

**EFFECT OF STRATEGIC LEADERSHIP STYLES ON INNOVATIVE  
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE IN UASIN  
GISHU COUNTY KENYA**

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## DECLARATION

### Declaration by the candidate

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## **DEDICATION**

This work is dedicated to my mother CPA Millicent Okonjo who taught me to always believe in what I deserve and the universe will serve it. A special gratitude also goes to my loving husband Adams Ochieng' Ong'wena together with my children Shamirah Adams and Uriel Adams for their patience and support in my studies.

## ABSTRACT

Small and medium size enterprises are an integral part of a growing economy; According to Uasin Gishu County records there are 1611 registered SMEs in Eldoret Town. The focus therefore, should be directed at the establishment of the growth of the sector; hence the need to establish the effect of strategic leadership styles on innovative performance for small and medium enterprises in Uasin Gishu County. Proper strategic leadership is an essential part of decision making to ensure short term success and long-term sustainability, given the current volatile business environment. The study was guided by the following objectives; to establish the effect of transformational leadership style, transactional leadership style, inspiration leadership style and paternalistic leadership style on SME innovation performance within Uasin Gishu County. The population of study comprised 1611 registered SMEs in Uasin Gishu County. Cluster sampling technique to select the SMEs was used to select a sample of 290 respondents. Collection of primary data was done through a structured questionnaire. Data analysis was facilitated by use of Statistical Package for Social Science (SPSS) version 24 to generate the means, standard deviation and variances which were presented using tables, frequencies and percentages. A descriptive method was employed in analyzing qualitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that were raised in the questionnaires. Correlation analysis was used to establish the strength of association between variables and regression to determine the relationship between variables. The study findings revealed that there was positive linear effect of transformational leadership style on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_1=.119$ ,  $p=0.041$ ). Transactional leadership style has a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_2=.157$ ,  $p=0.002$ ). Inspirational leadership style was found to have a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_3=.258$ ,  $p=0.000$ ). Paternalistic leadership style was found to have a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_4=.271$ ,  $p=0.000$ ). The study concluded that transactional, inspiration and paternalistic leadership style had a positive influence on SME innovation performance within Uasin Gishu County. The study recommends that SMEs within Uasin Gishu County adopt leadership style which allows managers to make employees feel valued and comfortable in their respective duties which helps bring out the best in them to achieve their goals and personal growth.

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## OPERATIONAL DEFINITION OF TERMS

- Innovation** change that creates a new dimension of performance. It's viewed as the application of better solutions that meet the requirements of an organization to perform (Peter Drucker, 2015)
- Innovative performance** the use of an idea or creativity to improve the products, processes, procedures that increase the significance, usefulness and performance of the products and services.
- Leadership Styles** Behavioral patterns that a leader adopt to influence the behavior of his followers, that is, the way he gives directions to his subordinates and motivates them to accomplish the given objectives (Newstrom & Davis, 2009).
- Small and medium enterprises (SMEs)** are businesses whose personnel and revenue numbers fall below certain limits. It is generally considered to be a business with fewer than 250 employees and less than €50 million in annual turnover.
- Strategic leadership styles** are the approaches that leaders take to develop and implement their organization's strategy.
- Strategic leadership** A manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. (Prachi & Juneja, 2015)

**Voice**

Discretionary communication of ideas, suggestions, concerns, or opinions about work-related issues with the intent to improve organizational or unit functioning. (Morrison, 2011).

**LIST OF ABBREVIATIONS**

**KAI** – Kirton’s Adaptive Innovation

**R&D** - Research and Development

**RBV** – Resource Based View

**SME** – Small and Medium Enterprises

**SPSS** – Statistics Package for Social Science

**UG** – Uasin Gishu

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Overview**

This chapter consists of the background of the study, statement of the problem, the objectives of the study, the research hypotheses, significance of the study and scope of the study

#### **1.2 Background of the Study**

Innovation is one of the key components for Small and Medium Enterprises effectiveness and innovative firms are capable of creating or finding new ways of developing the edge needed for sustainability (Kabetu, 2018). The knowledge embedded in human capital enables firms to enhance distinctive competencies and discover innovation opportunities (Ersari & Naktiyok, 2022). When Small and Medium Enterprises develop new products and improve management processes, they require the motivation and ability of human capital to produce creative ideas, develop innovative approaches, and exert new opportunities (Cristerna, 2023)

Innovation refers to all scientific, technological, organizational, financial and commercial activities which lead to, or are intended to lead to, the implementation of technologically new or improved products or services. Hence, an innovation contains new ideas which influence the behavior of economic agents in previously unknown way (Sawaeen & Ali, 2020).

Innovation performance results from two major sources: internal research and development that draws on the firm's accumulated knowledge, and imitation of the innovation of other firms. In addition to introducing new goods and methods of production, research and development also supports the opening of new markets and



reinvention of the firm's operations to serve those markets optimally (Karani & Mshenga, 2021).

Strategic leadership in small organizations has been identified as the central element in influencing the firm's competitive advantage, the role of the entrepreneurial leader is increasingly becoming an important determinant of innovation (Ngibe & Lekhanya, 2020). Gad David, Yang, Pei and Moosa (2023) argue that leaders have the ability to influence innovation in the firm by introducing new ideas, setting specific goals, and encouraging innovation initiatives from their subordinate.

Strategic leaders who shape their companies to become extraordinary innovators are lauded in the popular press and practitioner journals (Johannessen, 2021). Moreover, some studies find that executive pay is tied to inventive and innovative success (El Shoubaki, Laguir, Stekelorum & Hnilica, 2022). Empirical studies, however, rarely link strategic leaders to fine-grained measures of inventive or innovative performance (Tajuddin, Akter, Mohd-Rashid & Mehmood, 2023). Instead, scholarly work tends to focus on leadership in teams, and on project outcomes rather than firm level innovative performance (Sang, 2017). Leaders' actions also convey the kinds of behaviors they value and wish to encourage. Those who display transformational behaviors encourage others to engage in creative processes, heightening their alertness to inventive opportunities (Ajeigbe, Owolabi & Alasinrin, 2021).

According to Kabetu (2018) firms with well-established product development processes, leadership is primarily invoked to circumvent routine processes, such as to support a disruptive or breakthrough invention. Strategic leadership is one leadership style, which is very noticeable and has an effective role in making competitive advantages (Fallahpour, Yazdani, Mohammed & Wong, 2021).

On the other hand, new goods are at the heart of economic growth. The link between innovation and performance at various levels of aggregation has been the focus of attention in a number of studies in recent decades. Othman, Saad and Robani (2019) noted that strategic leaders have been repeatedly recognized for their critical role in recognizing opportunities and making decisions that affect innovation process. Strategic leadership and innovation strategy are crucial for achieving and maintaining strategic competitiveness in the 21st century (Abd Rahim, Mohamed & Amrin, 2021).)

### **1.3 Statement of the Problem**

Research points that most SMEs in Kenya are not innovative and this affects negatively on their growth, The Kenyan Business system have not fully integrated innovation to enhance competitiveness (Gachigo, Kahuthia & Muraguri, 2019). In Kenya, despite the critical role played by the SMEs in the county, most of the business startups are faced with many challenges where over 90% of the businesses fail at their third year (Ombaka, Kariuki & Kyalo, 2020). Chepkosgei, Akuku and Onyango (2019) stated that in Kenya, very few enterprises have grown into large formal organizations, an adverse scenario that is apparently common among youth owned business enterprises, raising questions if SMEs in Kenya have leaders who are strategically oriented. In addition, very few studies have done linking strategic leadership with SME innovation, hence creating a gap on how transactional, transformational and inspiration leadership affect SME innovation.

In the same note, Christopher et al. (2021) encouraged that further study can be repeated by increasing the number of participants and also identify the effect of leadership styles on firm performance more precisely, the number of leadership styles may be increased. It is in this light that this study carried out effect of strategic

leadership styles on innovation performance of small and medium enterprise in Uasin Gishu County.

#### **1.4 Purpose of the Study**

The purpose of this study is to establish the effect of strategic leadership styles on innovation performance of small and medium enterprises within Uasin- Gishu County.

#### **1.5 Objectives of the Study**

- i. To establish the effect of transformational leadership style on innovation performance of SMES' within Uasin Gishu County.
- ii. To determine the effect of transactional leadership style on innovation performance of SMES' within Uasin Gishu County
- iii. To establish the effect of inspiration leadership style on innovation performance of SMES' within Uasin Gishu County
- iv. To determine the effect of paternalistic leadership style on innovation performance of SMES' within Uasin Gishu County

#### **1.6 Research Hypotheses**

- H0<sub>1</sub>:** There is no significant effect of transformational leadership style on innovative performance of SMES' within Uasin Gishu County.
- H0<sub>2</sub>:** There is no significant effect of transactional leadership style on innovative performance of SMES' within Uasin Gishu County.
- H0<sub>3</sub>:** There is no significant effect of inspiration leadership style on SME innovative performance of SMES' within Uasin Gishu County.
- H0<sub>4</sub>:** There is no significant effect on paternalistic leadership style on SME innovative performance of SMES' within Uasin Gishu County.

### **1.7 Significance of the Study**

This research is significant in several ways and would contribute to the literature both in terms of theory and practice. By empirically investigating the effects of strategic leadership and innovation performance, this thesis anticipated that the following individuals, groups, and institutions would benefit from the study findings:

The first beneficiaries of this study are the management arms of the various SMEs that would gain new insights into the impact of strategic leadership on financing options and innovation performance in the financial market. They would be able to structure and implement strategies aimed at improving their competitiveness or hedging in an informed manner, thus enhancing maximum profitability and the image of the SMEs through better financial performance indicators and market value in a turbulent economic environment. The knowledge gained in this study would be used to increase awareness of the SME sector on the importance of strategic leadership for enhanced performance among key players in the SME sector in Kenya.

The findings of this study would add to the efforts of government regulators in coming up with regulations that govern the operations of SMEs in Kenya. The study findings would be of value to the government as they bring into light various policies that would be detrimental to SME operations in Kenya and address these factors according to the research recommendations. The regulatory agencies and other policymakers would be able to borrow from this study's recommendations and identify areas that need policy development and/or enhancement to improve their reputation among SMEs.

The study is important to investors who increasingly rely on services provided by SMEs in Kenya. Finance managers of various SMEs in developing countries across the world are able to appreciate the importance of the final recommendations of this

study in terms of the strategies that are taken to improve SMEs' signaling using various competitiveness indicators in the sector.

The study is of great importance to the researcher as she has gained both theoretical and practical experience on the impact of strategic leadership in SMEs in Kenya. To scholars, this study provides an area for further research that can be used to add value in this area of study or for the development of theory or practice. This study improves on the already existing literature that sought to investigate. It also contributes to the existing literature by providing new additional knowledge gaps to previous studies done in the more developed economies' context to the developing economy context.

### **1.8 Scope of the Study**

The study targets SMEs based in Uasin Gishu County which is located in North Rift region, of Kenya. The study area is chosen due to the rising number of small and Medium-enterprises. The study targets SMEs within seven sectors, namely; financial services, Retail, Telecommunication, Agriculture, Hospitality, Professional services and Workshop services. The study was carried within a period of 3 months (May 2022 – August 2022).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Overview**

This chapter entails literature pertinent to the study, theoretical perspective, empirical review and the conceptual framework.

#### **2.2 Concept of Innovation Performance**

Innovation is defined as a mental process that leads to the creation of a new phenomenon; this phenomenon may be a new material or spiritual product the new service or new techniques. Innovation is known as a critical factor for firms to create value and sustain competitive advantage in today's highly complex and dynamic environment. Firms that accept innovation as a response to environmental changes and proactively develop new capabilities, which enhance their performance, are more likely to achieve higher levels of success (Marei, Abou-Moghli, Shehadeh, Salhab & Othman, 2023). Organizational innovation is a difficult process. It requires the examination of hidden assumptions, unlearning previous behaviors, and overcoming considerable obstacles. The innovation process tends to exacerbate conflicts between engineering, marketing and manufacturing departments, and managers at the operational level have no clear idea at the outset which innovation project may be viable in the corporation as a whole (Kalaitzandonakes, Willig & Zahringer, 2023)

Hajighasemi, Oghazi, Aliyari and Pashkevich (2022) asserts that exceptional performance in innovation is no accident. Rather, it is the result of a disciplined, systematic approach starting at the top of the organization. Best practice research has uncovered a common theme in organizations that excel at innovation. Four key areas of best practice stand out as common denominators: product innovation and

technology strategy; portfolio management both strategic and tactical; idea-to-launch new product development process, and the right climate and culture for innovation.

Innovation performance refers to outcomes for firms in terms of the extent to which they actually introduce inventions to the market, for example, the rate at which they introduce new products, process systems, or devices (Vargas, 2015) Innovation performance is an essential source of a firm's competitive advantage and has been defined as the contribution of product and process innovations to firm performance (Muhlisin & Rahman, 2021).

Clement and Tripathi (2022) measured innovation performance by including innovation activities such as research and development investment, patents, and new products. Echeverry, Herrera & Vélez (2019) incorporated research and development investment, patents, patent citations, and new products as a construct to assess innovation performance. In sum, it can be inferred from the literature that the innovation performance of firms can be measured in several ways.

