

Effect of Leadership to the Strategic Management of an Organization - Case Study: Rwanda Governance Board

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Abstract: Over the last 15 years, Leadership under corporate governance has become one of the most topical issues in business and finance discourses. Corporate governance is associated with the defense of shareholders' interest by the use of firm governance devices. Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most companies strive to have a high level of leadership and many shareholders; it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices (Alan D., 2007). Research on the relationship between leadership and strategic management has primarily focused on leadership's impact on strategic management. Many studies have been conducted but they did not go into deep to determine the real impact of leadership to the strategic management of public and private institutions. Therefore, the general objective of this study was to determine the effect of leadership on strategic management of an organization, case of Rwanda Governance Board, Leadership was considered as corporate governance indicator. A researcher used a descriptive research design, where qualitative and quantitative approaches were applied. In quantitative approach, the researcher collected data from management staff and customers served by RGB. Qualitative was used through interviews and documentation in order to describe the real significance of the variables. The data collected was analyzed by using Statistical Package for Social Sciences (SPSS). The findings confirmed that Leadership management can affect strategic management in particular organization.

Keywords: Leadership, Corporate Governance, Strategic management

1. Introduction

The 1990s was a decade of considerable and broad economic growth. Over the last 15 years, leadership has become one of the most topical issues in business and finance discourses (Keasey, Thompson, & Wright, 2005). It covers a number of issues with a shared focus on the relationship between owners, board of directors, top management teams and CEOs, as well as the remuneration of executives at different levels (Keasey, Thompson, & Wright, 2005; Robert A.G. & Nell, 2004; Robert A.G. & Nell, 2004; Tricker, 1999).

Corporate governance involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Good leadership ensures corporate success and economic growth. Strong leadership maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively. Good leadership also minimizes wastages, corruption, risks and mismanagement and it helps in brand formation and development, ensuring organization in managed in a manner that fits the best interests of all. It creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most companies strive to have a high level of leadership. For many shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound leadership practices (Alan D., 2007).

Bad leadership can cast doubt on a company's reliability, integrity or obligation to shareholders. Companies that do not cooperate sufficiently with auditors or do not select auditors with the appropriate scale can publish spurious or non-compliant financial results. Bad executive compensation packages fail to create optimal incentive for corporate officers. Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents.

Leadership is an important part of strategic management that can improve organization performance.

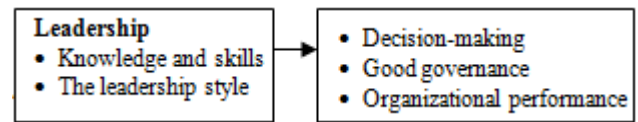
Starting with 1990 strategic management has entered new period of developing and adopting new styles based on thinking "My business is thinking – T.A. Edison". That asks managers to be aware about company's atmosphere and understand well the changes of business world. Managers must recognize exchanging relationship between environment, society, economic and their companies switching from liner thinking to non-liner thinking, managers should be creative in achieving companies' objectives (Issam, 2013). Leaders may have an idea as to where their first Nation is going, but they might not know how the people they work with view the future. In addition, leaders may not always be able to get a clear picture of the environment in which the First Nation operates and may not be able to assess the implications this environment holds for the future. Individuals may have other perspectives on the level of success for different initiatives. Leaders must provide direction in their daily activities. The concept of strategic management embodies a process that is intended to support or maintain a proactive organization. The process is often captured in a model supported by policy and

procedures. The strategic management process is often described as dynamic and continuous. There is no guarantee of success. However, if the model and processes are followed faithfully, better-than-average results occur. Some organizations believe they would not be in business today without strategic management.

