INFLUENCE OF STRATEGIC LEADERSHIP ON PERFORMANCE OF MICRO-FINANCE INSTITUTIONS IN NAIROBI COUNTY, KENYA

BY

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DECLARATION

This research proposal is my original work and has not been presented for the award of any degree in any other university.

Sign_______________ Date **28 – August - 2023**

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This research proposal has been submitted with my approval as the university supervisor.

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LIST OF ABBREVIATIONS & ACRONYMS

AMFIs	Association of Micro Finance Institutions
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
IRA	Insurance Regulatory Authority
JIEC	Jordan industrial estate company
KES	Kenya Shilling
MFIs	Microfinance Institutions
NFC	Near Field Communication
RBA	Retirement Benefits Authority
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SACCOs	Savings and Credit Co-operatives
SASRA	Sacco Societies Regulatory Authority
SMEs	Small and mid-size enterprises
SPSS	Statistical Package for the Social Sciences
UET	Upper Echelons Theory

ABSTRACT

The study's aim was to examine the influence of strategic leadership on performance of micro-finance institutions in Nairobi County, Kenya. Specifically, the study examined the correlation between strategic leadership and performance of MFIs in Nairobi County, Kenya. The study was based on Upper echelon theory and Contingency theory. The target population was forty-six (46) microfinance institutions registered as members of AMFI in Nairobi County. Explanatory and cross-sectional research design was adopted. Close ended questionnaires were used to collect primary data. The study adopted mixed data analysis method, inferential and descriptive analysis were performed. The collected quantitative data was analysed using descriptive statistics techniques. Data analysis focused on demographic information analysis, descriptive statistics and inferential statistics. The study showed that the leaders set clear objectives for the organization and the organization leadership ensures that employees work towards achieving set goals. The organization's vision, mission, goals, objectives and strategies were communicated to all employees and the strategic objectives of the MFI aligned with mission and vision statement. Leaders ensured executed performance strategies were evaluated post implementation and also assessed the strengths, weaknesses, opportunities, and threats in order to enhance understanding of the prevailing business climate. Formulation of strategy execution approach resulted to increase in profitability hence an increase in return on assets. Adoption of strategic leadership styles improved sales hence revenue and profitability. SWOT analysis resulted to an increase in market share and return on investment grew due to clarity of organizational objective. The study established that strategic leadership had a strong positive correlation, positive influence and significant with/on performance of MFIs. A unit increase in strategic leadership led to an increase in performance of MFIs in Nairobi County, Kenya. The study concluded that strategic leadership is positively related to performance of MFIs in Nairobi County, Kenya. The study's recommendation was that organizational leaders ought to ensure a shared powerful vision to provide direction and ensure sustenance of the transformation process to create the future. Further, there was need for strategic control measures to enable strategic plans put in place by the organizations become a reality and hence imperative that Boards of directors and senior management team recognize the intended reality.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Leadership is the capacity to affect, adjust, and exert control over the actions of others, either individually or collectively. It entails creating a distinct vision, communicating that vision in a way that will inspire people to follow it freely, and supplying the information, tools, and techniques needed to accomplish the vision (Koech & Namusonge, 2012). According to Hogan and Kaiser (2015), management's key role in maximizing efficiency and achieving organizational goals is leadership. The acquirement, development, and utilization of organizational resources, as well as their transformation into valuable goods and services, are all decisions made by leaders, who are also responsible for delivering value to the stakeholders in the company. They are therefore reliable sources of management advantage and long-term competitive advantage (Hitt & Ireland, 2012).

The capacity of a manager to express a strategic vision for an organization or a particular division within an organization and to inspire and persuade others to fulfill that goal is known as strategic leadership (Daft, 2014). They develop a strategic vision and mission, set goals and objectives, craft strategies, guide on execution and then evaluate the performance (Mason, 2011). Organizational formation, resource allocation, and strategic vision expression are all done by strategic leaders. Strategic leaders operate within an uncertain environment characterized by intricate challenges, where the outcomes and dynamics of their decisions are intertwined with external factors beyond their immediate control (Lynch, 2014). Leadership is accountable for inspiring and motivating the organization's people resources to collaborate in order to realize the organization's mission.

