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# Effect of Leadership Styles on Employee Performance in Export Processing Zones in Kenya: A Case of Mombasa Apparel EPZ Ltd

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### ABSTRACT

In recent times, many organizations in the Kenyan EPZ industry, have recorded cases of immoral and unethical practices, gratifications, high labour turnover, inability to meet basic required obligations, and incessant financial distress syndrome, which has led to many entities being merged and acquired or closing down. This may be as a result of lack of effective leadership. It is on this premise that this research work set out to examine the effects of leadership styles on employee performance in Export Processing Zones in Kenya. This was guided by the following specific objectives; determining the effect of transactional leadership style on employee performance, ascertaining the effect of transformational leadership style on employee performance and evaluating the effect of authoritarian leadership style on employee performance in Mombasa in Apparel EPZ Ltd. The study adopted a descriptive research design on a population of 676 which was further sampled to 43 through stratified sampling. The study findings indicated that transactional and transformational leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency. It is concluded that transactional and transformational leadership styles are the best for the management of Export Processing Zones in Kenya to be adopted in order for them to wax stronger in a global competitive environment. It was recommended that managers use a composition of transactional leadership and transformational leadership as a core managerial strategy in the organization. It was also suggested that managers to be trained to use both styles of leadership and along with the increasing need for new skills and competencies of leadership as a result of changes in community, leadership training program is more important whenever.

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### 1. Introduction

In today's society, flow of life depends on the organizations and development and survival of community, work function and effective performance. Organizations have been established to address social needs and group activities. The main drivers of organizations are humans. They give life to the organizations and provide goals. So, human development and efforts and their lead to the attainment of the objectives is not possible without management. Since the first principle of organization is the presence of human, obviously the most basic step that must be done to accomplish this is to maintain personnel and provides the psychological satisfaction and fulfillment of employees. Throughout human history, always the developments and changes made by individuals and groups associated with the presence of a person as a leader. These actions have been undertaken under his guidance. Throughout history, leadership has been one of the pillars of human societies. When leadership is considered as a function, is an important component of management. And his presence and the existence in the group is consider as a number of skills that these skills can be seen as a means or styles of leadership to achieve certain goals (Bennett & Anderson, 2003).

Leaders by taking the necessary measures and establish human relationships to provide optimal use of human

resources in their organization that among these measures we can refer to take correct leadership style. Obviously, every manager in their management and operations uses a particular leadership style that this style is actually a set of his behavior patterns that frequently occurs during the constant organizational working and others knows him by it and as managers of the organization are in very cooperation with the staff, the leadership style of these managers has a significant impact on staff morale, and consequently, the staff morale will affect on their performance (Shirzad, Kebriya & Zanganeh, 2011). In fact, leadership is important for all organizations to achieve goals. Since leadership is a key factor for improving the performance of the organization, the success or failure of an organization depends on the effectiveness of leadership at all levels. Researchers have stated that leadership is an ability to influence attitudes, beliefs, and abilities of employees to achieve organizational goals. However, over the years, leadership has been had a major topic between the researchers but dramatic social changes that have occurred over the past two decades makes the issue of leadership and its relationship with other organizational factors more remarkable (Duckett & Macfarlane, 2003).

Transformational leadership style in new ideas is known as one of the effectiveness leadership style. The style has been composed of four dimensions of ideals influence, inspirational

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motivation, intellectual stimulation and individualized consideration (Storey, 2004). In fact, all of transformational leadership behavior (individualized consideration, inspiration, intellectual stimulation and charisma) that provide high-performance and active leadership has positive and high impact on employee satisfaction and improvement of organization situation (Hoy & Miskel, 2008). The study also sought to examine the relationship between leadership styles on the organization employee performance.

Among the different styles of leadership, development-oriented and pragmatic-oriented style has been most interest to researchers. Transformational-oriented leadership and pragmatic oriented leadership are not two contradictory theories, rather they are complementary ideologies as both are introduced the Supreme Leadership forms (Stone Et al. 2004). But the two concepts are some different with each other. While both pragmatic-oriented and transformational-oriented leadership are emphasized on the influence and impacts, pragmatic-oriented is achieved to this effect by non-traditional ways that is being in the position to serve. Pragmatic-oriented leadership is greater emphasis on serving to followers and also is shown more confidence and freedom to subordinates. Transformational leadership is more emphasis on organizational goals, while servant leadership are emphasized and focused on the people who followed him (Stone Et al. 2004).

In the model of pragmatic leadership, leader motivation for leadership comes from the felt of equality between the leaders and subordinates. In other words, the belief system of the leader will force him to know himself on equal par with those leads. That is all members of the organization have equal and the same law, information and perspective and the role of the leader is facilitating the formation of the organization (Duckett & Macfarlane, 2003).

