

Leadership Styles and Operational Efficiency of Domestic Tour and Travel Firms in Kenya

Dr. James T. Kariuki¹, PhD Sudi Mwiti Omar²

¹Department of Management Science, University of Nairobi, Nairobi, Kenya

²MBA Graduate

Corresponding Author: Dr. James T. Kariuki

Abstract: Operational efficiency is critical in a firm endeavor to quality service delivery and sustainability. The objectives of this study were to determine the dominant leadership styles in use; and the relationship between manager's leadership style and operational efficiency of domestic tour and travel firms in Kenya. The study used a descriptive research design and targeted 141 travel firms that were in operation. A structured questionnaire was used to collect primary data that was used in the study. Descriptive statistics and regression analysis were used in the analysis. Although both transaction and transformation leadership style are in use, transaction leadership style was found to be dominant. The study also established a significant positive relationship between leadership style and operational efficiency. Based on the results, managers in tour and travel firms in Kenya should be prepared to switch leadership style based on the specific situations being managed.

Keywords: Leadership Style, Operational Efficiency

Date of Submission: 29-05-2018

Date of acceptance: 11-06-2018

I. Introduction

Leadership is one of the most observed yet least understood phenomena on earth (Burns, 1978). Thus, one area that has been of interest to organizational researchers is leadership and how it influences performance. Within an organization, the leader influences followers to act in a certain manner as a way of enhancing achievement of organizational objectives (Wang, Chieh-Jen & Mei-Ling, 2010). Based on contingency theory, different organizational settings require the leader to adopt different leadership styles. As noted by Andreescu and Vito (2010), the type of leadership style employed by leaders has a direct influence on organizational value which later determines the outcomes in terms of employee turnover, punctuality, absenteeism, customer service, and overall organizational efficiency. Thus, leadership styles shape the manner in which operations are organized and undertaken for enhanced operational efficiency.

Tourism is one of the key foreign exchange earners in Kenya. Tour and travel operators are key stakeholders in the tourism industry as they provide the vital link between consumers and tourism products by providing the distribution or place utility. They provide various services such as handling of travelers' itinerary in terms of purchasing tickets, making road travel arrangements, handling accommodation, and transfers to and from the airports. Tour and travel operators are regulated by the Kenya Association of Tour Operators (KATO) while the Kenya Association of Travel Agencies (KATA) regulates the travel agencies. There are several firms in Kenya and this makes the industry to be highly competitive. One of the predicaments for these firms is on how to enhance service delivery and still remain sustainable.

II. Problem Statement

Leadership styles shape realization of organizational objectives by influencing the way employees execute tasks. The use of appropriate leadership styles makes employees to work in the desired way thereby harnessing collective effort to reduce wastes, enhance operational performance and offer quality services. As noted by Sethuraman and Suresh, (2014), there is need for leaders to marshal employees' support in order to enhance operational performance, reduce operational costs, and ensure optimal utilization of available organizational resources. To achieve this, managers must adopt appropriate leadership style, provide required facilities and equipment, and conducive working environment.

Extant literature shows a relationship between leadership style and organization performance. For instance, Karamat (2013) found that leadership behaviors significantly influence organizational productivity while Alloubani and Almkhtar (2014) established a positive and significant relationship between leadership style and organizational outcomes namely teamwork, customer satisfaction and staff commitment. Wang, Jen and Ling (2010) established that adoption of transformational leadership facilitates implementation of

organizational change. In Kenya, a study by Ngunjiri (2013) found that leadership styles influence strategy implementation and consequently performance of commercial banks.

With existing studies examining leadership in general, context of the studies being different and given challenges in the tourism industry brought the need for the study. This study was guided by one research question namely does leadership styles affect operational efficiency of domestic tour and travel firms in Kenya? The objectives of the study were to:

- i. Establish leadership styles adopted by tour and travel firms in Kenya.
- ii. Establish the relationship between leadership styles and operational efficiency of tour and travel firms in Kenya.

