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Contribution of Leadership Composition on Leadership Performance of Listed Companies in Kenya

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ABSTRACT
Leadership is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. Corporate governance has dominated leadership policy agenda in developed market economies for more than a decade and African continent is gradually adopting it on their policy agenda on leadership and governance of their organisations. The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) (NSE) is the principal stock exchange of Kenya. The objective of the study was to establish the role of leadership composition on leadership performance of listed companies in Kenya. The target population consisted of the 62 listed companies that had been listed at the NSE in 2015. The study used primary data which was collected using questionnaires. Data was analysed and presented using the Statistical Package for Social Sciences (SPSS). Descriptive and inferential statistics were used to present the results of this study. The study found that the composition of the company leadership should be well composed to include experts in management, finance and the company industry for better performance of the company. The study recommended that listed companies shareholders should ensure that the company composition is highly ethical, responsible and valuable to all stakeholders as will reduce under-investment and agency problems, which has significant economic implications and avert possible collapse of listed companies in Kenya.
Keywords: Boards of Directors, Corporate Governance, Leadership composition, Leadership performance, Nairobi Securities Exchange

INTRODUCTION

Ibrahim Index of African Governance (2007) defines governance as the provision of the political, social and economic goods that a citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens. According to Mensah (2012), governance is referred to mean all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through laws, norms, power or language. He further stated that it relates to the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions. Governance is the dynamic interaction between people, structures, processes and traditions that support the exercise of legitimate authority in provision of sound leadership, direction, oversight, and control of an organization in order to ensure that there is proper accounting for the conduct of its affairs, the use of its resources, and the results of its activities (Coward, 2010).

Corporate Governance is defined as the system by which corporations are directed, controlled and held to account (Solomon, 2013). He further noted its the manner in which the power of or over a corporation is exercised in the stewardship of its total portfolio of assets and resources so as to increase and sustain shareholder value while satisfying the needs and interests of all stakeholders. Wellage (2012) study quoted the Australian Stock Exchange (ASX) Corporate Governance Council (2010) which defines corporate governance as the framework of rules, relationships, systems and processes by which corporations are directed and controlled. He further noted that the UK Corporate Governance Code (2010) which states that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully but a company should avoid paying more than necessary for this purpose.

The respective literatures on the theory of the firm and corporate governance suggest that a company's leadership composition (the ''Board of directors'') is an important factor for mitigating the agency problem that arises with listed companies. The agency problem in this context is that conflict of interests by management may arise and interfere with the interests of the shareholders for whom they work and that management may make business decisions in response to the former rather than the latter. Lashgari (2014) examined the impact of corporate governance measures, such as the leadership composition on information asymmetry promote company performance and found out that corporate governance attributes of board composition (size) and other factors that affected company trading shares. Further in the book by Wright, Siegel and Keasey (2013) the relationship between corporate governance as measured by discipline, transparency, independence, accountability, responsibilities, fairness, and social awareness affect company performance. They referred corporate governance acts as a framework to safeguard and control the relevant players (managers, employees, customers, shareholders, executive directors/managers, suppliers and the board of directors) in the market.

A study by Miring'u and Muoria (2011) indicated that as early as 1970s, many governments in Africa had recognized the fact that public companies were performing poorly. They noted that the poor state companies' performance was associated with labour rigidities in the market increased fiscal and foreign debt and inflation problems. Further they noted that the companies provided poor and unreliable services, failed to meet demand and were lagging behind in technology areas. They concluded that mismanagement, bureaucracy, wastage, pilferage incompetence and irresponsibility by directors and employees are the main problems that have made state companies to fail to achieve their objectives. Although developing countries are increasingly embracing the concept of corporate governance knowing it leads to sustainable economic growth, collapse of their listed companies is on the rise. Some companies including state corporations have folded up partly as a result of corporate governance problems as observed in South Africa by Gossel and Biekpe (2014).

Listed Companies in Kenya

The Nairobi Securities Exchange (formerly Nairobi Stock Exchange) is the principal stock exchange of Kenya. It began in 1954 as an overseas stock exchange while Kenya was still a British colony with permission of the London Stock Exchange. The NSE is a member of the African Stock Exchanges Association. It is Africa's fourth largest securities exchange in terms of trading volumes, and fifth in terms of market capitalization as a percentage of Gross Domestic Product. The Exchange works in cooperation with the Uganda Securities Exchange and the Dar es Salaam Stock Exchange, including the cross listing of various equities. Trading is done through the Electronic Trading System which was commissioned in 2006. A Wide Area Network platform was implemented in 2007 and this eradicated the need for brokers to send their staff (dealers) to the trading floor to conduct business. Trading is now mainly conducted from the brokers' offices through the WAN. In order to provide investors with a comprehensive measure of the performance of the stock market, the Nairobi Stock Exchange introduced the NSE All-Share Index in 2008. In 2009 the Exchange launched its Complaints Handling Unit in a bid to make it easier for investors and the general public to forward any queries and access prompt feedback (NSE, 2015).

