

# Leadership as a Factor Affecting Effective Strategy Implementation in Manufacturing Industry in Nakuru County Kenya: a Case Study of Bidco Oil Refineries Limited

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**Abstract:** *The study sought to identify factors affecting effective strategy implementation in Bidco oil refineries Nakuru plant, Kenya (BORL). The study adopted a case study research design covering a sample of 73 respondents drawn from 90 employees of Bidco. Data was collected by use of questionnaires and was later analyzed using descriptive and inferential statistical analysis tools. According to the study findings, organizational leadership (93.1% , mean 3.13) was found to be the most important factor influencing effective strategy implementation with a strong positive Spearman correlation of 0.458; p-value < 0.01(0.000). The study recommends that, the directors, managers and supervisors in a manufacturing industry should enhance a flexible leadership style that is consultative, open to ideas and encourages and motivates employees. The research indicated that almost half of the employees were not frequently involved in decision making. Therefore the study recommends for more involvement of employees in decision making. Employees' ideas or thoughts may be collected through suggestion boxes, questionnaires or through frequent monthly review meeting with all employees.*

**Keywords:** Strategy implementation, Leadership style, Entrepreneurship, Diversification

## 1. Introduction

Over the recent years, organizations in the modern world whether public or private, profit or non profit-driven are nowadays engaged in strategic management as a basis of formulating their goals and monitoring their performance. Companies are focusing on the amount of their goal achievement and how they should consider all aspects for reaching the desired ends. However, problem of today's managers is competition and dynamism of environment and unknowns of the outside and inside of the organization each affecting the implementation plans especially strategic ones. Strategy implementation will affect the organization, especially on service businesses which have different nature than other kinds of organizations; the importance of this issue therefore gets more highlighted.

Diversification and broadness of service sector including individual and social services, professional, commercial and public increases the role and importance of strategy implementation in service companies. Organizations are therefore required to think and plan in advance and yet flexible enough to incorporate changes as they evolve in the ever changing environment (Bryson, 1995).

Strategy implementation has therefore been increasingly the focus of numerous studies, particularly because the process from strategy formulation to strategy implementation is not effective and therefore not adequate in today's business background (Heracleous, 2000). Currently, the strategy implementation in manufacturing firms is assumed as a multi dynamic activity within strategic management process, which is possible to be responsible for any changes within the general culture, structure, resource mobilization and management system of the whole organization. Furthermore, the strategy implementation in business management is

investigated (Grundy, 1998; Hauc and Kova, 2000). Implementation has been described as "...total of the activities and choices required for a strategic plan ... the process by which strategies and policies are put into action..." (Wheelen and Hunger, 2009).

Generally speaking, well formulated strategies merely provide superior performance for the firm when they are efficiently implemented (Noble, 1999, Guohui and Eppler, 2008). In the context of manufacturing firms, this study focused on how productive strategy implementation can be the role of top management as strategic makers have more influence on implementation of strategy and they have authority in decision making that consequently affect the entire organization structure. For a correct and appropriate management and strategy implementation, the managerial skill is undoubtedly crucial. As a matter of fact, successful strategies are directly associated with an efficient strategy implementation (Jiang, 2009).

Failure strategy implementation efforts cause enormous costs in the organization (Heracleous, 2000, Noble 1999). Besides wasting a considerable amount of time and money, failure strategy implementation efforts cause lower employee morale, a diminished trust and faith in senior management. Moreover they result in making yet more inflexible organization, because when an organization fails to change it will encounter more employee cynicism in its next attempt (Heracleous, 2000).

Emphatically, the main issue here is how organizers should carry out strategy implementation effectively. Among various organizational factors, leadership, structure, culture, resources, and technology play a significant part on strategy implementation (Karami, 2005).

Noble (1999) made a review of research carried out in the dispersed field of strategy implementation. He combines the perspectives and, having a focus on the process of implementation, defines strategy implementation as communication, interpretation, adoption and enactment of strategic plans. Noble makes a distinction between structural and interpersonal process views on strategy implementation. The structural perspective focuses on formal organizational structure and control mechanisms, while the interpersonal process is about understanding issues like strategic consensus, autonomous strategic behaviors, diffusion perspectives, leadership and implementation styles, and communication and other interaction processes. Strategy implementation categories, the management, planning and control seem to be quite close to Noble's structural view and our communication category seems to fit to interpersonal process view of Noble.

The choice of a method for strategy implementation will depend upon situational factors such as size of the institution, complexity of programs, institutional culture, and the style of the management (Burnes, 2002). In view of the complex characteristics of manufacturing firms, the implementation approach should be based upon high participation. The curvise or the cultural approach as described by Brodwin and Bourgeois (1984) meets these requirements. In the cultural approach the president assumes the role of a coach and focuses upon defining and developing the new culture of the institution. In the curvise approach, the president's role is changed to that of a premise setter which has a distinctive influence on the attainment of organizational quality objectives.