Traditional indicators of innovation performance include research and development investment and patents. However, both indicators are not satisfactory for measuring innovation in business services as well as in the software industry, which forms the bulk of SMEs in Malaysia, particularly in Penang. Most business service activities do not include research and development departments, and although the number of patents has risen in the software industry, most software firms modify their products to meet their customers' needs, which make those products difficult to patent (Saunila, 2016). In addition, Taques, López, Basso and Areal (2021) suggested that the choice of Innovation Performance indicators should 'be based both on the particular objectives of the analysis to be performed and on data availability.

According to Adewumi, Lien and Mydland (2023) new innovation performance measurement approaches that acknowledge the unique nature of innovation need to be developed: In these particularly uncertain and novel contexts, financial and non-financial outputs only occur with a substantial delay, and there is a general need for more granular proxy measures to assess and steer innovation performance. In addition, the overall idea of innovation performance measurement bears its very own pitfalls: A traditional measure-and-control approach employing top-down key performance indicators assignments for organizational actors can easily cripple innovation staff's creativity and motivation or lead to sub-optimization and an overemphasis on short-term goals.

Measurement areas for the company level include inputs, the innovation process, and outcomes, but may also take contextual factors such as culture or innovation strategy into account. Actual indicators can be overarching and absolute, such as the product innovation rate, or granular and specific, such as the propensity of decision makers to engage in bold but risky behavior. A more recent trend in the field is to conceptualize and assess the innovation capabilities of a firm. This is further mirrored in alternative descriptions such as innovation management performance or innovation management measurement. Recent concepts that transgress the traditional boundaries of the firm, such as open innovation are also accounted for on the company level (Scuotto, Del Giudice, Bresciani, & Meissner, 2017).

Beyond these levels that focus on innovation performance of and within a company, there are also measurement approaches on an even higher level. These mainly try to evaluate the innovation performance of an entire industry or geographical region, for example selected countries or local technology clusters such as the Silicon Valley (Yang, 2020). These assessments focus on fewer indicators per firm and



aggregate large data sets in order to achieve representativeness. Their main purposes are to benchmark industry sectors and to inform public policy makers (Laforet, 2016).

### **2.3 Concept of Strategic Leadership**

Strategic leadership is an ability of firms to anticipate, envision and maintain flexibility, and empower others to create a strategic chance and a viable future of the organization (Eswari, 2023). (Indrawati, Salim, Djumahir, & Djawahir, 2015) defines strategic leadership as the ability of an experienced, senior leader who has wisdom and vision to create and execute plans and make consequential decisions in the volatile, uncertain, complex and ambiguous strategic environment.

Burke (2021) argues that, few leaders allow themselves to think about strategy and the future. Leaders should give direction to every part of the organization from the corporate office to the loading dock. Strategic leadership is therefore the ability of the leaders to create and re-create reasons for the organization's continued existence. The leader must have the ability to keep one eye on how the organization is currently adding value and the other eye on changes, both inside and outside the organization, that either threaten its position or present some new opportunity for adding value.

Some researcher's belief that strategic leadership concept may become the most apt concept to embracing better value driven culture in public sector in the era of the 21st century (Eltayeb, 2021). Leadership in public sector tend to face the great challenges due to the prominent rule-based and too bureaucratic leadership styles, non-performance based human resource management (HRM) culture, and lack of innovative management practices. Several key roles of strategic leadership can be offered as strategies to sustain public organization performance outcome (Sivili & Boateng, 2023).

According to Pless, Sengupta, Wheeler and Maak (2021), great management practices are not replicable in a recipe fashion, but companies can develop a design for strategic leadership. This is an integrated group of practices that builds a company's capacity for change. In order to develop and maintain this capacity, these authors define four critical elements that need to be integrated: commitment to the company's purpose; the make-up of the top management team; the capabilities and motivation of people throughout the organization; and a sequence of focused, well-chosen strategic initiatives that can take the company forward. Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term organization's viability (Inkinen, 2016)

Strategic leadership refers to the capacity of a leader to proactively predict and visualize future developments, while also maintaining adaptability and empowering others to initiate strategic transformations when required (Marial, Kennedy, Zachary & James, 2023). The phrase strategic leadership emerged from work on strategic management and involves the following: determining strategic direction; exploring and maintaining unique core competencies; developing human capital; sustaining an effective organizational culture; emphasizing ethical practices; and establishing balanced organizational controls.

According to Ruel, Rowlands and Njoku (2020), outstanding strategic leaders are those executives who display key behaviours that enable the organization to execute its strategy effectively. In essence, they are strategy-focused leaders. This view confirms the criteria identified in previous studies. Understanding strategic leadership involves spotlighting what effective top leaders actually do to produce a strategy-focused organization.

In the recent years there has been increased interest in strategic leadership by top executives (Castellanos & George, 2020). According to Njukunye and Waithaka (2020) strategic leadership gives purpose and meaning to organizations. Strategic leadership involves anticipating and envisioning a viable future for the organization and working with others to create such a future. Nahak and Ellitan (2022) defined strategic leadership as the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organization, while at the same time maintaining its short-term financial stability.

Sunny (2021) has a similar view to Rowe and defines strategic leadership as the ability to understand the entire organization and the environments within which they operate and using this understanding to create strategic change through other people so as to position the organization in the environment for both short-term stability and long-term viability. In recent years, competitive markets and business environments have been volatile, turbulent, uncertain, complex, and heterogeneous.

Thus, firms have implemented valuable competencies, capabilities and strategies for their business operations and activities in order to enhance business excellence, encourage competitive advantage, achieve firm performance, gain corporate survival, and promote organizational sustainability in these circumstances. Strategic leadership has become a key determinant of driving and explaining firms' competitiveness, and profitability. Firms with greater strategic leadership tend to achieve higher firm performance and enhance organizational success in the business operations. The attainment of the strategic objectives underlying strategic decisions is accomplished through the effective practice of strategic leadership.

Strategic leadership focuses on the future, to create excitement for the future, as well as for what is happening today. A primary goal of a strategic leader is to gain a better

understanding of the business conditions, the environment and other aspects that identify the challenges of the future.

In their review of the strategic leadership literature, Vera, Bonardi, Hitt and Withers (2022) made the distinction that theories of leadership are about leadership in an organization but that strategic leadership is of leadership of the organization. Strategic leadership is marked by a systemic concern for the whole organization, its evolution, changing aims as well as the selection, development and maintenance of the requisite resources and capabilities to enable it to compete.

According to Wakhisi (2021), the core challenge for organizations is to provide sufficient clear structure to ensure that all people in the organization are familiar with and willing to endorse good strategic leadership practices. This may in practice, mean that people must initially be directly involved in debating and defining the need for such a strategy. The surest way of achieving this is to develop and utilize an integrated strategic leadership framework that is capable of being applied to the broadest possible range of business-related issue and components. It is very important for organizations to identify, balance, integrate and align all of the external and internal variables that are likely to have an impact on the organization's capacity to fulfill strategic leadership.

This includes the identification of trends, patterns and possible reactions that may be caused by the activation of strategic leadership. Taking the necessary steps and action to ensure the delivery of products and services which meet the needs of both internal and external customers is very important for the future focus of the organization. Issues such as empowerment and personal accountability for building quality are important factors at this level of strategic leadership.

According to Bano, Omar and Ismail (2022), strategic leadership problems of current and future leaders are: competition is coming from unexpected quarters. Because the rules of the business game are changing with this competition, current leaders represent what the business needed in the past and not the present or the future; the talent pipeline often lacks sufficient numbers to replace leaders that are or soon will be leaving; the organization's expansion goals outstrip the amount of internal talent needed to support them; globalization and increasing technological demands make the leader's job more difficult than ever; problems with strategic direction, organizational alignment and employee commitment continue to exist and are exacerbated in the current competitive environment; human resources and those responsible for leadership development feel increased pressure to demonstrate value, particularly in terms of return on investment for leader development, and other education and training initiatives; leadership development initiatives are not integrated with business needs, and consequently, are of questionable value to internal customers.

## **2.4 Empirical Literature Review**

### **2.4.1 Transformational Leadership and SME Innovation Performance**

Transformational leaders are defined as leaders, who positively envision the future scenarios for the organizations, engage primarily in improving employees' self-confidence by helping them to realize their potential, communicate an achievable mission and vision of the organizations to employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs (Soni & Rastogi, 2019)

Several reasons support the expectation that transformational leadership would enhance employee creativity and innovation. First, transformational leaders go beyond exchanging contractual agreements for desired performance by actively engaging

followers' personal value systems (Sunarya, Nur, Rachmawati, Suwiryo & Jamaludin, 2023). They provide ideological explanations that link followers' identities to the collective identity of their organization, thereby increasing followers' intrinsic motivation rather than just providing extrinsic motivation to perform their job. By articulating an important vision and mission for the organization, transformational leaders increase followers' understanding of the importance and values associated with desired outcomes, raise their performance expectations, and increase their willingness to transcend their self-interests for the sake of the collective entity. A number of studies have found that intrinsic motivation leads to creativity because intrinsically motivated people tend to prefer novel approaches to problem solving (Sandoval Hamón, 2022). Followers' identification with the organization's vision, mission, and culture also has been linked to heightened levels of motivation toward higher levels of performance.

Elias-Cudney (2020) asserts that by providing intellectual stimulation transformational leaders encourage followers to think 'out of the box and to adopt generative and exploratory thinking processes. Transformational leaders stimulate their followers to think about old problems in new ways and encourage them to challenge their own values, traditions, and beliefs. Oftentimes, transformational leaders are able to accomplish this shift in perspective by serving as role models. By showing high expectations and confidence in followers' capabilities, transformational leaders also help to develop followers' commitment to long-term goals, missions, and vision and to shift their focus from short-term and immediate solutions and objectives to long-term and fundamental solutions and objectives.

Indeed, in a study of Austrian branch bank managers, Kittikunchotiwut (2019) reported a stronger positive relationship between these managers' extent of

transformational leadership and long-term as compared with short-term performance. Because creativity in organizations often requires trade-offs across time, this finding provides a basis for expecting that transformational leadership would enhance creativity.

Several studies have examined this relationship more directly and found positive results. Rastogi, Yazdifar, Alam, Eskandari and Bahloul (2019) found that transformational leadership increased followers' creativity in a computer-mediated brainstorming exercise. In this study, the followers' performance was assessed in part based on the number of creative ideas generated. In a study of 78 managers, Rastogi et al. (2019) found a positive relationship between the intellectual stimulation provided by the leader and unit performance when there was a climate of support for innovation within the leader's unit. However, when support for innovation was absent, the positive relationship became insignificant. This pair of findings provides indirect support for the leader's role in inducing creativity.

Huang, Sindakis, Aggarwal and Thomas (2022) also found that transformational leadership positively influenced performance of research and development (R&D) project teams in a large R&D organization. Performance was measured based on superiors' ratings of subordinate innovativeness and the extent to which their innovative orientation added unique value to the projects that they finished. Taken as a whole, these prior studies have provided a strong theoretical basis for expecting that transformational leadership would enhance creativity among followers. However, as can be inferred from the summaries of prior empirical research, these have tended to focus on the role of leadership at the individual level and mainly with subjective performance measures such as self-reported and supervisory ratings of creativity.

Al Harbi, Alarifi and Mosbah (2019) have argued that the use of a vision-based motivational process by transformational leaders should enhance creativity at the organizational level. This is because “by framing vision in terms of work goals and articulating this vision through project selection and project evaluation rather than overt affective appeals, a work-focused vision or mission may be promulgated that will enhance people’s creative efforts. They also have suggested that by influencing the nature of the work environment and organizational culture, leaders can affect Organizational members’ work attitudes and motivation in their interactions, thereby affecting their collective organizational achievement. Despite the reasonableness of expecting that transformational leadership would enhance organizational innovation, little empirical research has investigated the existence and nature of this link.

Sudibjo and Prameswari (2021) did an experiment to test the direct relation between transformational leadership and employee creativity and found no correlation. In their experiment, 364 subjects were randomly assigned to four conditions and were asked to develop and present arguments in groups about a social relevant topic in one hour. Individuals kept their own idea logs of their own thoughts and arguments, which were used as creativity measures rated by two trained graders. They used a two by-two experimental design that is, high transformational vs. low transformational leadership and conventionally behaving leader vs. unconventionally behaving leader.

The manipulations of transformational leadership were based on the MLQ 5X (Da Silva, 2019). First, individuals with a high transformational leader were rated slightly less creative than individuals with a low transformational leader and this effect was found regardless of conventionality. Second, role modeling behavior was highly correlated with transformational leadership and was positively related to creative performance.



Afsar and Umrani (2020) showed that the relationship between transformational leadership and subordinates' creative performance was moderated by team empowerment climate, in such a way that the relationship is stronger when empowerment climate is low than when it is high. Thus, when empowering climate was low, transformational leadership enhanced employee creative performance and when empowering climate was high transformational leadership reduced employee creative performance.