Muka (2012) has written about the relationship between corporate governance and ownership structures of firms listed at the Nairobi Securities Exchange and states that the ownership levels of a company characterized by low ownership levels have an inverse effect on company performance. He noted that since the late 1980s, the Kenyan government adopted economic liberalisation policies with the aim of reducing economic distortions. Solomon (2013) noted that the World Bank and the International Monetary Fund (IMF) had begun imposing tough conditions that touched on governance and better economic management to NSE. Although the policies achieved some benefits, the country is still caught up in macro-economic instability as evidenced by high inflation rates, account deficits and policy uncertainties (Njanja, Ogutu & Pellisier, 2012). Kenya Airways Ltd in Kenya has been noted to win several good corporate governance awards for the last five years but the company continued to perform poorly over the period. The company had its Earnings Per Share operating between (-)13.35 and (-)2.25 down from 10.45 in 2006 and operating on downward share price trend of Kes. 5.00 down from Kes. 34.50 in 2011 and making losses year after year (NSE, 2015). Kenya listed companies' poor performance state was also witnessed in Euro Bank, Uchumi Supermarkets, Unga Group, National Bank of Kenya, CMC Motors, Eveready (K) Ltd and East Africa Industries among many others (Madiavale, 2011).

Study Problem

A good corporate governance mechanism is assessable from; political stability, accountability, government effectiveness, rule of law, control of corruption and quality of regulation which can only be achieved through sound and effective leadership (Kaufmann, Kraay & Mastruzzi, 2012). Chung, Kim, Park and Sung (2013) examined the relation between transparency related governance attributes and liquidity in the U.S. stock market and found out that corporate governance has a strong positive influence on organisational performance. According to Yang (2012), companies with good corporate governance systems in place have more efficient operations that lead to high company performance.

A study by McConvill (2012) noted numerous cases world over of companies leadership such as Enron, Worldcom, Marconi and Royal Ahold where this relationship contradicted. Also a study by Iraya, Mwangi and Muchoki (2015) noted cases of non performing listed companies in Kenya that have attracted debates in their form of leadership and shaken both local and foreign investor confidence. Companies such as Kenya Airways Ltd, Eveready (EA) Ltd, Uchumi Supermarkets, Unga Group Ltd, National Bank of Kenya and CMC Holdings Ltd have in the past won several good corporate governance awards but have poor leadership performance indicators (NSE, 2015). Further, a study by Madiavale (2011) noted that although in Kenya listed companies have adopted corporate governance leadership practices, cases of organisations scandals that lead to poor company leadership performance are rampant.

There were literatures on corporate governance on how it contributes to company leadership performance; however, some listed companies in Kenya despite embracing corporate governance have dismal overall leadership performance (NSE, 2015). The problem was that some listed companies in Kenya had poor leadership performance. Even with all the empirical evidence on positive relationships between corporate governance and company leadership performance and the government laid up Corporate Governance structures, some Kenya listed companies continue to operate on losses over the last five years. This affected shareholders, employees, customers, creditors, managers, suppliers, the wider community and the country's economy. The implication was that stakeholder suffered and the investors, prospective and actual shareholders, accordingly lose confidence in the market and withdraw and the country's economy does not grow (Hudson, 2013). Corporate governance although a common phenomenon in Kenya, the level of preparedness of the listed companies' leadership to face up with the identified challenges and potential complexities to ensure that they are managed to the desired performance is a major concern. This study is a step toward understanding the contribution of leadership composition on leadership performance of listed companies in Kenya as the survival of any organisation is dependent upon how it deals with sources of uncertainty or dependency.

Objective of the Research

The main objective of this study was to ascertain the contribution of corporate governance on leadership performance of listed Companies in Kenya. Specifically, the study was undertaken to determine the contribution of leadership composition on leadership performance of listed companies in Kenya. The study therefore hypothesized that leadership composition does not have contribution on leadership performance of listed companies in Kenya.

LITERATURE REVIEW

Leadership Composition

Al-Saidi & Al-Shammari (2013) argued that the main purpose of boards is monitoring and setting policies for the management of the organisation. They noted that to achieve this mandate, highly effective boards include a mix of directors with the expertise and experience to fulfil their essential oversight roles. Further they argued that directors' responsibilities were expanding and the number and complexity of the issues they had to oversee were increasing and therefore having boards made up of the right people with the relevant skill sets is critical in today's competitive business environment. Mudashiru, et al. (2014) noted that board of directors should be composed in such a way as to ensure the diversity of experience, without compromising compatibility, integrity, availability and independence. Membership of the board should rest uprightness in character, distinctive competencies, knowledge on board matters, entrepreneurial bias and sense of accountability, integrity, commitment to the task of corporate and institutional building.

