

Exploring the Linkage between Transformational Leadership and Investment Promotion in Tanzania Case Study of Tanzania Investment Centre

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Abstract: *Developing countries, which are characterized with rapid increase in population, unemployment, democratization process and competition in the global market associated with low investments, have found it difficult to meet the needs and expectations of a vast number of majorities. With increasing investment demands in developing countries specifically Tanzania in its different development sectors such as mining, agriculture and industry, effective leadership is an incremental component in achieving the desired objectives. The purpose of the study was to assess the effect of transformational leadership on promoting investment in Tanzania. Case study design was used in executing the study covering a stratified sample of 72 respondents drawn from a target population of 129. Data was collected using questionnaires and interviews. Both descriptive and inferential statistical tools were used to analyze data. The descriptive statistical tools that were used included frequencies, percentages, and mean while inferential statistics involved correlation analysis. The study achieved a response of 76.39%. The results show that there is a significant positive correlation between idealized influence and promotion of investment with a correlation coefficient of 0.278 ($p=0.01$). The results also indicate there was a strong positive correlation (0.352) between inspirational motivation and promotion of investments. Correlation analysis also established a moderate positive correlation (0.346) between intellectual stimulation and promotion of investments. There was a positive correlation (0.437) between individualized influence and promotion of investments. Generally, the level of promotion of investment was high and this was a result of transformational leadership among other reasons. The study recommends that there is need for the managers of TIC to continue displaying a sense of power and confidence as well as emphasizes the importance of having a collective sense of mission to sustain the level at which the investments are being promoted.*

Keywords: Transformational leadership, individualized consideration, inspirational motivation, intellectual stimulation, investment promotion

1. Background

Investment promotion is an activity which encompasses advertisement, conducting of Investment promotion is viewed as an overarching strategy for increasing investment environments that can help to increase both domestic and foreign investment and to enhance their contribution to national economic development, particularly to developing countries where information about business conditions is less readily available and bureaucratic procedures tend to be more burdensome. It is important to note that investment promotion is not a new phenomenon in third world countries. In 1997, the Government of Tanzania established Tanzania Investment Centre to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment policy and related matters.

With increasing investment demands in developing countries, leadership has widely been recognized as a major factor in investment promotion. With the aim of being able to explain the effectiveness of a leader in terms of investment promotion, the concept of transformational leadership has been drawn upon. Transformational leadership is one of the styles of leadership designed to produce positive changes in individuals and organizations. In an article by Donald *et al.* (2001), transformational leadership has substantial direct effects on both goal clarity and developmental culture, and contributes in understanding the relevance of transformational leadership for reform efforts since the findings of the study connect transformational leadership to the successful implementation of administrative reform and these result of the findings makes the researcher to think how transformational

leadership can promote investment in Tanzania compared to other countries in south Saharan Africa.

Therefore, lack of transformative leaders is the major cause for low investment and development level in many developing countries. Nations that have achieved greatness in the investment sectors have a good committed transformational leader's behind the curtains. For example China, Botswana, South Africa and Malaysia. These nations are gifted with trust, integrity and selfless leaders, who exhibited exceptional intelligence, courage and vision at every turn, to chart the best course, define the right path, and make the citizens believe in the outcomes. Using Botswana as a case study Michael Lewin argues that the transformative leadership of its first president Seretse Khama was instrumental in making sure the country's mineral wealth benefits its citizens. The transformative leadership of Seretse Khama focused on high ethics and moral conduct; used power for collective rather than individual gain; maintained consistency between words and deeds; articulated a powerful and inspiring vision; became a role model for good deeds and challenged followers to emulate him; engendered trust; exhibited self-sacrifice and integrity. Khama not only practiced these values but also ensured that his followers developed the same values.

In a country like Tanzania where the economy is relatively diversified and a number of opportunities remain untapped in many sectors, offer a wide range of opportunities to potential investors. Manufacturing sector is at its infancy stage with few exploited areas while trade sector has been marked with negative trade balances and major exports have been dominated by unprocessed agricultural commodities.

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Mining industry has experienced a boom in both mineral exploration and mining activities during the past years yet many areas remain untapped. Recently large discoveries of natural gas in deep sea are another very important source that is coming to the country's economy.

2. Purpose of the Study

The purpose of the study was to assess the linkage between transformational leadership and investment promotion in Tanzania. Specifically the study sought to determine the role of idealized influence to promotes investment in Tanzania, establish the influence of inspirational motivation on promotion of investments in Tanzania, and assess the role of intellectual stimulation on investment promotion in Tanzania and to determine how individualized influence promotes investment in Tanzania.

