The Influence of Organizational Leadership on M-commerce Performance in Kenya’s Commercial Banks

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Abstract
The purpose of this study was to determine the influence of organizational leadership on performance of mobile commerce (m-commerce), in relation to strategy implementation in Kenya’s commercial banks. The study was motivated by the fact that banks are experiencing competition from Mobile Network Operators (MNOs). In the developed countries, several mobile money payment initiatives have developed and despite promising high returns, some have either stagnated or failed. Studies indicate that traditional banks could have up to 35 percent of their revenues taken by MNOs. The study used correlation to establish the relationship between organizational leadership and m-commerce performance, Chi square test to determine association of variables and ANOVA analysis and SEM to test the hypotheses. The findings demonstrated that organizational leadership in commercial banking sector in Kenya was found to have a significant and positive relationship with m-commerce performance. The study recommends that banks need experienced people with well-developed leadership capabilities and business acumen. Bank leaders should build a strong relationship with their teams, be flexible in the current environment to support new innovations and to be seen to be the visible vision bearer of innovations in the bank.

Keywords: Organizational leadership, strategy implementation, m-commerce performance, Kenya’s Commercial Banks.

1. Background
In today’s competitive environment, the banks that have sustainable competitive advantage over others are the banks that focus on effective strategy implementation. Globally, banks are experiencing competition from Mobile Network Operators (MNOs). In the developed countries, several mobile money payment initiatives were developed and despite promising high returns, some either stagnated or failed (Gaur, & Ondrus, 2013). This was attributed to changing technology and customer preferences and studies indicated that traditional banks could have up to 35 percent of their revenues taken by MNOs (Insights, 2014). Research also indicates that the mobile payment solutions have a history of tried and failed solutions.

However, there are great future promises for mobile payments though with uncertain possibilities and potential for new technology innovations (Dahlberg, Guo & Ondrus, 2015). In half a decade, mobile has revolutionized the way people buy, bank and make payments. The battle for market share between the MNO’s and the banks is beginning to bite the banks. The banks have the ability and the imperative to take advantage of the opportunity. However, the process has been slow. Banks are in a unique position to provide consumers with a connected m-commerce experience, while defending traditional services and driving new revenue streams (Insights, 2014).

The penetration of global mobile phones reached 99 percent in the first quarter of 2015. Smart phones which drive m-commerce accounted for 75 percent of all mobile phones sold in the first quarter of 2015 in comparison to 65 percent during the first quarter of 2014 (Carson, Godor, Kersch, Kälvemark, Lemne, & Lindberg (2015). Ericsson estimates that around 40 percent of all mobile phone subscriptions are smartphones. The implication of this is that the convenience of an electronic gadget in people’s pocket with data collected digitally, means that financial services are becoming accessible to the customer. The ability of mobile phone being available everywhere is an influential factor in the adoption of mobile money payment systems, more so, when a bigger number of a population is not banked (Contini, Crowe, Merritt, Oliver & Moth, 2011; FINsights, 2008; Pandey 2014) this applies to both the developed and developing countries. However, even with the ease of access to mobile phones and associated services, the main challenge faced by service providers in the the management of these services is strategy implementation and this will be discussed in the subsequent section.

According to Balogun, (2006); (Hrebiniak), 2006; Saunders Lewis and Thornhill (2009), most organizations experience serious challenges in implementing their intended strategies. Cater and Pucko, (2010), indicates that 80 percent of firms have the right strategies, but only 14 percent manage to implement them well. Hrebiniak (2006), argued that while strategy formulation is difficult, executing strategy is even more difficult. Supporting similar studies, Zaribaf and Bayrami (2010), state that most executives in organizations spend time, energy and money in formulating a strategy, but do not provide sufficient input to implement it adequately.