Pragmatic leadership as transformational leadership with organizational mechanisms such as compensation, communication, organizational policies and procedures and methods create psychological productive culture with spiritual, personal, productive, passive characteristics and tend to maintain the status quo that this culture makes that pragmatic leadership served more successful in the constant environments and in the in dynamic environments act more failure than transformational leadership and make appropriate this style of leadership for the period of peace and stability in the organization. In contrast, transformational leadership using organizational mechanisms such as compensation, communication, organizational policies and procedures and methods create dynamic empowering culture with characteristics of active, strong, and innovative. This culture cause that transformational leadership is the most successful acts in dynamic environments and the failure to act in constant environments than pragmatic-oriented leadership and make appropriate this style of leadership for a period of crisis or transition from the current situation and especially in changes periods. Given the importance of leadership can be said that one of the main barriers to employee performance is the lack of successful leadership. Effectiveness of employee performance is important because employees to ensure organizational survival (Noorshahi, 2006). Therefore, successful leadership is essential to the effectiveness of any organization, because the three factors that have been identified as the measures of organizational effectiveness are

leadership and communication skills and the information skills of management (Crawford, 2005).

But one of the important topics that today some of the organizations are involved is ignoring the issue of organizational leadership that any damage in this relationship will lead to low employee performance. (Crawford 2005) in his research, entitled Transformational leadership, positions and staff functionality organizations found that there is significant relationship between employees performance and transformational leadership style. Also, there is a significant relationship between transformational leadership and organizational position. Due to issues such as this and a little bit of research on this topic led researchers to study the relationship between leadership styles and their impact on employee performance. Perhaps in this way can take an effective step to eliminate these barriers and in turn to improved organizational performance. So the main question of the researcher is that how effective are leadership styles on employee performance?

The increase of organization productivity and employee performance is not possible without effective application of employees' ability and their motivation and the one of the leadership skill is that to strengthen the creativity and innovation in the staff. Certainly, the managers leadership styles are very effective in right driving of the employees for organizational purposes. Use of the best style of leadership will lead to increased organizational effectiveness and efficiency. This research is therefore necessary to take steps to improve employee performance, because the type of employee performance is perquisites to organizational effectiveness. In fact, if the manager has the skills and techniques to effectively manage the relationship with employees, motivation and Job satisfaction levels of the employees are also higher and given that the engine of an organization is its employees, this can effective help to improve the performance of total organization.

Most firms and businesses consist of employers and employees or, put differently, management and staff or leaders and followers. Most of them are goal oriented. In order to achieve the desired objectives, there must be an interaction between employers and employees (or management and staff or leaders and followers). The leadership style that characterizes the interaction between leaders (or managers) and their followers (or staff members) is most important in terms of employees' efficiency and productivity. Employees are the workforce of any businesses and they carry out the duties required to achieve the desired objective of any firm. As Eskildsen & Nussler (2000) stated, employee satisfaction is impacted by the employees' perception of their job and the organization for which they work for. Employees' perception of leadership behavior is an important predictor of employee job satisfaction and commitment (Jaskyte, 2004). Individual perception of the organization is related to job attitudes (Morris & Bloom, 2002).

Leadership styles can either motivate or discourage employees, which in return can cause employee's increase or decrease in their level of performance. According to Schyns & Sanders (2007), the sources of employee job dissatisfaction include inadequate salary, conflicting job demands (from the leadership) and absence of promotion prospects. For efficiency purposes, an effective leadership style, one that positively affects employees' satisfaction and results in better performances, effectiveness and productivity is clearly

desirable (Turner & Muller, 2005). Nowadays, organizations need effective and efficient managers and employees to be able to achieve their goals in order to achieve all-round development. Director as the official representative of the organization is headed for coordination and increase productivity in the organization and success of the organization and realize of the goals depends on how practices of management and his leadership style effective. Appropriate behavioral pattern of the director in each organization creates a strong morale in the staff and increases their performance rate from their profession (Bennett & Anderson, 2003).

In recent times, many organizations in the Kenyan EPZ industry, have recorded cases of immoral and unethical practices, gratifications, high labour turnover, inability to meet basic required obligations, and incessant financial distress syndrome, which has led to many entities being merged and acquired or closing down. This may be as a result of lack of effective leadership. The prime motive of Mombasa Apparel is to achieve its stated objectives, hence the need to effectively coordinate and motivate the workers by an effective leader. Unfortunately some Mombasa Apparel does not take cognizance of the leadership style adopted by their managers. It is on this premise that this research work set out to examine the effects of leadership styles on employee performance in Export Processing Zones in Kenya.

## **2. Literature Review**

### **2.1 Path-Goal Theory**

The first proposition of path-goal theory is that leader behavior is acceptable and satisfying to subordinates to the extent that the subordinates see such behavior as either an immediate source of satisfaction or as Instrumental to future satisfaction. The second proposition of this theory is that the leader's behavior will be motivational. i.e., Increase effort, to the extent that (1) such behavior makes satisfaction of subordinate's needs contingent on effective performance and (2) such behavior complements the environment of subordinates by providing the coaching, guidance, support and rewards necessary for effective performance (Evans 2007).

