INFLUENCE OF LEADERSHIP AS A DETERMINANT OF COLLECTIVE BARGAINING AGREEMENT ON THE PERFORMANCE OF STATE CORPORATIONS IN KENYA

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ABSTRACT

Collective bargaining agreements (CBA) are integral for any organizational growth and the country’s economic development. Industrial unrests have been known to create disturbances at the work place and sometimes affect the entire operations thereby suppressing or stopping productivity. The industrial actions seem unending since most of their solutions are temporary. CBA are known to be useful in minimizing or ending industrial unrests. The study adopted descriptive survey since it sought to ascertain respondent’s perceptions on the determinants of collective bargaining agreement in a structured manner. The target population of this study included all 187 state corporations in Kenya as of 27th April 2015. The unit of analysis was all the State Corporations in Kenya while the unit of observation was the Heads of Human Resources in each corporation. The study used a sample of 95 state corporations and collected primary data using a self-administered questionnaire. The data was analysed using descriptive statistics comprising of mean, standard deviations, frequency distribution, percentages, factor analysis, correlation analysis as well as regression analysis. The study established that leadership had a significant and positive influence on the performance of state corporations in Kenya. The study concluded that as a result of poor leadership styles, performance of the corporations was affected. The study recommended that firm leaders should embrace employee involvement and lead by example to promote employee performance.

Key Words: Leadership, Collective bargaining agreement, determinant, firm performance
1.0 INTRODUCTION

1.1 Background of the Study

Collective bargaining (CB) is a social process that continually turns disagreements into agreements in an orderly fashion and adds that it is the establishment by negotiation and discussion of agreement on matters of mutual concern to employers and unions covering the employment relationship and terms and conditions of employment (Blyton, Bacon, Fiorito & Heery, 2008). According to Bronwyn (2010), the process of collective bargaining is bipartite in nature involving negotiations between employers and the employees, usually, without a third party’s intervention.

State corporations are common with natural monopolies and infrastructure, such as railways and telecommunications, strategic goods and services natural resources and energy, politically sensitive business, broadcasting, demerit good, among others (Carrell & Heavrin, 2012). At the level of local government, territorial or other authorities may set up similar enterprises which are sometimes referred to as Local Authority Trading Enterprises (LATEs) to participate in commercial activities on behalf of the government. Those activities include, establishment services, such as water supply as separate corporations or as a business unit of the authority participating in commercial activities.

Collective bargaining contributes to a solid foundation for the industrial relations systems in the EU Member States. Eurofound (2015) notes that it deals not only with wages and working conditions, but also supports mutual trust between the actors, provides a rule-governed arena for channeling industrial disputes, and contributes to general macroeconomic progress at national level and to business performance. Collective bargaining systems, frameworks and practices especially in the EU have come under some pressure in recent years (Glassner & Keune, 2010).

State Corporations, commonly referred to as Parastatals (in Kenya), are established within the provision of State Corporations Act Cap 446 of the laws of Kenya (GoK, 2011). According to Njiru (2008), the Kenyan government forms State Corporations and gives them autonomy to meet both commercial and social goals. These corporations are useful in improving service delivery to the public. There are approximately 187 state corporations in Kenya today which are divided into eight broad functional categories based on the mandate and core functions; the eight categories are: Financial Corporations, Commercial/ manufacturing Corporations, Regulatory Corporations, Public universities, Training and research Corporations, Service Corporations, Regional development authorities, Tertiary education and Training Corporations. The total number of State Corporations may have changed owing to time lapse and creation of new ones (GOK, 2012). Recently, there has been a move by the government to merge and dissolve some state corporations to improve efficiency and reduce the wage bill (mobi.nation, 2017).

Responsibility without authority is frustrating and authority without responsibility is pernicious (Tannenbaum, 2008). Unless a superior is willing to exercise less control and trust a subordinate, delegation is not possible in anything other than name. Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Rowe, 2001). For instance, transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done (Zhu, Chew & Spengler, 2005).