Bidco Oil Refineries Limited (BORL) Elianto Division, located in Nakuru, Kenya deals with extraction of edible oil from oil bearing materials and sale of by-products to animal feeds users. It is a business unit of the corporate Bidco Oil Refineries Limited headquartered in Thika and was established when the original Elianto Oil Refineries, then a subsidiary of Unga limited, was acquired by Bidco company in 1998. There have since been technological and market development and innovation by Bidco Nakuru, culminating in installation, commissioning and establishment of a new 100 ton capacity extraction plant in 2005 which has since been in operation and yield high quality products in East and Central Africa, a testimony of its progressive performance through the company's ambitious expansion plan.

The market success of these products has led Bidco to look to the future and expand its horizons. As the company expands its network across Africa it has evolved into a marketing organization. Currently, Bidco market the largest and widest range of quality edible oil and hygiene products in East and Central Africa KAM (2007). In spite of the company's strategic performance, it has recently encountered challenges in maintaining its impressive performance standards as it faces competition from other Oil refinery and feed meal companies like Menengai Oil, Kapa Oil, Pwani Oil refineries, Unga farm care limited, Modern feeds and Lens Agri. A review of the company's current performance reveals results below expectation. This has been evidenced through the increase in delays of the delivery of orders to customers as a result of poorly coordinated transport

systems, reduced sales and quality issues reported at its Nakuru division. The sales coordinator at the company's division has also reported that he had received complaints from customers who felt they were not getting value for their money. The team leader at the Nakuru Bidco Elianto division has pointed out cases of some salesmen defrauding the company thus leading to initiation of a system of having its entire credit customers ordered to open an account with the company to monitor delivery against payments. Incidences of frequent machine breakdown have led to the company failing to produce at full capacity of 48 tons per day to just 25 tons per day. The above incidences point out declining performance of the company, which therefore necessitated the need for a good strategy implementation system that would set the standards of employee performance.

The general objective of the study was to assess factors affecting effective strategies implementation in manufacturing industry in Nakuru County and the specific objective was to assess the influence of leadership style on strategies implementation in the manufacturing industry in Nakuru County: a case study of Bidco Oil Refineries Limited.

## 2. Literature Survey

The study paid a special attention to the impacts of main organizational factor leadership style in the manufacturing industry in developing countries.

Today, the role of strategic planners is an effective leadership in such a way to lead the organization to use growth opportunities. In fact they contribute an important role in growing inner capabilities and promoting entrepreneurship. Therefore motivating people and developing key employees' skills are their priorities (Karami, 2005). The notion of firm leadership orientation at the micro level is purported by Quigley (2000), who suggests that effective leaders within organizations are guided by holistic understanding of their entities, which is accomplished by keeping one's eye on the future, reviewing and monitoring the commitment to purpose and direction, and ensuring this purpose is shared through effective communication. Thus, the notion that the success of leaders within an organization is an outcome of how well they are able to align the localized goals within the various functions of the organization with that of the overall orientation of the firm holds good (Quigley, 2000).

Leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives, (Newstrom, 2002). It is the process of directing and influencing task related activities of group members, (Stoner and Gilbert, 1990). On the other hand, management is the planning, organizing, leading and controlling the work of organizational members and of using all available organizational resources to reach stated organizational goals. Good leadership steers the organization and the employees to perform better. Leadership according to McKinsey framework plays a central role in strategy implementation and if not properly managed poses challenges. Since organizations need people to bring about the necessary changes strategy implementation therefore requires the

assembling of a capable team with the right skills. Pearce and Robinson (2001) note that the chief executive together with key managers must have skills, personalities, education and experience to execute the strategy. This may mean utilizing current executives or hire new personnel from outside for implementing strategy. While this sound theoretically easy, in practice it poses really challenges. More often organizations realize that due to internal power structure and organization politics, selection of competent staff is compromised.

Bringing in outsiders has its fair share of challenges that may even lead to resistance and exit of critical staff required for the implementation process. When organization leadership encourages free and fast information flow, there develops a culture of co-operation and commitment as people understand where the organization is going. When corporate culture is aligned to strategy, people tend to rally behind the strategy leading to minimal resistance. Desired culture must flow from the top and if need be new employees can be brought in from outside to change and align culture to the desired strategy. It is therefore important that corporate culture is influenced towards strategy for effective implementation.

### 3. Research Methodology

The study adopted a case study research design to describe leadership style as a factor influencing strategies implementation in the manufacturing industry; Bidco Oil Refineries Limited and establish causal relationship between independent variable; leadership style and dependent variable; strategy implementation as supported by Saunders *et al.*, (2009).

The study covered a population of 90 employees of Bidco Oil Refineries Limited that included managers, supervisors, technicians, sales and marketing representatives. A stratified random sampling technique was used to select the employees from various categories (departments) in Bidco Oil Refineries Limited that was used for the study. In order to assess the views and opinions on the factor influencing strategies implementation at Bidco Oil Refineries Limited a sample of 73 employees were selected out of a total population of 90 as guided by Krejcie and Morgan (1970). The sampling design used was appropriate for the study because every employee had equal chance of being interviewed or filling the questionnaire. It eliminated biasness

### 4. Results and Analysis

From a total population of 90 employees of Bidco Oil Refineries Ltd, 73 were sampled using Krejcie and Morgan (1970). Out of 73 questionnaires, 53 were valid which translated to a response rate of 72.6%.

