

# Effect of Inspiration Leadership Style on Innovative Performance of Small and Medium Enterprise Within Uasin Gishu County

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## ABSTRACT

Small and medium size enterprises are an integral part of a growing economy. The focus therefore, should be directed at the establishment of the growth of the sector; hence the need to establish the effect of inspiration leadership style on SME innovation performance within Uasin Gishu County. The population of study comprised of 1611 registered SMEs in Uasin Gishu County. Cluster sampling technique to select the SMEs was used to select a sample of 290 respondents. Collection of primary data was done through a structured questionnaire. Data analysis was facilitated by use of Statistical Package for Social Science (SPSS) version 24 to generate the means, standard deviation and variances which were presented using tables, frequencies and percentages. A descriptive method was employed in analysing qualitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that were raised in the questionnaires. Correlation analysis was used to establish the strength of association between variables and regression to determine the relationship between variables. The study findings revealed that inspirational leadership style had a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta=.258$ ,  $p=0.000$ ). The study concluded that inspiration leadership style had a positive influence on SME innovation performance within Uasin Gishu County. The study recommends that SMEs within Uasin Gishu County adopt leadership style which allows managers to make employees feel valued and comfortable in their respective duties which helps bring out the best in them to achieve their goals and personal growth.

**Key words:** inspiration, leadership style, SME innovation, performance

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## I. Introduction

Innovation is one of the key components for Small and Medium Enterprises effectiveness and innovative firms are capable of creating or finding new ways of developing the edge needed for sustainability (Kabetu & Iravo, 2018). The knowledge embedded in human capital enables firms to enhance distinctive competencies and discover innovation opportunities (İşcan, Ersarı, & Naktiyok, 2014). When Small and Medium Enterprises develop new products and improve management processes, they require the motivation and ability of human capital to produce creative ideas, develop innovative approaches, and exert new opportunities (Golmoradi & Ardabili, 2016)

Innovation performance results from two major sources: internal Research and Development that draws on the firm's accumulated knowledge, and imitation of the innovation of other firms. In addition to introducing new goods and methods of production, Research and Development also supports the opening of new markets and reinvention of the firm's operations to serve those markets optimally (Oladele, Antwi & Kolawole, 2013)

Strategic leaders who shape their companies to become extraordinary innovators are lauded in the popular press and practitioner journals (Supriyadi, 2013). Moreover, some studies find that executive pay is tied to inventive and innovative success (Makri, Lane, and Gomez-Mejia, 2006).

According to Kabetu (2018) firms with well-established product development processes, leadership is primarily invoked to circumvent routine processes, such as to support a disruptive or breakthrough invention. Strategic leadership is one leadership style, which is very noticeable and has an effective role in making competitive advantages (Khorakian et al., 2021).

Strategic leaders have been repeatedly recognized for their critical role in recognizing opportunities and making decisions that affect innovation process. Strategic leadership and innovation strategy are crucial for achieving and maintaining strategic competitiveness in the 21st century (Rahim, Mohamed, & Amrin, 2015)

Chepkosgei, Akuku and Onyango (2019) stated that in Kenya, very few enterprises have grown into large formal organizations, an adverse scenario that is apparently common among youth owned business enterprises, raising questions if SMEs in Kenya have leaders who are strategically oriented. In addition, very few studies have done linking strategic leadership with SME innovation, hence creating a gap on how transactional, transformational and inspiration leadership affect SME innovation.

In the same note, Ozer and Tinaztepe (2014) encouraged that further study can be repeated by increasing the number of participants and identify the effect of leadership styles on firm performance more precisely, the number of leadership styles may be increased. It is in this light that this study focused on effect of inspiration leadership style on SME innovation performance within Uasin Gishu County.

## **Theoretical Framework**

### **Upper Echelons Theory**

This study was guided by Upper Echelons Theory developed by Hambrick and Mason in 1984. The theory states that the top executives view their situations through their own highly personalized lenses. These individualized construal of strategic situations arise because of differences among executives in their experiences, values, personalities and other human factors. While the upper echelons perspective expanded understanding of strategic leadership, it has been criticized for not directly studying actual strategic leadership behavior. Instead, it used demographic proxies and inferred strategic leadership behaviors. Most of these studies have been conducted in Western developed economies. As such, the way in which strategic leadership behaviors vary throughout the world is unknown and relatively unexplored (Elenkov et al., 2005).