3. Research Methodology

The study adopted a case study research design, because it will facilitate exploration of a phenomenon within its context using a variety of data sources such as interview, questionnaire, and observation. The design was also convenient as it reduced expenses and time spent hence researcher was able to afford the cost associated to it, and allowed an in-depth investigation of the problems because it contains a single unit with variety of characteristics or variable. The study covered a sample of 72 respondents drawn from a total population of 129 employees of Tanzania Investment Centre. Data collection involved use of questionnaires and interviews with key respondents. Analysis of the collected data involved use of bot descriptive and inferential statistical tools namely frequencies, percentages, mean and correlation to determine and explain the relationship among the study variables.

4. Results and Analysis

The study achieved a response rate of 76.39%. As a prelude to the description and determination of the relationship among the study variables, the study sought to establish knowledge level of respondents on the concept of transformational leadership. An assessment of basic knowledge of transformational leadership revealed that most of the respondents (65.5%) knew what transformational leadership meant while a few (34.5%) did not. Most of the respondents (63%) also confirmed that Tanzania Investment Centre had transformational leaders.

Idealized Influence and Investment Promotion

Objective one sought to determine the role of idealized influence on promotion of investment in Tanzania. In order to address the objective, the respondents were given a set of statements seeking to assess the relationship between idealized influence and investment promotion, and were required to rate the statements on a scale of 1 to 5. The results indicate that majority of respondents felt that trust in leadership helped in promoting investment in the organization (4.2000) and they had trust in leadership promote investments (3.8545). The respondents further indicated that degree to which deeds and words of leaders

promoted investment was high (3.5818). They also argued that vision and mission of organization were important in promoting investments (4.2545). Generally, the respondent felt that idealized influence was key in the promotion of investments in Tanzania. The standard deviations were computed to show the level of scatteredness of the responses and they ranged from 0.69969 to 0.93672. This shows that deviations were slight meaning that the responses did not vary so much from the mean.

In order to establish the relationship between idealized influence and promotion of investment, spearman's rank order correlation test was used. This test was applied because the variables were measured using ordinal scale. The results show that there was a significant positive correlation between idealized influence and promotion of investment with a correlation coefficient of 0.278. The relationship was significant since the p value (0.040) was less than the significance level of 0.05 (95% confidence interval) as presented in Table 1.

Table 1: Correlation analysis between idealized influence and promotion of investment

			Idealized influence	Investment promotion
Spearman's rho	Idealized influence	Correlation Coefficient	1.000	.278*
		Sig. (2-tailed)	.	.040
		N	55	55
	Investment promotion	Correlation Coefficient	.278*	1.000
		Sig. (2-tailed)	.040	.
		N	55	55

*. Correlation is significant at the 0.05 level (2-tailed).

Influence of Inspirational Motivation on Promotion of Investment in Tanzania

Objective two sought to determine the influence of inspirational motivation to promote investment. In a scale of 1 – 5, the respondents were required to rate a set of statements on the influence of inspirational motivation and investment promotion. As shown in Table 2, the commitment of the leaders and managers had a positive influence on the promotion of investment in Tanzania (3.6909). Leaders with an inspiring vision challenge followers to leave their comfort zones, communicate optimism about future goals, and provide meaning for the task at hand. Purpose and meaning provide the energy that drives a group forward. The visionary aspects of leadership are supported by communication skills that make the vision understandable, precise, powerful, and engaging. Followers are willing to invest more effort in their tasks; they are encouraged and optimistic about the future and believe in their abilities. The study further revealed a positive relationship between social interaction and events and investment promotion (3.7273). The respondent's further stated that integration of individuals' objectives and goals within company goal promoted investment to a very great extent (3.6000). The item standard deviations were small and they indicate that the variation of the responses was slight as they ranged from 0.85201 to 1.00838.

Correlation analysis was conducted to determine the relationship between inspirational motivation and

investment promotion. As shown in Table 2, there was a positive correlation between inspirational motivation and promotion of investments (0.352). The p-value is 0.008 and thus, less than the alpha of 0.01 hence establishing a high significant relationship between variables. This implies that inspirational motivation had a significant effect on investment promotion in Tanzania. The findings agree with Coad and Berry (1998) who argue that transformational leadership fuels organizational learning by promoting intellectual stimulation and providing inspirational motivation and self-confidence among organization members. The findings are also in line with those of Malik *et al.* (2012) who contend employees play an important role in the success and failure in the organization.

