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STRATEGIC LEADERSHIP

STRATEGIC LEADERSHIP DIMENSIONS AND ORGANIZATIONAL PERFORMANCE AMONG SMEs IN KIAMBU COUNTY, KENYA

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ABSTRACT

Purpose of the Study: This study examined the relationship between four dimensions of strategic leadership strategic direction, strategic human capital development, organizational culture, and strategic controls and organizational performance among small and medium-sized enterprises (SMEs) in Kiambu County, Kenya.

Problem Statement: SMEs contribute significantly to employment, household income, and local economic activity. However, many operate under resource constraints, market uncertainty, and competitive pressures. Although strategic leadership is widely regarded as a source of organizational effectiveness, the relative contributions of specific leadership practices to SME performance in the local county context require empirical investigation

Methodology: The study adopted a positivist research philosophy and an explanatory cross-sectional survey design. The target population comprised approximately 400 licensed SMEs across six sub-counties in Kiambu County. A target sample of 200 enterprises was determined and proportionately allocated across the strata. Following data screening, 180 valid questionnaires were included in the analysis. Descriptive statistics, Pearson's correlation analysis, and multiple regression analysis were used to analyse the data.

Results of the Study: The four strategic leadership dimensions jointly explained 19.9% of the variance in reported organizational performance. The regression model was statistically significant, $F(4, 175) = 10.85$, $p < .001$. Strategic direction was the strongest adjusted predictor of organizational performance ($\beta = .354$, $p < .001$), followed by strategic human capital development ($\beta = .266$, $p < .001$) and organizational culture ($\beta = .151$, $p = .028$). Strategic controls were not statistically significant in the adjusted model ($\beta = .120$, $p = .083$).

Conclusion and Policy Recommendation: The findings suggest that clarity of strategic direction and the deliberate development of employee capabilities are important performance-related leadership practices among the SMEs surveyed. Owner-managers should translate their strategies into clear objectives, communicate organizational priorities effectively, regularly review market conditions, and invest in practical employee development initiatives. However, given the cross-sectional design and the reliance largely on self-reported measures, the findings indicate associations rather than establishing causal relationships.

Keywords: *Strategic Leadership, Organizational Performance, SMEs, Strategic Direction, Human Capital Development, Kenya*

INTRODUCTION

Small and medium-sized enterprises (SMEs) are important contributors to employment, household income, innovation, and the provision of goods and services. Their relatively small scale enables them to respond quickly to customer needs; however, they often operate with limited financial reserves, small workforces, and less formalised management systems. These constraints can make it difficult to plan for growth, retain skilled employees, and respond effectively to market changes. The Kenya National Bureau of Statistics (KNBS, 2016) documented the significance of the micro, small, and medium-sized enterprise sector in Kenya, while highlighting the diversity of businesses within it. Consequently, understanding the management practices associated with SME performance remains essential for enterprise development. Strategic leadership encompasses the actions through which leaders establish organisational direction, allocate resources, develop employees, shape organisational culture, and monitor progress towards long-term objectives. It extends beyond preparing a written strategic plan to include communicating priorities, translating strategic intentions into daily decisions, and adapting to changes in the external environment. Hitt et al. (2020) explain that strategic management involves aligning organisational objectives, resources, and actions to achieve competitiveness. In SMEs, these responsibilities are often concentrated in the owner-manager or a small management team, making leadership decisions particularly influential in shaping strategic priorities and operational practices.

Organisational performance is multidimensional and encompasses financial indicators, such as profitability and sales growth, as well as non-financial indicators, including customer satisfaction, operational effectiveness, and business continuity prospects. In privately owned enterprises, objective financial data may be incomplete or unavailable to researchers. Dess and Robinson (1984) note that perceptual measures can be used to assess organisational performance when objective measures are unavailable, although their nature and limitations must be acknowledged. In this study, organisational performance is assessed using respondents' reported perceptions and should not be interpreted as independently audited financial performance. Strategic leadership can be examined through four distinct but interrelated dimensions: strategic direction, strategic human capital development, organisational culture, and strategic controls. Strategic direction concerns the clarity of an enterprise's vision, goals, and priorities, while strategic human capital development involves investing in employees' skills and capabilities.