Mehra, Smith, Dixon and Robertson, (2006) argue that when some organizations seek efficient ways to enable them outperform others; a longstanding approach is to focus on the effects of leadership. According to Kramer and Pittinsky, (2016), a command and control approach to leadership uses top-down approach, which fits well in bureaucratic organizations in which privilege and power are vested in senior management. It uses standards, procedures, and output statistics to regulate the organization. Mello (2007) notes that transforming organizations are led by transforming leaders who appeal to human characteristics that lift their sights above the
routine, everyday elements of a mechanistic, power-oriented system. Transformational leadership exhibits passionate inspiration (Kramer & Pittinsky, 2016) and visibly model appropriate behaviors.

1.2 Statement of the Problem
According to Kenya’s Vision 2030 (RoK, 2007), Kenya aims to create a globally competitive and adaptive Human Resource (HR) base through proper management, rewarding and steering towards global competitiveness, but at its current economic growth there is still need for boosted strategies to achieve sustained growth of 10%. There are currently 187 state corporations in Kenya (SCAC, 2017); state corporations are entities formed and owned by the government to meet both commercial and social goals, correct market failure, exploit social and political objectives, and redistribute income or develop marginal areas (Njiru, 2008). Corporations’ performance may be hampered by poor relations, poor leadership, organizational structure among others hence the current institutional setup and the work ethics must embrace CB in order to achieve quality results.

CBA have the capacity to increase organizational performance which in turn leads to Gross Domestic Product (GDP) growth. According to Nyambura (2014), a percentage increase in sectoral performance in terms of productivity leads to an increase in wages by 0.05% while a percentage increase in Kenya’s GDP leads to an increase in annual wages by 0.48%. According to Kamau (2017), the rising number of strikes across Africa, especially in the public sector, is a cause for concern given their operational scale, the costs involved, their length of time and their effect on organizational performance and GDP since many of the strikes in the public sector are driven by wage disputes; which may affect the ability of the country’s GDP growth. If well executed, CBA are necessary to settle on the best rewards, benefits, working conditions and policies for employee development and consistent economic growth hence should be in the forefront in any organization. As pointed out, many of the CBA executed do not last long, industrial actions keep recurring and functioning of state corporations is affected hence it is the purpose of this study to establish the influence of leadership as a determinant of collective bargaining agreement on the performance of State Corporations in Kenya.

1.3 Objective of the Study
1. To establish the role of leadership as a determinant of collective bargaining agreement on the performance of State Corporations in Kenya.

1.4 Research Hypotheses
1. Hₐ: Leadership in collective bargaining agreement has a significant effect on the performance of State Corporations in Kenya.

2.0 LITERATURE REVIEW
2.1 Theoretical Framework
2.1.1 Path-Goal theory
Path-goal theory originally developed by Evans and later modified by Fiske (1949) was designed to identify a leader’s most practiced style as a motivation to get subordinates to accomplish goals. The path-goal theory reinforces the idea that motivation plays an important part in how a supervisor and a subordinate interact and, based on that interaction, the overall success of the subordinate. The path-goal theory, according to House (1971), presents two basic propositions. According to Salamon (2010), the Path-Goal model is a theory based on specifying a leader’s style or behavior that best fits the employee and work environment in order to achieve a goal.
The goal is to increase your employees’ motivation, empowerment and satisfaction so they become productive members of the organization. The path-goal theory can best be thought of as a process in which leaders select specific behaviors that are best suited to the employees’ needs and the working environment so that they may best guide the employees through their path in the obtainment of their daily work activities (goals).

2.2 Conceptual Framework

![Conceptual Framework Diagram]

**Leadership**
- Level of responsibility
- Command and control
- Role model setting

**Performance of State Corporations**
- Profitability
- Innovation
- Service delivery

Figure 2.1: Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>Performance of State Corporations</td>
</tr>
<tr>
<td></td>
<td>✓ Profitability</td>
</tr>
<tr>
<td></td>
<td>✓ Innovation</td>
</tr>
<tr>
<td></td>
<td>✓ Service delivery</td>
</tr>
</tbody>
</table>

2.3 Empirical Literature Review

Leadership is a relationship whereby one person influences the behaviour or actions of other people (Wakabi, 2016). People often use management and leadership interchangeably. While management is all about planning and controlling organizational resources to achieve an organization’s objectives, leadership involves the alignment of employees to the expected organizational vision (Amahundu, 2016). Amanchukwu, Stanley and Òlólùbè (2015) argue that leadership styles are the approaches used to motivate followers. Leadership is not a “one size fits all” phenomenon.