The contingency theory and upper echelon theory served as the foundation for this investigation. Hambrick and Mason (1984) were the first to propose the upper echelon theory. The key selling point of this notion is that businesses reflect the thoughts and ideas of their top executives, as they undeniably play a pivotal role in influencing an organization's culture. Leadership values and preferences profoundly influence how leaders perceive and evaluate the business environment and how they make strategic decisions that subsequently shape the organization's strategy and direction. These values and preferences serve as guiding principles that leaders use to prioritize certain factors, assess risks and opportunities, and align the organization's goals with their own vision and beliefs. By incorporating their own perspectives into the strategic decision-making process, leaders leave an indelible mark on the organization's strategy and direction. Over a certain period of time, the company mimics the leader. The contingency theory was developed by Fielder, (1958). According to the theory, a leader's ability to be effective depends on how well their leadership style fits the circumstance. In other words, the leader must ascertain the type of environment and leadership style in which they are most effective.

Since they were first launched in Kenya in the 1980s, the number of MFIs has expanded, but this growth hasn't always translated into better MFI performance. Even though there have been some important advances during the same period, such as the passing of the Microfinance Act, some MFIs still struggle to fulfill their primary goal of eradicating poverty by providing financial services to low-income people (Masinde, 2012).

Despite the fact that the majority of microfinance institutions in Kenya have strategic plans outlining their vision, mission, and objectives, the quality of their service falls short of the standards set by their members. Against this backdrop, this study aims to determine the impact of strategic leadership on the performance of microfinance institutions in Nairobi County, Kenya.

1.1.1 Strategic Leadership

According to Mintzberg (2003), the term strategy has various meanings. Some of the terms used in place of strategy include perspective, plan, ploy, pattern and position. Mintzberg set up the five-P-model for the purpose of strategy, which offers some clues to the rich definition of the concept (Tengblad, 2006). According to Ngari (2011), strategies should be included in the overall program for the allocation of resources and action for a corporation to fulfill its organizational objectives. Co-ordination between the strategy and goals characterize how an organization will be operationally effective and efficient and is best managed using strategic leadership.

Strategic leadership emphasizes how top leadership makes choices that, in the short term, ensure the organization's long-term viability (Eliogu-Anenih, 2017). The organizations that perform the best are deliberately strategic in their leadership planning (Nyamao, 2016). The leadership's capacity to consistently and effectively direct the organization's goals is very important for its long-term survival and sustainability. In the rapidly changing business landscape, organizations must adapt and evolve to stay relevant and competitive. This requires leaders who are capable of envisioning and driving necessary transformations.

According to Thompson (2019), a strategic vision is the path a firm intends to take in order to grow and strengthen its business. In this step, a strategic vision of the company's future in terms of its goods, clients, markets, and technological focus is sought for and described. This managerial effort of continually setting and adjusting goals gives the organization a clear long-term direction. It establishes a sense of purposeful action within the institution, ensuring that all efforts are aligned towards a common vision. Living the reality through a genuine shared vision becomes the motivating factor that encourages the respective personnel to take personal initiative to develop and learn, which increases the possibility of enhancing company performance (Senge, 2019).

According to Ciulla (2014), morally upright leaders carry out their responsibilities by taking into account the rights, respect, and care of their subordinates and followers. The traits of ethical leadership, according to Brown and Trevio (2016), include loyalty, integrity, honesty, ethical behavior with employees, and a caring attitude for his followers In a similar vein, Zhu et al. (2014) discovered that ethical leaders are viewed as role models of moral behavior, recognize their followers' needs for professional advancement, and inspire them to seek out jobs that fit their latent skills. Further, ethical leaders enable their followers to achieve active mastery through providing them with the necessary resources, support, and guidance to develop their skills. They effectively delegate tasks by identifying individual strengths, capabilities, and areas for growth thereby fostering a sense of ownership and accountability towards the organization’s goals. This leads to alignment of individual actions and daily tasks with the organization's broader goals and values.