Strategic management literature has focused primarily on planning and strategy formulation and neglected strategy execution and its importance (Smith, 2011). According to Bossidy, Charan and Burck, (2002),
the focus on strategy planning and formulation and the neglect of implementation, is a problem to strategic management because people view strategy implementation as the tactical side of business. Some leaders delegate implementation, while they focus on perceived “bigger” issues. Bossidy (2002), argues that this approach to strategy implementation is wrong and that implementation is not just tactics, but a discipline and a system. This discipline therefore has to be built into a company’s strategy, its goals, and its culture. Therefore, the leader of the organization must be deeply engaged in it, and cannot afford to delegate this, but they can delegate its substance. Dawes, (2013), states that a culture of fast, effective decision-making and action throughout the organization enables true flexibility and responsiveness. Dawes, (2013), argue that in a rapidly changing business landscape, executing the right decisions better than competition is the key to success.

Studies show that the most important task of leadership is to align its vision with the organization’s goals and objectives in order for the organization to compete in the market effectively and to train and motivate the staff to achieve the organization’s vision. Leaders act as the link between the organizations vision and strategic management (Azhar, Ikram Rashid & Saqib, 2013). The role of leadership is expected to provide vision, mission and priorities of the organization. The leaders are expected to create an environment that nurtures a cohesive leadership team that in-turn can trickle down so that the entire reporting lines are closely intertwined and working towards the same goals. Hough, Thompson, Arthur, Strickland and Gamble (2011), argued that while successful strategy making depends on business vision, solid industry and competitive analysis and shrewd market positioning, successful strategy execution depends on doing a good job of working with and through others, building and strengthening competitive capabilities, motivating and rewarding people in a strategy-supportive manner, and instilling a discipline of getting things done.

A gap exists in the Kenyan market on the influence of leadership on strategy implementation and performance of m-commerce in Kenya’s commercial banks.

2. Purpose of the Study
The study assessed the influence of organizational leadership on m-commerce performance in Kenya’s commercial banks

3. Statement of the Problem
Strategy implementation is a key element of strategic management process but several organizations are faced with challenges in implementing intended strategies (Balogun, 2006; Hrebiniak, 2006; Saunders et al., 2009). The potential effects of leadership on organizational performance has been the focus of both researchers and practitioners, however despite the increased research into the leadership performance relationship, major gaps still exist. Several studies indicate that successful strategy implementation is achieved through leadership (Thompson, Gamble & Strickland 2011; Arooj Azhar, 2012). However, several studies undertaken on m-commerce, have not addressed strategy implementation in the context of strategic leadership. Other scholars such as Guptal and Vyas (2014), addressed benefits and drawbacks of m-commerce in India with results focusing on low adoption. Altaher (2012), investigated m-commerce service system implementation in banks in Jordan and concluded that developing countries have to apply the technology acceptance model in order to help bank staff accept the new services. A study in Malawi, was done by Saidi (2010), on implementation of m-commerce and concluded that the implementation challenges include technical, (limited infrastructure), business related (huge capital investments), low levels of user acceptance and lack of regulatory policies to regulate mobile payment systems. In Kenya, a study by Gitau and Nzuki (2014) on determinants of m-commerce adoption by online consumers, concluded that perceived ease of use, cost, trust, personal innovativeness social influence and demographic variables influenced the adoption of m-commerce by online users.

The most important task of leadership in an organization is to align its vision with the organization’s goals and objectives in order to be competitive and to train and motivate the staff to achieve the organization’s vision. Leaders act as the link that connects the organizations’ vision with strategic management (Azhar, Ikram Rashid and Saqib, 2013). The role of leadership is expected to provide vision, mission and priorities of the organization. The leaders are expected to create an environment that nurtures a cohesive leadership team that are closely intertwined and working towards the same goals. According to Kaplan and Norton, (2004) and Hrebiniak, (2005), a lack of strategic leadership by the top management of an organization is a major barrier to effective strategy implementation. It is therefore against the background of the important role organizational leadership plays in strategy implementation that this study sought to investigate the leadership influence on m-commerce performance through it’s implementation.