These two propositions suggest that the leader's strategic functions are to enhance subordinates' motivation to perform, satisfaction with the Job and acceptance of the leader. From previous research on expectancy theory of motivation, it can be Inferred that the strategic functions of the leader consist of: (1) recognizing and/or arousing subordinates' needs for outcomes over which the leader has some control, (2) increasing personal pay-offs to subordinates for work-goal attainment, (3) making the path to those payoffs easier to travel by coaching and direction, (4) helping subordinates clarify expectancies, (5) reducing frustrating barriers and (6) Increasing the opportunities for personal satisfaction contingent on effective performance. Stated less formally, the motivational functions of the leader consist of increasing the number and kinds of personal payoffs to subordinates for work-goal attainment and making paths to these payoffs easier to travel by clarifying the paths, reducing road blocks and pitfalls and increasing the opportunities for personal satisfaction en route (Evans 2007).

Two classes of situational variables are asserted to be contingency factors i.e.; (a) personal characteristics of the subordinates and (b) the environmental pressures and demands with which subordinates must cope In order to accomplish the work goals and to satisfy their needs. While other situational factors also may operate to determine the

effects of leader behavior, they are not presently known. With respect to the first class of contingency factors, the characteristics of subordinates, oath-goal theory asserts that leader behavior will be acceptable to subordinates to the extent that the subordinates see such behavior as either an immediate source of satisfaction or as instrumental to future satisfaction. Subordinates' characteristics are hypothesized to partially determine this perception. For example, Runyon and Mitchell (2005) show that the subordinate's score on a measure called Locus of Control moderates the relationship between participative leadership style and subordinate satisfaction. The Locus-of-Control measure reflects the degree to which an individual sees the environment as systematically responding to his or her behavior. People who believe that what happens to them occurs because of their behavior are called internals; people who believe that what happens to them occurs because of luck or chance are called externals. Mitchell's findings suggest that internals are more satisfied with a participative leadership style are more satisfied with a directive style.

A second characteristic of subordinates on which the effects of leader behavior are contingent is subordinates' perception of their own ability with respect to their assigned tasks. The higher the degree of perceived ability relative to task demands, the less the subordinate will view leader directive and coaching behavior as acceptable. Where the subordinate's perceived ability is high, such behavior is likely to have little positive effect on the motivation of the subordinate and to be perceived as excessively close control. Thus, the acceptability of the leader's behavior is determined in part by the characteristics of the subordinates. The second aspect of the situation, the environment of the subordinate, consists of those factors that are not within the control of the subordinate but which are Important to need satisfaction or to ability to perform effectively. The theory asserts that effects of the leader's behavior on the psychological states of subordinates are contingent on other parts of the subordinates' environment that are relevant to subordinate motivation. (Runyon and Mitchell 2005)

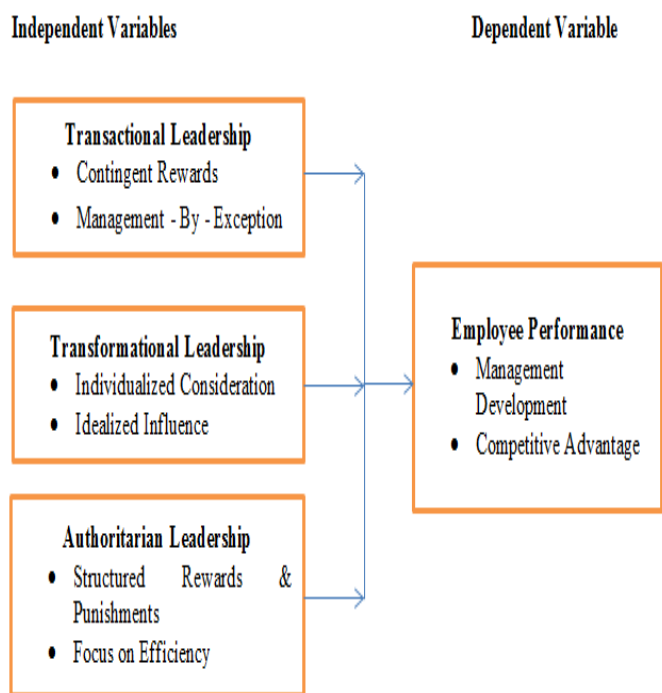
### **2.2 Fiedler's Contingency Theory**

Fiedler's contingency theory postulates that there is no single best way for managers to lead. Situations will create different leadership style requirements for a manager. The solution to a managerial situation is contingent on the factors that impinge on the situation. For example, in a highly routine (mechanistic) environment where repetitive tasks are the norm, a relatively directive leadership style may result in the best performance, however, in a dynamic environment a more flexible, participative style may be required. Fiedler looked at three situations that could define the condition of a managerial task: 1. Leader member relations: How well do the manager and the employees get along? 2. Task structure: Is the job highly structured, fairly unstructured, or somewhere in between? 3. Position power: How much authority does the manager possess? Managers were rated as to whether they were relationship oriented or task oriented. Task oriented managers tend to do better in situations that have good leader-member relationships, structured tasks, and either weak or strong position power. They do well when the task is unstructured but position power is strong. Also, they did well at the other end of the spectrum when the leader member relations were moderate to poor and the task was unstructured. Relationship oriented managers do better in all other situations. Thus, a given situation might call for a manager

with a different style or a manager who could take on a different style for a different situation. (Fiedler and Garcia 1997; Fiedler et al. 2004)