2. Statement of the Problem

Research on the relationship between leadership and strategic management has primarily focused on leadership's impact on strategic management. To control the agency problems caused by separation of decision and risk-bearing functions, organizations separate the ratification and monitoring of decisions from the initiation and implementation of the decisions. The boards always have power to hire and fire top managers and to ratify and monitor important decisions. In addition, they can influence strategic decisions by aligning interests of shareholders and top managers through executive compensation, particularly through long-term performance-based incentives such as stock ownership and stock options. Empirical research has consistently found that leadership mechanisms such as the boards of directors and executive compensation affect strategic decisions. This finding provides support for the agency theory argument that managers tend to pursue strategic decisions that benefit themselves at the expenses of shareholders when there is lack of effective leadership. The positive and negative externalities of the separation of management and ownership in the modern corporation make leadership an important issue. This leads to a number of issues related to efficient control of the assets of corporations in the interest of all stakeholders. While scholars in the developed economies have used this basic premise and have developed a sizeable literature on leadership, in Africa there have not been many studies on leadership (Charles & Oludele, 2003). In addition, those studies conducted have never gone into deep to determine the real effect of leadership to the strategic management of public and private institution. However, this study aimed to determine the effect of leadership on organizational strategic management case of Rwanda Governance Board.

3. Conceptual Framework



4. Literature Review

4.1. Leadership and strategic management

Leadership has significant impact on strategic management process. Especially it helps to determine the vision and mission of the organization.

Further, it facilitates the organization to execute effective strategies to achieve that vision. A leader brings together all of the various groups within an organization to develop the action design. By the powers of communication and persuasion inherent in leadership, that person is going to convince everyone they are stakeholders in the final results. He or she is the guide along the path that has been outlined by strategic management planning (Jabbar & Ali, 2017).

Leaders are important to the strategic management work because of the ability to bring people together. This does not mean that leaders act independent of the strategic plan. In fact, leaders rely quite a bit on what has been determined and also those people assigned the various tasks. The primary reason is that a strategic plan gives a sense of direction. Leaders can be visionaries, but without something concrete those visions are not much more than misty air. Leaders may be very influential in deciding what the ultimate goal is but trying to reach it without a strategy would be like walking through a dark forest without a compass. Developed strategies also will provide useful tools for any leader. The benchmarks and timetables provide a justification for any motivational efforts. Leaders try to be problem solvers. Those very same performance indices will alert a leader to problems that need to be fine too. Incidentally, strategic management is a living operation. It is not something that is carved in solid stone.



Figure: Role of selected strategic leadership actions in strategy implementation

Source: adapted Hitt et al. (2007:385)

The business world was never fully static and in the modern economy the activity can be almost frantic. Circumstances and situations change with practically every business day. It

means that the plan may have to be reevaluated, and the best strategies always have evaluation benchmarks. Leaders can help make the needed changes through their ability to

communicate and problem solve. The best leaders are also flexible enough to change course when a new direction is in order. They are indispensable in getting other people to accept any alterations.

Strategic management and leadership can be thought of as planning and execution, respectively. A company cannot spend all of its time in the planning stage as it can lead to paralysis by analysis. Simply doing things without any sense of direction can be just as bad and very often will lead an organization going down the wrong road.

Leaders give an idea of where the final destination ought to be, and strategic management provides the resources and direction. Leaders derive from all the planning a pathway of process and policy which will allow the ultimate goal to be reached. It is a relationship between two functions that need each other and at the same time, produce desired results for the organization.

They are not totally separate but strategic management and leadership at their own respective assignments. Coming together, they put an organization on the correct path towards ultimate success. There should be no friction between the two, nor there does any confusion as to the contributions each make to reach a goal and fulfilling the organization's mission.

Leadership which has effective strategies can work as the fundamental basis for fruitfully employing the strategic management process. Leaders who follow strategies are able to expedite the growth of suitable strategic activities, and they specify the ways to enforce them. These actions work as gateways to higher-average outcomes and strategic competitiveness. Leaders who work in different institutions are fully conscious about the requirement to chalk out the plan strategically for the future of their organizations and take part in the effective enactment regarding these well-planned schemes (Jabbar & Ali, 2017). In strategic management leader perform the various roles. It introduces the environment for change. Secondly it creates the leadership team by selecting key players from the organization by breaking down the current hierarchy at third stage it formulates the vision and strategy by the help of a visionary process that clarify the strategy for understanding of whole organization (Moesia, 2007). Then leadership creates an evaluation system that evaluates the strategy at every stage of the work within the organization. Finally, it helps to change the culture which facilitates the strategic management (Venohr & Meyer, 2007).