4. Literature Review
This section presents reviews of existing literature on the theories that were used as the foundations for this research. The theories are agency theory, Resource Based View Theory, Expectancy Theory and Activity Theory.

4.1 Agency theory is premised on the assumption that the top management’s (leadership) interests are different
from the strategy implanters’ (manager’s) interests (Padilla, 2002).

4.2 Resource based view (RVB) theory is premised on the assumption that an organization would have competitive advantage over its competitors through the acquisition of unique resources and capabilities, resident in the leadership. RVB posits that the heterogeneity in firm resources and their degree of immobility determines an organization’s performance (Hitt, 2013).

4.3 Expectancy theory explains the reasons why managers make decisions and asserts that behaviours are driven by a function of expectancy. In other words, it is the probability of getting a desired outcome, and the value attached to the desired outcome (Chen, Ellis & Suresh, 2014).

4.4 Activity theory illustrates the relationship between employees, strategy implementation and the outcomes which in this study is the m-commerce performance. Activity theory illustrates how to harness teamwork in the strategy implementation process (Vygotsky, 1978).

5. Conceptual Framework

The conceptual framework of this study illustrated the relationship between the independent variable organizational leadership (OL) and the dependent variable the performance of M-Commerce in Kenya’s banking sector. The hypothesized relationship between organizational leadership and m-commerce performance state that organizational leadership does not significantly influence m-commerce performance in Kenya’s commercial banks. The areas that the study sought to evaluate were leadership’s mission and ability to inspire others to join them. The study investigated the leaders’ ability to create strong organizations through staff involvement in strategy implementation, leaders’ flexibility in allowing bank staff to make mistakes without being penalized heavily, the leaders’ interpersonal skills and ability to be tolerant with bank staff. The purpose of the conceptual framework was to provide an understanding on the relationship between organizational leadership and the implementation of m-commerce. The conceptual framework is shown in figure 1.

![Conceptual Framework](image)

6. Organizational Leadership

Organizational leadership determines the performance of an organization’s strategy implementation (Ogunmokun, Hopper & Mcclymont 2005). Ogunmokun et al., (2005), established that the extent to which a leader carries out their strategic implementation activities is related to the level of their organizational performance. Respondent employees from organizations with high level of performance were of the view that their organizations made tremendous changes to their structure, that they communicated to their employees when and how the strategies would be implemented; that they offered incentives for employees to execute the strategies effectively and assigned able people responsibilities for implementing these strategies compared to organizations with low level of performance. This therefore demonstrates that success of organizations is mainly attributed to effective leadership.

Leadership in an organization is expected to create an environment that nurtures a cohesive team that is able to work towards the same goals. According to Cater and Pucko (2010), poor leadership is the main impediment to strategy implementation. Leadership involves guiding the organization to deal with constant change, and therefore requiring senior management such as the chief executive officers to embrace change by clarifying strategic intent, shaping organizational culture to fit with the opportunities and challenge any change.
efforts. In addition, the management are required to cope with the constant changes, meaning that the leaders have to be visionary and have operational leadership with the required skills. (Pearce and Robinson 2013).

According to Karamat (2013), leadership behaviour is a very important factor for the growth and development of organizations in the service sector, Karamat (2013), avers that there is a strong impact of leadership behaviours on the overall performance of an organization and that an organization’s success is linked to the behaviour of the leader and the employees of the company. In an empirical study on the impact of leadership on organizational performance, Karamat (2013), presents that leadership behaviour is a very important factor for the growth and development of organizations in the service sector, with the conclusion that there is a strong impact of leadership behaviours on the overall performance of an organization.

The impact of leadership styles on performance of organizations has been an interest among academics and practitioners (Cannella & Rowe, 1995; Giambatisa, 2004; Rowe, Cannella, Rankin, & Gorman, 2005). It is presumed that the major reason for this interest is the widespread belief that leadership can affect the performance of organizations (Rowe et al, 2005). It is believed that leadership creates the vital link between organizational effectiveness and people’s performance at an organizational level (Avolio, 1999; Bass, 1998; Judge, & Piccolo 2002 & MacMillan, 2000).