#### **2.4.2 Transactional Leadership and SME Innovation Performance**

Two of the four studies discussed in this paragraph show a direct negative relation between transactional leadership and innovativeness (Pathak & Jha, 2023). This is in line with the transactional leadership theory. In his study, Kalmuk and Acar (2015) used 201 research and development (R&D) professionals from two organizations. Innovativeness was measured with Adaptive Innovation inventory (KAI), which distinguishes two cognitive styles that is adaptive and innovative in problem solving on a continuum ranging from adaptive to innovative. With the negative relation found, it was concluded that transactional leadership has a negative impact on employee innovativeness

Whereas Puni, Hilton and Quao (2021) investigated transactional leadership as a whole construct, González-Cruz, Botella-Carrubi and Martínez-Fuentes (2019) focused on transactional leadership's different facets separately. For their study, they used 263 leader-follower dyads from 38 governmental organizations in Australia. To measure employee innovativeness, leaders completed the 13-item measure that was developed by Yuan and Woodman (2021), which is a general measure of creative behavior in the workplace and assesses the extent to which employees suggest and implement novel and effective solutions, processes, and procedures. Interestingly, they

11 found no significant relation between transactional leadership and employee creativity. This is contrary to the expectations of transactional leadership theory and prior research. However, the results of all different facets pointed in the negative direction, which indicate that there was a small decrease in employee innovativeness when transactional leadership was present

Although all research findings pointing in the negative direction, Harjanti, Dwiarta and Suprpto (2023) findings failed to show a significant relation. Hence, there might be factors that influence the relation between transactional leadership and employee innovativeness. Two moderators that affect this relationship are psychological empowerment and empowering climate, both related to empowerment theory. Empowerment theory states that psychologically empowered individuals see themselves as self-determined and competent and that their work has organizational impact and is meaningful (Sun, Zhang, Qi & Chen, 2011). This would enhance employees' motivation and results in an energized state to engage in innovative behavior. Lumbanraja, Sadalia and Silalahi (2020) studied the effect of psychological empowerment in the relation between transactional leadership and employee innovativeness. They used 230 employees and their immediate supervisors of a government agency in The Netherlands combining multisource ratings for innovativeness. Innovative behavior was measured by supervisor ratings on a creativity scale used by (Rahim et al., 2015).

Psychological empowerment was found to have an interaction effect in the transactional leadership-employee creativity relationship. Psychological empowerment moderated the relationship such that the relationship is negative with high psychological empowerment and weaker with low psychological empowerment. Thus, transactional leadership is more detrimental for employees high in

psychological empowerment than for employees low in psychological empowerment. In practical terms this could mean that in contrast to low empowered employees, highly empowered employees might view transactional leadership as restrictive, controlling and demotivating and therefore causing less innovative behavior (Schilling, 2019).

Nguyen and Hooi, (2020) conducted a study to test how transactional leadership influences employee creative performance when an empowering climate was present. In a high empowering climate, there is a higher level of trust among employees, more frequent flow of information, more open team goals, and less supervisory control from the managers. The result is greater feelings of respect, 13 more self-determination, more sense of common values, and more harmonious work climate, leading to more intrinsic motivation and more innovative behavior. For their study, they used 465 employees of a large multinational company in China, working together in 93 teams, with every team having a supervisor.

Employee creative performance was measured by supervisor ratings on 7-point scale for creativity (Shaw & Choi, 2023). They found that an empowering climate moderates the relationship between transactional leadership and employee creative performance in such a way that the relationship is positive when empowerment climate is high, whereas it is negative when empowerment climate is low (see Figure 2). They concluded that transactional leadership has positive effects on employee creativity when a high empowering climate is present, and has negative effects when a low empowering climate is present.

#### **2.4.3 Inspirational leadership on SME Innovation Performance**

Inspirational leadership is said to possess a combination of positive behavioral components recognized as improving performance and innovation among the

followers within organizations (Amankwaa, Susomrith & Seet, 2022). Inspirational leaders are associated with certain environmental conditions such as complexity, uncertainty, and novelty of the work, which involve constant changes that are a suitable environment for innovation to prosper. Meanwhile Inspirational leadership, which is based on the exchange of rewards between leaders and followers, is more reactive than pro-active in nature, thereby engendering less risk-taking behaviour than is common for Inspirational leadership (Khan, Rehman & Javaid, 2022). In short, it prefers to maintain the status quo than seek change.

Inspired followers see the meaning of their jobs and meaning serves as the engine to energize them to achieve something of significance. They are further energized if they see their works will make an impact and contribute to the achievement of collective goals. Also, followers who feel Inspired develop strong confidence in self and they would actively develop their work competence and eagerly seek ways to improve their work and work conditions. Those who feel efficacious are more cognitively flexible and likely to find many alternative ways of solving problems. This renewed sense of work meaning, awareness of one's impact on collective goals, and work competence will have strong effects on creative activities. All these are further reinforced by followers' feelings of self-determination and eagerness to make an impact on their works and organizations. Self-determination is an important determinant of organizational creativity because individuals produce more creative work when they perceive more personal control over how to accomplish given tasks (Stanescu, Zbucea & Pinzaru, 2021).

Prior research in the creativity and empowerment literature has indicated a positive relationship between Inspirational empowerment and creativity. For example, Jack, Passarelli and Boyatzis (2023) found that people perform more creatively if they are

inspired by interest in the activity itself, rather than the promise of rewards or threat of punishments. Creative performance, Amabile discovered, is facilitated by giving individuals high levels of discretion, especially in the use of time. In other words, conditions that allow an individual to work in accordance with their own creative process against their own internal standards encourage and nurture creative performance.

Boumedjaoud, Messeghem and Khedhaouria (2022) research indicates an individual's self-evaluation of their capacity to succeed what he calls self-efficacy is closely related to Inspirational leadership, and thus creative performance. (Taneja et al., 2016) for example, found that supervisors who felt more inspired were seen as being more innovative creative by their subordinates. They concluded that inspired employees tended to experiment, to look at old problems from new approaches and produce creative/innovative outcomes.

#### **2.4.4 Paternalistic leadership on SME Innovation Performance**

Voice is discretionary communication of ideas, suggestions, concerns, or opinions about work-related issues with the intent to improve organizational or unit functioning. Individuals through voice contribute to the decision-making process with their ideas and opinions (Sadeghi & Razavi, 2020).

Moreover, voice helps the organization make improvements and correct existing problems (Taneja et al., 2016) and it is also important for creativity (İ, 2013) and continuous innovation (Vargas, 2015) Because employee voice benefits the organization by enhancing innovation and creativity, we believe that investigating the factors that are related to voice remains an important issue in business organizations.

As leaders, organizations make a critical contribution to facilitating employee voice. Employees assess the behaviors of their superiors with regard to voice and act

accordingly. According to the perspectives of social exchange theory, individuals in an exchange relationship voluntarily provide favors to other parties who provide benefits to them (Saunila, 2016). Therefore, we believe that, when organizations behave in a commending fashion and force employees to obey their instructions completely, individuals become reluctant to favor their organization with recommendations that will affect the organization.

By contrast, when organizations express their concerns for the everyday lives of their employees and show self-discipline and a lack of selfishness by treating employees fairly, employees tend to reciprocate their superiors' favor by suggesting ideas to improve work in the organization. Moreover, paternalistic leadership behavior is also significantly related to the creativity of employees (Gu et al., 2015).

We believe that this relationship between the leader's paternalistic leadership behavior and creativity is mediated by employee voice. Employee voice that is fostered by leadership behavior serves as a first step toward creativity because experiencing voice on work-related issues produces the perception that the opinions of individuals are listened to and valued by the management of the organization. Over time, with this perception, individuals go beyond making recommendations by seeking new technologies, processes, products and services. (Chan, 2014; Zhang et al., 2015).

## 2.5 Research Gaps

The research gaps are summarized in Table 2.1

**Table 2.1 Summary of Reviewed Literature**

<b>Author(s )</b>	<b>Topic</b>	<b>Method</b>	<b>Findings</b>	<b>Knowledge/Methodology gap Addressed.</b>
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<b>Mumford et al. (2002)</b>	Leading creative people: Orchestrating expertise and relationships.	Content analysis	Transformational leadership positively influenced performance of research and development (R&D) project teams in a large R&D organization	The study used Content analysis while current study used explanatory research. Despite the reasonableness of expecting that transformational leadership would enhance organizational innovation, little empirical research has investigated the existence and nature of this link
<b>Whereas Lee (2008)</b>	Does transactional leadership count for team innovativeness? The moderating role of emotional labor and the mediating role of team efficacy	Hierarchical regression analyses were performed and moderated causal steps approach applied to test the authors' mediated moderation model	The study found no significant relation between transactional leadership and employee creativity.	This is contrary to the expectations of transactional leadership theory and prior research. However, the results of all different facets pointed in the negative direction, which indicate that there was a small decrease in employee innovativeness when transactional leadership was present
<b>Jung, (2002)</b>	Transformational leadership in work groups: The role of empowerment, cohesiveness, and collective-efficacy on perceived group performance	Partial least squares analysis	The study found that people perform more creatively if they are inspired by interest in the activity itself, rather than the promise of rewards or threat of punishments	The study used Partial least squares analysis while the current study used Multiple regression model with four types of leadership

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<b>Vargas, (2015)</b>	What followers are saying about paternalistic leadership fostering employee innovation via organisational learning, knowledge sharing and social media use in public organisations?	Used random sampling to sample respondents	Results indicate that paternalistic leadership has a positive impact on organisational learning and knowledge sharing.	By contrast, when organizations express their concerns for the everyday lives of their employees and show self-discipline and a lack of selfishness by treating employees fairly, employees tend to reciprocate their superiors' favor by suggesting ideas to improve work in the organization
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## 2.6 Theoretical Framework

This section presented the theories used in the study; Transformational Leadership Theory, Psychological Empowerment Theory, Upper Echelons Theory and Resource-Based View (RBV) theory.

### 2.6.1 Transformational Leadership Theory

In the past two decades, much attention has been directed to the transformational leadership theory (Judge, 2000). In particular, (İşcan et al., 2014) made a great contribution to the development of this theory by conceptualizing the constructs of transformational leadership and transactional leadership in a more systematic manner, which offers researchers basic concepts and a complete framework. Heslina and Syahrani (2021) proposed that theories of leadership should understand how leaders influence their subordinates to achieve the highest level of performance mainly for more profits of their department or organization rather than their own interests, by focusing on the clarity of a subordinate's role and goals and using rewards and punishment according to the subordinate's behaviors.



Rabiul (2022) argued that transactional leadership is a mutual exchange-process based on the performance of promissory obligations, typified by goal-setting, supervisory control and output control. Transactional leadership is characterized by the following three factors: contingent rewards, a style of leadership which provides material and mental rewards according to the completion of promised obligations by subordinates, based upon specific role and task requirement. Active management-by-exception, refers to a style of leadership whereby the leader carries out positive supervision of performance to avoid mistakes.

Passive management-by-exception, is a style of leadership whereby the leader intervenes only after the appearance of behaviors or mistakes against the requirements. Both forms of management-by-exception result in the leader's attempt to achieve the expected level of performance by preventing or correcting individual mistakes. Although transactional leaders utilize transformational strategies at appropriate moments, they mostly motivate subordinates by means of predicting the future and depicting the vision. The transactional leadership has a predictable impact on innovation behaviors and performance. The transactional leader often assigns tasks to subordinates by the law of "the correct way leads to success", placing an emphasis on performing tasks as they have been performed in the past and using methods that a routine and predictable; thereby reducing the potential for creative performance.

### **2.6.2 Psychological Empowerment Theory**

Empowerment in organizations has gained a lot of attention from scholars over the years (Rahim et al., 2015) suggested that empowerment involves two concepts: first, the objective behavior conducted by the supervisor to the subordinates, which was called managerial empowerment. Second, the subjective psychological state perceived by the subordinates toward the empowerment, which was called psychological

empowerment. Research on the psychological empowerment involves two levels. One level is the individual psychological empowerment research that gradually developed on the basis of the generally recognized measurements developed by (Mohd Shamsuri Md Saad; Tim Mazzarol, 2010) and the other level is the empowerment climate research, which originated in the classical demonstration of team empowerment.

Research on empowerment climate has been increasing due to the highly popularized cross-level research in the recent years. Psychological empowerment is a psychological state of a subordinate resulting from empowerment practices (Hussein et al., 2016). Psychological empowerment has been conceptualized as a multidimensional construct consisting of impact that is degree to which employees feel their work affects the effectiveness of their organization, competence that is perceived ability to perform their tasks well, meaningfulness for example, belief that their work is important, and self-determination for example, perceived autonomy at work (Vargas, 2015)

Through an 8-year study of 10 organizations, Gerçek (2023) proposed a macro view of empowerment called empowerment climate. Randolph identified three sets of organizational practices which are essential to empowerment climate. The three key practices are: information sharing, autonomy through boundaries, and team accountability. With information sharing, employees are provided with strategic business information on costs, productivity, quality, and financial performance of the organization. The practice of autonomy through boundaries encourages employees to develop work goals, procedures and areas of responsibility independently. Finally, team accountability delegates the locus of decision-making to the teams. Psychological empowerment differs from empowerment climate is that the later emphasizing on the process of delegating of authorities whereas the former has more

to do with enabling a heightened sense of self and motivation at work (Lee and Koh, 2011). Organizations can delegate duties and responsibilities down the hierarchy. However, the act of delegation does not necessarily mean that the delegated employees will feel empowered.

### **2.6.3 Upper Echelons Theory**

In response to the scepticism about the impact of leaders, three streams of leadership research emerged (Elenkov, Judge & Wright, 2005: 667). First, Hambrick articulated an ambitious research agenda set out to provide a stronger argument for leadership in the strategic management literature (Scuotto et al., 2017) and labelled this the “upper echelons perspective”.