These environmental variables are combined in a weighted sum that is termed "favourable" at one end and "unfavourable" at the other. Task oriented style is preferable at the clearly defined extremes of "favourable" and "unfavourable" environments, but relationship orientation excels in the middle ground. Managers could attempt to reshape the environment variables to match their style. Another aspect of the contingency model theory is that the leader-member relations, task structure, and position power dictate a leader's situational control. Leader-member relations are the amount of loyalty, dependability, and support that the leader receives from employees. It is a measure of how the manager perceives him or her and the group of employees is getting along together. In a favourable relationship the manager has a high task structure and is able to reward and or punish employees without any problems. In an unfavourable relationship the task is usually unstructured and the leader possesses limited authority. The spelling out in detail (favourable) of what is required of subordinates affects task structure. Positioning power measures the amount of power or authority the manager perceives the organization has given him or her for the purpose of directing, rewarding, and punishing subordinates. Positioning power of managers depends on the taking away (favourable) or increasing (unfavourable) the decision-making power of employees. (Forsyth, 2006)

### 2.3 Conceptual Framework



**Figure 2.1. Conceptual Framework.**

#### 2.3.1 Transactional Leadership

The wheeler-dealers of leadership styles, transactional leaders are always willing to give you something in return for following them. It can be any number of things including a good performance review, a raise, a promotion, new responsibilities or a desired change in duties. The problem with transactional leaders is expectations. Transactional leadership style is defined as the exchange of rewards and

targets between employees and management (Howell & Avolio, 2003). Transactional leaders fulfill employee needs of rewards when targets are met (Bass, 2000; Howell & Avolio, 2003; Humphreys, 2002). Pounder (2002) defines this style as the transaction of needs fulfillment from both sides of the organization and employees.

Transactional leadership style clarifies rewards and punishment of subordinates with assigning a specified task or activity. Transactional leaders connect in influential exchange dealings with subordinates by describing and purposefully supplying rewards in return for goals achievement. Transactional leadership follows the rational and materialistic approach between a leader and a subordinate (Bushra, Usman, Naveed, 2011). Leaders clearly describe what type of performance is required from subordinates and what will be rewarded or punished. In response subordinate complies with this behavior requirements if rewards are desired. Transactional leaders provide a clear idea to their subordinates on how a task or an activity must be performed and also communicate them that there will be rewards for a job done well (Bass, Avolio, Jung, Berson, 1994, 2003). There are many behaviors which have been observed under transactional leadership but few of them are prominent as contingent reward: subordinates receive rewards for good performance.

Management by exception (Active): In order to perform effectively employees (subordinates) are monitored and then corrected if necessary. Management by exception (Passive): if subordinates or employees do not perform according to the standards or requirements they receive contingent punishment in response. Wilkinson & Wagner (1993) describe in their study that for an employee it becomes stressful to work with a leader which is not supportive and demonstrates harsh behavior towards subordinates. Each and every time subordinates will not be in a condition to perform appropriately themselves so then they will prefer a leader who will provide proper instructions and guidance on tasks accomplishment. Negative employee – leader relationship will lead to employee turnover and absenteeism and over all organization productivity decrease (Afolabi, Obude, Okediji, Ezeh, 2008).

#### 2.3.2 Transformational Leadership

Transformational leadership style focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). Transformational leadership acts as a bridge between leaders and followers to develop clear understanding of follower's interests, values and motivational level. It basically helps follower's achieve their goals working in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Bass, 2004).

According to the study of Tabassum, Akram and Hassan (2011) transformational leader leads their employee with inspiration and motivation having specific vision in their minds. According to Ali, Syed and Arshad (2012) transformational leaders bring positive and valuable changes in employees. Transformational leader focuses on "transforming" their subordinates to look out for each other, to help each other, to encourage and be harmonious, to pay attention to organization as a whole. Transformational leaders

use charisma and intellectual stimulation such as to persuade performance of subordinates beyond expectations.

Transformational leaders first make a vision and then motivate their subordinates to achieve it. Also, they encourage followers to challenge the status quo to be able to pursue that vision. Bass (1990) stated that transformational leaders do more with followers and colleagues than transactional leaders do. Instead of a simple exchange and agreement, transformational leaders provide a vision and a sense of mission, inspire pride, and gain respect and trust through charisma (Bass, 1990). Transformational leaders exhibit various types of behavior: idealized influence (attributed/behavior): the leader is trusted and respected. He/she maintains high moral standards and followers seek to emulate him/her. Idealized influence can be attributed (coming from followers) and/or be the result of the leader's behavior.

### **2.3.3 Authoritarian Leadership**

The authoritarian leadership

style or autocratic leader keeps strict, close control over followers by keeping close regulation of policies and procedures given to followers. To keep main emphasis on the distinction of the authoritarian leader and their followers, these types of leaders make sure to only create a distinct professional relationship. Direct supervision is what they believe to be key in maintaining a successful environment and follower ship. In fear of followers being unproductive, authoritarian leaders keep close supervision and feel this is necessary in order for anything to be done. Authoritarian leadership styles often follow the vision of those that are in control, and may not necessarily be compatible with those that are being led. Authoritarian leaders have a focus on efficiency, as other styles, such as a democratic style, may be seen as a hindrance on progress (Saline & Helge 2010.)

