.

Table 4: Multicollinearity Test (Tolerance and VIF)

Research Variables	Collinearity Statistics	
	Tolerance	VIF
Strategic Leadership Style	.506	1.978
Strategy Implementation	.494	2.023
External Environment	.725	1.380
<i>Dependent Variable: Performance</i>		

The result from table 4 shows the tolerance and VIF values for the independent variables on the dependent variable. The tolerance and VIF values for variables are; Strategic Leadership Style’s Tolerance [0.506] and VIF [1.978], Strategy Implementation Tolerance [0.494] and VIF [2.023] and for External Environment Tolerance [0.725] and VIF [1.38]. The study concluded that there was no case of multicollinearity between the dependent and independent variables.

4.4 Test of Homoscedasticity

Homoscedasticity was measured by Levene’s test. This test examines whether or not the variance between independent and dependent variables is equal. If the Levene’s test for equality of variance is statistically significant  $\alpha \leq 0.05$ , this indicates that the group variances are unequal. It is a check as to whether the spread of the scores in the variables are approximately the same. The significant values for the Levene’s test were 0.553 for Strategic Leadership Style, 0.215 for Strategy Implementation and 0.335 for External Environment as shown in table 5.

Table 5: Tests for Homogeneity of Variances

Variable	Levene's Statistic	df1	df2	Sig.	Comment
Strategic Leadership Style	.909	14	70	.553	p>0.05 hence equal variance
Strategy Implementation	1.253	22	135	.215	p>0.05 hence equal variance
External Environment	1.123	20	132	.335	p>0.05 hence equal variance

*Dependent Variable: Performance*

From the results in table 5, P-values of Levene’s test for homogeneity of variances were all greater than 0.05. The test therefore was not significant at  $\alpha \leq 0.05$ , confirming homogeneity. Homogeneity test was carried out using the Levene’s test for equality of variances as shown in table 5. All the Levene’s statistics of Strategic Leadership Style, Strategy Implementation and External Environment were 0.909, 1.253 and 1.123 respectively.

4.5 Moderated mediation of external environment, strategy implementation on strategic leadership style and organizational performance

To test the hypothesis, the researcher adopted moderated mediation analyses (conditional indirect effect) using bootstrap in SPSS using Andrew Hayes’s (2013) PROCESS macros. This is the only approach that allows a researcher to make formal and clear estimates of conditional indirect links: it enables analysis of a mediation effect as well as its variations in terms of the different values of the moderating variable. Given the level of refinement and ease of use of the PROCESS macro developed by Hayes (2013a, 2013b), as well as the frequency with which it is used by researchers

whose work has been published in the highest ranking journals, it is recommend using this tool when testing for conditional indirect effects (Sylvie et al., 2015).

The model correlation results on table 6 shows there is a positive relationship  $R = 0.7731$  between all the study variables that is; strategic leadership style, strategy implementation, external environment and organizational performance. The further model shows R-squared of 0.598 which is strongly significant ( $p < 0.05$ ), which means that the model explains 59.8% of organization performance. This means that 59.8% of variation in organizational performance can be explained by a unit change in strategic leadership style, strategy implementation and external environment.

Table 6: Moderated mediation summary

R	R-squared	MSE	F	df1	df2	P
0.7731	0.5977	0.2019	58.6829	4	158.0000	0.0000

*Index of moderated mediation*

Variable	Index	BootSE	BootLLCI	BootULCI
External Environment	0.221	0.773	0.154	0.384

Direct Path	Beta	se	t	P	LLC I	ULC I
constant	2.417	0.4112	5.8783	0.0000	1.6049	3.2291
Strategic Leadership Style → Performance	0.1316	0.1342	3.9808	0.0328	0.1334	0.3965
Strategy Implementation → Performance	0.3822	0.1038	3.6811	0.0003	0.1771	0.5872
External Environment → Performance	0.3332	0.1374	2.4251	0.0264	0.1618	0.6046
Interaction	0.2744	0.2361	2.6623	0.0431	0.0907	0.2919
Indirect Path (Strategy Implementation)	Beta	se	t	P	LLC I	ULC I
constant	3.9203	0.0447	87.7887	0.0000	3.8321	4.0085
Strategic Leadership Style → Strategy Implementation	0.4481	0.0961	4.6617	0.0003	0.2583	0.6379
External Environment → Strategy Implementation	0.3129	0.102	3.0678	0.0125	0.1114	0.5143
Interaction	0.5247	0.1755	2.2113	0.043	0.1781	0.8713

To test whether the moderated mediation is significant table 6 bootstrapping results on shows that the index for moderation mediation is significant, where lower and upper confidence interval values [LLCI: 0.154, ULCI: 0.384] were outside zero (0) and thus moderation mediation is significant. Further to test the presence of moderated mediation, the direct effect that is the effect of independent variable on the dependent variable. Table 6 the model coefficients shows that there is

direct association between Strategic Leadership Style and Performance of Agricultural, Livestock and Fisheries parastatals in Kenya was found to be moderated by external environment and the interaction is significant ( $t = 2.6623$ ,  $p=0.041$ ) and also the lower and upper confidence interval values [LLCI: 0.0907, ULCI: 0.2919] were outside zero (0). The association between Strategic Leadership Style and the mediator (Strategy Implementation) was also conditional on levels of External Environment and the interaction was significant ( $t= 2.211$ ,  $p=0.043$ ) and also the lower and upper confidence interval [LLCI: 0.1781, ULCI: 0.8713,] were outside zero (0).