According to Bekiris (2013), the composition of board of directors therefore would compose of: leaders who are the industry experts and competent to draw the organisation strategic plan to achieve the company vision, mission and core values; resource directors who are experts on financial matters to take interest on the company investments and growth; and governance and performance directors, experts on company operations to ensure viability and compliance of company regulations. Li, Pike and Haniffa (2008) argues that national differences in ownership and board structure create different patterns of corporate governance between countries. Ford, Gresock and Peeper (2011) states that the right board composition is a function of securing the right stakeholders in the right proportion. Xiaohui (2015) noted since it was impossible for any organization to control all of its needed resources, the Board of directors plays an important role in reducing an organization's uncertainty by facilitating exchange relationships between the organization and its environment. Further Zandstra (2012) argued given their personal and/or professional contacts, board members help it access information, specific skills, and other resources from the environment and thereby reduce uncertainty.

Leadership Performance

Leadership is the process of motivating other people to act in particular ways in order to achieve specific goals (Hannagan, 2008). Hannagan (2008) further argued that in all organisations, leadership is required in order for its objectives to be achieved and good leadership can result in success while poor leadership can lead to failure. There are several approaches to understand leadership, ranging from traditional, behavioural, contingency and modern approaches. In whichever approach leadership is applied some leaders behaviour will be noticed ranging from directive, supportive, participative and achievement oriented leadership. The pressures to adopt a particular leadership style are seen through the effects of organisation culture and peer expectations. Leaders will need to lay strategy, plan on the allocation of the available resources and apply corporate governance principles to achieve the level of company performance desired.

According to Mishra & Mohanty (2014) leadership performance is the most important criterion in evaluating organizations, their actions and environments. They noted that organizational performance encompasses the following specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); market performance (sales, market share, etc.); shareholder return (total shareholder return, economic value added, etc.) and customer satisfaction (customer retention, loyalty, products and service attributes, image and reputation, etc). Dutta & Fan (2014) stated that the nature of company performance measures can also be firm specific, depending on internal policies as cash flows, accounting numbers and stock prices produce different incentives for managers. They concluded that measuring performance requires weighing the relevance of the company performance to focal stakeholders.

At the most basic level, small and large firms are likely to perform in quite different manners although linked by competition; these firms have very different resources and strategies (Malina & Euske, 2013). In a cross-country survey by Liston, Chong & Bayram (2014) found that small Finnish and UK companies focused on profitability, product margins, customer satisfaction and liquidity. They further stated that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. The greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows (Fisher, Strickland, & Knobe, 2012). They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, Demerjian, and McVay 2012).

According to Levenson & Stede (2011), the relationship between measures and performance is also influenced by which measures the firm uses internally and how these are embedded into incentive and control systems within the firm; e.g., the firm's own key performance indicators. They noted the internal measurement systems used could influence performance at the individual and organizational level. Fisher et al. (2012) noted that within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organizational performance. They further stated that the greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows. They also incorporate intangible assets more effectively than accounting data, something of clear relevance to those interested in resource based and knowledge based views of the firm (Lev, et al., 2012). Levis, et al. (2012), however, noted that the connection between market measures to the actual performance of the firm depends on how much of the rent generated from its activities flows to shareholders and the informational efficiency of the market. He further stated that the usual justification of these measures is that firms are instruments of shareholders. Merchant, Stede, Lin, and Yu (2011) noted that although market value might be generally recognized as the most appropriate measure of overall organizational performance, it is less useful for research focusing on performance where the dimensionality is defined in terms of a product or a strategic business unit. He concluded that an advantage of mixed market/accounting measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance issues that are sometimes lost in market measures.

Similarly, scholars in marketing, operations and human resource management seek to understand and improve performance, each adopting discipline-specific measures such as customer satisfaction, productivity and employee satisfaction (Chenhall & Langfield-Smith, 2011).

METHODOLOGY

This study adopted a descriptive research design. The study targeted listed companies staff in all levels and the target population was the 62 listed companies in Kenya (NSE 2015). The sample for this study consisted of nine (9) listed companies. Data was collected from a sample size of 237 respondents by use of structured questionnaires. Stratified and simple random sampling techniques were used to determine the sample size.

Due to the busy schedules of the staff, they filled out questionnaires at their own convenience and once they were filled, the questionnaires were collected by the researcher. A total of 175 responses were received, translating into 74% response rate. This response rate was considered appropriate for data analysis and presentation.