According to Foster (2002), examples of authoritarian communicative behavior include: a police officer directing traffic, a teacher ordering a student to do his or her assignment, and a supervisor instructing a subordinate to clean a workstation. All of these positions require a distinct set of characteristics that give the leader the position to get things in order or get a point across. Authoritarian Traits: sets goals individually, engages primarily in one-way and downward communication, controls discussion with followers, and donates interaction. Several studies have confirmed a relationship between bullying, on the one hand, and an autocratic leadership and an authoritarian way of settling conflicts or dealing with disagreements, on the other. An authoritarian style of leadership may create a climate of fear, where there is little or no room for dialogue and where complaining may be considered futile.

Autocratic leaders are classic "do as I say" types. Typically, these leaders are inexperienced with leadership thrust upon them in the form of a new position or assignment that involves people management. Autocratic leaders retain for themselves the decision-making rights. They can damage an organization irreparably as they force their 'followers' to execute strategies and services in a very narrow way, based upon a subjective idea of what success looks like. There is no shared vision and little motivation beyond coercion. Commitment, creativity and innovation are typically eliminated by autocratic leadership. In fact, most followers of autocratic leaders can be described as biding their time, waiting for the inevitable failure this leadership produces and the removal of the leader that follows (Michael, 2010).

### **2.3.4 Leadership Style and Employee Performance**

A leader is the one who leads to an organization. He makes sure that the purpose for which an organization is made is fulfilled. In other words, a leader is one who is capable of moving the organization in the direction set by him which he deems fits. While having certain leadership competencies and skills, a leader should have the ability to adapt to different leadership styles and behaviors to achieve organizational goals and objectives. At the individual level, leaders who are able to persuade, stimulate and direct employees will often be rewarded by devotion and performance of their employees (Mosadegh & Yarmohammadian 2006). Leadership is an essential part of the activities of management of people and directing their efforts towards the goals and objectives of the organization.

Relationship between leadership style and employee performance has been discussed often. Most research showed that leadership style has a significant relation with employee performance, and different leadership styles may have a positive correlation or negative correlation with the employee performance, depending on the variables used by researchers (Fu-Jin et al., 2010). McGrath and MacMillan (2000) report, that, there is significant relationship between leadership styles and employee performance. Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Sun (2002) compares leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organizational performance in both schools and enterprises.

According to Cummings and Schwab (2003) employees must be committed to meeting organization's objectives instead of their personal objectives. According to Maritz (2005); and Bass (1997) good leadership is the most significant factor for monitoring, evaluating and encouraging the employee performance. Outstanding organization has outstanding leadership and growing organizations replicate their performance. According to Jones & George (2000) leaders are efficient when they cast influence on their subordinates for accomplishing the organizational objectives. According to Bass (1997) leadership is the most important aspect for determining organizational performance. Therefore it is important to know the leadership progress and its impact on employee performance. On the whole the intention is to check the leadership growth and its influence on employee performance.

### **2.4 Empirical Review**

Research on the importance of leadership started in the 1920s with studies that confirmed the significance of leadership in making differences in employees' job satisfaction. Several studies were conducted during the 1950s and 1960s to investigate how managers could use their leadership behaviors to increase employees' level of job satisfaction (Northouse, 2004). The quality of the leader-employee relationship has a great impact on employee self-confidence and job satisfaction (Chen and Spector 1991; Brockner 1988; De Cremer 2003). Leaders who are considerate or supportive to their subordinates lead to higher levels of employee satisfaction than those who are either

indifferent or unconcerned with their subordinates. Consequently, leadership style is an important determinant of employee job satisfaction. Al-Ababneh (2013), Yousef (2000) found that leadership behavior was positively related to job satisfaction and therefore managers need to adopt appropriate leadership behavior because of its significant impact on employee job satisfaction. A review of relevant literature reveals various relationships theorists have generated from their own researches between transformational leadership and job satisfaction because of its productive, caring and innovative nature (Bodla and Nawaz, 2010; Gill et al, 2010; Omar, 2011; Albion and Gagliardi, 2011; Mohammad et al., 2011; Nielsen, et al, 2009). Transformational leaders create an effective influence on their followers, encourage and motivate their followers to think in a creative and innovative way, therefore provide a high job satisfaction level by supporting followers' act of making individual choices. Watson (2009) and Cumming et al. (2010) stated that leadership that is concerned only with the output of the employees and do not take into consideration the feelings of its followers failed to attain best efforts of the staff. The study suggested that transformational leadership should be adopted to improve workers satisfaction. Similarly, AL -Hussami (2007) concluded in his study that transformational leadership positively affects employees' job satisfaction.

### 3. Research Methodology

The study adopted a descriptive research design. Descriptive research design was a valid method since the proposed study is concerned with a narration of facts and characteristics concerning an individual, group or situation. Specifically, the proposed study sought to describe the effects of leadership styles on employee performance of Apparel EPZ Ltd.(Sekaran, 2008, Kothari & Garg, 2014). The researcher's sample size comprised of 68 SME which were picked at random a substantive number from various categories as indicated below.