The study sought to assess the influence of leadership style on strategies implementation in manufacturing industry in Nakuru County. The finding showed that 91.1% of respondents agreed that leadership style was flexible and open to change and adoption. Consultation for new process or market was done per department and management was

found to be flexible and encouraging new processes (mean 3.08, standard deviation of 0.578). The results also illustrated a high rate (93.1%) of the respondents who agreed that the organization departmental level encourages and motivates new ideas, this also attracted a high mean of 3.13 with dispersion of 0.577. 85.2% of the respondents agreed that there was an enabling leadership style for effective strategies implementation with a mean of 2.96 and deviation of 0.582. Accordingly, 91.1% of the respondents also agreed that leadership style influences the ability of the organization to implement its formulated strategies with a mean of 3.05 and standard deviation of 0.517 (Table 4.1). These results imply that leadership style highly influences the strategy implementation of a manufacturing industry. This is consistent with Zhao (2005) who argued that strategy implementation will flourish under an open style which encourages and rewards idea development. In addition De Jong and Den Hartog (2007) summarized that transformational, participative and employee-oriented managers are more likely to encourage employee innovativeness knowledge and skills. A centralized approach, on the other hand, has been shown to have a negative effect on implementation of strategies (Damanpour, 1991).

Table 4.1: Leadership Style Descriptive Statistics

	N	Mean	Std. Deviation	Agree	Disagree
Leadership is flexible and open to change	53	3.08	0.578	91.10%	8.90%
Leadership consultation for new idea	53	3.08	0.578	91.10%	8.90%
Leadership encourages & motivate new ideas	53	3.13	0.577	93.10%	6.90%
Leadership style is open and flexible enough	53	3.09	0.585	91.10%	8.90%
Leadership style is enabling effective strategies implementation	53	2.96	0.582	85.20%	14.80%
Leadership style influences strategy implementation	53	3.05	0.517	91.10%	8.90%

Further, the study tested a null hypothesis ( $H_0$ ) that there is no positive relationship between leadership style and effective strategies implementation in manufacturing industry in Nakuru County.

The results indicated that there was a strong positive relationship between leadership style and effective strategies implementation as shown in Table 4.2. This implies that the more flexible the leadership style, the more the capacity of a manufacturing industry to effectively implement its laid down strategies. The relationship was significant at 0.01 confidence level with a Spearman correlation of 0.458;  $p$ -value < 0.01(0.000). Thus the null hypothesis ( $H_0$ ) that there was no positive relationship between leadership style and effective strategies implementation was rejected. This could imply that leadership style directly and positively influences the strategy. These results are consistent with previous researches by Zhao (2005), which found that effective implementation of laid down strategies flourishes under an open style which encourages and rewards idea development,

and De Jong and Den Hartog (2007) who advocated for transformational, participative and employee-oriented managers are more likely to encourage employee competence, knowledge and skills.

**Table 4.2:** Leadership Style Correlation Matrix  
LS SI Spearman's rho LS Correlation

	L.S	S.I
Spearman's rho	1.000	.458**
Sig. (2-tailed)		.000
N	53	53

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

LS: Leadership Style SI: Strategy Implementation

## 5. Conclusion

The finding showed that 91.1% of respondents agreed that the organizational leadership was flexible and open to change and adoption. Consultation for new process or market was done per department and team leaders championing the various departments were found to be flexible and encouraging new processes (mean 3.08, standard deviation of 0.578). The results also illustrated a high (93.1%) of the respondents who agreed that the organization departmental level encourages and motivates new ideas, this also attracted a high mean of 3.13 with dispersion of 0.577. 85.2% of the respondents agreed that there was an enabling leadership for effective strategies implementation with a mean of 2.96 and deviation of 0.582. Accordingly, 91.1% of the respondents also agreed that leadership influences the ability of the organization to effectively implement its formulated strategies with a mean of 3.05 and standard deviation of 0.517. The results indicated that there was a strong positive relationship between leadership and strategy implementation as shown in Table 4.2. This implies that the more flexible the leadership, the more the capacity of a manufacturing industry to effectively implement its laid down strategies. The relationship was significant at 0.01 confidence level with a Spearman correlation of 0.458; p-value < 0.01(0.000). Thus the null hypothesis ( $H_0$ ) that there was no positive relationship between leadership and effective strategies implementation was rejected. This could imply that leadership style directly and positively influences effective strategy implementation. The study therefore concludes that leadership style influences effective strategies implementation of a firm.

## 6. Recommendations

The study recommends that for a firm in the manufacturing industry to be competitive in the market it should focus more on organizational leadership style. The directors, managers and supervisors in a manufacturing industry should enhance a flexible leadership style that is consultative, open to ideas, encourage and motivates employees. Further, the study recommends for more involvement of employees in decision making. Employees' ideas or thoughts may be collected through suggestion boxes, questionnaires or frequent

meeting with all employees. This will make them own the organization and work towards achieving its goal and objectives.

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