Table 2: Relationship between inspirational motivation and promotion of investments

		Inspirational motivation	Investment promotion
Spearman's rho	Inspirational motivation	Correlation Coefficient	1.000
		Sig.(2-tailed)	.008
		N	55
	Investment promotion	Correlation Coefficient	.352**
		Sig.(2-tailed)	.008
		N	55

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

Intellectual Stimulation and Investment Promotion

Objective three sought to determine the role of intellectual stimulation in promoting investments in Tanzania. To achieve this study objective, the respondents were required to rate a number of statements on a scale on 1-5. According to the research findings (Table 3), majority of the respondents felt that leadership accountability and accountability and responsibility of managers and other support staff were instrumental in investment promotion in Tanzania with mean scores of 3.6182 and 3.5273 respectively. It was also evident that transparency had a positive influence on investment promotion (3.5455). The findings are in line with those of Ackerman and Anderson (2010) who found out that that good change governance, set up from the beginning, remedies all this and enables speed and efficiency in designing and executing change. Conscious change governance requires clear definition of change leadership roles; sponsor, change process leader, change leadership team, initiative leads, project teams, and change consultants. Most of the respondents were of the opinion that innovation and acceptance of change have both been very instrumental in investment promotion with mean scores of 3.7091 and 3.8182 respectively. According to Wick and Leon (1995) transformational leadership generates greater consciousness and acceptance of the purpose and mission of the organization and fosters a shared vision, reorienting the training and construction of work teams. This leadership style also allows the leader to commit him- or herself openly to learning, to become its driving force, and to provide whatever is needed to overcome internal skepticism and external difficulties to establish learning within the organization.

Table 3: Influence of intellectual motivation and investment promotion

	Mean	Std. Deviation
To what extent does the leadership accountability promote investment in Tanzania?	3.6182	1.06268
What is level of accountability and responsibility of leaders, managers and staff in investment promotion in TIC?	3.5273	.92004
What has been the influence of transparency on investment promotion in Tanzania?	3.5455	.99663
Innovation has been very instrumental in investment promotion in Tanzania.	3.7091	.95593
To what extent does acceptance of change promote investment in your organization?	3.8182	.94459
Does the level of innovation in your organization help on investment promotion?	3.6182	.97165

In order to determine and explain the relationship between intellectual stimulation and promotion of investments in Tanzania, correlation test (Table 4) was conducted revealing a positive correlation between the two variables (0.346). The p-value is 0.008 and thus, less than the alpha of 0.01 hence establishing a significant relationship. Transformational leaders encourage followers to be innovative and creative. Intellectual stimulation springs from leaders who establish safe conditions for experimentation and sharing ideas. They tackle old problems in a novel fashion and inspire employees to think about their conventional methods critically and share new ideas.

Table 4: Relationship between intellectual stimulation and promotion of investments

		Inspirational motivation	Investment promotion
Spearman's rho	Inspirational motivation	Correlation Coefficient	1.000
		Sig. (2-tailed)	.008
		N	55
	Investment promotion	Correlation Coefficient	.346**
		Sig. (2-tailed)	.008
		N	55

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

Individualized Influence and Promotion of Investment

Objective four sought to determine the influence of individualized influence on promotion of investments in Tanzania. In a scale of 1 – 5, the respondents were required to rate a set of statements on the influence of intellectual stimulation on investment promotion. According to the study findings, majority of the respondents confirmed that the level of respect of ideas and contributions of stakeholders promotes investment to great extent (3.4182). They also felt that the rate involvement of stakeholders in decision making and investment promotion in Tanzania was high (3.1636). The environment and natural resources protection had a positive influence on investment promotion (3.5091). In addition, they indicated that individual consideration promotes investment to a great extent (3.1111) as shown in Table 5.

Table 5: Influence of inspirational motivation and investment promotion

	Mean	Std. Deviation
To what extent does the level of respect of ideas and contributions of stakeholders promote investment?	3.4182	1.04865
How can you rate involvement of the stakeholders on decision making and investment promotion?	3.1636	.85556
What is the influence of environment and natural resources protection on investment promotion?	3.5091	.94031
What is the level of relationship between Gender consideration and investment promotion?	3.1852	.93312
To what extent do you think individual consideration promotes investment in Tanzania?	3.1111	1.07575

In order to address the research question Spearman's rank order correlation test was run. This test was used to establish whether there exists a relationship between individualized influence and promotion of investments. As shown in Table 6, there is a positive correlation (0.437) between individualized influence and promotion of investments. The p-value is 0.016 and thus, less than the alpha of 0.05 hence establishing a high significant relationship between variables. This implies that individualized influence had a significant effect on promotion of investments. By articulating a compelling vision that emphasizes shared values, a transformational leader instills in followers a sense of the collective and pride associated with being members of their organizations. Followers with high levels of person-organization congruence perceive that they are a part of something bigger than themselves and are more likely to engage in behaviors that facilitate group productivity (Hoffman *et al.*, 2011).