Leadership quality plays as a key role in order to form and enforce a strategy. It works as a linkage which associates the heart of the institution with its body. The pledge kept by the leader is responsible for encouraging the institutions to become successful, and this success comes out of making

effective decisions for the formulation of strategy and their enactment. If the strategies are not enacted with perfection, great strategies become insignificant. Strategies formulated lower than 50% see the light of enactment as there is dearth of leadership skills. Leaders give directions to what is the course of performance and the ways to accomplish that. Broadly, leader associated with an institute has the responsibilities for offering the vision, and he taking recourse of strategies reflects, chalks out the plan, and oversees the functioning undertakings. Moreover, he makes an attempt to suit his organization in congruity with the needs of the circumstances. Leaders disseminate energy boosting activities and heightened the morale and the spirit of the workers (Jabbar & Ali, 2017).

Relationships with all the stakeholders and most importantly it ensures teaching and learning in the organization. Leadership is responsible to direct the subordinates to perform the organizational tasks effectively (Jabbar & Ali, 2017). We can say that strategic leadership is a process that transforms organization into successful organization by proper strategies. It is the responsibility of leadership to motivate and inspire the peoples in the organization to work jointly so that organization's vision can be translated into reality. Mostly in the organization efficient leaders perform the common tasks in the strategy making and executing process. They develop a strategic vision and mission, sets goals and objectives, craft the strategies, execute it and then evaluate the performance (Moesia, 2007)

The process of strategy formation starts when a leader tries to change the thinking of people. Everyone should clearly understand the need for change & try to reflect flexible behavior for proper strategic planning. Leaders should adopt a realistic approach to identify the strategic gaps so that proper strategies can be formulated ((Fairholm, 2009). According to Sophocles "what you cannot enforce, do not command" For effective implementation leaders has to introduce the need of change. That can only be possible by creating such a culture that integrates the strategic and operational activities. Once the culture has developed the whole procedure of strategy formulation and implementation would be easy (Venohr & Meyer, 2007).

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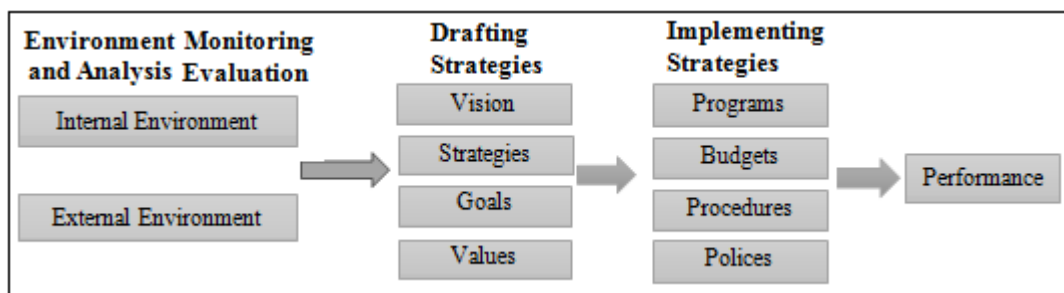


Figure: Strategic Management process
Source: Adapted USAID/IRAQ (Erbil, 2016)

5. Research Methodology

This research has used a descriptive research design, where qualitative and quantitative approach was applied. In quantitative approach, the researcher collected data from management staff and customers served by RGB. Qualitative approach was used through interviews in order to describe the real effect of leadership on strategic management of that particular organization.