Organisational culture encompasses shared values and behavioural expectations, whereas strategic controls involve monitoring performance and using relevant information to implement corrective measures. Although these dimensions may reinforce one another, their relationships with organisational performance may differ. For instance, an SME may communicate ambitious goals but lack the employee capabilities required to achieve them, while another may monitor performance without using the resulting information to inform decisions. Two theoretical perspectives underpin the examination of these relationships. Upper Echelons Theory posits that organisational outcomes are partly shaped by the values, experiences, and interpretations of senior decision-makers (Hambrick & Mason, 1984; Hambrick, 2007). The Resource-Based View argues that valuable resources and capabilities can contribute to competitive advantage and differences in organisational performance (Barney, 1991). Together, these perspectives suggest that SME leaders' approaches to setting priorities and developing internal capabilities may be associated with organisational performance, while recognising that outcomes are also influenced by market conditions, access to finance, industry characteristics, and other contextual factors.

This study examines the relationship between four dimensions of strategic leadership—strategic direction, strategic human capital development, organisational culture, and strategic controls and organisational performance among licensed SMEs in Kiambu County, Kenya. Drawing on survey data, the study investigates both the bivariate relationships between the four strategic leadership dimensions and organisational performance and the unique association of each dimension with performance when the other dimensions are statistically controlled for in a multiple regression model. This approach enables the study to establish which dimensions demonstrate statistically significant associations with reported organisational performance among the sampled enterprises. By examining these relationships within the local context, the study contributes to an understanding of the strategic leadership practices associated with SME performance in Kiambu County. Given the cross-sectional design and reliance on respondents' self-reported assessments, the findings are interpreted in terms of statistical associations rather than causal relationships. The study therefore provides context-specific empirical evidence that may inform leadership practices and future research on strategic leadership and SME performance.

STATEMENT OF THE PROBLEM

SMEs operate in environments where competitive pressure, changing customer expectations and resource constraints can affect their ability to survive and grow. Strategic leadership practices may help owner-managers establish priorities, develop employees, shape organisational behaviour and monitor progress. However, having leadership practices in place does not necessarily mean that each practice contributes equally to organisational performance. An enterprise may have a clear plan but insufficient employee skills to implement it; it may maintain a supportive culture but lack useful performance information; or it may introduce controls that consume time without informing decisions. Although strategic management literature identifies leadership, resource alignment and organisational capabilities as important considerations in performance (Barney, 1991; Hitt et al., 2020), the relative contribution of specific strategic leadership dimensions needs to be examined in the context in which SMEs operate. Evidence from larger organisations or different sectors may not transfer directly to small enterprises, where management responsibilities are concentrated and formal systems may be limited.

Moreover, bivariate associations alone may not show whether a leadership dimension remains associated with performance after the overlap between leadership practices is considered. The problem addressed in this study is therefore the limited context-specific evidence on the relative association of strategic direction, strategic human capital development, organisational culture and strategic controls with organisational performance among licensed SMEs in Kiambu County, Kenya. Without such evidence, owner-managers and enterprise-support institutions may find it difficult to prioritise leadership-development interventions when financial and managerial resources are constrained. The study addresses this problem by analysing the four dimensions together and interpreting their statistical relationships with reported organisational performance. Given the cross-sectional design, the findings are treated as associations rather than proof of causal effects.

RESEARCH OBJECTIVES

To examine the relationship between strategic leadership dimensions and organizational performance among SMEs in Kiambu County, Kenya.

Specific Objectives

i. To determine the relationship between strategic direction and organizational performance among SMEs in Kiambu County.
ii. To examine the relationship between strategic human capital development and organizational performance among SMEs in Kiambu County.
iii. To assess the relationship between organizational culture and organizational performance among SMEs in Kiambu County.
iv. To establish the relationship between strategic controls and organizational performance among SMEs in Kiambu County.

RESEARCH QUESTIONS

i. What is the relationship between strategic direction and organizational performance among SMEs in Kiambu County?
ii. How is strategic human capital development related to organizational performance among SMEs in Kiambu County?
iii. What relationship exists between organizational culture and organizational performance among SMEs in Kiambu County?
iv. How are strategic controls related to organizational performance among SMEs in Kiambu County?