Table 6: Relationship between individualized influence and promotion of investments

			Inspirational motivation	Investment promotion
Spearman's rho	Inspirational motivation	Correlation Coefficient	1.000	.437**
		Sig. (2-tailed)	.	.016
		N	55	55
	Investment promotion	Correlation Coefficient	.437**	1.000
		Sig. (2-tailed)	.016	.
		N	55	55

** . Correlation is significant at the 0.05 level (2-tailed)

Level of Investment Promotion in Tanzania

The promotion of investment was assessed through Likert scale where the respondents were asked to indicate in a scale of 1 – 5, the extent to which they agreed with a set of statements regarding investment promotion in Tanzania. The results in Table 7 indicate that majority of the respondents stated that TIC has been very instrumental in promoting investment in Tanzania (3.6727) and over the last five years the country has witnessed growth in investment (3.4909).

The deviations were small, thus implying that their responses were almost similar in each of the items.

Table 7: Investment promotion in Tanzania

	Mean	Std. Deviation
TIC has been very instrumental in promoting investment in Tanzania?	3.6727	.92405
Over the last five years Tanzania witnessed growth in investment	3.4909	.95980

Following the liberalization of the economy and efforts to create an enabling environment for investment, Tanzania has been striving to establish a clear policy of openness to both foreign investment and trade. Efforts have also been made to improve public private sector dialogue on investment issues, as part of the efforts to facilitate the role that private investments can play in the development of the country. Tanzania has thus succeeded in creating the necessary initial conditions to attract foreign direct investment. When asked to rate the level of investment promotion in Tanzania, 1.8% rated it very low, 14.5% rated it low, 36.4% rated it somehow high, 34.5% rated it high and 12.7% rated it very high.

5. Conclusions

Generally, the level of promotion of investment was high and this was a result of transformational leadership among other reasons. TIC administration and other organizations spearheaded this promotion. It is clear that the organizations had transformational leaders who encouraged followers to be innovative and creative. The specific elements of transformational leadership that boosted the investment promotion were idealized influence, inspirational motivation, Intellectual stimulation and individual consideration.

The idealized influence, which encompassed trust, mission, vision, word and deed, had a significant influence on promotion of investments. TIC employees had trust that leadership promoted investments and the degree to which deeds and words of leaders promoted investment was high moreover, the vision and mission of organization were equally important in promoting investments. Inspirational motivation too promoted investment, specifically; the commitment of the leaders and managers at TIC had a positive influence on the promotion of investment in Tanzania. The leaders had an inspiring vision, challenged followers to leave their comfort zones, communicated optimism about future goals, and provided meaning for the task. Social interaction and events also promoted investments.

It also emerged that intellectual stimulation sprung from leaders who establish safe conditions for experimentation and sharing ideas. They tackle old problems in a novel fashion and inspire employees to think about their conventional methods critically and share new ideas. Transparency, innovation and acceptance of change were intellectual stimulation elements that were very instrumental in investment promotion. Individualized consideration had also a positive influence in the promotion of investment in

Tanzania. Specifically, the level of respect of ideas and contributions of stakeholders promotes investment to great extent. It emerged that the rate involvement of stakeholders on decision-making and investment promotion in Tanzania was high.

6. Recommendations

Based on the study findings, the study that managers of Tanzania Investment Centre (TIC) should continue displaying a sense of power and confidence as well as emphasizing the importance of having a collective sense of mission to sustain the level at which the investments are being promoted. They should always articulate a compelling vision of the future and expresses confidence that goals will be achieved.

The management should uphold the values of transparency, honor equality justice and integrity. Furthermore, moral raises the level of human conduct and ethical aspiration and has a transforming effect on leader and follower. Leaders needs to satisfy their follower to expand and elevate those needs trying to maximize and develop their full potential. In order to be successful in this task, they need to provide coaching and empowering for their followers, turning them into potential leaders.

Further, investment promotion should be intergrated in all government policies and regulations. To assure continuous growth and sustainability on investment promotion in Tanzania, the government has to draft accounting plans that specify responsibilities and actions with regard to individual companies that can help to avoid duplication between stakeholders with an interest in the same company

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