Descriptive Statistical Analysis

Descriptive statistics were used to describe basic features of the data in the study since they provide simple summaries of the sample and the measures. Descriptive statistics such as frequencies and percentages were used to analyse the data on the role of corporate governance in leadership performance of listed companies in Kenya. The study had five independent variables, namely; leadership style and management structure, leadership composition, leadership independence, stakeholders ownership and ownership concentration, while the dependent variable was leadership performance. This paper presents findings for leadership composition variable.

RESULTS AND DISCUSSION

Gender Distribution

The study sought to find the gender of the respondents. Table 1 indicates the distribution of the respondents by gender. Majority (66.1%) of the respondents were male while the rest (33.9%) of the respondents were female. The distribution represents a fair gender balancing, an indication of successful efforts of various gender mainstreaming campaigns by various stakeholders and the Kenyan constitution 2010.

Table 1. Distribution of Respondents by Gender

Gender	**Frequency**	**Percent**
Male	116	66.1
Female	59	33.9
Total	**175**	**100**

Job Titles of Respondents Distribution

The unit of observation for this study was the top and middle management, supervisors and subordinate staff in the listed companies in Kenya as indicated in the methodology, this question sought to establish the job position of the respondents in the organization. Majority (54.4%) of the respondents were subordinate, 26.9% supervisory, 14.3% middle and top management designates with a paltry (4.4 %). Figure 1 gives a summary of the position of the respondents. This was a very important profile distribution for this study since the respondents were the right people with adequate information relevant to this study hence best placed. Management take responsibility for leadership performance (Bossidy and Chara, 2012; Mauborgne and Kim, 2015; Mwanje,Guyo and Muturi, 2016). The distribution of the respondents is quite normal and fair representation of management.

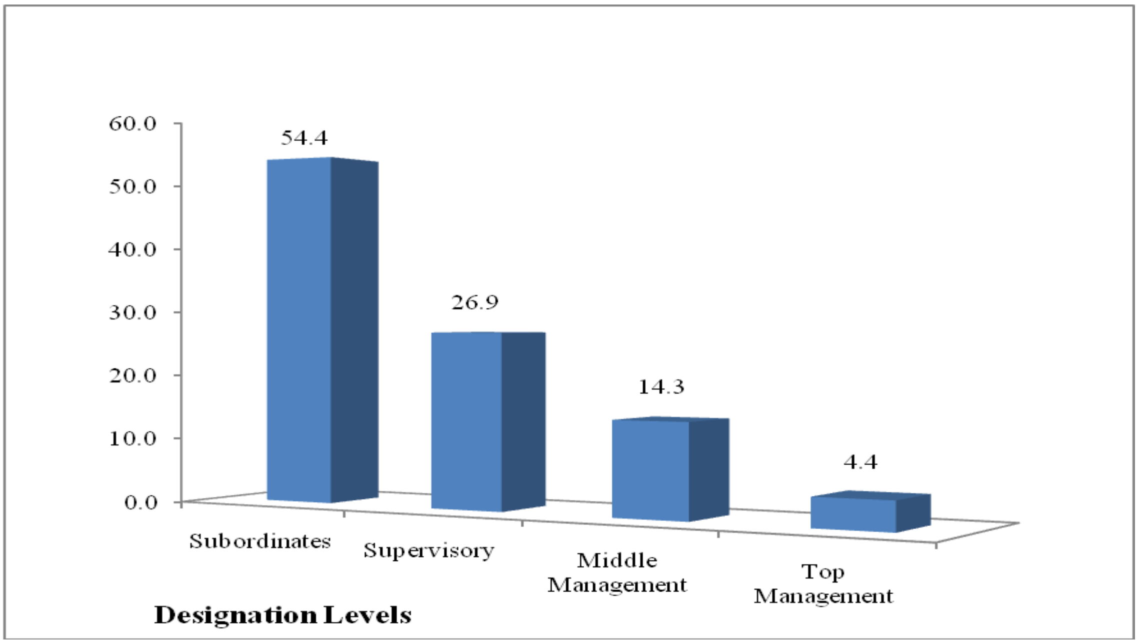

Figure 1 Job Titles of Respondents

Working Experience of Respondents Distribution

This question sought to investigate the number of years each respondent have worked with the listed company. On average nearly half (40.9%) of the respondents had worked for more than 10 years with their companies. This shows a high degree of institutional memory and commitment to their companies. Majority (79.5%) of the respondents had a working experience of 6 years and above and only (20.5%) had below 6 years of experience as shown in Figure 2. This means that the respondents have adequate working experience with the listed company and therefore posses the necessary knowledge and information which was considered useful for this study.