THEORETICAL FRAMEWORK

Upper Echelons Theory

Upper Echelons Theory proposes that organisational outcomes are partly shaped by the characteristics, experiences, values and cognitive frames of senior decision-makers (Hambrick & Mason, 1984). Leaders interpret complex information selectively and make strategic choices based on how they understand their organisation and environment. Hambrick (2007) later clarified and extended the theory, emphasising that executive characteristics and managerial discretion affect how leadership attributes are translated into organisational outcomes. The theory is relevant to SMEs because decision-making authority is often concentrated in the owner-manager or a small leadership group.

Applied to the present study, Upper Echelons Theory provides a rationale for examining strategic direction, human capital development, organisational culture and strategic controls as leadership-related dimensions. An owner-manager's priorities may influence which customers

the enterprise targets, how resources are allocated, which employee skills are developed and how performance information is used. The theory does not claim that leaders fully control organisational outcomes; rather, leadership choices operate within constraints such as competition, regulation, finance and market uncertainty (Hambrick, 2007). Thus, the theory supports examining statistical associations while avoiding the assumption that leadership alone determines SME performance.

Resource-Based View

The Resource-Based View (RBV) explains differences in firm performance partly through the resources and capabilities controlled by an organisation. Barney (1991) argues that resources with value, rarity, imperfect imitability and limited substitutability can be sources of sustained competitive advantage. These resources may include tangible assets, knowledge, routines, organisational processes and human capabilities. The RBV is relevant to SMEs because enterprises may differ in their ability to develop and coordinate employee skills, respond to customer needs and establish effective routines despite operating in similar markets. Strategic human capital development is especially relevant to the RBV because employees' knowledge and skills can support product quality, service reliability and operational flexibility. Organisational culture may also contribute by shaping how employees share knowledge, cooperate and respond to problems. However, training or a positive culture does not automatically produce sustained advantage. The value of these resources depends on their relevance to the business, how they are applied, and whether competitors can readily reproduce them (Barney, 1991). The present study therefore treats human capital development and culture as potential performance-related dimensions rather than guaranteed sources of superior performance.

Strategic Management Perspective

Strategic management focuses on how organisations establish objectives, select competitive positions and align resources and activities to pursue those objectives. Hitt et al. (2020) describe strategic management as a process through which firms analyse their external and internal environments, formulate strategies and implement them to compete effectively. Porter (1985) similarly emphasises that competitive advantage depends on the activities through which a firm creates value, including cost and differentiation choices. These perspectives connect strategic direction to the practical choices that guide resource allocation and daily operations. Strategic controls are relevant because implementation requires feedback about whether actions are

producing the intended results. Controls can help leaders compare actual performance with targets and adjust activities when conditions change. Nevertheless, controls are useful only when the information collected is relevant, timely and linked to decisions. In small enterprises, overly complex monitoring systems may be burdensome, while simple and consistently used indicators may be more practical. The strategic management perspective therefore supports studying direction and controls together, while allowing their relative associations with performance to be determined empirically.

Synthesis of The Theoretical Framework

Upper Echelons Theory explains why the decisions and interpretations of SME leaders may shape organisational practices and outcomes (Hambrick & Mason, 1984; Hambrick, 2007). The Resource-Based View explains why employee capability and organisational routines may contribute to the creation of value (Barney, 1991). Strategic management perspectives emphasise the alignment of goals, resources, implementation and feedback (Hitt et al., 2020; Porter, 1985). Together, these perspectives support the study's examination of strategic direction, strategic human capital development, organisational culture and strategic controls as dimensions associated with organisational performance. They also indicate that these relationships should be interpreted in light of the wider operating environment and the limitations of cross-sectional evidence.

EMPIRICAL REVIEW

Strategic Direction and Organizational Performance

Strategic direction includes articulating a vision, establishing goals, communicating priorities and reviewing strategy in response to changes in the business environment. Clear direction can reduce ambiguity by helping employees understand what the enterprise is trying to achieve and how daily activities contribute to broader objectives. In resource-constrained SMEs, a clear set of priorities may also help leaders allocate limited money, time and staff attention. The strategic management literature treats direction-setting as a central leadership responsibility because strategy requires choices about where to compete and how to deploy resources (Hitt et al., 2020). Evidence from studies of Kenyan organisations has considered strategic leadership and performance in different sectors, including SMEs and listed firms (Mutiso & Kilika, 2022; Ogechi, 2019; Turgut, 2024). However, sector, size and contextual differences mean that findings from large organisations cannot be assumed to apply directly to SMEs. This study

therefore estimates the association between strategic direction and performance within the Kiambu County SME sample.