Obiwuru, Okwu, Akpa and Nwankwere (2011) investigated the effects of leadership on organizational performance in Ikosi-Ketu Council Development area of Lagos State, Nigeria. The research used a survey design, and analysis was based on primary data generated through a structured questionnaire administered on respondents. The analysis showed that each of charisma and intellectual stimulation/individual consideration traits of transformational leadership style exerts positive but insignificant effect on followers and performance. The study concluded that transactional leadership style is more appropriate in inducing performance than transformational leadership style.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

This study adopted descriptive research design which was used an exploratory approach. Exploratory approach merely intends to explore the research questions, both quantitative and qualitative, and does not intend to offer final and conclusive solutions to existing problems. It helps to gain new insights, discover new ideas and for increasing knowledge of the phenomenon.

3.2 Target Population

The target population comprised all the State Corporations in Kenya which are 187 (SCAC, 2017), this is necessitated by the researcher’s desire to study the determinants of CBA on the performance of all the State Corporations. These State Corporations are subdivided into five categories which include: Commercial State Corporations (34); Commercial State Corporations with Strategic Functions (21); Executive Agencies (62); Independent Regulatory Agencies (25); and Research Institutions, Public Universities, Tertiary Education and Training...
Institutions (45). The interest in this population was driven by the fact that state corporations, due to the perceived weaknesses and actions of the parties to CBA, are vulnerable to industrial unrests which in effect affects their performance. The unit of analysis was all the 187 State Corporations in Kenya while the unit of observation was the Heads of Human Resources in the sampled 95 State Corporations

3.3 Sampling
The essence of stratification was to ensure inclusion, in the sample, of each subgroup which otherwise would be omitted entirely by other sampling methods because of their numbers. The strata comprised: i) Commercial State Corporations (34); ii) Commercial State Corporations with Strategic Functions (21); iii) Executive Agencies (62); iv) Independent Regulatory Agencies (25); and v) Research Institutions, Public Universities, Tertiary Education and Training Institutions (45), as per the total population of 187 State Corporations. The researcher selected a sample of 50% of the state corporations in Kenya. The state corporations were selected using stratified random sampling method. Stratification was done by sector. Each sector (stratum) will contribute 50% of its total number of corporations to the overall sample. The final respondents were picked randomly from each stratum. The heads of departments was the respondents in the study. 95 state corporations were selected which formed 50.8% of the target population.

3.4 Data Collection
Structured questionnaires were used to collect the data for the study. The choice of questionnaires was informed by the fact that they gather information over a large sample and are more appropriate when addressing sensitive issues since it offers greater anonymity. The questionnaire consisted of both structured and open ended questions, and Likert rating scales relating to leadership, economic factors, employer policies and organization structure.

3.5 Data Analysis
The completed questionnaires were checked for completeness and consistency to ensure that all questions are answered and also for any false or inconsistent information. The collected data was edited to eliminate errors and omissions in order to ensure accuracy, completeness and clarity. The collected data was then tabulated and coded. This reduced them to small number of classes that enabled the researcher to tabulate and identify relevant themes. A descriptive analysis was then done. Descriptive statistics (mean, median, mode, range, variance, and standard deviation) was used to summarize the data.

4.0 FINDINGS
4.1 Response Rate
The study surveyed 95 respondents from state corporations in Kenya using a structured questionnaire. A total of 92 questionnaires were filled and returned for analysis. This implied that a response rate of 96.8% was obtained. On the other hand, 3 questionnaires were not returned, returned while not fully filled or returned completely blank. This represented a non-response rate of 3.2%. According to Mugenda and Mugenda (2003) as cited by Theuri, Mugambi and Namusonge (2015) and Duncan et al. (2015), a response rate of 50% is adequate, 60% good while 70% response rate is very good. This implies that the 96.8% response rate obtained in this study is adequate for analysis and making conclusions and recommendations of the study.
4.2 Leadership
The study sought to find out the extent to which leadership influences organizational performance among state corporations. The respondents were asked to indicate their level of agreement of disagreement on specific statements based on a five-point Likert’s scale. The findings are as herein presented.