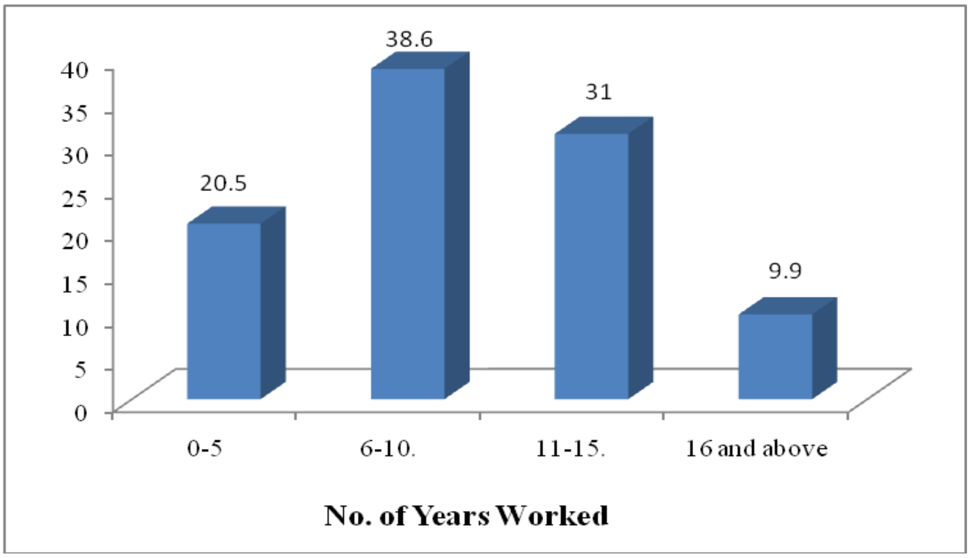

Figure 2 Working Experience of Respondents

Descriptive Analysis For Leadership Composition on Leadership Performance of Listed Companies

Leadership Composition on Leadership Performance of Listed Companies is the second independent variable in this study. The study sought to investigate whether factors such as expertise, vision and mission, ethical, responsible and valuable perceptions, accessing of information, skills & resources and policies, regulations and rules influence leadership performance of listed companies. Specific questions were asked in each of these areas and opinions of the respondents were sought. Table 2 provides the opinions and responses on the questions which show that over 70.2% (sum of 41.5% and 28.7%) of the respondents agreed that leadership composition contribute to the leadership performance of listed companies in Kenya.

Table 2 Statistical Results for Leadership Composition on Leadership Performance

Variable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Our board of directors is composed of talented and experts in our industry, financial matters and operation matters which results in good company performance.	3.4%	9.7%	18.3%	39.4%	29.1%
Our vision and mission statement is commonly agreed-upon and understood and adopted by all employees for optimum performance of our company.	4.6%	10.9%	14.3%	45.1%	25.1%
The board of directors of our organisation is perceived as highly ethical, responsible and valuable to all stakeholders (i.e. investors/shareholders, employees etc.) which results to company growth.	5.7%	8.6%	15.4%	39.4%	30.9%
Our board members help in accessing information, specific skills and other resources from the environment and thereby reduce uncertainty and promote the company progress.	7.4%	8.6%	12.6%	35.4%	36.0%
Policies , regulations and rules exist in our company and are well stated and are strictly adhered to by our employees which result in improvement to the company performance.	6.3%	8.6%	14.9%	48.0%	22.3%
Average	5.5%	9.3%	15.1%	41.5%	28.7%

Expertise

This question aimed at finding out whether company leaders composed of talented and experts in the industry, financial matters and operation matters results in good company leadership performance. Table 2 presents the findings indicating that 68.5% (sum of 39.4% and 29.1%) either strongly agreed or agreed, 18.3% were neutral while 9.7% and 3.4% disagreed and strongly disagreed respectively. This resulted to a mean of 3.81 and a standard deviation of 1.069 (Table 3). The results supported Bekiris (2013) study that the composition of top company leadership consist of: leaders who are the industry experts and competent to draw the organisation strategic plan to achieve the company vision, mission and core values; resource directors who are experts on financial matters to take interest on the company investments and growth; and governance and performance directors, experts on company operations ensure viability and compliance of company regulations. The results showed that (68.5%) of the respondents recognised the importance of having a leadership composition of experts supporting Zandstra (2012) who argued that given their personal and/or professional contacts, board members help it access information, specific skills, and other resources from the environment and thereby reduce uncertainty.