For organizations, strategic control fosters synergy and provides value in developing and molding the overall strategy, defining the rules of interaction between various units, setting standards, and evaluating these units' performance. When the results of a strategy are several years distant, organizations use strategic control to direct activities. Strategic control procedures assist managers in ensuring that employees' originality ultimately helps the organization, even when creativity and innovation are required of employees. It is crucial that the Board of Directors and top managers are aware of the planned reality because strategic control techniques do in fact ensure that organizational strategic plans are realized (Gavetti & Ocasio, 2015). According to Dess (2016), strategic leadership, is proactive, goal-oriented, and concentrated on the development and realization of an original vision. The process of changing organizations from what they are to what the leader wants them to be is another aspect of transformation. Strategic leaders start change-bringing processes because they are unhappy with the current situation. Dess (2016) adds that a strategic leader must constantly evaluate three interrelated actions that are a part of strategic leadership. These include creating the organization, fostering a culture devoted to excellence and moral conduct, and setting the organizational orientation in terms of vision and goal (Pearce & Robinson, 2011).

Creating an organization's long-term vision is a necessary step in determining strategic direction. Ireland and Hitt (2015) noted that the strategic leader is solely responsible for choosing the path of the company. According to Mutia (2015), increasing a company's productivity and competitive edge requires investing in its human resources. Additionally, Shaheen *et al* (2013) pointed out that a company with more talented and inventive workers always strives to increase productivity and organizational performance.

Strategic leaders must be modest, care about the greater good, work for fairness, accept responsibility, and treat everyone with respect, according to Miheli *et al* (2010).

Strategic control involves evaluating the actions and results of business level managers using long-term, strategically pertinent criteria. Strategic control, according to Chikwe et al. (2016), is a tool for implementing strategies, evaluating the internal and external environments, and offering feedback or feedforward to the strategy management process. Strategic control, according to Chikwe *et al*. (2016), entails monitoring strategy execution. This means that through monitoring and evaluation, strategic control is also concerned with identifying issues or modifications in the process of putting strategic plans into action. Strategic control allows organizations maintain a proactive approach to strategy execution. This involves setting performance targets, establishing key performance indicators (KPIs), and regularly measuring and analyzing progress against these benchmarks. It also enables leaders to monitor various aspects, such as financial performance, operational efficiency, market share, customer satisfaction, and competitive positioning. By identifying this, the leadership can proactively detect early warning signals and take timely corrective actions.

1.1.2 Organizational Performance

The evaluation of an organization's performance is commonly conducted by comparing its intended aims and objectives with the actual results achieved. This process allows leaders and stakeholders to assess the efficacy and efficiency of the organization's actions, ascertain areas of success or areas needing improvement, and make informed decisions for future planning. A measurement of the efficacy and efficiency with which managers use available resources to fulfil clients' needs and accomplish organizational objectives is called organizational performance. Financial, market, and shareholder value performance are the commonly used indicators to gauge the effectiveness of an organization. Each of these performance measures provides valuable insights into different aspects of the organization's overall performance and ability to create value. Financial indicators, such as revenue growth, profitability, return on assets (ROA), return on sales (ROS), return on equity (ROE), return on investment (ROI), and cash flow, are used to assess the organization's financial health and effectiveness. Positive financial performance indicates the organization's ability to generate revenue, control costs, and achieve sustainable profitability. It reflects the efficient utilization of resources and the organization's capacity to generate value for its stakeholders. Market indicators on the other hand, assess how well the organization is positioned in the market and its ability to compete effectively. Market share, customer satisfaction, brand perception, and customer loyalty are the key measures used to evaluate market performance. Strong market performance indicates that the organization has successfully differentiated itself, attracted and retained customers, and gained a competitive advantage in its industry. Shareholder value indicators focus on the returns generated for the organization's shareholders or investors. These include metrics such as shareholder returns, stock price appreciation, dividend yield, and total shareholder return (Molly, 2013).