The elements of leadership and organizational culture are interrelated enabling an organization to portray the values and beliefs of its leaders, because leaders shape the cultural characteristics of the organization. As the organization changes and its culture develops the new culture shapes the leader and influences his or her actions over time (Popa, 2012).

A study by Flanigan, Stewardson, Dew, Fleig-Palmer and Reeve, (2013), on the effect of transformational and transactional leadership behaviours on financial measures of success at a branch office of an industrial distribution branch office, concluded that the higher the managers believed they practiced transformational leadership, the higher the annual branch sales and margins. On the other hand, when branch managers’ subordinate’s perception was that their leader had more transactional style, the branch sales were lower. The results therefore suggest that transformational leadership is more effective than transactional leadership, and that the perception of subordinate staff has both positive and negative implication on performance. Regression analysis done on this research revealed that there was positive relationship between the independent variables (leadership style) and sales (year-over-year profit margin performance). The regression also showed the association between leader-reported and follower-reported leadership scale ratings and sales. Leader-reported transformational leadership was positively related to year-over-year sales performance. The results show that for every unit increase in transformational leadership qualities, there was a predicted increase in sales. Sales were reported in year-over-year percentage change, this therefore meant that sales increased on average, 4.4 percent annually as leaders self-reported transformational skills increased by one unit, as measured by the Multifactor Leadership Questionnaire (MLQ). The regression also revealed a negative relationship between sales and leadership when the followers perceive their leader to be more transactional in nature.

A study by Mapetere, Mavhiki, Nyamwanza, Sikomwe and Mhonde (2012) on strategic role of leadership in strategy implementation in Zimbabwe’s State owned Enterprises, revealed that a low leadership involvement in strategy implementation led to partial strategy success. From the study the conclusion was that leadership had been failing to provide the ideal role model behaviour to encourage successful strategy implementation. Other issues identified and dependent on the strategic leadership was the absence of a well crafted strategic vision for any strategic programme, design effective communication strategies as well as to role model behaviour changes that are consistent with new strategies.

7. Methodology
The research methodology employed for this study was exploratory research design which was identified as appropriate for this study. The rationale for using exploratory design for this study was to obtain information about the link between organizational leadership variable and the dependent variable m-commerce. To further explain the cause and effect of the relationship between the organizational leadership and dependent variables, m-commerce, causal research design was also used. As opposed to the information observation through the descriptive research design, causal research design assists in deciphering whether the relationship is causal through the analysis of data collected. Causal research aids in understanding which variables are the cause and which variable are the effect and helps to determine the nature of the relationship between the causal variables and the effect to be predicted. The causal research was used in the study to complement the descriptive research design. This is because descriptive research design aims to build the overall picture to identify, describe and provide quantitative image of the study, but does not provide the answer to the “why” of the actual happening. The study used descriptive research design to answer the what, who, when and how regarding m-commerce strategy implementation. The rationale for using descriptive research design, was because the study gathered quantitative data that described the constraints to strategy implementation in Kenya’s commercial banks.

Target population comprised of managers in the bank and were from the following categories: corporate
level, business level and functional levels. The target population were members of the team involved in strategy formulation and implementation hence bank staff members that were knowledgeable in strategic management matters. The study used stratified random sampling in selecting the management team to be involved in the study. The study adopted sample size formula developed by Yamane (1967) since it is easy to use and is scientific. (Yamane, 1967) sample size formula enables the researcher to know the target population and the precision error to be used. This study identified a population of 133 and used a precision error of 0.05. Thus the sample size for the study was 133 as shown in table 3.1 and in the equation 1.1.

\[ n = \frac{N}{\left[ 1 + N(e^2) \right]} \]  

Where;
\( n \) is the sample size,
\( N \) is the target population and
\( e \) is the precision error.