Strategic Human Capital Development and Performance

Strategic human capital development refers to purposeful activities that improve employee knowledge, skills, motivation and ability to contribute to organisational objectives. Such activities can include job-related training, coaching, mentoring, retention practices, performance feedback and recognition. In SMEs, formal training budgets may be small, but capability can also be developed through on-the-job learning, job rotation, peer learning and regular feedback. The RBV suggests that employee capabilities can be a source of value when they help the enterprise deliver services or products that customers appreciate and competitors cannot readily reproduce (Barney, 1991). Nevertheless, training does not always translate into better performance. Its value may depend on relevance, transfer of learning to the workplace, employee retention and the availability of equipment or systems needed to apply new skills. The present study assesses the relationship between reported human capital development practices and organizational performance while controlling for the other leadership dimensions.

Organizational Culture and Performance

Organizational culture refers to shared values, norms and expectations that influence how members of an enterprise behave. In small businesses, culture may be communicated informally through the owner-manager's example, everyday routines and responses to customer complaints or employee mistakes. A culture that encourages accountability, collaboration, service quality and learning may support consistent execution. Conversely, unclear expectations or a climate of blame may discourage staff from sharing problems or proposing improvements. Culture is difficult to separate from leadership because owner-managers often play a central role in establishing norms. It may also overlap with direction-setting and employee development. Consequently, a culture measure may show a modest bivariate relationship with performance but a different coefficient when other dimensions are included in a regression model. Interpretation should consider both the simple association and the adjusted estimate.

Strategic Controls and Performance

Strategic controls are the practices through which managers monitor whether activities remain aligned with objectives and whether corrective action is required. They may include review of

sales and costs, tracking customer feedback, comparing actual performance with targets, checking compliance and revising plans when assumptions change. Controls can support accountability and timely learning, particularly where the enterprise uses a small number of understandable indicators. The value of control systems depends on their design and use. Controls that are proportionate and linked to decisions can help managers identify emerging problems. Excessively complex procedures may, however, divert scarce staff time or become compliance exercises that do not lead to action. The relationship between strategic controls and SME performance is therefore an empirical question rather than an assumption.

RESEARCH METHODOLOGY

The study adopted a positivist philosophy and an explanatory cross-sectional survey design to examine the relationships between strategic leadership and organisational performance. The target population comprised approximately 400 licensed SMEs across six sub-counties in Kiambu County, Kenya: Thika Town, Kiambu, Ruiru, Kikuyu, Limuru, and Githunguri. Using Yamane's formula, a sample of 200 enterprises was proportionately allocated across the strata. Data were collected from owners or managers using structured questionnaires with five-point Likert scales measuring strategic direction, strategic human capital development, organisational culture, strategic controls, and perceived organisational performance. After data screening, 180 valid questionnaires were analysed, representing 90% of the target sample. Descriptive statistics, Pearson's correlation, and multiple regression analysis were used to examine the relationships and the unique contribution of each leadership dimension to organisational performance. As the study relied on cross-sectional and self-reported data, the findings indicate associations rather than causal relationships. Ethical approval, consent procedures, and relevant declarations should be reported accurately based on the original study records and journal requirements.

RESULTS AND DISCUSSION

This section presents and discusses the descriptive statistics, correlation analysis, and multiple regression results examining the relationships between strategic leadership dimensions and organizational performance among SMEs. The findings are interpreted in relation to the direction, strength, and statistical significance of the observed relationships.

DESCRIPTIVE STATISTICS

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation
Strategic direction	3.54	0.68
Strategic human capital development	3.27	0.59
Organizational culture	3.68	0.41
Strategic controls	3.11	0.56
Organizational performance	3.71	0.55
Profitability	3.65	0.73
Competitive advantage	3.78	0.64

The descriptive results show that organizational performance had a mean score of 3.71, while organizational culture recorded the highest mean among the strategic leadership dimensions (M = 3.68), followed by strategic direction (M = 3.54), strategic human capital development (M = 3.27), and strategic controls (M = 3.11). These results suggest that respondents generally rated organizational culture and strategic direction more positively than the other leadership dimensions. The standard deviations for the strategic leadership dimensions were not available in the supplied results and are therefore not reported.