According to (Inkinen, 2016) this had a profound impact on our understanding of organizational processes and outcomes. While the upper echelons perspective expanded understanding of strategic leadership, it has been criticized for not directly studying actual strategic leadership behavior. Instead, it used demographic proxies and inferred strategic leadership behaviors. Most of these studies have been conducted in Western developed (predominantly the United States) economies. As such, the way in which strategic leadership behaviors vary throughout the world is unknown and relatively unexplored (Elenkov et al., 2005: 667).

Bowing to leadership skeptics, the upper echelons research has also recognized that sometimes top managers matter significantly to organizational outcomes, and sometimes not at all – they are often somewhere in between, depending on how much discretion or latitude of action they are afforded. Discretion exists when there is an absence of constraints in decision making and when there are many plausible alternative courses of strategic action. With more discretion, top managers are more likely to realize their original intentions and vice versa. In a nutshell, according to

Elenkov et al. (2005), the upper echelons perspective has provided sound theoretical and a number of empirical arguments for the central role of strategic leadership. The new leadership theories focus on charismatic, transformational and visionary leadership. In contrast to upper echelons and strategic leadership, these theories emphasize the interpersonal processes between leader and followers (Boal & Hooijberg, 2011: 525).

Theories of charismatic leadership emphasize the personal identification of the followers with their leader. Charismatic theories tend to focus on individual level outcomes such as effect, loyalty, identity, commitment, motivation and performance. Personal identification with the leader is the key variable in charismatic theories of leadership (Boal & Hooijberg, 2011: 526)

#### **2.6.4 Resource-Based View (RBV) theory**

Through the viewpoint of (Sang, 2017) the essence of Resource-Based View (RBV) theory is that firms could gain and sustain competitive advantages by constructing and employing valuable resources and capabilities. The RBV also proposed that core capabilities might be identified from capabilities and resources of the firms; where in the RBV, resources and capabilities are usually known as the fundamental structures of the theory (Oladele OP, 2013) Aligned with Barney, Grant (2001) agreed that both resources and capabilities are used as main inputs for the organizational process. Accordingly, RBV theory of the firms suggested that firm success and competitive advantage are achieved by leveraging these unique resources and capabilities to create superior value for customers and stakeholders, ultimately leading to sustained profitability and market leadership.

Innovativeness is a “socially complex and imperfectly imitable resource that generates competitive advantage and better performance” (Jay Barney, 1986; Menguc & Auh, 2006). Since the RBV theory highlights firm innovativeness as a resource (Jay

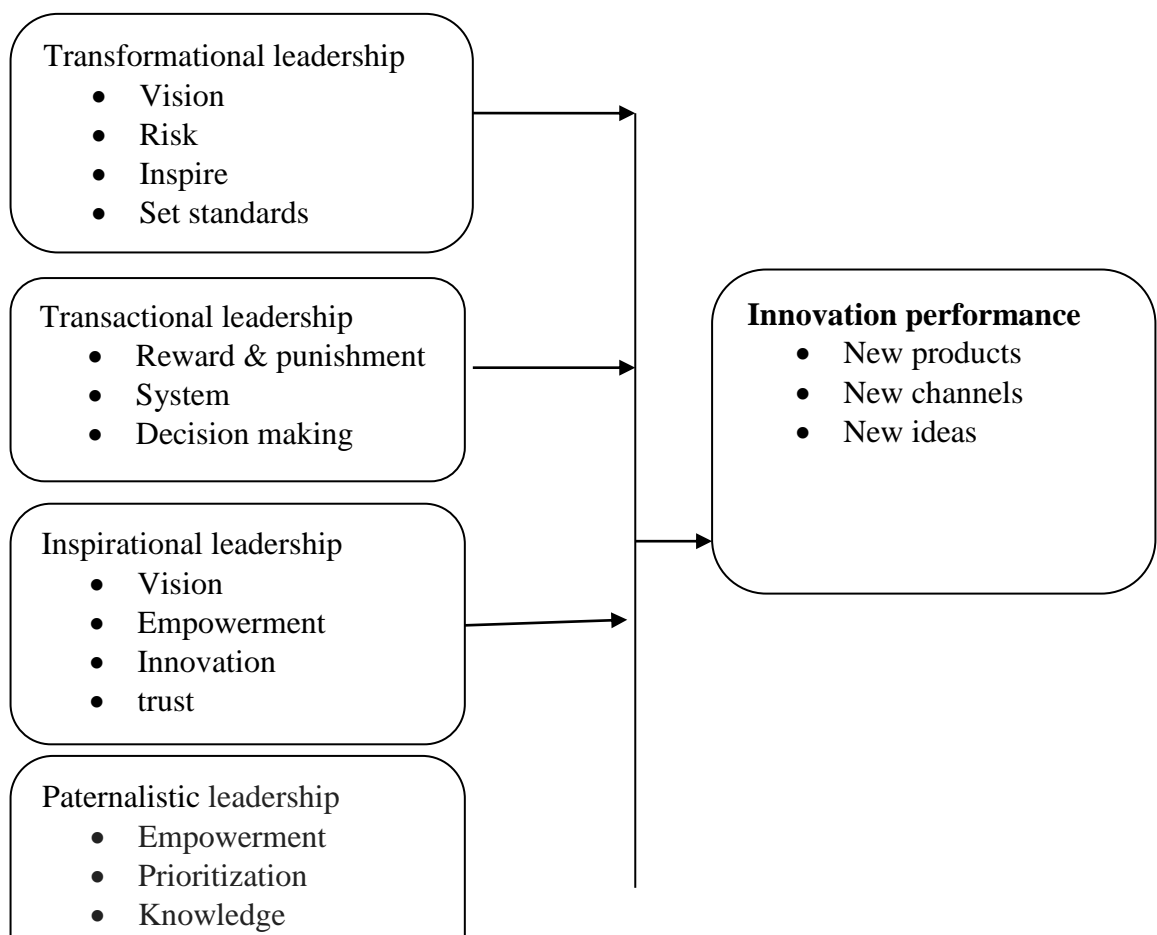
Barney, 1991), the RBV literature proposed that a firm should leverage its variant resources to satisfy customer needs in order to gain a continuous competitive advantage (Peteraf, 1993; Peteraf & Barney, 2003; Tsai & Yang, 2013). This is why firms adopt the innovation; where it is intended to devote to the effectiveness of firm performance, following the RBV theory generally (Damanpour, 2001; Hult et al., 2004). However, in any case, the firm must alter its resources based on the market changes to sustain its competitive advantage from time to time (Barney, Wright, & Kitchen, 2001; Barney, 2011). These RBV perspectives nonetheless suggest that innovativeness of a firm somehow may be affected by certain environmental situations (Tsai & Yang, 2013).

## 2.7 Conceptual Framework

The conceptual framework for this study has two variables, the dependent variable and independent variables. This is the diagram illustrating the interrelationship between different variables (independent) and how they affect the dependent variables. It assists in simplifying the research proposed for easier understanding and conceptualization. Figure 2.1 present conceptual framework.

### Independent Variables

### Dependent Variable





### **Figure 2.1 Conceptual Framework**

The conceptual framework shows the relationship between the independent and dependent variables. The independent variables were: transformational leadership which were measured through; vision, risk, inspire and set standards. Transactional leadership was measured through; reward, punishment, system and decision making. Inspirational leadership was measured through; vision, empowerment, innovation and trust. Paternalistic leadership was measured through; empowerment, prioritization, knowledge and employee satisfaction. All these independent variables have an effect of dependent variable (Innovation performance). The dependent variable was innovation performance which was measured new products, new channels and new ideas.

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter covers the research design, target population, sampling procedure and sample size, data collection method, data validity and reliability, data analysis and presentation, ethical consideration and finally the expected output.

#### 3.1 Study Area

The study area for this research is Uasin Gishu County, with a specific emphasis on Eldoret Town. Uasin Gishu County is located in the Rift Valley region of Kenya and is known for its vibrant economic activities and a thriving small and medium-sized enterprise (SME) sector. Eldoret Town, the county's administrative and economic hub, is selected as the primary focus due to its high concentration of registered SMEs and its significance in the regional business landscape. This choice allows for a more concentrated and relevant investigation into the factors influencing the performance of SMEs in this dynamic urban center.

#### 3.2 Research Design

Research design is described as a blue print or outline for conducting a study in such a way that maximum control will be exercised over factors that could interfere with the validity of the research results (Sileyew, 2019). This study adopts explanatory research. The basic idea behind explanatory research is to measure variables using data collected from a representative sample and then to examine relationships among the variables. In most instances, explanatory research attempts to capture attitude or patterns of past behavior (Bloomfield & Fisher, 2019). The explanations argue that phenomenon Y is affected by variable X. This design is chosen because it applies

closely to the research objectives of this study and is practical in testing the study hypotheses.

### 3.3 Target Population

The target population for this study consisted of registered SMEs operating within Uasin Gishu County, with specific focus on Eldoret Town. According to official records from Uasin Gishu County, there were a total of 1611 registered SMEs in Eldoret Town as of 2019, as reported by the Company Registrar. To ensure the study's focus and relevance, it was narrowed down to specifically include SMEs operating in seven key sectors: financial services, retail, telecommunication, agriculture, hospitality, professional services, and workshop services. This selection was made based on the significance of these sectors in the local economy and their potential to provide valuable insights into the research objectives. Therefore the target population for the study is the 1611 managers/owners of registered small and medium enterprise in Uasin Gishu County.

**Table 3.1: Target Population**

<b>Name of SME</b>	<b>Target population</b>
Financial services	500
Retail	340
Telecommunication	200
Agriculture	110
Hospitality	80
Professional services	61
Workshop services	320
<b>Total</b>	<b>1611</b>

**Source (County Government, Ministry of Trade, 2019)**



### 3.4 Sample Size and Sampling Techniques

#### 3.4.1 Sample Size

A sample size is part of the target/accessible population that has been procedurally selected to represent it. Kang (2021) defines a sample size as the number of items to be selected from the universe (population) to constitute a sample. From the target population of 1611 managers/owners of registered SMEs in Uasin Gishu County, Taro Yamane (1973) sample size formula was used to select a sample size of 290 SMEs as shown below;

$$n = \frac{N}{1 + N e^2} = \frac{1611}{1 + 1611_{0.05}^2} = 290$$

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling on 0.05.

#### 3.4.2 Sampling Technique

Sampling technique is defined as a process of selecting a suitable sample for the purpose of determining the parameters or a description of the strategies, which the researcher uses to select representative respondents from the accessible/target population. The study uses Cluster sampling technique to select the SMEs where owners/managers are picked. Thereafter, SMEs are divided into four clusters (sectors) where the sample size are distributed according to Neyman (1934) allocation formula. The purpose of the method is to maximize survey precision, given a fixed sample size. With Neyman (1934) allocation, the best sample size for stratum h is:

$$n_h = \left( \frac{N_h}{N} \right) n$$

Where,

$n_h$  - The sample size for stratum  $h$ ,

$n$  - Total sample size,

$N_h$  -The population size for stratum  $h$ ,

$N$  - The total population

Hence, distributions were as follows;

**Table 3.2: Sampling**

<b>Name of SME</b>	<b>Target population</b>	<b>Sample size</b>
Financial services	500	69
Retail	340	74
Telecommunication	200	52
Agriculture	110	26
Hospitality	80	14
Professional services	61	13
Workshop services	320	42
<b>Total</b>	<b>1611</b>	<b>290</b>

The researcher assigns random numbers of respondents in each street then calculates the max-value of the sampling interval (the number of individuals in the population divided by the number of individuals to be chosen for the sample, select a random number between 1 and the max-value, and repeatedly add the max value to select the rest of the SMEs. And choose the sample by selecting the SMEs corresponding to the number sequence obtained.

### **3.5 Data Collection Instruments**

The data collection instruments utilized in this research encompasses a mix of primary data gathered through self-administered questionnaires, featuring a Likert scale for rating responses.

#### **3.5.1 Questionnaires**

Instruments refer to the tools to be used for collecting data and how the tools is developed, (Tymms, 2021). The research utilizes both primary data. The primary data on the other hand is obtained from questionnaires. Questionnaires are used to obtain the primary data required for the project, which are self-administered by the researcher in the field. Questionnaires are best suited for surveys (Saunders *et al.*, 2007). This research employs a Likert scale that is, strongly disagrees, strongly agree, in rating the various responses. The respondents are required to read, understand and tick an appropriate choice. The respondents comprises of the SME manager/owners in Eldoret Town. The questionnaires are administered by the researcher so as to obtain more information and also obtain clarity of information obtained from the respondents.

### **3.6 Data Collection Procedures**

To collect primary data, questionnaires are used. Sekaran (2013) suggests that questionnaires are efficient data collection apparatus which provide the researcher to know exactly what is necessary and how to measure the variables of interest. Upon approval of the research thesis, an introductory letter from university, the researcher secured a permit from the National Council for Science and Technology (NACOSTI) for the purpose of conducting research in selected SMEs. When the permission is granted, the researcher seeks appointment with directors' office to approve research conduction in the Region. In addition, the researcher seeks appointment and consult with the SME owners, after which appointments booked within authorities. The

researcher then visits the respective SMEs to obtain samples of employees. The instructions on how to fill the questionnaires are carefully explained to the respondents.

### **3.7 Pilot Study**

To enhance reliability and validity, the questionnaire are pre-tested on 10 respondents who are selected using purposive sampling from SMEs in Nandi County. Nandi County was selected due to proximity to the researcher and homogeneity of the SMES in the two counties. Cronbach's alpha is then used to assess internal consistency and reliability of the questionnaires. This is based on the results of the pilot test obtained. This will reveal vague questions, deficiencies in the questionnaire and provided an opportunity to analyze the data to see if the methods of analysis are appropriate.