**Table 3.2. Sampling & Sample Size.**

Category	Target population	Ratio	Sample size
Factory ie	7	0.1	1
Factory administration	26	0.1	3
Factory cutting	77	0.1	8
Factory dry processing	11	0.1	1
Factory embroidery	5	0.1	1
Factory finishing	308	0.1	30
Factory hr	10	0.1	1
Factory maintainance - general	17	0.1	2
Factory maintainance - machine	18	0.1	2
Factory merchandising/ppc	2	0.1	0
Factory qad	103	0.1	10
Factory sampling	27	0.1	3
Factory store	28	0.1	2
Factory wet processing	37	0.1	4
Total	676	0.1	68

Source: Researcher (2015)

### 4. Research Findings and Discussion

The following presents the findings on the various study variables.

#### 4.1 Transactional leadership on employee performance

The study sought to investigate the effects of transactional leadership on employee performance. Table 4.2 summarizes respondents' level of agreement on how transactional

leadership affects employee performance. Most of the respondents agreed that positive feedback, special recognition, personal compliments and firm belief on personal goal achievement influenced employee performance as shown by a mean of 3.86, 3.56, 3.60 and 3.56. Most of the respondents were indifferent that dealing with employees' mistakes, complaints and failures affected employee performance with a mean of 3.07.

**Table 4.2. Transactional leadership on employee performance.**

	N	Mean	Std. Deviation	Kurtosis
	Statistic	Statistic	Statistic	Statistic
My manager always gives me positive feedback when I perform well	43	3.86	1.283	-.250
My manager gives me special recognition when my work is very good	43	3.56	1.278	-.888
My manager personally compliments me when I do outstanding work	43	3.60	1.094	-.188
The manager has a firm belief on achieving the goals and that should have higher priority than any other objectives.	43	3.56	1.119	.070
The leader concentrates fully on dealing with employees' mistakes, complaints and failures.	43	3.07	1.421	-1.279
Valid N (listwise)	43			

This is reiterated by Bushra, Usman, Naveed (2011), that transactional leadership style clarifies rewards and punishment of subordinates with assigning a specified task or activity. Transactional leaders connect in influential exchange dealings with subordinates by describing and purposefully supplying rewards in return for goals achievement. Transactional leadership follows the rational and materialistic approach between a leader and a subordinate. Transactional leaders provide a clear idea to their subordinates on how a task or an activity must be performed and also communicate them that there will be rewards for a job done well (Bass, Avolio, Jung, Berson, 1994, 2003).

The study sought to investigate the effects of transformational leadership on employee performance. Table 4.3 summarizes respondents' level of agreement on how transformational leadership affects employee performance. Most of the respondents agreed that problem solving and use of reasoning, inspiration, leading from the front, good model, personalized attention and idea generation influenced employee performance as shown by a mean of 3.79, 3.86, 3.65, 3.84 and 3.51 respectively. Most of the respondents were indifferent that the manager is able to get others committed to their dream of the future and that the manager has ideas that have forced them to rethink some of their own ideas they have never questioned before affected employee performance with a mean of 3.28 and 3.44 respectively.

According to the study of Tabassum, Akram and Hassan (2011) transformational leader leads their employee with inspiration and motivation having specific vision in their minds. According to Ali, Syed and Arshad (2012) transformational leaders bring positive and valuable changes in employees.



## 4.2 Transformational leadership on employee performance

**Table 4.3. Transformational leadership on employee performance.**

	N	Mean	Std. Deviation	Kurtosis
	Statistic	Statistic	Statistic	Statistic
The manager arouses employees to think in new ways and emphasizes problem solving and the use of reasoning before taking action.	43	3.79	1.048	-.176
The manager inspires others with his/her plans for the future	43	3.86	1.060	.797
The manager is able to get others committed to his/her dream of the future	43	3.28	1.120	-.126
The manager leads by doing rather than simply by telling	43	3.65	1.193	-.296
The manager provides a good model to follow	43	3.84	1.111	-.459
The manager takes care of each and every follower of the group	43	3.51	.960	-.078
The manager has ideas that have forced me to rethink some of my own ideas I have never questioned before	43	3.44	1.259	-.729
Valid N (listwise)	43			

Transformational leader focuses on "transforming" their subordinates to look out for each other, to help each other, to encourage and be harmonious, to pay attention to organization as a whole. Transformational leaders use charisma and intellectual stimulation such as to persuade performance of subordinates beyond expectations.

## 4.3. Authoritarian leadership on employee performance

The study sought to investigate the effects of authoritarian leadership on employee performance. Table 4.4 summarizes respondents' level of agreement on how authoritarian leadership affects employee performance. Most of the respondents strongly agreed that employees are given an opportunity to appeal the targets set influenced employee performance as shown by a mean of 4.30. While others disagreed that managers consider their decision as final with a mean of 2.74. Most of the respondents also agreed managers like the power they hold over subordinates, employees are threatened or punished if they do mistakes, employees lose their jobs for non-attainment of targets and management train employees from time to time to enhance target attainment

affected employee performance with a mean of 3.19, 3.09, 3.05 and 3.84 respectively.