Vision and Mission

Table 2 shows that 25.1% of the respondents strongly agreed to this statement, 45.1% agreed, 14.3% were neutral while 10.9% and 4.6% disagreed and strongly disagreed respectively. A mean score of 3.75 was achieved with a standard deviation of 1.089 (Table 3). The results were consistent with the study by Bekiris (2013) who argued that a vision and mission statement should be agreed-upon and understood and adopted by all employees for optimum leadership performance of the company. Li, et al. (2008) pointed out that a vision should be external and market-oriented and should express how the organization wants to be perceived by the world. An organization's vision is developed to express the aspirations of the leadership. The findings with a majority of 70.2% (sum of 45.1% and 25.1%) of the respondents in agreement with the statement, suggested that company leadership should recognise the importance of developing a vision and mission statements as critical for guiding the leadership of the listed companies. A vision and mission statements drives an institution to the long term desired leadership performance.

Ethical, Responsible and Valuable Perceptions

The results presented in Table 3 show a mean of 3.81 and a standard deviation of 1.137. This suggests that leaders of an organisation which are perceived as highly ethical, responsible and valuable to all stakeholders (i.e. investors/shareholders, employees etc.) results to company growth. Table 2 shows that 70.3% (sum of 39.4% and 30.9%) of the respondents either agreed or strongly agreed, 15.4% were neutral while a total of 8.6% disagreed and 5.7% strongly disagreed. The findings confirm that leaders should rest uprightness in character, distinctive competencies, knowledge on leadership matters, entrepreneurial bias and sense of accountability, integrity, commitment to the task of corporate and institutional building (Mudashiru, et al., 2014, Keraro, 2014). For the listed companies system to perform better than the yester years, listed companies must be ready and willing to eliminate all leaders with poor integrity and character adopt a clean trusted management that can be responsible and facilitate accountability and valuable leadership decisions with no vested interest.

Accessing of Information, Skills & Resources

Table 2 indicates that 36% of the respondents strongly agreed that board members help in accessing information, specific skills and other resources from the environment and thereby reduce uncertainty and promote the company progress while 35.4% agreed. A response rate of 12.6% was attributed to neutral responses while 8.6% and 7.4% respondents disagreed and strongly disagreed respectively with the question posed. These responses resulted to a mean of 3.84 and a standard deviation of 1.217 as shown on Table 3. The findings supports observations by Zandstra (2012), leaders personal and/or professional contacts help in access information, specific skills, and other resources from the environment and thereby reduce uncertainty. The results further agree with conclusions by Xiaohui (2015) that while, it was impossible for any organization to control all of its needed resources, the leaders plays an important role in reducing an organization's uncertainty by facilitating exchange relationships between the organization and its environment. Training the leadership members and the rest of the listed companies management teams on the critical role to harmonize agency conflicts and safeguard invested capital and influence the overall performance of their listed companies cannot be over emphasized (Wang and Oliver, 2009).

Policies, Regulations and Rules

When asked whether listed companies required policies , regulations and rules to exist, well stated and strictly adhered to by the employees, 22.3% of the respondents strongly agreed, 48% agreed (Table 2) totalling to 70.3% of those in agreement. A further 14.9% were neutral while 8.6% disagreed and 6.3% strongly disagreed. These results were not surprising given the reportedly general lack of accountability and corrupt behaviours exhibited by some of the employees across the listed companies would amount to cover-up reporting. Table 3 shows a mean of 3.71 with a standard deviation of 1.098 were achieved. The results agree with Bekiris (2013), the company would have leaders experts on company operations to ensure viability and compliance of company regulations. The findings from this study also affirmed the conclusions in studies by Mudashiru, et al. (2014) that the main purpose of boards is monitoring and setting policies for the management of the organisation. Opiyo (2013) argued that listed companies: did not have effective leadership systems to detect and prevent fraud, had poor internal controls and budgeting practices, had poor procurement practices as well as poor financial reporting practices which in made him concluded that poor leadership practices were a contributory factor to the resultant financial distress witnessed in some listed companies in Kenya. There is a strong need for listed companies to observe full compliance of the policies, regulations and rules set by the Capital Market Authority and NSE.

Table 3. Weighted Mean Results for Leadership Composition

	N	Minimum	Maximum	Mean	Std. Deviation
Expertise	175	1	5	3.81	1.069
Vision and Mission	175	1	5	3.75	1.089
Ethical, Responsible and valuable perceptions	175	1	5	3.81	1.137
Accessing of Information, Skills & Resources	175	1	5	3.84	1.217
Policies , Regulations and Rules	175	1	5	3.71	1.098

Inferential Analysis

In this study the researcher performed inferential analysis to determine the actual implication of the data collected and to draw conclusions on the relationship of the specific variables under study. Regression analysis was done to establish the statistical significance of the relationship between the independent variables notably; expertise, vision and mission, ethical, responsible and valuable perceptions, accessing of information, skills & resources and policies, regulations and rules on dependent variable which was leadership performance. According to Marshall and Rossman (2010), regression analysis is a statistical process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between variables. The regression analysis results were presented using a scatter plot diagrams, regression model summary tables, Analysis of Variance (ANOVA) table and beta coefficients tables. Each of this is discussed in the following sections of this paper.