The study null hypothesis that states that there is no moderating effect of External Environment on the mediating role of strategy implementation in the effect of strategic leadership style on performance of Agricultural, Livestock and Fisheries parastatals in Kenya is rejected. The model explaining the results enumerated in Table 6 is given by:

*Performance through Indirect Path:*

$$(i) \dots \dots \dots \text{Performance} = 3.9203 + 0.4481 (\text{Strategic Leadership Style}) + 0.3129(\text{External Environment}) + 0.5247 (\text{Strategic Leadership Style} * \text{External Environment})$$

*Performance through Direct Path:*

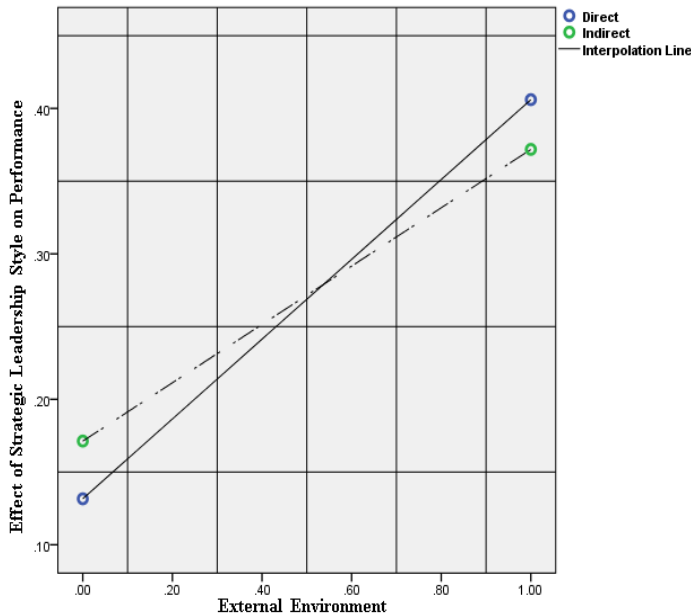
$$(ii) \dots \dots \dots \text{Performance} = 2.417 + 0.1316(\text{Strategic Leadership Style}) + 0.3822 (\text{Strategy Implementation}) + 0.3332(\text{External Environment}) + 0.2744 (\text{Strategy Implementation} * \text{External Environment})$$

The direct and indirect effects of strategic leadership style on performance, conditional on external environment was further depicted in Figure 8. The graph was constructed by plotting the estimated direct and indirect effects as functions of external environment. Figure 1 shows that at the beginning, the indirect effect of external environment on strategic leadership style on performance through strategy implementation is strong than the direct effect of external environment on the strategic leadership style on performance. The increase in external environment both indirect and direct, has positive effect of on strategic leadership style on performance to a point where direct effect of external environment leads to higher strategic leadership style on performance than the indirect effect.

The study findings agree with that of Mudany, Letting, and Gituro (2020) which investigated the moderating effects of macro environment on strategy implementation and performance in energy sector institutions in Kenya. The study results showed a statistically significant relationship between strategy implementation and performance and indicated a positive and a statistically significant relationship between macro environment and performance. The current study results show that external environment has both direct and indirect effect on the relationship between strategic leadership style and performance of Agricultural Livestock and Fisheries

parastatals in Kenya. This means that external environment will influence, directly and indirectly, the performance of Agricultural Livestock and Fisheries parastatals in Kenya.

Figure 1: Direct and indirect effects of strategic leadership style on Organizational performance conditional on external environment



## V. CONCLUSIONS AND RECOMMENDATIONS

This study concludes that based on the findings in the current study that there is direct association between strategic leadership style and organization performance of Agricultural, Livestock and Fisheries parastatals in Kenya which is moderated by external environment and the interaction is significant while the indirect association between strategic leadership style and strategy implementation on level of external environment, the interaction is also significant thus the direct and indirect effects are both significant. The increase in external environment both indirect and direct, has positive effect of on strategic leadership style on organizational performance to a point where direct effect of external environment leads to higher strategic leadership style on organizational performance than the indirect effect. The study concludes that external environment has both direct and indirect effect on the relationship between strategic leadership style and organizational performance of Agricultural Livestock and Fisheries parastatals in Kenya. This means that external environment will influence directly and indirectly the organizational performance of Agricultural Livestock and Fisheries parastatals in Kenya therefore, if Agricultural, Livestock and Fisheries parastatals organization's leaders want to improve their organizational performance significantly, they should engage in balanced control that involves strategic leadership style, strategy implementation and external environment.

The study objective was to determine the moderating effect of External environment on the mediating role of strategy

implementation on the relationship between strategic leadership style and organizational performance of Agricultural, Livestock and Fisheries parastatals in Kenya. Following the findings, the study recommended that since external environment has both direct and indirect effect on the relationship between strategic leadership style and organizational performance of Agricultural Livestock and Fisheries parastatals in Kenya, leaders who want to improve their organizational performance significantly, they should engage in a balanced control that involves strategic leadership style, strategy implementation and external environment.

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