Based on Yamane (1967) formula, a target population 200 and a precision error of 0.05 (95% confidence), the sample size was estimated as 133. Thus the sample size for this study was 133 as shown in table 1.1 and in equation 1.2.

**Table 1.1 Population and Sample Size**

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Precision of Error</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>0.05</td>
<td>133</td>
</tr>
</tbody>
</table>

\[ n = \frac{200}{\left[ 1 + 200(0.05^2) \right]} \approx 133 \]  

The data was collected using questionnaires and analyzed quantitatively. The results were presented descriptively and illustrated by use of tables and charts. The data was sorted, coded and input into the statistical package for social sciences (SPSS) for production of tables, graphs, inferential statistics and descriptive statistics. Correlation analysis in the inferential statistics, tested the relationship between organizational leadership and m-commerce performance. In addition, the structural equation model was employed to test the significance of the relationship between organizational leadership and m-commerce performance. The data was presented in tables and interpretation provided.

8. Research Findings and Discussions

The study sought to investigate the influence of leadership on m-commerce performance in Kenya’s commercial banks. Organizational leadership was measured using four items that were factor analyzed so as to generate factor scores that were used in the Structural Equation Model (SEM). The use of questionnaire statements where the respondent indicated the extent of agreement with the statements were applied. The study presented the descriptive statistics on influence of organizational leadership and results for factor analysis, correlation analysis, ANOVA and SEM.

The study results indicated that at 92 percent respondents agreed to a great extent that the relationship between the leadership and other staff in the bank contributed positively to m-commerce performance. This was followed by 90 percent of the respondents agreeing to a great extent that leadership style support m-commerce growth and influence the overall m-commerce performance. In response to the question of leadership, 87 percent respondents agreed that the bank leadership was flexible to facilitate staff contribution to m-commerce. These results are presented in table 1.2.

**Table 1.2 Frequency Distribution for Organizational Leadership Influence**

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>SE (%)</th>
<th>ME (%)</th>
<th>GE (%)</th>
<th>VGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OL1</td>
<td>To what extent do the relationship between the leadership and other staff in your bank contribute positively to m-commerce</td>
<td>1</td>
<td>7</td>
<td>58</td>
<td>34</td>
</tr>
<tr>
<td>OL2</td>
<td>To what extent is the bank leadership flexible to facilitate staff contribution to M-Commerce performance?</td>
<td>2</td>
<td>11</td>
<td>82</td>
<td>5</td>
</tr>
<tr>
<td>OL3</td>
<td>To what extent do the leadership style in your bank support M-commerce growth?</td>
<td>3</td>
<td>7</td>
<td>80</td>
<td>10</td>
</tr>
<tr>
<td>OL4</td>
<td>To what extent do the leadership in your bank influence the overall M-Commerce performance of the bank?</td>
<td>0</td>
<td>10</td>
<td>80</td>
<td>10</td>
</tr>
</tbody>
</table>

Key: SE - Small Extent, ME- Moderate Extent, GE- Great Extent, VGE- Very Great Extent
Organizational leadership influence construct was measured using four items in order to come up with an appropriate measure. The study found that organizational leadership had a KMO sample adequacy of 0.772 which was above the threshold of 0.6 and Bartlett’s Test of Sphericity, with p<0.05, this is an indication of suitability of data for structure detection. Results are presented in table 1.3.

### Table 1.3 KMO and Bartlett’s Test for Organizational Leadership Influence

<table>
<thead>
<tr>
<th></th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>Approx. Chi-Square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KMO</td>
<td>0.772</td>
<td>228.298</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exploratory factor analysis using PCA with promax rotation revealed that item to total correlations OL1 = 0.725, OL2= 0.842, OL3= 0.841, OL4 = 0.771. Total variance explained results for organizational leadership showed that the components explained 61.95% of the total variability in the four items. Results are presented in table 1.4.