III. Literature Review

This study was anchored on two theories namely the Resource Based View (RBV) and the Institutional Theory. The RBV consider the resources of a firm as being fundamental determinants of competitive advantage and performance. Whereas resources can be tangible and intangible, tangible resources facilitate execution of business process while the intangible resources result in competitive advantage by allowing organizations to incorporate unique and valuable practices (Ray, et al., 2004; Barney, 1991). As noted by Barney (1991), RBV is based on two assumptions of resources being heterogeneously distributed across organizations and the non-transferability of productive resources from one organization to another without incurring cost. Thus, given the two assumptions, RBV holds that only an intangible resource that is valuable, rare, hard to imitate and without strategically equivalent substitutes is critical in sustaining a firm's competitiveness (Barney, 1991). Therefore, leadership being an intangible asset should lead to operational efficiency and increased productivity for tour and travel firms in Kenya. The Institutional Theory on the other hand spells out the role of hierarchy and structure in organizational performance (Peng, 2009). All organizations are organized in form of chain of command which dictates how information flows from the top to the lower cadres (Jepperson, 1991). The effectiveness of the structures put in place affect how tasks are executed to enhance operational performance.

Hersey and Blanchard (1982) define leadership style as a consistent pattern of behaviour that a leader uses when working with and through people. Over the past decades, there have been six schools of leadership theories namely the trait, behavioural, contingency, visionary, emotional and competency school. Some of the commonly acknowledged leadership styles are transformational and transactional leadership styles (Sumers & Hyman, 2005). Pieterse, et al. (2010) defines transformational leadership as an approach to leading that changes followers, making them to look beyond self-interest in favour of the group's objectives by modifying their morale, ideas and values. In transformational leadership style, leaders define and articulate need for change, create new vision, mobilise commitment and inspire followers to deliver extraordinary results. Transactional leadership style, on the other hand, is based on rewarding followers for meeting performance targets and punishing them when they fail (Bass, 1990). Transactional leaders put more emphasis on the processes as opposed to putting much emphasis on forward-thinking to come up with new and better ways of achieving set objectives. In transactional leadership, the leader is seen as an expert and having all the knowledge on how things should run and therefore leaving no room for innovations and coming up with new ideas (Sumers & Hyman, 2005).

According to Kigundu (2015), operational efficiency refers to an organization capability to deliver high quality products and services in the most possible cost-effective manner. Operational efficiency is concerned with the ability of firms to minimize on inputs wastage and maximize on resource utilization in order to deliver quality products and or services at a lower cost to the final targeted customers (Scheraga, 2004). Operational efficiency strives to ensure that firms deliver quality products and services to customers in the most cost-effective manner possible.

Operational efficiency is achieved by reorganization of core processes so as to effectively and adequately respond to the dynamic market forces in a lucrative manner. To enhance operational performance, organizations adopt best management practices and, minimize redundancy and waste by leveraging on seamless processes, state of the art technology and skilled workforce (Scheraga, 2004). A study by Groves and LaRocca (2011) established that various leadership styles have different impacts on the way a particular organization implements its chosen strategies hence the need to select the best leadership style to employ. Birasnav, Rangnekar and Dalpati (2011) found that leadership is critical in enhancing organizational productivity while Lyons and Schneider (2009) found that good leaders use a combination of transformational and transactional leadership styles to enhance organizational performance. In addition, Metzler (2006) established that leadership styles employed in an organization have a significant and positive effect on employee commitment. On the other hand, Salim (2010) found that negative leadership practice adversely affects organizational performance through time and other organization resources wastage.

IV. Research Methodology

Design, population and data collection

Adescriptive research design was adopted to examine the effect of leadership styles on operational efficiency among domestic tour and travel firms in Kenya. The target population was 141 tour and travel firms. Given the size of the population, all the firms were included in the study. Primary data was used in the study and the data was collected through administration of questionnaires to employees. The questionnaire was divided into three sections namely demographic, leadership styles and operational efficiency. A 5-point Likert Scale was used to gauge the extent of agreement on each statement by the respondents.

Data Analysis

Filled questionnaires were inspected for completeness, coded and data entered into SPSS. Data was analyzed through descriptive statistics namely means, standard deviation and coefficient of variation. In addition, regression analysis was undertaken to establish the relationship between the study variables. The regression equation model used was:

$$OE = \beta_0 + \beta_1x_1 + \beta_2\beta x_2 + \varepsilon$$

Where:

OE = Operation efficiency

x_1 = Transformation leadership

x_2 = Transactional leadership

β_i 's = Regression coefficients

ε = Random error term

V. Results and Discussions

To achieve objective one, respondents' opinion on the use of transformation and transaction leadership style was analysed based on a five-point Likert Scale where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent. The mean and standard deviation on the use of transformational and transactional leadership style are presented in Table 1 and Table 2.