According to Foster (2002), examples of authoritarian communicative behavior include; a police officer directing traffic, a teacher ordering a student to do his or her assignment, and a supervisor instructing a subordinate to clean a workstation. All of these positions require a distinct set of characteristics that give the leader the position to get things in order or get a point across. Authoritarian Traits: sets goals individually, engages primarily in one-way and downward communication, controls discussion with followers, and donates interaction. Several studies have confirmed a relationship between bullying, on the one hand, and an autocratic leadership and an authoritarian way of settling conflicts or dealing with disagreements, on the other. An authoritarian style of leadership may create a climate of fear, where there is little or no room for dialogue and where complaining may be considered futile.

**Table 4.4 Authoritarian leadership on employee performance.**

	N	Mean	Std. Deviation	Kurtosis
	Statistic	Statistic	Statistic	Statistic
Your manager considers his/her decision as final	43	2.74	1.364	-1.099
Manager likes the power that he/she holds over his/her subordinates	43	3.19	1.277	-1.115
Employees are threatened or punished if they do wrong or mistakes have done by them in order to achieve organization goals	43	3.09	1.306	-1.258
Are employees given an opportunity to appeal the targets set?	43	4.30	7.408	40.147
Is job loss the remedy for non-attainment of targets?	43	3.05	1.447	-1.330
Does the management train employees from time to time to ensure that new stitching styles are understood and enhance target attainment?	43	3.84	1.271	-.144
Valid N (listwise)	43			

**Table 4.4. Authoritarian leadership on employee performance.**

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Valid N (listwise)	43			

A number of questions were asked to determine how mining investments performed in the economy. From the findings indicated in table 4.5 most of the respondents agree that targets set by the management are attainable thus affecting employee performance with a mean of 3.65 being obtained. These results are consistent with the findings obtained on the question on whether Mombasa Apparel has a vibrant incentive scheme and if it motivates employees to maintain consistent targets; it obtained a mean of 3.74 and 3.98 indicating that incentive schemes do affect employee performance by ensuring employees continue attaining targets. The results also conquer with the findings on the question that was asked whether management train employees from time to time to ensure that new stitching styles are understood and enhance target attainment which obtained a mean of 3.93.

According to Cummings and Schwab (2003) employees must be committed to meeting organization's objectives instead of their personal objectives. According to Maritz (2005); and Bass (1997) good leadership is the most significant factor for monitoring, evaluating and encouraging the employee performance. Outstanding organization has outstanding leadership and growing organizations replicate their performance. According to Jones & George (2000) leaders are efficient when they cast influence on their subordinates for accomplishing the organizational objectives. According to Bass (1997) leadership is the most important aspect for determining organizational performance. Therefore it is important to know the leadership progress and its impact on employee performance. On the whole the intention is to check the leadership growth and its influence on employee performance.

#### 4.5 Multiple Regression Analysis

Multiple regression analysis was performed to assess the relationship between the dependent variable (employee performance) and the independent variables (transactional leadership, transformational leadership and authoritarian leadership), and to test the research questions on the effects of leadership styles on employee performance with specific focus on Mombasa Apparel EPZ Ltd. Standard multiple regression analysis was conducted to test the research questions (Cooper & Schindler, 2013; Sekaran, 2008).

##### 4.5.1 Standard Multiple Regression Analysis

**Table 4.6. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.520 <sup>a</sup>	.270	.214	.67277

a. Predictors: (Constant), Authoritarian Leadership, Transformational Leadership, Transactional Leadership

In order to test research questions, a standard multiple regression analysis was conducted using employee performance as the dependent variable and the three leadership styles affecting employee performance: transactional leadership, transformational leadership and authoritarian leadership as the predicting variables. Tables 4.6, 4.7, 4.8 and 4.9 present the regression results. From the model summary in table 4.6, it is clear that the adjusted R<sup>2</sup> was 0.214 indicating that the combination transactional leadership, transformational leadership and authoritarian leadership explained a 21.4% of variation in employee performance in Export Processing Zones in Kenya.

**Table 4.7. Analysis of Variance.**

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.540		2.180	4.816	.006 <sup>b</sup>
Residual	17.652	39	.453		
Total	24.192	42			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Authoritarian Leadership, Transformational Leadership, Transactional Leadership

From the ANOVA table 4.7, it is clear that the overall standard multiple regression model (the model involving transactional leadership, transformational leadership and authoritarian leadership) is significant in predicting how transactional leadership, transformational leadership and authoritarian leadership determine employee performance in Export Processing Zones in Kenya. The regression model achieves a high degree of fit as reflected by an R<sup>2</sup> of 0.27 (F = 4.816; P = 0.001 < 0.05).