### Table 1.4 Factor Analysis for Influence of Organizational Leadership

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>PCA Component Loading</th>
<th>Variance Extracted (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OL1</td>
<td>To what extent do the relationship between the leadership and other staff in your bank contribute positively to m-commerce</td>
<td>0.725</td>
<td>61.953</td>
</tr>
<tr>
<td>OL2</td>
<td>To what extent is the bank leadership flexible to facilitate staff contribution to M-Commerce performance?</td>
<td>0.842</td>
<td></td>
</tr>
<tr>
<td>OL3</td>
<td>To what extent do the leadership style in your bank support M-commerce growth?</td>
<td>0.841</td>
<td></td>
</tr>
<tr>
<td>OL4</td>
<td>To what extent do the leadership in your bank influence the overall M-Commerce performance of the bank?</td>
<td>0.771</td>
<td></td>
</tr>
</tbody>
</table>

Chi Square Test on Organizational Leadership Influence on M-Commerce Performance

Chi Square test was used to test the strength of association between organizational leadership and M-Commerce Performance. The results found there was a strong association between organizational leadership and m-commerce performance. The results are presented in table 1.5.

### Table 1.5 Chi Square Test on Organizational Leadership Influence

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>2967.417*</td>
<td>2291</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>506.191</td>
<td>2291</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>58.775</td>
<td>1</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>178</td>
<td></td>
</tr>
</tbody>
</table>

a. 2398 cells (99.9%) have expected count less than 5. The minimum expected count is .01.

To establish the relationship of the construct under study, the path coefficients that were generated from the Structural Equation Model (SEM) were used. These helped determine the direction and strength of the relationship between leadership, organizational leadership and m-commerce performance. T-statistics provided information on the significance of the relationship between organizational leadership and m-commerce performance. The path coefficient value was 0.233, thus the relationship between organizational leadership and m-commerce performance was positive (regression weight = 0.233) and significant (t = 2.759, p=0.06). Based on this therefore, Hypothesis 1 which stated that organizational leadership does not significantly influence m-commerce performance in Kenya’s commercial banks, was rejected.

The introduction of a moderator, resulted in insignificant relationship. The path coefficient value of organizational leadership to m-commerce performance was positive at 0.144 but insignificant with p-value more than 0.05 and t-value less than 1.96. The path coefficient for organizational leadership and m-commerce when moderated by market turbulence, the path coefficient was negative -0.022 and insignificant (t-value 0.183 and p-value 0.855). The moderation of organization leadership and m-commerce by technological turbulence, resulted in a path coefficient of 0.016 and (t= 0.142, p= 0.887). In this respect it was concluded that the moderators failed to moderate the relationship between organizational leadership and m-commerce performance.

9. Conclusion

The research results based on feedback from managers involved in strategy formulation and implementation demonstrates that organizational leadership plays a critical role in strategy implementation. The organizational leadership roles in the study included the following: creating relationships between leaders and staff which contribute positively to m-commerce performance, the leadership being flexible to enable the staff to contribute to m-commerce performance, the leadership direct support of m-commerce growth and the ability of the
leadership to influence the overall m-commerce performance of the bank. The study conclusion is that organizational leadership is a crucial factor in strategy implementation. This is because the role of organizational leadership includes provision of the mission, vision and leadership direction in relation to the strategy implementation. Absence of the right leadership qualities would deter the correct implementation of strategy in an organization. The study findings also indicate that organizational leadership influences the effectiveness of implementation of strategies in organizations. To improve the leadership and ensure there is effective strategy implementation of strategies, it is noted that leaders’ ability to motivate employees through constant encouragement and giving them the freedom to be innovative without tough penalties in case of faults would ensure effective and successful strategy implementation. This study recommends that banks require experienced people with well-developed leadership capabilities and business acumen. Bank leaders should build a strong relationship with their teams, be flexible in the current environment to support new innovations and to be seen to be the visible vision bearers of innovations in the bank.

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