Table 1: Transformational Leadership Style Score

Statements on Transformational Leadership	Mean	Std. Dev
My manager involves me in decision making in the Company	3.79	0.897
My manager is more concerned with how I perform my tasks	3.74	1.137
My manager allows me to accomplish the task the best way I know how	3.85	1.134
My manager always shares with me the vision for the Company	4.00	1.029
My manager motivates me to come up with new ways of doing my work	3.78	1.127
My manager engages me on my duties	4.11	1.070
My manager mentors me for better performance	3.90	1.081
My supervisor solicits for my opinion in key decisions in the Company	3.87	1.101
Average	3.88	1.072

Table 2: Transactional Leadership Style Score

Statements on Transactional Leadership Style	Mean	Std. Dev
My managers request me to perform certain tasks in order to be paid	4.00	1.039
My manager recognizes my achievement through remuneration	3.99	0.964
My manager tells me of the requirements of my position in the organization	4.03	0.957
My manager is an expert in what he does	3.95	0.983
My manager makes unilateral decision on key functions in the Company	3.74	1.092
My manager is more concerned with getting the job done at all costs	4.01	0.969
My manager pays keen attention to my work for rewards purposes	3.90	1.044
My manager rewards me handsomely for me to be loyal	4.05	0.925
Average	3.96	0.997

As shown in Table 1, the use of transformation leadership style in tour and travel firms had mean score of 3.88 and standard deviation of 1.072. My manager engages me on my duties was the most highly rated aspect with a mean score of 4.11. Results in Table 2 show that transactional leadership style had a mean score of 3.96 and standard deviation of 0.997, the most highly rated aspect was my manager rewards me handsomely for me to be loyal with a mean score of 4.05.

The results in Table 1 and 2 implies that managers in Tour and Travel companies use a combination of transformation and transaction leadership styles. The findings are in line with those of Lyons and Schneider (2009) who found that good leaders use a combination of transformational and transactional leadership styles to enhance performance. The results also show less variability in the use of transactional leadership style (Coefficient of variation =0.252) compared to transformational leadership style (Coefficient of variation = 0.276). This implies that managers in tour and travel firms tends to be more transactional than transformational.

To establish the relationship between leadership styles and operational efficiency of domestic tour and travel firms in Kenya, regression analysis was undertaken. The results in Table 3 show that 48.5% of the variance in operational efficiency is explained by leadership style (transformational and transactional).

Table 3: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.704 ^a	.495	.485	0.01736

The results in Table 4 reveal that the model is statistically significant with F value of 48.119 ($p < 0.05$). Thus, there is a statistically significant relationship between manager's leadership style and operational efficiency in tour and travel firms in Kenya.

Table 4: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	543.922	2	271.961	48.119	.000 ^b
Residual	553.880	98	5.652		
Total	1097.802	100			

The results in Table 5 show the significant predictors of operational efficiency are constant ($\beta = 2.845, p < 0.05$), Transformational leadership style ($\beta = 0.198, p < 0.05$) and Transactional leadership style ($\beta = 0.225, p < 0.05$).

Table 5: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.845	1.416		2.009	.047
Transformational Leadership	.198	.060	.379	3.306	.001
Transactional Leadership	.225	.070	.368	3.209	.002

Based on the above results, the predictive model for operational efficiency in tour and travel firms becomes: $OE = 2.845 + 0.198x_1 + 0.225\beta x_2 + \epsilon$

Where:

OE = Operation efficiency

x_1 = Transformation leadership

x_2 = Transactional leadership

β 's = Regression coefficients

ϵ = Random error term

The predictive model implies that a unit increase in transformational leadership style would result in 0.198 increase in operational efficiency while a unit increase in transactional leadership style would result in 0.225 increase in operational efficiency.

VI. Conclusion of the Study

The finding of a statistically significant positive relationship between leadership style and operational performance for tour and travel firms in Kenya confirms the important role played by managers in enhancing operational efficiency and consequently organizational performance. The results of the study are consistent with Dulewicz and Higgs (2005), Zaccaro, et al. (2001), and Lyons and Schneider (2009) whose studies had shown a positive relationship between leadership style and organization performance.