**Table 4.8. Regression Coefficients.**

Coefficients <sup>a</sup>						
Model		Unstandardize d Coefficients		Standardiz ed Coefficient s	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.614	.645		2.501	.017
	Transformational Leadership	.204	.148	.193	1.378	.176
	Transactional Leadership	.319	.123	.369	2.583	.014
	Authoritarian Leadership	.103	.074	.194	1.386	.174

a. Dependent Variable: Employee Performance

Table 4.8 presents the regression results on how transactional leadership, transformational leadership and authoritarian leadership influence employee performance in Export Processing Zones in Kenya. The multiple regression equation was that:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$ , and the multiple regression equation became:  $Y = 1.614 + 0.204X_1 + 0.319X_2 + 0.103X_3 + \epsilon$ . As depicted in table 4.8, there was a positive and significant effect of transactional leadership on employee performance ( $\beta = 0.369$ ;  $t = 2.583$ ;  $p < 0.05$ ). There was positive and significant effect of transformational leadership on employee performance ( $\beta = 0.193$ ;  $t = 1.378$ ;  $p < 0.05$ ). There was also a positive and significant effect of authoritarian leadership on employee performance ( $\beta = 0.194$ ;  $t = 1.386$ ;  $p < 0.05$ ).

The correlation summary shown in Table 4.9 above indicates that the associations between the independent variables were significant at the 90% confidence level. This means that the inter-variable correlations between the independent variables were strong enough to affect the relationship with the dependent variable. It also reveals that there was indeed a very strong positive relationship between transactional leadership, transformational leadership and authoritarian leadership and employee performance in Export Processing Zones in Kenya.

The correlation between transformational leadership and employee performance indicated that a positive relationship existed between them ( $r = 0.273$ ,  $\alpha = 0.01$ ). This suggests that transformational leadership was an important aspect in improving employee performance.



**Table 4.9. Bivariate Correlations.**

		Correlations		
		Transformational Leadership	Transactional Leadership	Authoritarian Leadership
Transformational Leadership	Pearson Correlation	1	.205	.023
	Sig. (2-tailed)		.187	.884
	Sum of Squares and Cross-products	21.483	5.413	.980
	Covariance	.512	.129	.023
	N	43	43	43
Transactional Leadership	Pearson Correlation	.205	1	.203
	Sig. (2-tailed)	.187		.191
	Sum of Squares and Cross-products	5.413	32.391	10.705
	Covariance	.129	.771	.255
	N	43	43	43
Authoritarian Leadership	Pearson Correlation	.023	.203	1
	Sig. (2-tailed)	.884	.191	
	Sum of Squares and Cross-products	.980	10.705	85.753
	Covariance	.023	.255	2.042
	N	43	43	43
Employee Performance	Pearson Correlation	.273	.448**	.273
	Sig. (2-tailed)	.077	.003	.077
	Sum of Squares and Cross-products	6.217	12.527	12.428
	Covariance	.148	.298	.296
	N	43	43	43

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

The Karl Pearson's product moment coefficient of correlation ( $r = 0.448$ ,  $\alpha = 0.01$ ) suggests a strong relationship existed between the two variables.

Finally, there was need to determine whether there existed a significant relationship between authoritarian leadership and employee performance in Export Processing Zones in Kenya. The correlation analysis shows that a positive relationship exists ( $r = 0.273$ ,  $\alpha = 0.01$ ). Therefore, it can be concluded that all the variables were significant to the study problem although the degrees of influence varied.

### 5. Conclusion

This study has investigated the effect of leadership style on employee performance in Export Processing Zones in Kenya. The results of this study revealed that there is strong relationship between leadership style and employee performance. On the basis of the findings of this study, it can be concluded that leadership style has positive effect on employee performance. The study found that transactional and transformational leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency. Surprisingly autocratic leadership style also has positive effect on employees' performance although it is insignificant. It is concluded that transactional and transformational leadership styles are the best for the management of Export Processing Zones in Kenya to be adopted in order for them to wax stronger in a global competitive environment.

### 6. Recommendation

Based on the findings of this study and the conclusions drawn, the following recommendations were made:

1. Due to the effect of transactional leadership and transformational leadership style, it is suggested that managers

use a composition of transactional leadership and transformational leadership as a core managerial strategy in the organization.

2. It is suggested that managers to be trained to use both styles of leadership and along with the increasing need for new skills and competencies of leadership as a result of changes in community, leadership training program is more important than ever. Bass and Avolio (2004) stated that transformational leadership should be taught to all people at all levels of the organization to have a positive impact on the overall performance. On the other hand, studies have shown that training can lead to the strengthening of transactional leadership and transformational leadership. So, organizations should pay special attention to issues of education.

3. Since the planning and supervision is the action of performance, it is suggested to managers that to proceed organizational purposes have a careful and calculated planning and if transactional leadership and transformational leadership style interact with each other, the goal is to run faster.

### 7. Suggestion for Further Research

The general objective of this study was to investigate the effects of leadership styles on employee performance in export processing zones in Kenya with specific focus on Mombasa Apparel (EPZ) Ltd. Specifically; this study investigated the effects of transactional leadership, transformational leadership and authoritarian leadership on employee performance in export processing zones in Kenya. The leadership styles are not exhaustive hence further research can be carried out to unearth other styles such as management by objective and management by exception. Secondly, further studies need to be carried out to identify industry based leadership challenges that employees face and how best these challenges can be addressed to enhance growth and performance of the sector.

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