The general objective of this study was to determine the role of corporate governance on leadership performance in listed companies in Kenya.

Correlation Coefficient for Leadership Composition

Tables 4 and 5, show a 36.9% positive correlation between leadership composition and the leadership performance in listed companies in Kenya. As already discussed, the findings support arguments by various scholars that leadership composition gives formal roles, responsibilities and lines of monitoring and evaluating an organisations. Leadership composition influence the sources of an organization's competitive advantage, particularly with regard to talent development and management. Failure to adjust leadership composition appropriately can fatally undermine leadership performance and thus jeopardize organisational success.

Table 4. Correlation Coefficients for Leadership Composition

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	12.369	1.170		10.570	.000
	Leadership Composition	.313	.060	.369	5.226	.000

a. Dependent Variable: Leadership Performance

Table 5. Coefficients for Leadership Composition

		Leadership Performance	Leadership Composition
Leadership Performance	Pearson Correlation	1	.369**
	Sig. (2-tailed)		.000
	N	175	175
Leadership Composition	Pearson Correlation	.369**	1
	Sig. (2-tailed)	.000	
	N	175	175

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

Regression Analysis for the relationship between leadership composition and leadership performance

Scatter plots in Figure 3 shows that the distribution of the scatter plots appears to fall along the a line and evenly distributed on either side. There is no skewness to either side which indicates that there is a constant variance. This implies that a straight line can vbe fitted, suggesting that there is a linear relationship between leadership composition and leadership performance.

The relationship takes the form of the equation: $Y = \alpha + \beta X_i + \mathcal{E}$

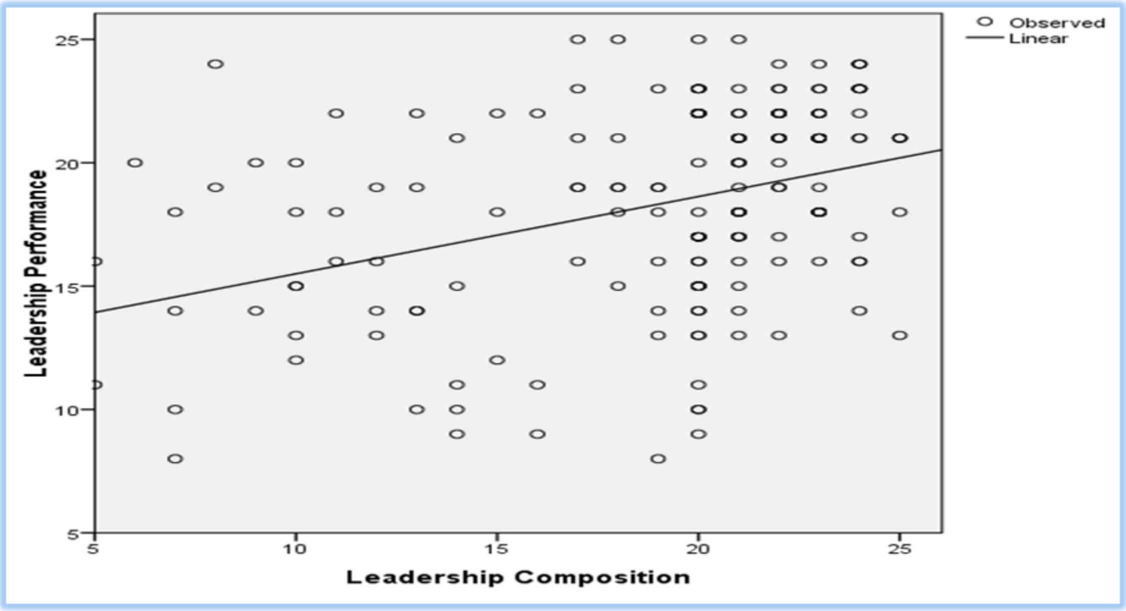

Figure 3 Leadership Composition versus Leadership Performance

Figure 3 illustrates scatter plot diagram of leadership composition versus leadership performance. The Figure 3 presents results which show that all the points/observations appear in the first quadrate and the line of best of fit indicates an estimate line that is increasingly positive upwards. It indicates that as the e leadership composition is poor, then there shall be negative leadership performance. The leadership composition improves, then leadership performance gets better and vice versa, this implies that there is a positive linear relationship between leadership composition and leadership performance in the listed companies in Kenya.