### **3.8 Validity and Reliability of the Instruments**

#### **3.8.1 Validity**

According to Clark and Watson (2019) validity is premised on the assumption that what is being studied can be measured and captured. It is thus the extent to which a research instrument is able to measure what was intended to measure. Validity refers to degree to which evidence supports any inferences a researcher makes based on the information collected using particular instrument (Fraenkel, Wallen & Hyun, 2012). In this study, content validity is tested. Content validity, refers to whether an instrument provides adequate coverage of the topic. Expert Opinions, Literature searches and pre-testing of open-ended questions are used to improve the content validity. The questions in the questionnaire are brainstormed with colleagues and thereafter necessary corrections are made. Consequently, the instruments, guidance from the university supervisors and the results of pilot study on open-ended questions helps in the improvement of the content validity.

### 3.8.2 Reliability

According to Sürücü and Maslakci (2020) reliability is the quality attributed to proposition or measures of the degree to which they conform to establish the truth. For this study, reliability is achieved through a pilot test. The research employs the use of questionnaires. The purpose of construct reliability is to show that the items measured are correlated with what they purport to measure and that the items do not correlate with other constrains. Cronbach's alpha is used to determine reliability, where Cronbach's coefficient, having a value of more than 0.6 is considered adequate for such explanatory work (Amirrudin, Nasution & Supahar, 2021).

The pilot study results are presented in Table 3.3.

**Table 3.3 Reliability Test Results**

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Transformational leadership style	.865	4
Transactional leadership style	.805	4
Inspiration leadership style	.721	4
Paternalistic leadership style	.800	4

The reliability results using the Cronbach Alpha value indicates that transformational leadership style had a coefficient value of 0. 865. Transformational leadership style had a Cronbach Alpha coefficient of 0.805. Inspiration leadership style had a Cronbach Alpha coefficient of 0.721 and paternalistic leadership style had a Cronbach Alpha coefficient of 0.800. All variables depicted that the value of Cronbach's Alpha was all above 0.7 thus the research instruments used in the study were reliable.

### 3.9 Data Analysis and Presentation

Data analysis was facilitated by use of SPSS (Statistical Package for Social Science) Computer package Version 24. A descriptive method was employed in analyzing

quantitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that was raised in the questionnaires so as to answer the research questions. Descriptive statistics such as frequency distribution, percentages, means and standard deviations were calculated and data presented in form of tables, graphs and charts were used. Inferential statistics were used to draw implications from the data with regard to the regression model.

### **Multiple Regression Model**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots \dots \dots \text{Equation 3.3}$$

**Where:**

**Y;** represents innovative performance of Small and Medium Enterprise

**$\beta_0$ ;** represents regression Constant

**$\beta_1, \beta_4$**  represents coefficient of study variables

**$X_1$ ;** represents transformational leadership

**$X_2$ ;** represents transactional leadership

**$X_3$ ;** represents inspirational leadership

**$X_4$ ;** represents paternalistic leadership

**$\varepsilon$ ;** represents error term

#### **3.9.1 Assumptions on the Model**

Multiple regression analysis is a tool used to predict a dependent variable from multiple independent variables (Harlow, 2005; Stevens, 2009). The independent variables are usually not under experimental control and the variations observed in them are to be accepted for what they are. The focus of multiple regressions is to investigate which, if any of these predictor variables can significantly predict the dependent variable. The correct use of multiple regression model requires that several critical assumptions be satisfied in order to apply the model and establish its validity.

Regression model is thus founded on several assumptions namely; linearity, homoscedasticity, normality, multicollinearity and independence of residuals.

**Linearity assumption** implies that there is a linear relationship between the dependent variable and the set of independent variables. Linearity assumption was evaluated with scatter diagrams (Creswell, & Clark, 2011). Standard multiple regressions can only accurately estimate the relationship between dependent and independent variable if the relationships are linear in nature. In case of non-linear relationships, it is essential to examine analysis for non-linearity. If relationships between dependent and independent variable are not linear, the results of the regression analysis underestimated the true relationships.

**Homoscedasticity** (constant of variance) of the errors, assumption implies that the variation in the residuals is the same for both large and small values of the predicted value of the dependent variable. When variance of errors differs at different values of the independent variables, heteroscedacity is indicated. According to (Berry & Feldman, 2015) and (Tabachnick & Fidell, 2007) slight heteroscedacity has little effect on significance tests; however, when heteroscedacity is marked, it can lead to serious distortions of findings and seriously weaken the analysis thus increasing the possibility of Type I error. Homoscedasticity was tested by the use of Levene's test of equality of error variances.

**The normality assumption** implies that residuals are normally distributed and have a mean of zero. None-normally distributed variables (highly skewed, or variables with substantial outliers) can distort relationships and significance tests. To find out whether residuals follow a normal probability distribution, Kolmogorov-Smirnov was used (Creswell, 2011). Multiple regressions assume that variables have normal distributions (Osborne & Waters, 2002). This means that errors are normally

distributed, and that a plot of the values of the residuals approximated a normal curve (Keith, 2006). The assumption is based on the shape of normal distribution and gives the researcher knowledge about what values to expect. Screening for normality is an important early step when conducting multiple regression, as residuals are normally distributed is assumed (Stevens, 2009; Tabachnick & Fidell, 2006). Non-normal distributions that are positively or negatively skewed contain large skewness and kurtosis, or have extreme outliers that can distort the obtained significance levels of the analysis resulting in the standard errors becoming biased and the overall accuracy of the results (Osborne & Waters, 2002).

**The assumption of multicollinearity** implies that there is no correlation between independent variables. This was tested using tolerance and variance inflation factor (VIF). A tolerance of below 0.10 or a VIF greater than 10 is regarded as indicative of serious multicollinearity problems. Tolerance below 0.2 indicates a potential problem. When tolerance is close to 1 it implies that there is little multicollinearity. If tolerance is close to 0, it indicates that multicollinearity may be a threat (Field, 2009; Williams, 2015). A VIF greater than 10 is considered unsatisfactory hence the independent variable should be removed from the analysis (Creswell, & Clark, 2011).

**Autocorrelation** is the correlation between members of a series of observations ordered in time or space. A Durbin-Watson test was used to detect the presence of autocorrelation between the variables of this study. According to Gujarat (2009), the Durbin-Watson statistic ranged in value between 0 and 4. A value near 2 indicated non-autocorrelation, a value closer to 0 indicated positive correlation, while a value closer to 4 indicated negative correlation. An autocorrelation test was carried out among the variables of the study. Data presentation was done using tables.



### **3.10 Ethical Considerations**

Permission to carry out the study was sought from the relevant authority and from the managers/owners who participated in the study (Hasan et al., 2021). The researcher took into account the effects of the research on employees and acted in a way that protected their decorum. In this study, the researcher assured all the respondents that the information given would be used for academic purposes only. This was done to ensure honest information would be given and also to enhance the process of data collection. The researcher assured the participants that nobody would be questioned about any information they gave; moreover, no names or personal identification numbers were reflected in the questionnaire, and the numbering of the questionnaires was for ordering purposes only.

## CHAPTER FOUR

### DATA PRESENTATION ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This chapter presents data analysis results, interpretations and discussions. The results based on each objective are also presented in this chapter.

#### 4.2 Response Rate

The researcher administered 290 questionnaires to managers/owners of registered small and medium enterprise in Uasin Gishu County. The response rate results are presented in Table 4.1.

**Table 4.1 Response Rate**

<b>Response Rate</b>	<b>Population</b>	<b>Percentage</b>
Returned	273	95.1
Not returned	17	4.9
<b>Total</b>	<b>290</b>	<b>100</b>

Table 4.1 revealed that out of 290 distributed questionnaires, 273 were correctly filled and returned representing 95.1% response rate. This high response rate of 95.1% was attributed by the researchers follow up on filling of questionnaires and explaining to the respondents where they couldn't understand. The response rate was very good as per the guideline of Mugenda and Mugenda (2003) that a response rate of 50% is adequate for analysis and reporting, a 60% return rate is good while 70% and above is very good.

#### 4.3 Background Information of the Respondents

This section presents results on the gender, age, level of education and position/title of the respondents. Furthermore, presents results on no of employees and years of operations of the organization.

### 4.3.1 Gender of the Respondents

The genders of the respondents from the questionnaires were presented in Table 4.2.

**Table 4.2 Gender of the Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	116	42.5
Female	157	57.5
<b>Total</b>	<b>273</b>	<b>100.0</b>

The study results show that 116 (42.5%) of the respondents were male while 157(57.5%) were female. Despite the fact there was female dominance in SME sector in Uasin Gishu County the 1/3 gender rule has been observed since the composition of either gender exceeds 33.3% which is the required minimum threshold according to the Constitution of Kenya (2010).

### 4.3.2 Age Bracket of the Respondents

The respondents were requested to indicate the age brackets to which they fall in. the results were presented in Table 4.3.

**Table 4.3 Age Bracket of the Respondents**

<b>Age Bracket</b>	<b>Frequency</b>	<b>Percentage</b>
Below 30 Years	113	41.4
Years 30-50	92	33.7
Over 50 Years	68	24.9
<b>Total</b>	<b>273</b>	<b>100.0</b>

Study results in Table 4.3 showed that 113(41.4%) of the respondents were aged below 30 years, 92(33.7%) of the respondents were aged between 30-50 years and 68(24.9%) were over 50 years. This study revealed that majority of the people in SME sector in Uasin Gishu County are youths.

### 4.3.3 Level of Education

The respondents were asked to indicate their highest level of education. The results were presented in Table 4.4.

**Table 4.4 Level of Education**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>
Secondary	222	81.3
Graduate	41	15.0
Post Graduate	10	3.7
<b>Total</b>	<b>273</b>	<b>100.0</b>

The study results in Table 4.4 indicated that 222(81.3%) of the respondents indicated that they were secondary level, 41(15.0%) indicated that they were Graduate and 10(3.7%) indicated that they were post graduate. The results imply that all the respondents were knowledgeable and that their education level was sufficient for effective performance. The results further imply that all the respondents were in a position to understand the topic and the objectives of the study.

### 4.3.4 Number of Employees in the Organization

The respondents were asked to indicate the number of employees in their organization. The results were presented in Table 4.5.

**Table 4.5 Number of Employees in the Organization**

<b>Number of Employees</b>	<b>Frequency</b>	<b>Percentage</b>
Below 5	52	19.0
5-10	165	60.4
Above 10	56	20.5
<b>Total</b>	<b>273</b>	<b>100.0</b>

The study results in Table 4.5 indicated that 52(19.0%) of the respondents indicated that there were less than 5 employees in their organization, 165(60.4%) indicated that there were between 5 and 10 employees and 56(20.5%) indicated that there were more

than 10 employees in the organization. The results imply that majority of the SMEs in Uasin Gishu County have between 5 and 10 employees.

#### 4.3.5 Organization Years of Operations

The respondents were asked to indicate the organization years of operations. The results were presented in Table 4.6.

**Table 4.6 Organization Years of Operations**

<b>Years of Operations</b>	<b>Frequency</b>	<b>Percentage</b>
Below 5 Years	48	17.6
5-10 Years	176	64.5
Above 10 Years	49	17.9
<b>Total</b>	<b>273</b>	<b>100</b>

The study results in Table 4.6 indicated that 48(17.6%) of the respondents indicated that the organization years of operations was less than 5 years, 176(64.5%) indicated that organization years of operations was between 5 and 10 years and 49(17.9%) indicated that organization years of operations was more than 10 years. The results imply that majority of the SMEs in Uasin Gishu County have been on operation between 5 and 10 years.

#### 4.4 Descriptive Analysis

The purpose of descriptive statistics is to enable the researcher, to meaningfully describe a distribution of scores or measurements using indices or statistics. The type of statistics or indices used depends on the types of variables in the study and the scale of measurements. The study used frequencies, percentages, means and standard deviations.

#### **4.4.1 Transformational Leadership Style on SME Innovation Performance**

The first objective of the study was to establish the effect of transformational leadership style on SME innovation performance within Uasin Gishu County. The study results are presented in Table 4.7.

**Table 4.7 Transformational Leadership Style on SME Innovation Performance**

<b>Statements</b>		<b>VLE</b>	<b>LE</b>	<b>ME</b>	<b>SE</b>	<b>NA</b>	<b>Mean</b>	<b>Std. Dev</b>	
1. Leaders in your organization have a clear vision of what to be achieved and clearly communicate this vision.	F	95	119	36	5	18	3.98	1.07	
	%	34.8	43.6	13.2	1.8	6.6			
2. Leaders in your organization have the courage to take new challenges, take calculated risks and make the difficulty decision necessary to achieve the goals	F	106	122	23	9	13	4.09	1.01	
	%	38.8	44.7	8.4	3.3	4.8			
3. Leaders in your organization inspire the team and get them to buy into their vision and execute them in all levels.	F	123	109	9	19	13	4.13	1.08	
	%	45.1	39.9	3.3	7.0	4.8			
4. Leaders in your organization live according to the stand they set.	F	97	136	9	22	9	4.06	1.00	
	%	35.5	49.8	3.3	8.1	3.3			
<b>Valid N</b>		<b>273</b>						<b>4.07</b>	

The study findings in Table 4.7 revealed that 214(78.4%) of the respondents to large extend agreed with the statement that leaders in their organization have a clear vision of what to be achieved and clearly communicate this vision. 23(8.4%) of the respondents to small extend agreed with the statement that leaders in their organization have a clear vision of what to be achieved and clearly communicate this vision. In terms of mean and standard deviation majority of respondents to large extend agreed that leaders in their organization have a clear vision of what to be achieved and clearly communicate this vision (Mean=3.98, standard deviation=1.07). Also, 228(83.5%) of the respondents to large extend agreed that leaders in their organization have the courage to take new challenges, take calculated risks and make the difficulty decision necessary to achieve the goals. However, 22(8.1%) of the

respondents to small extent agreed that leaders in their organization have the courage to take new challenges, take calculated risks and make the difficult decision necessary to achieve the goals.