Resourcing Strategies
The study sought to find out respondents’ level of agreement with the statements on resourcing strategies as an aspect of leadership. As the findings in table 4.1 portray, The findings revealed that as much as the recruiting systems by the organizations were not clear same case to selection policies, the promotions were competitive and open an aspect that makes the employees more productive and committed to their jobs. The findings are in concurrence with the human relations theory which upholds the need for organizations to enhance the social welfare of the employees by ensuring that they are effectively rewarded and promoted and setting strategies to retain the talented employees (Armstrong, 2012). Providing the employee with the requirements of the policies and terms of employment serves to make the employee prepared and set to operate in the organization.

Table 4.1: Resourcing Strategies

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization has clear recruiting and selection policies</td>
<td>2.81</td>
<td>1.49</td>
</tr>
<tr>
<td>There are opportunities for employee growth</td>
<td>3.45</td>
<td>1.17</td>
</tr>
<tr>
<td>The organization has clear strategies on staff ration &amp; welfare</td>
<td>3.62</td>
<td>1.03</td>
</tr>
<tr>
<td>The promotions are competitive and open</td>
<td>3.63</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Employee Relations
The study sought to find out the agreement level of the respondents on the statements regarding employee relations. The findings as shown in table 4.2 revealed the findings concur with those by Hitt et al. (2015) who established that most organizations that underperform as a result of poor relations between the employees and the organizations which leads to lack of trust and commitment among the employees. Grewal and Tansuhaj (2011) while supporting the human relations theory argued that among the main aspects of human resource that help steer firm growth and performance is the level of relationship between the firm management and the organization.

Table 4.2: Employee Relations

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees are free to interact with each other</td>
<td>2.91</td>
<td>1.47</td>
</tr>
<tr>
<td>The organizations has union recognition agreement</td>
<td>2.98</td>
<td>1.23</td>
</tr>
<tr>
<td>Employees are allowed to join recognized unions for their choice</td>
<td>3.04</td>
<td>1.25</td>
</tr>
<tr>
<td>There is open door policy and the management is easy to reach</td>
<td>3.77</td>
<td>1.10</td>
</tr>
</tbody>
</table>

4.3 Performance of State Corporations in Kenya
Firm Profitability
The respondents’ level of agreement on the statement regarding the firm profitability was sought. The findings as shown in table 4.3 imply that as much as profitability was concerned, the state corporations were relatively recording increased profits. According to Kempe (2012), organizational performance and growth is mainly determined by the profitability of the firm which enables an organization to expand and diversify for competitiveness.
Table 4.3: Organizational Profitability

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company generates high level of revenue</td>
<td>3.81</td>
<td>0.87</td>
</tr>
<tr>
<td>The company declares healthy dividends</td>
<td>3.88</td>
<td>0.89</td>
</tr>
<tr>
<td>The net income of the company is consistently high</td>
<td>4.00</td>
<td>0.81</td>
</tr>
<tr>
<td>Employees and creditors are paid timely</td>
<td>3.95</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Organizational Innovation

The study aimed at establishing the agreement level of respondents on statements on innovation as an aspect of firm performance. The findings as shown in table 4.4 imply that most of the state corporations upheld innovation as a key driver towards competitiveness and performance. According to Hartle (2009), an innovative organization is the best example of a firm that is objected towards achieving competitiveness and firm growth and performance.

Table 4.4: Level of Agreement with Statements on Innovation

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is use of modern technology in the company</td>
<td>3.53</td>
<td>1.38</td>
</tr>
<tr>
<td>The company invest in research and development</td>
<td>3.65</td>
<td>1.142</td>
</tr>
<tr>
<td>The company rewards staff who come up with new developments</td>
<td>3.61</td>
<td>1.02</td>
</tr>
<tr>
<td>The company is a member of the industry association</td>
<td>3.54</td>
<td>1.28</td>
</tr>
</tbody>
</table>

Service Delivery

The study sought to find out the respondents’ agreement level with the statements on service delivery as a measure of organizational performance. The findings as shown in table 4.5 implied that most of the state corporations do not uphold service delivery despite this being a crucial aspect in explaining the future of an organization as far as performance is concerned. Thomas (2010) stated that a well performing organization is more likely to embrace effective and high level of customer service unlike a poorly performing organization that may not uphold customer service delivery.