The population of this research which comprised of RGB management staff and the customers served by this institution was 90 people (both management staff and customers). Based on this population, a sample of 73 potential respondents was adopted by using Yamane formula (1967); $n = \frac{N}{1+N(e)^2} = \frac{90}{1+90(0.05)^2} = 73$ respondents where “n” is the sample size, “N” the population, and “e” the margin of error which is 5%.

For the RGB management staff, purposive and simple random sampling techniques were applied to select the employees in the departments directly involved in the implementation of leadership and decision making. For the customers,

convenience sampling technique was used where customers readily available and willing to participate were considered.

The main instrument used in data collecting was self-administered questionnaire which was checked for both validity and reliability.

In this study, a researcher interacted face to face the respondents especially those management staffs and customers served by RGB. a researcher also referred to books, journals articles, electronic sources and reports related to the leadership and strategic management. The data collected with the use of questionnaire was analyzed by use of Statistical Package for Social Sciences (SPSS). Finally research findings were interpreted.

6. Research findings and Interpretation

By using one sample T test within 95% confidence interval a test value of 3, the findings showed that both Knowledge and Freedom had a positive mean Difference which implied that they were positively significant to the strategic management of an organization.

Leadership and strategic management

	Test Value = 3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Leadership style	15.596	65	0	1.379	1.2	1.56
Knowledge and skills	11.982	65	0	0.985	0.82	1.15

Among the challenges of leadership, the findings presented in the table above show that Lack of clear objectives, lack of risk assessment ability, Milestones management, Task dependencies, Lack of communication, Lack of skill discovery and Problem anticipation were the major

challenges met. Their mean computed were great than Test value=3 as shown in the table below:

Challenge of leadership

	Lack of clear objectives	Lack of risk assessment ability	Milestones management	Task dependencies	Lack of communication	Lack of skill discovery	Problem anticipation
N	Valid	66	66	66	66	66	66
	Missing	0	0	0	0	0	0
Mean	4.17	3.95	3.95	3.98	4.06	4.15	4.11
Median	4	4	4	4	4	4	4
Std. Deviation	0.571	0.732	0.732	0.69	0.63	0.707	0.747
Variance	0.326	0.536	0.536	0.477	0.396	0.5	0.558

7. Discussions of the Results

Hence, the research findings demonstrated that Leadership had positive and significant contribution to the corporate strategic management, in existing reviews, many scholars

tried to demonstrate the positive effect of Leadership on strategic management process.

In the study of Jabbar & Ali., (2017), they stated that Leadership has significant impact on strategic management

process. Especially it helps to determine the vision and mission of the organization and it facilitates the organization to execute effective strategies to achieve that vision. A leader brings together all of the various groups within an organization to develop the action design. By the powers of communication and persuasion inherent in leadership, that person is going to convince everyone they are stakeholders in the final results. He or she is the guide along the path that has been outlined by strategic management planning (Jabbar & Ali, 2017).

8. Conclusion

The main purpose of this study was to determine the effect of Leadership on strategic management of Rwanda governance Board. The research findings demonstrated that Leadership management; the findings showed that leadership style, knowledge and skills can affect strategic management of a particular organization. This study provides significant benefit to the area of leadership and strategic management of an organization. The results of this study can generate comprehensive knowledge of the influence and an impact of leadership on strategic management application which can be an additional bridge of the gap between them. Furthermore, the information from this study can be a foundation for further research in the future. Therefore, future studies may be conducted to address this issue.

9. Recommendations

This should be done in a manner in which all the stakeholders are happy. This ensures that there is cohesiveness between employees and management and also employee's morale is promoted at all times. This therefore calls for establishing strategies that meet employee's motivation. Specifically, the study recommends that there should be effective communication between management and other employees within the organization.

The study further recommends that a similar study should be conducted in order to test whether there exist any other indicators that indicate relationship between leadership and strategic management of an organization using a financial econometrics model like a regression model to find out whether these findings will hold. This will allow use of secondary data. It is imperative to note that primary data is very subjective since it highly depends on the perception and the judgment of the interviewee. This might affect the accuracy of the findings and interfere with the conclusion drawn in this study.

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