In terms of mean and standard deviation majority of the respondents to large extent agreed that leaders in their organization have the courage to take new challenges, take calculated risks and make the difficult decision necessary to achieve the goals (mean=4.09, standard deviation=1.01). Further, 232(85.0%) of the respondents to large extent agreed that Leaders in their organization inspire the team and get them to buy into their vision and execute them in all levels. 32(11.8%) to small extent agreed that Leaders in their organization inspire the team and get them to buy into their vision and execute them in all levels. In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization inspire the team and get them to buy into their vision and execute them in all levels (mean=4.13, standard deviation=1.08).

Lastly, 233(85.3%) of the respondents to large extent agreed that Leaders in their organization live according to the stand they set. 31(11.4%) of the respondents to small extent agreed that Leaders in their organization live according to the stand they set. In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization live according to the stand they set (mean=4.06, standard deviation=1.00). the findings concur with Aboramadan and Kundi (2020) who argued that transactional leadership is a mutual exchange-process based on the performance of promissory obligations, typified by goal-setting, supervisory control and output control. Transactional leadership is characterized by the following three factors: contingent rewards, a style of leadership which provides material and mental rewards according to the completion of promised obligations by



subordinates, based upon specific role and task requirement. Active management-by-exception, refers to a style of leadership whereby the leader carries out positive supervision of performance to avoid mistakes.

#### 4.4.2 Transactional Leadership Style on SME Innovation Performance

The second objective of the study was to determine the effect of transactional leadership style on SME innovation performance within Uasin Gishu County. The study findings are presented in Table 4.8.

**Table 4.8 Transactional Leadership Style on SME Innovation Performance**

Statements		VLE	LE	ME	SE	NA	Mean	Std.Dev	
1. Leaders in your organization use rewards and punishment to gain compliance from the team.	F	109	100	34	22	8	4.03	1.06	
	%	39.9	36.6	12.5	8.1	2.9			
2. Leaders in your organization work within existing systems and negotiate to attain goals of the organization.	F	94	110	39	9	21	3.90	1.14	
	%	34.4	40.3	14.3	3.3	7.7			
3. Leaders in your organization believe in transforming the work environment to make things better.	F	113	59	64	25	12	3.86	1.18	
	%	41.4	21.6	23.4	9.2	4.4			
4. Leaders in your organization make all the decisions for the team for them to simply follow instructions.	F	52	157	48	8	8	3.87	.86	
	%	19.0	57.5	17.6	2.9	2.9			
<b>Valid N</b>		<b>273</b>						<b>3.92</b>	

The study findings in Table 4.8 revealed that 209(76.5%) of the respondents to large extend agreed that Leaders in their organization use rewards and punishment to gain compliance from the team. Also, 30(11.0%) of the respondents to small extend agreed that Leaders in their organization use rewards and punishment to gain compliance

from the team. In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization use rewards and punishment to gain compliance from the team (mean= 4.03, standard deviation=1.06). Also 204(74.7%) of the respondents to large extent agreed that Leaders in their organization work within existing systems and negotiate to attain goals of the organization. Further, 30(11.0%) of the respondents to small extent agreed that Leaders in their organization work within existing systems and negotiate to attain goals of the organization.

In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization work within existing systems and negotiate to attain goals of the organization (mean=3.90, standard deviation=1.14). Furthermore, 172(63.0%) of the respondents to large extent agreed that Leaders in their organization believe in transforming the work environment to make things better. Also, 37(13.6%) of the respondents to small extent agreed that Leaders in their organization believe in transforming the work environment to make things better. In terms of mean and standard deviation majority of the respondents to large extent agreed that leaders in their organization believe in transforming the work environment to make things better (mean=3.86, standard deviation=1.18)

Lastly, 209(76.5%) of the respondents to large extent agreed that leaders in their organization make all the decisions for the team for them to simply follow instructions. Further, 16(5.8%) of the respondents to small extent agreed that leaders in their organization make all the decisions for the team for them to simply follow instructions. In terms of mean and standard deviation majority of the respondents to large extent agreed that leaders in their organization make all the decisions for the team for them to simply follow instructions (mean=3.87, standard deviation=0.86).

The findings disputes To measure employee innovativeness, leaders completed the 13-item measure that was developed by De Clercq and Pereira (2020), which is a general measure of creative behavior in the workplace and assesses the extent to which employees suggest and implement novel and effective solutions, processes, and procedures. However, the results of all different facets pointed in the negative direction, which indicate that there was a small decrease in employee innovativeness when transactional leadership was present

#### **4.4.3 Inspiration Leadership Style on SME Innovation Performance**

The third objective of the study was to establish the effect of inspiration leadership style on SME innovation performance within Uasin Gishu County. Results are presented in Table 4.9.

**Table 4.9 Inspiration Leadership Style on SME Innovation Performance**

<b>Statements</b>		<b>VLE</b>	<b>LE</b>	<b>ME</b>	<b>SE</b>	<b>NA</b>	<b>Mean</b>	<b>Std. Dev</b>	
1. Leaders in your organization have a clear vision and strategy for the team.	F	110	130	28	0	5	4.25	0.78	
	%	40.3	47.6	10.3	0.0	1.8			
2. Leaders in your organization keep the team focused on goals and strategy even in the midst of turmoil.	F	116	25	35	16	5	4.16	0.95	
	%	42.5	9.2	19.3	5.9	1.8			
3. Leaders in your organization give credit where it's due and recognize that their achievement are rarely theirs alone.	F	101	24	1	4	9	4.15	0.89	
	%	37.0	8.8	0.6	1.5	3.3			
4. Leaders in your organization encourages creative and innovative thinking	F	114	30	50	11	4	4.18	0.89	
	%	41.8	11.0	27.6	4.0	1.5			
<b>Valid N</b>		<b>273</b>						<b>4.19</b>	

The study findings in Table 4.9 revealed that 240(87.9%) of the respondents to large extend agreed that leaders in their organization have a clear vision and strategy for the team. Also, 5(1.8%) of the respondents to small extend agreed that leaders in their organization have a clear vision and strategy for the team. In terms of mean and standard deviation majority of the respondents to large extend agreed that leaders in their organization have a clear vision and strategy for the team (mean= 4.25, standard deviation=0.78). Also, 141(51.7%) of the respondents to large extend agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil. Further, 21(7.7%) of the respondents to small extend agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil.

In terms of mean and standard deviation majority of the respondents to large extent agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil (mean=4.16 standard deviation= 0.95). Further, 125(45.8%) of the respondents to large extent agreed that leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone. However, 12(6.6%) of the respondents to small extent agreed that leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone. In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone (Mean=4.15 standard deviation=0.89).

Lastly, 144(52.8%) of the respondents to large extent agreed that Leaders in their organization encourages creative and innovative thinking. Also, 15(5.5%) of the respondents to small extent agreed that Leaders in their organization encourages creative and innovative thinking. In terms of mean and standard deviation majority of the respondents to large extent agreed that Leaders in their organization encourages creative and innovative thinking (Mean=4.18, standard deviation=0.89). The findings are incoherent with Jack, Passarelli and Boyatzis (2023) who found that people perform more creatively if they are inspired by interest in the activity itself, rather than the promise of rewards or threat of punishments. Creative performance, Amabile discovered, is facilitated by giving individuals high levels of discretion, especially in the use of time. In other words, conditions that allow an individual to work in accordance with their own creative process against their own internal standards encourage and nurture creative performance.

#### 4.4.4 Paternalistic Leadership Style on SME Innovation Performance

The fourth objective of the study was to determine the effect of paternalistic leadership style on SME innovation performance within Uasin Gishu County. Study results were presented in Table 4.10.

**Table 4.10 Paternalistic Leadership Style on SME Innovation Performance**

Statements		VLE	LE	ME	SE	NA	Mean	Std. Dev	
1. Leaders in your organization make employees feel valued and comfortable.	F	132	108	14	9	10	4.26	.97	
	%	48.4	39.6	5.1	3.3	3.7			
2. Leaders in your organization plan prioritize and achieve goals set.	F	131	108	24	5	5	4.30	.85	
	%	48.0	39.6	8.8	1.8	1.8			
3. Leaders in your organization bring the best in employees to achieve goals and personal growth.	F	127	107	23	14	2	4.26	.87	
	%	46.5	39.2	8.4	5.1	.7			
4. Leaders in your organization have extensive knowledge about the work to be done and have superior communication skills.	F	148	85	8	28	4	4.27	1.02	
	%	54.2	31.1	2.9	10.3	1.5			
<b>Valid N</b>		<b>273</b>						<b>4.27</b>	

The study findings in Table 4.10 revealed that 240(88.0%) of the respondents to large extend agreed that Leaders in their organization make employees feel valued and comfortable. Further, 19(7.0%) of the respondents to small extend agreed that Leaders in their organization make employees feel valued and comfortable. In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization make employees feel valued and comfortable (Mean=4.26, standard deviation=0.97). Also, 239(87.6%) of the respondents to large extend agreed

that Leaders in their organization plan prioritize and achieve goals set. However, 10(3.6%) of the respondents to small extend agreed that Leaders in their organization plan prioritize and achieve goals set.

In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization plan prioritize and achieve goals set (Mean=4.30, standard deviation=0.85). Further, 234(85.7%) of the respondents to large extend agreed that Leaders in their organization bring the best in employees to achieve goals and personal growth. Further, 16(12.1%) of the respondents to small extend agreed that Leaders in their organization bring the best in employees to achieve goals and personal growth. In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization bring the best in employees to achieve goals and personal growth (Mean=4.26, standard deviation=0.87).

Lastly, 233(85.3%) of the respondents to large extend agreed that Leaders in their organization have extensive knowledge about the work to be done and have superior communication skills. Also, 32(11.8%) of the respondents to small extend agreed that Leaders in their organization have extensive knowledge about the work to be done and have superior communication skills. In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization have extensive knowledge about the work to be done and have superior communication skills (Mean=4.27, standard deviation=1.02). The findings are in agreement with argument of Saunila, (2016) that as leaders, organizations make a critical contribution to facilitating employee voice. Employees assess the behaviors of their superiors with regard to voice and act accordingly. According to the perspectives of social exchange

theory, individuals in an exchange relationship voluntarily provide favors to other parties who provide benefits to them

#### 4.4.5 Leadership Styles on Innovative Performance

The main objective of the study was to effect of strategic leadership styles on innovative performance among small and medium enterprise in Uasin Gishu County.

Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to organizational quality management. The study results are presented in Table 4.11.

**Table 4.11 Leadership Styles on Innovative Performance**

Statements		VLE	LE	ME	SE	NA	Mean	Std. Dev
1. Fresh ideas are always implemented in our organization.	F	136	105	13	9	10	4.27	.97
	%	49.8	38.5	4.8	3.3	3.7		
2. Our organization seeks new ways for the implementation of the work.	F	138	102	23	5	5	4.33	.85
	%	50.5	37.4	8.4	1.8	1.8		
3. Creativity in the working methods is key in our organization.	F	124	108	22	15	4	4.22	.92
	%	45.4	39.6	8.1	5.5	1.5		
4. Our organization is generally the first in the market with new products and services.	F	142	89	10	28	4	4.23	1.02
	%	52.0	32.6	3.7	10.3	1.5		
5. Innovation is accepted as a risk in our organization and it shows resistance to the innovation.	F	125	112	22	12	2	4.27	.84
	%	45.8	41.0	8.1	4.4	.7		
6. New products and services introduced to the market have increased over the last 5 years.	F	137	95	13	24	4	4.23	.99
	%	50.2	34.8	4.8	8.8	1.5		
<b>Valid N</b>		<b>273</b>					<b>4.26</b>	



The study findings in Table 4.11 revealed that 241(88.3%) of the respondents to large extend agreed that Fresh ideas are always implemented in their organization. Also, 19(7.0%) of the respondents to small extend agreed that Fresh ideas are always implemented in their organization. In terms of mean and standard deviation majority of the respondents to large extend agreed that Fresh ideas are always implemented in their organization (Mean=4.27, standard deviation=0.97). Also, 240(87.9%) of the respondents to large extend agreed that their organization seeks new ways for the implementation of the work. Further 10(3.6%) of the respondents to small extend agreed that their organization seeks new ways for the implementation of the work. In terms of mean and standard deviation majority of the respondents to large extend agreed that their organization seeks new ways for the implementation of the work (Mean=4.33, standard deviation=0.85).