Table 4.5: Agreement level with Statements on Service Delivery

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is focus on customer feedback</td>
<td>2.14</td>
<td>1.82</td>
</tr>
<tr>
<td>The company is keen in fulfilling clients details</td>
<td>2.71</td>
<td>1.67</td>
</tr>
<tr>
<td>The company continually upgrades its services delivery platform</td>
<td>2.41</td>
<td>1.97</td>
</tr>
<tr>
<td>The company regularly trains its staff on service delivery</td>
<td>2.66</td>
<td>1.99</td>
</tr>
</tbody>
</table>

4.4 Inferential Analysis of the Study Model

Ha: Leadership in collective bargaining agreement has a significant effect on the performance of State Corporations in Kenya.

The study adopted a regression model to help in establishing the statistical effect of the organizational leadership on organizational performance in state corporations in Kenya. The model was of the form: \( Y = \beta_0 + \beta_1X_1 + \varepsilon \)

The results for the model summary are as presented in table 4.6 where \( R^2 \) (coefficient of multiple determinants) is shown. As the model depicts, the adjusted \( R^2 \) is 0.810, an indication that there is a strong relationship between leadership and performance of state corporations in
Kenya. This means that a proportion of 81.0% of performance of state corporations in Kenya can be explained by the singular effect of organizational leadership.

Table 4.6: Model Summary for Leadership and Firm Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.903*</td>
<td>.815</td>
<td>.810</td>
<td>.38565</td>
</tr>
</tbody>
</table>

The model significance was presented using the ANOVA test. Results in Table 4.7 shows that the significance of the F-value of 139.171 which is greater than the F-critical and significant at 0.000<0.05. This implies that leadership has a positive and significant effect on the performance of state corporations in Kenya.

Table 4.7: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>82.793</td>
<td>1</td>
<td>82.793</td>
<td>139.171</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>18.739</td>
<td>91</td>
<td>.206</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td><strong>101.533</strong></td>
<td>92</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance of State Corporations  
b. Predictors: (Constant), Leadership

As shown in table 4.8, the unstandardized coefficient for the variable was 0.610 and the P-value is 0.000. The new model now becomes \( Y = 0.057 + 0.610X_1 + \epsilon \) thus implying that at a significance level of 0.000, leadership will impact the performance of state corporations by up to 61.0%. The findings also indicate that the t-statistics (22.592) is higher than the t-critical (0.740) an indication that leadership significantly influences performance.

Table 4.8: Coefficients for Leadership

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.057</td>
<td>.077</td>
<td>0.740</td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
<td>.610</td>
<td>.027</td>
<td>.634</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance of State Corporations

Based on the above findings, the study therefore accepts the alternative hypothesis that leadership in collective bargaining agreement has a significant effect on the performance of State Corporations in Kenya. The findings compares with those by Hennessey (2014) who found that as a result of improved level of responsibility, command and control as well as role modeling, firm performance was enhanced hence the scholar concluded that leadership had a positive and significant influence of firm performance.

CONCLUSION

The study concluded that organizational leadership was a critical driver to organizational performance among state corporations in Kenya. The findings outlined the prospects of leadership such as command and control and role modeling as the main determinants of leadership prosperity as far as enhancing collective bargaining agreement between the employer and the employee is concerned while steering firm performance. The study concluded that the state corporations had effective leadership capabilities but did not put them into practice for the purpose of enhancing performance.
RECOMMENDATIONS

The study recommends that state corporations through the management should ensure effective leadership through example setting and involving employees in decision making and other organizational matters so as to put them on board towards enhancing firm performance.

The study focused on determinants of collective bargaining agreement and their influences on performance of state corporations in Kenya. There should be a study to establish other prospects of influencing performance of state corporations which are exceedingly facing performance challenges.

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