The predictive model: $OE = 2.845 + 0.198x_1 + 0.225\beta x_2 + \epsilon$ confirms the need for managers to adopt a combination of transformational and transactional leadership aspects for improved operational efficiency. From the results, it would appear that there may be need for capacity building to enhance managers ability to use appropriate leadership style based on specific organizational circumstances. Since operational efficiency was based on respondents' opinion, there may be need for study that make use of quantitative measures of operational efficiency.

References

- [1]. Alloubani, A., Almatari, M., &Almukhtar, M. M. (2014). Review: Effects of leadership styles on quality of services in healthcare. *European Scientific Journal*, 10(18).
- [2]. Andreescu, V., & Vito, G. F. (2010). An exploratory study on ideal leadership behaviour: The opinions of American police managers. *International Journal of Police Science & Management*, 12(4), 567-583.
- [3]. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- [4]. Birasnav, M., Rangnekar, S., &Dalpati, A. (2011). Transformational leadership and human capital benefits: The role of knowledge management. *Leadership & Organization Development Journal*, 32(2), 106-126.
- [5]. Bass, B. M. (1990). From transactional to transformational leadership: Learning to share the vision. *Organizational Dynamics*, 18(3), 19-31.
- [6]. Burns, J. M., (1978), *Leadership*, N.Y, Harper and Row.
- [7]. Dulewicz, V., & Higgs, M. (2005). Assessing leadership dimensions, styles and organizational context. *Journal of Managerial Psychology*, 20 (2), 105–123.
- [8]. Groves, K. S., & LaRocca, M. A. (2011). An empirical study of leader ethical values, transformational and transactional leadership, and follower attitudes toward corporate social responsibility. *Journal of Business Ethics*, 103(4), 511-528.
- [9]. Hersey, P., & Blanchard, K. (1982). *Management of organizational behavior*. 4th Edition, Englewood Cliff, NJ: Prentice-Hall
- [10]. Karamat, A. U. (2013). Impact of leadership on organizational performance. Unpublished Doctoral Dissertation, University of Applied Sciences, Finland.
- [11]. Kigundu, M. N. (2015). The effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya (Doctoral Dissertation, University of Nairobi).
- [12]. Lyons, J. B., & Schneider, T. R. (2009). The effects of leadership style on stress outcomes. *The Leadership Quarterly*, 20(5), 737-748.
- [13]. Metzler, J. M. (2006). The relationships between leadership styles and employee engagement.
- [14]. Ngure, P. (2013). Influence of leadership styles on strategy implementation at Co-operative Bank Of Kenya (Doctoral Dissertation, University of Nairobi).
- [15]. Pieterse, A. N., Knippenberg, D. V., Schippers, M., & Stam, D. (2010). Transformational and transactional leadership and innovative behavior: The moderating role of psychological empowerment. *Journal of Organizational Behavior*, 31, 609-623.
- [16]. Ray, G., Barney, J. B., &Muhamna, W. (2004). Capabilities, business processes, and competitive advantage: Choosing the dependent variable in empirical tests of the resource based view. *Strategic Management Journal*, 25 (1), 23 -37
- [17]. Scheraga, C. A. (2004). Operational efficiency versus financial mobility in the global airline industry: A Data envelopment and tobit analysis. *Transportation Research Part A: Policy and Practice*, 38(5), 383-404.
- [18]. Sethuraman, K., & Suresh, J. (2014). Effective leadership styles. *International Business Research*, 7(9), 165.
- [19]. Wang, F. J., Chich-Jen, S., & Mei-Ling, T. (2010). Effect of leadership style on organizational performance as viewed from human resource management strategy. *African Journal of Business Management*, 4(18), 3924.
- [20]. Zaccaro, S. J., Rittman, A. L., & Marks. M. A. (2001). Team leadership. *Leadership Quarterly*, 12(4), 451-483.

Dr. James T. Kariuki "Leadership Styles and Operational Efficiency of Domestic Tour and Travel Firms in Kenya" *IOSR Journal of Business and Management (IOSR-JBM)* 20.6 (2018): 86-90