Bowing to leadership skeptics, the upper echelons research has also recognized that sometimes top managers matter significantly to organizational outcomes, and sometimes not at all – they are often somewhere in between, depending on how much discretion or latitude of action they are afforded. Discretion exists when there is an absence of constraints in decision making and when there are many plausible alternative courses of strategic action. With more discretion, top managers are more likely to realize their original intentions and vice versa (Elenkov et al., 2005). Upper echelons theory states that organizational outcomes both strategies and effectiveness are reflections of the values and cognitive bases of powerful actors (senior executives) in the organization (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). More specifically, the theory states that top managers' perception of their corporate environment influences the strategic choices they make which eventually affects the performance of the organization. It further states that their fields of vision (the area's top managers direct their attention to) and for that matter the perceptions of the environment that result are restricted by their cognitive base and values. This is because the attentional process is constrained by the limited capacity of humans for information processing at any given time and as a result, our decision to attend to certain elements in the environment is determined by our dispositions and personal tendencies.

## **II. Methodology**

This study adopted explanatory research. The basic idea behind explanatory research is to measure variables using data collected from a representative sample and then to examine relationships among the variables. The explanations argue that phenomenon Y is affected by variable X.

The population of study comprised of 1611 registered SMEs in Uasin Gishu County from financial services, Retail, Telecommunication, Agriculture, Hospitality, Professional services and Workshop services. From the target population of 1611 SMEs, Taro Yamane (1973) sample size formula was used to select a sample size of 290 SMEs. The study used Cluster sampling technique to select the SMEs where owners/managers were picked.

Questionnaires were used to obtain the primary data required for the project, which were self-administered by the researcher in the field. This research employed a Likert scale i.e., strongly disagrees, strongly agree, in rating the various responses.

Data analysis was done by use of SPSS (Statistical Package for Social Science) Computer package Version 24. A descriptive method was employed in analyzing quantitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that was raised in the questionnaires so as to answer the research questions. Descriptive statistics such as frequency distribution, percentages, means and standard deviations were calculated, and data presented in form of tables, graphs and charts were used. Inferential statistics were used to draw implications from the data regarding the regression model. Regression model used in this study was given as;

$$y = \alpha + \beta_1 x_1 + \varepsilon_i$$

**y** represent innovative performance of small and medium enterprise

$\alpha$  represent constant.

$\beta_1$  represent the slope which represents the degree in which innovative performance of small and medium enterprise changes as the independent variable change by one-unit variables.

$x_1$  represent inspiration leadership style

$\epsilon$  represent error term

Analyzed data will be presented in form of frequency tables.

### III. Findings

#### Response Rate

Out of 290 distributed questionnaires, 273 were correctly filled and returned representing 95.1% response rate. This high response rate of 95.1% was attributed by the researchers follow up on filling of questionnaires and explaining to the respondents where they couldn't understand. The response rate was very good as per the guideline of Mugenda and Mugenda (2003) that a response rate of 50% is adequate for analysis and reporting, a 60% return rate is good while 70% and above is very good.

#### Inspiration Leadership Style on SME Innovation Performance

The objective of the study was to establish the effect of inspiration leadership style on SME innovation performance within Uasin Gishu County. Results are presented in Table 1.

*Table 1 Inspiration Leadership Style on SME Innovation Performance*

Statements		VLE	LE	ME	SE	NA	Mean	Std. Dev
1. Leaders in your organization have a clear vision and strategy for the team.	F	110	130	28	0	5	4.25	0.78
	%	40.3	47.6	10.3	0.0	1.8		
2. Leaders in your organization keep the team focused on goals and strategy even in the midst of turmoil.	F	116	25	35	16	5	4.16	0.95
	%	42.5	9.2	19.3	5.9	1.8		
3. Leaders in your organization give credit where it's due and recognize that their achievement are rarely theirs alone.	F	101	24	1	4	9	4.15	0.89
	%	37.0	8.8	0.6	1.5	3.3		
4. Leaders in your organization encourages creative and innovative thinking	F	114	30	50	11	4	4.18	0.89
	%	41.8	11.0	27.6	4.0	1.5		
<b>Valid N</b>		<b>273</b>					<b>4.19</b>	

The study findings in Table 1 revealed that 240(87.9%) of the respondents to large extend agreed that leaders in their organization have a clear vision and strategy for the team. Also, 5(1.8%) of the respondents to small extend agreed that leaders in their organization have a clear vision and strategy for the team. In terms of mean and standard deviation majority of the respondents to large extend agreed that leaders in their organization have a clear vision and strategy for the team(mean= 4.25, standard deviation=0.78). Also, 141(51.7%) of the respondents to large extend agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil. Further, 21(7.7%) of the respondents to small extend agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil.