Furthermore, 232(85.0%) of the respondents to large extend agreed that Creativity in the working methods is key in their organization. Also, 19(7.0%) of the respondents to small extend agreed that Creativity in the working methods is key in their organization. In terms of mean and standard deviation majority of the respondents to large extend agreed that Creativity in the working methods is key in their organization (Mean=4.22, standard deviation=0.92). In addition, 231(88.2%) of the respondents to large extend agreed that their organization are generally the first in the market with new products and services. Also, 32(11.8%) of the respondents to small extend agreed that their organization are generally the first in the market with new products and services. In terms of mean and standard deviation majority of the respondents to large extend agreed that their organization are generally the first in the market with new products and services (Mean=4.23, standard deviation=1.02).

More so, 237(86.8%) of the respondents to large extent agreed that Innovation are accepted as a risk in their organization and it shows resistance to the innovation. Also, 14(5.1%) of the respondents to small extent agreed that Innovation are accepted as a risk in their organization and it shows resistance to the innovation. In terms of mean and standard deviation majority of the respondents to large extent agreed that Innovation are accepted as a risk in their organization and it shows resistance to the innovation (Mean=4.27, standard deviation=0.84). Finally, 232(85.0%) of the respondents to large extent agreed that new products and services introduced to the market have increased over the last 5 years. Also, 28(10.2%) of the respondents to small extent agreed that new products and services introduced to the market have increased over the last 5 years. In terms of mean and standard deviation majority of the respondents to large extent agreed that new products and services introduced to the market have increased over the last 5 years (Mean=4.23, standard deviation=0.99).

#### **4.5 Multiple Regression Assumptions Test**

Multiple regression assumptions were runned prior to conducting a regression model. The assumptions of regression runned were; linearity, homoscedasticity, normality, multicollinearity and autocorrelation assumptions.

##### **4.5.1 Test of Linearity**

Correlation analysis was used in testing of linearity of the data. If there is a significant correlation between independent variables and dependent variable it implies that there is a linear relationship between the variables. If the correlation coefficient is significantly not different from zero it implies that there is no significant linear relationship between independent variables and dependent variable. The test for linearity results is presented in Table 4.12.

**Table 4.12 Linearity Test**

<b>Variables</b>	<b>Pearson Correlation</b>	<b>Sig.</b>
Transformational leadership	.376**	.000
Transactional leadership style	.356**	.000
Inspirational leadership style	.445**	.000
Paternalistic leadership style	.450**	.000

\* Correlation significant at the 0.01 level (2-tailed).

Results presented in Table 4.12 revealed transformational leadership had a correlation coefficient of 0.376. Transactional leadership style had a correlation coefficient of 0.356. Inspirational leadership style had a correlation coefficient of 0.445 and paternalistic leadership style had a correlation coefficient of 0.450\*\*. These implied that the correlation coefficient values for the four study variables were different from zero indicating that the linearity assumption was made. This gave an implication that the data used were linear.

#### **4.5.2 Homoscedasticity Assumption**

Levene's test of equality of error variances was used to homoscedasticity assumption.

The assumption test results are presented in Table 4.13.

**Table 4.13 Homoscedasticity Assumption**

<b>Variable</b>	<b>Levene Statistic</b>	<b>df1</b>	<b>df2</b>	<b>Sig.</b>
Transformational leadership	1.690	20	262	.350
Transactional leadership style	5.120	18	264	.194
Inspirational leadership style	8.176	20	262	.303
Paternalistic leadership style	3.742	22	260	.143

The study results in Table 4.13 indicated that the p-value in Levene's test for transformational leadership was 0.350, transactional leadership style 0.194, inspirational leadership style 0.303 and paternalistic leadership style 0.143 which was

above 0.05. Thus, the homoscedasticity assumption was made showing that data used had no heteroscedasticity.

#### 4.5.3 Normality Assumption Test

Kolmogorov-Smirnov and Shapiro-Wilk were used to test the normality of the data used in the study. The normality assumptions test results are presented in table 4.14.

**Table 4.14 Normality Assumption Test**

<b>Variables</b>	<b>Kolmogorov-Smirnov<sup>a</sup></b>	<b>Sig.</b>	<b>Shapiro-Wilk</b>	<b>Sig.</b>
Transformational leadership style	.327	.193	.750	.145
Transactional leadership style	.256	.208	.809	.108
Inspirational leadership style	.256	.261	.754	.165
Paternalistic leadership style	.275	.149	.711	.218

Normality Assumption Test results in Table 4.14 established that the data was normally distributed since the significance values for both Kolmogorov-Smirnov and Shapiro-Wilk were greater than 0.05. The study findings indicated that transformational leadership style had kolmogorov-smirnov significance value  $p=.193 > 0.05$  and Shapiro-Wilk significance value  $p=.145 > 0.05$ . Transactional leadership style had kolmogorov-smirnov significance value  $p=.208 > 0.05$  and Shapiro-Wilk significance value of  $p=.108 > 0.05$ . Inspirational leadership style had kolmogorov-smirnov significance value of  $p=.261 > 0.05$  and Shapiro-Wilk significance value of  $p=.165 > 0.05$ . Paternalistic leadership style ad kolmogorov-smirnov significance value of  $p=.149 > 0.05$  and Shapiro-Wilk significance value of  $p=.218 > 0.05$ .

#### 4.5.4 Multicollinearity Assumption Test

Multicollinearity assumption test was tested using tolerance and variance inflation factor (VIF). Multicollinearity assumption test results are shown in Table 4.15.

**Table 4.15 Multicollinearity Assumption Test**

<b>Variables</b>	<b>Tolerance</b>	<b>VIF</b>
Transformational leadership style	.734	1.363
Transactional leadership style	.842	1.188
Inspirational leadership style	.850	1.177
Paternalistic leadership style	.739	1.354

The study finding in Table 4.15 revealed that transformational leadership style had a tolerance=0.734 and variance inflation factor =1.363. Transactional leadership style =0.842 and variance inflation factor=1.188. Inspirational leadership style had a tolerance= 0.850 and variance inflation factor =1.177. Paternalistic leadership style =0.739 and variance inflation factor = 1.354. This implied that the tolerance values for the four study variables were all above 0.1 and VIF values were also less than 10. Therefore, there was no multicollinearity assumption problem.

#### **4.5.5 Autocorrelation Assumption Test**

Autocorrelation assumption test was conducted using Durbin-Watson. The autocorrelation assumption test results are presented in Table 4.16.

**Table 4.16 Autocorrelation Assumption Test**

<b>R</b>	<b>R Square</b>	<b>Adjusted Square</b>	<b>R Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
.587 <sup>a</sup>	.344	.335	.66951	1.462

The study results in Table 4.16 revealed that the value of Durbin–Watson coefficient was 1.462. This implied the autocorrelation assumption was made since the Durbin-Watson was within the range of 0 to 4. The recommended threshold of Durbin-Watson value is 1.0-2.5. Therefore, the Durbin-Watson Coefficient of 1.462 indicates that observations are within the threshold.

## **4.6 Inferential Analysis**

Inferential analysis used in this section were correlation and multiple regression models. Correlation and multiple regression analysis showed the relationship between independent variables and the dependent variable.

### **4.6.1 Correlation Analysis**

Pearson correlation analysis was carried out to show the strength and direction of the association between strategic leadership styles and innovation performance in small and medium enterprises within Uasin- Gishu County. Table 4.17 present the results.

**Table 4.17 Multiple Correlation Analysis Results**

		<b>SME innovatio n performa nce</b>	<b>Transformat ional leadership</b>	<b>Transacti onal leadershi p style</b>	<b>Inspirati onal leadershi p style</b>	<b>Paternali stic leadershi p style</b>
SME innovation performance	Pearson Correlat ion Sig. (2- tailed)	1				
Transformat ional leadership	Pearson Correlat ion Sig. (2- tailed)	.376**	1			
Transaction al leadership style	Pearson Correlat ion Sig. (2- tailed)	.356**	.334**	1		
Inspirational leadership style	Pearson Correlat ion Sig. (2- tailed)	.445**	.314**	.242**	1	
Paternalistic leadership style	Pearson Correlat ion Sig. (2- tailed)	.450**	.451**	.318**	.320**	1
	N	273	273	273	273	273

The study findings in Table 4.17 indicated that transformational leadership and innovative performance had a positive moderate and statistically significant correlation ( $r= 0.376^{**}$ ;  $p<0.01$ ). The findings of the study indicate a moderate, positive and statistically significant correlation between transactional leadership style and innovative performance ( $r=0.356^{**}$ ;  $p<0.01$ ). The study established that there exist a moderate, positive and statistically correlation between inspirational leadership style and innovative performance ( $r=0.445^{**}$ ;  $p<0.01$ ). It was noted that there exist a moderate, positive and statistically significant relationship between paternalistic leadership style and innovative performance ( $r=.450^{**}$ ;  $p <0.01$ ). According Orodho

(2003) a strong correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. Correlation coefficient can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of zero means that there is no relationship between variables being tested.

#### 4.6.2 Results for Multiple Regression Analysis

Multiple regression analysis was run to establish the effect of strategic leadership styles on innovation performance in small and medium enterprises within Uasin-Gishu County.

#### 4.6.3 Model Summary

The coefficient of determination ( $R^2$ ) and correlation coefficient (R) shows the degree of association between strategic leadership styles and innovation performance in small and medium enterprises within Uasin- Gishu County. The results are presented in Table 4.18.

**Table 4.18 Multiple Regression Model Summary**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.587 <sup>a</sup>	.344	.335	.66951

The results of the regression in Table 4.18 indicated that  $R^2$  value was 0.344 and R value was 0.587. R value of 0.587 gave an indication that there was a moderate linear relationship between strategic leadership styles and innovation performance in small and medium enterprises within Uasin- Gishu County. The  $R^2$  indicates that explanatory power of the independent variables was 0.344. This implied that about 34.4% of the variation in innovation performance in small and medium enterprises



within Uasin- Gishu County is explained by the regression model. The adjusted  $R^2$  of 0.335 is slightly lower than the  $R^2$  value.

#### 4.6.4 Regression Model Fitness Test

Model fitness was runned to find out if model best fit for the data. The study results were presented in Table 4.19.

**Table 4.19 Regression Model Fitness Results**

	<b>Sum Squares</b>	<b>of df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	65.457	4	16.364	36.508	.000 <sup>b</sup>
Residual	124.611	271	.448		
Total	190.069	272			

Table 4.19 showed that F-statistics produced ( $F = 36.51$ ) which was significant at  $p=0.000$  thus confirming the fitness of the model. This implies that the multiple regression models were good fit for the data. Hence transformational leadership, transactional leadership style, inspirational leadership style and paternalistic leadership style affect innovation performance in small and medium enterprises within Uasin- Gishu County. The F value indicates that all the variables in the equation are important hence the overall regression is significant.

#### 4.7.5 Regression Model Coefficients

Regression model coefficients were runned in order to use in the regression equation.

The study results are presented in Table 4.20.

**Table 4.20 Regression Model Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.934	.279		3.343	.001
Transformational leadership style	.119	.058	.116	2.048	.041
Transactional leadership style	.157	.050	.167	3.156	.002
Inspirational leadership style	.258	.047	.287	5.455	.000
Paternalistic leadership style	.271	.061	.252	4.463	.000

The study results in Table 4.20 revealed that there was positive linear effect of transformational leadership style on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_1=.119$ ,  $p=0.041$ ). This reveals that an improvement in transformational leadership leads to increase in innovation performance in small and medium enterprises within Uasin- Gishu County 0.119 units. It was further established that transactional leadership style has a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_2=.157$ ,  $p=0.002$ ).

This implies that an improvement in transactional leadership style leads to increase in innovation performance in small and medium enterprises within Uasin- Gishu County by 0.157 units. Inspirational leadership style was found to have a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_3=.258$ ,  $p=0.000$ ). This indicates that an improvement in inspirational leadership style leads to increase innovation performance in small and medium enterprises within Uasin- Gishu County by 0.258 units. Finally, paternalistic

leadership style was found to have a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_4=.271$ ,  $p=0.000$ ). This gave an implication that an improvement in paternalistic leadership style leads to increase in increase innovation performance in small and medium enterprises within Uasin- Gishu County by 0.271 units. Thus, the regression equation becomes;

$$Y = .934 + 0.119X_1 + 0.157X_2 + 0.258X_3 + 0.271X_4 + \dots \dots \dots \text{Equation 4.1}$$

#### 4.8 Hypotheses Testing

The research aimed to test the hypothesis with an aim of making a decision of rejecting or failing to reject the null hypothesis. From the regression model computed in Table 4.21. The regression results in Table 4.21 indicate that transformational leadership style have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_1=.119$ ,  $p<0.05$ ). Therefore, study rejected the null hypothesis: **H<sub>01</sub>**: that transformational leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County and concluded that transformational leadership style has a statistically significant effect on innovation performance in small and medium enterprises.

The regression results in Table 4.21 further indicated that transactional leadership style have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_2=.157$ ,  $p<0.05$ ). Therefore, the study rejected the null hypothesis **H<sub>02</sub>**: that transactional leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County and concluded that transactional leadership style has statistically significant effect on innovation performance in small and

medium enterprises. This disagrees with Moss and Ritossa's (2007) findings which failed to show a significant relation. Hence, there might be factors that influence the relation between transactional leadership and employee innovativeness. Two moderators that affect this relationship are psychological empowerment and empowering climate, both related to empowerment theory. Empowerment theory states that psychologically empowered individuals see themselves as self-determined and competent and that their work has organizational impact and is meaningful (Sun, Zhang, Qi & Chen, 2011). This would enhance employees' motivation and results in an energized state to engage in innovative behavior.