CORRELATION ANALYSIS

Table 2: Correlation between Strategic Leadership Dimensions and Organizational Performance

Strategic leadership dimension	Pearson r	p-value	Interpretation
Strategic direction	0.316	< .001	Positive, significant
Strategic human capital development	0.248	< .001	Positive, significant
Organizational culture	0.115	0.126	Positive, not significant
Strategic controls	0.033	0.658	Positive, not significant

The correlation analysis revealed a positive and statistically significant relationship between strategic direction and organizational performance ($r = .316$, $p < .001$), as well as between strategic human capital development and organizational performance ($r = .248$, $p < .001$). These findings suggest that clear strategic direction and investment in employee skills and development are associated with improved organizational performance among SMEs.

However, organizational culture (r = .115, p = .126) and strategic controls (r = .033, p = .658) had positive but statistically insignificant relationships with organizational performance. Thus, the bivariate results provide evidence of significant associations for strategic direction and human capital development, but insufficient evidence of significant relationships for organizational culture and strategic controls.

REGRESSION ANALYSIS

Table 3: Multiple Regression Results

Predictor	Standardized β	p-value	Decision at .05
Strategic direction	0.354	< .001	Significant
Strategic human capital development	0.266	< .001	Significant
Organizational culture	0.151	0.028	Significant
Strategic controls	0.120	0.083	Not significant

The multiple regression model was statistically significant, $F(4, 175) = 10.85$, $p < .001$, explaining 19.9% of the variation in organizational performance ($R^2 = .199$; adjusted $R^2 = .180$). Strategic direction ($\beta = .354$, $p < .001$) and strategic human capital development ($\beta = .266$, $p < .001$) were positive and statistically significant predictors of organizational performance. Organizational culture was also a positive and significant predictor after controlling for the other variables ($\beta = .151$, $p = .028$), whereas strategic controls were not statistically significant ($\beta = .120$, $p = .083$). The difference between the correlation and regression results for organizational culture suggests that its relationship with performance becomes statistically significant when the other strategic leadership dimensions are considered simultaneously. Therefore, the results highlight the importance of clear strategic direction, employee development, and supportive organizational culture in explaining SME performance. However, because the model explains 19.9% of the variation, other factors not included in the model also account for a substantial share of differences in organizational performance.

Table 4: Summary of Hypothesis Testing

Hypothesis	Reported evidence	Decision
H01: Strategic direction	$r = .316$, $p < .001$; $\beta = .354$, $p < .001$	Reject H01
H02: Human capital development	$r = .248$, $p < .001$; $\beta = .266$, $p < .001$	Reject H02
H03: Organizational culture	$r = .115$, $p = .126$; $\beta = .151$, $p = .028$	Reject in adjusted model; bivariate association not significant
H04: Strategic controls	$r = .033$, $p = .658$; $\beta = .120$, $p = .083$	Fail to reject H04

CONCLUSIONS

The study examined the relationship between four strategic leadership dimensions and organizational performance among licensed SMEs in six sub-counties of Kiambu County, Kenya. The overall regression model was statistically significant and explained 19.9% of the variance in reported performance. Strategic direction had the strongest positive adjusted association, followed by strategic human capital development. Organizational culture had a smaller statistically significant adjusted association, while strategic controls did not reach statistical significance in the model. The results suggest that clarity of strategic direction and the development of employee capability deserve particular attention in the sampled SMEs.

Leaders can use clear goals and regular strategy review to focus limited resources, while practical staff-development activities can strengthen the skills required to implement business priorities. Culture can support execution when it reinforces accountability, collaboration and customer focus. The non-significant result for strategic controls should be interpreted cautiously and should not be taken as evidence that all forms of monitoring lack value. The conclusions are bounded by the study design and data. Because the survey was cross-sectional and performance measures were largely perceptual, the findings establish statistical associations rather than causal effects. They should be generalised primarily to licensed SMEs similar to those covered by the sampling frame.

RECOMMENDATIONS

SME owner-managers should strengthen organizational performance by setting clear strategic priorities, investing in employee skills development, promoting accountability, recognizing

good performance, and monitoring key performance indicators. Business associations and county enterprise offices should provide practical training, mentorship, and peer-learning opportunities tailored to SMEs' needs. Future research should adopt longitudinal designs, use objective performance measures, and examine how industry, firm size, digital technology adoption, and access to finance influence the relationship between strategic leadership and organizational performance.

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