In terms of mean and standard deviation majority of the respondents to large extend agreed that leaders in their organization keep the team focused on goals and strategy even in the midst of turmoil (mean=4.16 standard deviation= 0.95). Further, 125(45.8%) of the respondents to large extend agreed that leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone. However, 12(6.6%) of the respondents to small extend agreed that leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone. In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization give credit where it's due and recognize that their achievement are rarely theirs alone (Mean=4.15 standard deviation=0.89).

Lastly, 144(52.8%) of the respondents to large extend agreed that Leaders in their organization encourages creative and innovative thinking. Also, 15(5.5%) of the respondents to small extend agreed that Leaders in their organization encourages creative and innovative thinking. In terms of mean and standard deviation majority of the respondents to large extend agreed that Leaders in their organization encourages creative and innovative thinking (Mean=4.18, standard deviation=0.89). the findings are incoherent with Jung and Sosik (2002) who found that people perform more creatively if they are inspired by interest in the activity itself, rather than the promise of rewards or threat of punishments. Creative performance, Amabile discovered, is facilitated by giving individuals high levels of discretion, especially in the use of time. In other words,

conditions that allow an individual to work in accordance with their own creative process against their own internal standards encourage and nurture creative performance.

**Correlation Analysis**

Pearson correlation analysis was carried out to show the strength and direction of the association between strategic leadership styles and innovation performance in small and medium enterprises within Uasin-Gishu County. Table 2 present the results.

**Table 2 Correlation Analysis Results**

		SME innovation performance	Inspirational leadership style
SME innovation performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Inspirational leadership style	Pearson Correlation	.445**	1
	Sig. (2-tailed)	.000	

The study established that there exist a moderate, positive and statistically correlation between inspirational leadership style and innovative performance ( $r=0.445^{**}$ ;  $p<0.01$ ).

**Results for Regression Analysis**

Regression analysis was run to establish the effect of inspirational leadership style on innovation performance in small and medium enterprises within Uasin- Gishu County.

**Model Summary**

The results are presented in Table 3.

**Table 3 Multiple Regression Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.587 <sup>a</sup>	.344	.335	.66951

The results of the regression in Table 3 indicated that  $R^2$  value was 0.344 and R value was 0.587. R value of 0.587 gave an indication that there was a moderate linear relationship between inspirational leadership style and innovation performance in small and medium enterprises within Uasin- Gishu County. The  $R^2$  indicates that explanatory power of the independent variables was 0.344. This implied that about 34.4% of the variation in innovation performance in small and medium enterprises within Uasin- Gishu County is explained by the regression model.

**Regression Model Fitness Test**

Model fitness was runned to find out if model best fit for the data. The study results were presented in Table 4.

**Table 4 Regression Model Fitness Results**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	65.457	4	16.364	36.508	.000 <sup>b</sup>
Residual	124.611	278	.448		
Total	190.069	282			

Table 4 showed that F-statistics produced ( $F =36.51$ ) which was significant at  $p=0.000$  thus confirming the fitness of the model. This implies that the regression models was good fit for the data.

**Regression Model Coefficients**

Regression model coefficients were runned in order to use in the regression equation. The study results are presented in Table 5.

**Table 5 Regression Model Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	.934	.279			3.343	.001
Inspirational leadership style	.258	.047	.287		5.455	.000

The study results in Table 5 revealed that inspirational leadership style was found to have a positive and significant effect on innovation performance in small and medium enterprises within Uasin- Gishu County ( $\beta=.258$ ,  $p=0.000$ ). This indicates that an improvement in inspirational leadership style leads to increase innovation performance in small and medium enterprises within Uasin- Gishu County by 0.258 units. Thus, the regression equation becomes;

$$Y = .934 + 0.258X_1$$

#### IV. Conclusion of the study

The study concludes that inspiration leadership style has a positive influence on SME innovation performance within Uasin Gishu County. Due to the fact that Leaders have a clear vision and strategy for the teams inspiration leadership style helps the leaders to keep employees focused on goals and strategy even in the midst of turmoil. Also due to leadership encouragement, creativeness and innovative thoughts in their respective organizations leads to a clear improvement in SME innovation performance.

#### V. Recommendations

The study recommends that SMEs to adopts inspiration leadership style since it allows managers to make employee's feel valued and comfortable in their respective duties which helps in bring the best in them in achieving their goals and personal growth.

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