The regression results in Table 4.21 indicate that inspirational leadership style have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_3=.258$ ,  $p<0.05$ ). The study rejected the null hypothesis **H<sub>03</sub>**: that inspirational leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County and concluded that inspirational leadership style has a statistically significant effect on innovation performance in small and medium enterprises.

The regression results in Table 4.21 further, indicated that paternalistic leadership style have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta_4=.271$ ,  $p<0.05$ ). The study therefore, rejected the null hypothesis **H<sub>04</sub>**: that paternalistic leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County and concluded that paternalistic leadership style has statistically significant effect on innovation performance in small and medium enterprises.

**Table 4.21 Summary of Hypotheses Test Results**

Hypotheses	$\beta$ , p-value	Decision
<b>H<sub>01</sub></b> : Transformational Leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County.	$\beta_1=0.119, p=0.041$	<b>H<sub>01</sub></b> was rejected
<b>H<sub>02</sub></b> : Transactional Leadership Style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County.	$\beta_2=0.157, p=0.02$	<b>H<sub>02</sub></b> was rejected
<b>H<sub>03</sub></b> : Inspirational Leadership Style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County.	$\beta_3=0.258, p= 0.000$	<b>H<sub>03</sub></b> was rejected
<b>H<sub>04</sub></b> : Paternalistic Leadership Style does not have a statistically significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County.	$\beta_4=0.271, p=0.000$	<b>H<sub>04</sub></b> was rejected

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### **5.1 Introduction**

This chapter summarizes the findings and makes conclusions based on the results of the findings.

#### **5.2 Summary of the Study Findings**

This section presents the summary of transformational leadership, transactional leadership style, inspirational leadership style and paternalistic leadership style on innovation performance in small and medium enterprises

##### **5.2.1 Transformational Leadership Style and SME Innovation Performance**

The first study objective sought to establish the effect of transformational leadership style on SME innovation performance within Uasin Gishu County. The study found out that the respondents to large extent agreed on all of the all aspects of transformational leadership style. The study rejected the null hypothesis that transformational leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises. They agreed that not only do the leaders in their organization have a clear vision of what to be achieved and clearly communicate this vision but they also have the courage to take new challenges, take calculated risks and make the difficulty decision necessary to achieve the goals. In addition, the Leaders in the organization inspire the teams and get them to buy into their vision and execute them in all levels. Hence leaders in their respective organization live according to the stand they set thus this has led to improved innovation performance in their small and medium enterprises.

### **5.2.2 Transactional Leadership Style and SME Innovation Performance**

The second study objective sought to determine the effect of transactional leadership style on SME innovation performance within Uasin Gishu County. The study found out that the respondents to large extent agreed on all of the all aspects of transactional leadership style. The study rejected the null hypothesis that Transactional Leadership Style has a statistically significant effect on innovation performance in small and medium enterprises. They agreed that their leaders in their respective organization use rewards and punishment to gain compliance from the teams. Also, the leaders work within existing systems and negotiate to attain goals of the organization. In addition, their leaders believe in transforming the work environment to make things better. However, on the other hand as leaders they make all the decisions for the teams for them to simply follow instructions.

### **5.2.3 Inspiration Leadership Style and SME Innovation Performance**

The third study objective sought to establish the effect of inspiration leadership style on SME innovation performance within Uasin Gishu County. The study found out that the respondents to large extent agreed on all of the all aspects of inspiration leadership style. The study rejected the null hypothesis that inspirational leadership style has a statistically significant effect on innovation performance in small and medium enterprises. They agreed that leaders have a clear vision and strategy for the teams in their respective organization. This has helped the leaders to keep the teams focused on goals and strategy even in the midst of turmoil. Also, Leaders give credit where it's due and recognize that their achievement are rarely theirs alone. In addition, leaders encourage creative and innovative thinking in their respective organizations hence there have been a clear improvement in SME innovation performance.

#### **5.2.4 Paternalistic Leadership Style and SME Innovation Performance**

The last study objective sought to determine the effect of paternalistic leadership style on SME innovation performance within Uasin Gishu County. The study found out that paternalistic leadership style was statistically significant and has a positive influence on SME innovation performance. The study rejected the null hypothesis that paternalistic leadership style does not have a statistically significant effect on innovation performance in small and medium enterprises. They agreed that leaders make employee's feel valued and comfortable in their respective organizations. In addition, leaders bring the best in employees to achieve goals and personal growth. More so leaders plan, prioritize and achieve goals set this may be attributed to the facts that as leaders. they have extensive knowledge about the work to be done and have superior communication skills.

#### **5.3 Conclusions of the Study**

The study concluded that transformational leadership style has a positive impact on SME innovation performance within Uasin Gishu County. Transformational leadership style and innovation performance had a positive and statistically significant correlation there was positive linear effect of transformational leadership style on SME innovation performance within Uasin Gishu County. This reveals that an improvement in transformational leadership style leads to increase in on SME innovation performance.

The study also concluded that transactional leadership style has a positive influence on SME innovation performance within Uasin Gishu County. The findings of the study indicate a positive and statistically significant correlation between transactional leadership style and SME innovation performance within Uasin Gishu County. Transactional Leadership Style has ensured that rewards



and punishment has been used to gain compliance from the employees. Also, it has allowed the leaders work within existing systems and negotiate to attain goals of the organization. Further, the study concludes that inspiration leadership style has a positive influence on SME innovation performance within Uasin Gishu County. Due to the fact that Leaders have a clear vision and strategy for the team's inspiration leadership style helps the leaders to keep employees focused on goals and strategy even in the midst of turmoil. Also due to leadership encouragement, creativeness and innovative thoughts in their respective organizations leads to a clear improvement in SME innovation performance.

Finally, the study concluded that paternalistic leadership style has a positive and significant effect on SME innovation performance within Uasin Gishu County. Paternalistic leadership style allows leaders to make employee's feel valued and comfortable in their respective duties which have helped in bring the best in them in achieving their goals and personal growth hence improvement in SME innovation performance.

#### **5.4 Recommendations of the Study**

The study recommends transactional leadership style is implemented in the SMEs within Also, Uasin Gishu County since it ensures that rewards and punishment has been used to gain compliance from the employees. Also, it has allowed the managers work within existing systems and negotiate to attain goals of the organization. Also, the study recommends that SMEs within Also, Uasin Gishu County adopts paternalistic leadership style since it allows managers to make employee's feel valued and comfortable in their respective duties which helps in bring the best in them in achieving their goals and personal growth. Further, the study recommended SMEs

within Uasin Gishu County ensure that they improve in transformational leadership style since it leads to increase in innovation performance of their organization. Lastly the study recommends SMEs managers should ensure that they have a clear vision and strategy for the employees by deploying inspiration leadership style which clearly leads to improvement in innovation performance.

### **5.5 Limitations of the Study**

Some respondents refused to answer questions and others gave exaggerated information on strategic leadership and innovation. Researcher convinced them with a promise to keep all information confidential. The other limitation of the study was dealing with the busy SME managers, some of whom had no time to fill questionnaires. It was difficult to obtain sufficient information from such people. However, most of the SME managers who were busy or could not fill the questionnaire; requested their representatives to fill the questionnaires on their behalf.

### **5.6 Suggestions for Further Studies**

In view of the findings and conclusions of this study and its recommendations, these areas are further investigated: More study should be carried out to expand the scope to include how strategic leadership styles affect innovative performance at large scale enterprises or big companies. Future researchers should focus on how entrepreneurial orientations can moderate the relationship between strategic leadership styles and innovation performance of small and medium enterprises.

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**APPENDICES**

**Appendix I: Questionnaire Survey**

The questionnaire forms part of a MBA study conducted under supervision of the School of Business, University of Eldoret and will only be used for academic purposes.

This questionnaire consists of three sections. Please mark the appropriate box with a tick [√].

**SECTION A: GENERAL INFORMATION**

i) Name of the Organization (Optional) .....

ii) Respondent’s Position/Title .....

iii) Gender: Male  female

iv) Age: Below 30  ars 30-50  y  over 50 years

v) Academic level: O level Graduate  ost graduate

Other qualification

vi) Number of employees in the organization: .....

vii) How long has the organization been in operation? .....

**SECTION B: STRATEGIC LEADERSHIP STYLES IN THE ORGANISATION**

To what extent are each of the following actions performed in your organization?

<b>Strategic Action</b>	<b>Not at all</b>	<b>Small Extent</b>	<b>Moderate Extent</b>	<b>Large Extent</b>	<b>Very Large Extent</b>
<p><b>Transformational leadership</b></p> <p>i) Leaders in your organization have a clear vision of what to be achieved and clearly communicate this vision.</p> <p>ii) leaders in your organization have the</p>					



<p>courage to take new challenges, take calculated risks and make the difficult decision necessary to achieve the goals</p> <p>iii) Leaders in your organization inspire the team and get them to buy into their vision and execute them in all levels.</p> <p>iv) Leaders in your organization live according to the stand they set.</p>					
<p><b>Transactional leadership style</b></p> <p>i) Leaders in your organization use rewards and punishment to gain compliance from the team.</p> <p>ii) Leaders in your organization work within existing systems and negotiate to attain goals of the organization.</p> <p>iii) Leaders in your organization believe in transforming the work environment to make things better.</p> <p>iv) Leaders in your organization make all the decisions for the team for them to simply follow instructions.</p>					
<p><b>Inspirational leadership style</b></p> <p>i) Leaders in your</p>					

<p>organization have a clear vision and strategy for the team.</p> <p>ii) Leaders in your organization keep the team focused on goals and strategy even in the midst of turmoil.</p> <p>iii) Leaders in your organization give credit where it's due and recognize that their achievement are rarely theirs alone.</p> <p>iv) Leaders in your organization encourage creative and innovative thinking.</p> <p>v) Leaders in your organization trust the team with Important tasks and decision.</p>					
<p><b>Paternalistic leadership style</b></p> <p>i) leaders in your organization make employees feel valued and comfortable,</p> <p>ii) Leaders in your organization plan prioritize and achieve goals set.</p> <p>iii) Leaders in your organization bring the best in employees to achieve goals and personal growth.</p> <p>iv) Leaders in your organization have extensive knowledge about the work to be done and have superior</p>					

communication skills.					
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### SECTION C: INNOVATIVE PERFORMANCE

Please complete the following matrix by ticking in the box against each statement.

The box you tick should be the most representative of your organization.

Aspects of performance	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent
Fresh ideas are always implemented in our organization.					
Our organization seeks new ways for the implementation of the work.					
Creativity in the working methods is key in our organization.					
Our organization is generally the first in the market with new products and services.					
Innovation is accepted as a risk in our organization and it shows resistance to the innovation.					
New products and services introduced to the market have increased over the last 5 years.					

## Appendix II: Permit Application Letter From University



P.O. Box 1125-30100, ELDORET, Kenya  
 e-mail hodbusinessmgt@uoeld.ac.ke  
 Mob: 0721669055

**OFFICE OF THE DEPUTY VICE CHANCELLOR (ASA)  
 SCHOOL OF BUSINESS & MANAGEMENT SCIENCES  
 Department of Business Management**

REF: UOE/B/BBM/RP&S/037

DATE: 18<sup>th</sup> March, 2021

TO WHO IT MAY CONCERN

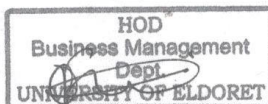
Dear Sir/Madam,

**SUBJECT: APPLICATION FOR RESEARCH PERMIT - LINDA ACHIENG OKONJO**

Reference is made to the above named who is applying to the National Commission for Science Technology and Innovation for a Research permit.

Ms Linda is a student at University of Eldoret undertaking a Master Degree in Business Management in the School of Business and Management Sciences. She has completed presenting her research proposal titled. Effect of Strategic Leadership Styles on Innovative Performance Among Small and Medium Enterprise in Uasin Gishu County.

Any assistance accorded to her is highly appreciated by this institution.



*for* **DR. MWENGEI OMBABA**  
**HEAD, DEPARTMENT OF BUSINESS MANAGEMENT**

MO/CT

University of Eldoret is ISO 9001:2015 Certified



**Appendix III: Nacosti Research Permit**

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 330784	Date of Issue: 27/May/2022
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that Ms. LINDA ACHIENG OKONJO of University of Eldoret, has been licensed to conduct research in Uasin-Gishu on the topic: EFFECT OF STRATEGIC LEADERSHIP STYLES ON INNOVATIVE AMONG SMALL AND MEDIUM ENTERPRISES IN UASIN GISHU COUNTY for the period ending : 27/May/2023.</p>	
License No: NACOSTI/P/22/17979	
330784 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	

### Appendix IV: Similarity report

**University of Eldoret**  
**Certificate of Plagiarism Check for Thesis**

<b>Author Name</b>	Okonjo Linda Achieng' BMS/PGMBM/2008/13
<b>Course of Study</b>	Type here...
<b>Name of Guide</b>	Type here...
<b>Department</b>	Type here...
<b>Acceptable Maximum Limit</b>	Type here...
<b>Submitted By</b>	titustoo@uoeld.ac.ke
<b>Paper Title</b>	EFFECT OF STRATEGIC LEADERSHIP STYLES ON INNOVATIVE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE IN UASIN GISHU COUN KENYA
<b>Similarity</b>	10%
<b>Paper ID</b>	1049045
<b>Submission Date</b>	2023-10-26 13:56:02

Signature of Student



Signature of Guide

Head of the Department