Table 6 Model Fitness for Leadership Composition

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.369[a]	.136	.131	3.799

a. Predictors: (Constant), Leadership Composition

Regression analysis was performed in order to determine whether the independent variable, leadership composition can be relied on in explaining the change in the dependent variable, leadership performance of listed companies in Kenya. The coefficient of determination (R^2) derived from the study suggested that leadership composition can explain up to 13.6% (Table 6) of the change in the leadership performance of listed companies in Kenya. This study, therefore, established that there is need to implement good leadership composition so as to enable leaders achieve the desired results in their respective companies.

Table 7 ANOVA for Leadership Composition

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	394.107	1	394.107	27.311	.000[b]
	Residual	2496.441	173	14.430		
	Total	2890.549	174			

a. Dependent Variable: Leadership Performance

b. Predictors: (Constant), Leadership Composition

Results of an ANOVA test performed on the variable, leadership composition are summarized in Table 7. This table shows that the variable has a P-value equal to .000, demonstrating that the model is statistically significant considering that the P value is less than .05 at the 95% level of confidence and the Null Hypothesis (H_{02}) rejected and a conclusion reached that, at 5% level of significance, **Leadership composition play a significant role in the leadership performance of listed companies in Kenya**.

This also confirms that the linear model fits the data quite well. The model estimate for leadership composition is represented as follows as indicated on Table 4: $Y = \alpha + \beta \boldsymbol{X_1} + \varepsilon$

Where, α = A constant, = 12.369

β = 0.313

$\boldsymbol{X_1}$= Leadership Composition,

ε = Error term

Hence: $\boldsymbol{Y = 12.369 + 0.313X_1}$

Before we interpret the coefficients, we ask ourselves if the coefficients are significant from zero and the answer is yes, because each one of them has a *p*-value of 0.000. Therefore the coefficient of 0.313 means that a unit changes in leadership composition will lead a positive change in leadership performance at the rate of 0.313.This implies that you cannot ignore leadership composition when driving performance in the listed company in Kenya.

SUMMARY OF THE FINDINGS

With respect to leadership composition, factor analysis was done in order to reduce items to manageable and meaningful size, where all the 5 items met the preferred factor of 0.7, with the lowest being 0.812 and the highest 0.886. Descriptive statistics were used to analyze this research objective and other subsequent analysis was done. The study established that there was a 36.9% positive correlation between leadership composition and the leadership performance of listed companies; leadership composition played a positive linear relationship role in the corporate governance for the leadership performance of listed companies in Kenya; leadership composition was statistically significant at 13.6% in explaining the change in the strategic leadership performance of listed companies in Kenya; establishing proper channels for accessing information, skills and resources, working on the best leadership composition of experts and ensuring that the company portrays the best ethical, responsible and valuable perceptions were critical for the leadership performance of listed companies and that this should be among the key areas of focus by the company leadership.

A majority (70.2%) of respondents thought that corporate governance had a key role in developing and implementing the right leadership composition in order to ensure effective sharing of management responsibilities for effective management of listed companies in Kenya. Having the right expert leaders and setting proper channels for accessing information, skills and resources were emphasised as modern day practices that have succeeded in many companies and should, therefore, be embraced by all listed companies. The results and findings therefore conclude that there was significant association between leadership composition and leadership performance in listed companies in Kenya.

RECOMMENDATIONS

Company leadership should be well composed to include experts in management, finance and the company industry. This will make the company more responsive to the needs and preferences of the stakeholders. Listed companies development and management plans should be well crafted vision, mission, objectives and value statements to guide the effective execution of leadership performance strategies. This will provide strong incentives for employees and management to achieve listed companies objectives; and serve as a basis for management control, among other benefits.

The study also recommend that listed companies shareholders should ensure that the company composition is highly ethical, responsible and valuable to all stakeholders as will show employees and management the way to follow. Functional leadership composition will uphold the principle of subsidiarity, so that planning and implementation takes place with the best impact and benefit to the listed companies.

AREAS FOR FURTHER RESEARCH

This study has made significant contribution as it highlights a few aspects to be considered by future researchers. Firstly, as with most research studies, replication of this study for validation purposes may be necessary. Second, a similar study with a larger number of listed companies can be sampled to provide an enhanced reflection of the situation on the ground. Third, a similar study using a different sample of non-listed companies' officials would help to improve knowledge of corporate governance practices in listed companies in Kenya. Fourth, the same study can be conducted but with listed companies as unit of analysis. Fifth, considering that this study major finding was that all the five independent variables taken together could only explain up to 18.9% of the variation in the dependent variable, the leadership performance of listed companies in Kenya; meaning that 81.1% of the change in the leadership performance of listed companies could be explained by other variables. The researcher, therefore, proposes that a study be conducted to investigate other factors including, social, environment, legal, political, financial, local and foreign shareholders influence, insider and outsider board of directors among other potential variables.

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