Company success is measured using both existing company indicators (sales growth and market share) and those relating to the firm's future positioning (new product development and diversification) (Gibcus & Kemp, 2003). An organization must identify both the components of its business processes that need improvement and those that are operating effectively in order to generate some quantifiable measurements that can be used to gauge how well a firm is running (Molly, 2013). By connecting employees' activities to the goals and objectives of the organization, performance management systems seek to improve the outcomes of people's work.

The most crucial factors affecting organizational success are leadership, inspiration, organizational culture, and knowledge management. Through leadership, a person can persuade others to assist them in achieving a goal, which also assists an organization in being rational and consistent. Employees will look up to the leaders in businesses where there is faith in them for practically everything (Bacha, 2010). The degree, focus, and perseverance of an individual's work toward achieving a goal are determined by their motivation. How well the expected results from the workforce are attained depends on the corporate culture. An organization can consciously collect, organize, share, and analyze its knowledge in terms of its resources, records, and human resource capabilities using the notion of knowledge management. Knowledge management seeks to develop and utilize intellectual capital in a way that is both efficient and profitable (Gautam, 2015).

1.1.3 Financial Sector in Kenya

The financial sector in Kenya consists of deposit-taking institutions (commercial banks, mortgage finance firms, microfinance institutions, and deposit-taking Savings and Credit Co-operatives (SACCOs), non-deposit-taking institutions (insurance companies, pension funds, capital markets firms, development finance institutions, and numerous other entities), and service providers of the financial markets' infrastructure. The Capital Markets Authority (CMA), the Central Bank of Kenya (CBK), the Insurance Regulatory Authority (IRA), the Retirement Benefits Authority (RBA), and the Sacco Societies Regulatory Authority (SASRA) are the five main regulators responsible for different segments in this sector (CBK, 2018).

More than 60% of the sector's assets were in the banking sub-sector in 2017, which includes commercial banks, mortgage financing businesses, and microfinance banks (CBK, 2018). The financial sector is essential to achieving Kenya's targeted annual economic growth rate of 10%. The industry has already made significant contributions to the prosperity of the nation by, among other things, improving financial intermediation, fostering financial inclusion, creating jobs, and paying taxes to the government. For instance, gross loans and advances to various economic sectors totaled 6.336 billion in December 2020 (AMFI-K, 2020).

Small and medium-sized businesses can now get funding from commercial banks in greater numbers. As an illustration, 35% of all lending in 2020 was allocated to SMEs (Kenya Bankers Association, 2020). According to data from the Central Bank of Kenya (2018), the expansion of Kenya's payment systems was mostly fueled by quicker growth in the internet and mobile phone markets, e-commerce, technological advancements, and Near Field Communication. Financial reforms, such as improved oversight and regulatory frameworks for the national payment system, improved efficiency and stability of payment systems and service providers, innovative technology-enabled business products, a wider variety of payment instruments, improved cost effectiveness, improved interoperability, and increased resilience of banking, payment, and securities infrastructures, are supporting these changes.

1.1.4 Micro-Finance Institutions in Nairobi County registered with The Association of Microfinance Institutions in Kenya

In order to strengthen the capabilities of the Kenyan Microfinance Industry, the Association for Microfinance Institutions Kenya (AMFI), a member-based organization, was founded and registered in 1999 under the Societies Act. The number of AMFI members in Nairobi has expanded throughout the course of her 21-year existence, from the original five members to the current fifty-four fully paid up members in the year 2020, who will serve over 6 million clients. The future of AMFI depends on its capacity to understand and meet the demands of its members, which ultimately ensures that they will fully participate in AMFI-K programs and contribute to the finance of her activities. Ordinary members of AMFI-K include Microfinance Banks, Credit Only Microfinance Institutions and also Wholesale Lenders to Microfinance Institutions. Associate members are Commercial Banks, Savings and Credit Cooperatives (SACCOs), as well as Developmental Institutions. Honorary members include prominent figures who have made contributions to the Microfinance Institutions (MFI) industry, as well as Consultants, who are experts in the field.

According to the Microfinance Sector Report from 2020, the majority of microfinance institutions in Nairobi County have over 750 locations, a loan book worth KES 75.99 billion, 1.2 million institution savers, and 433,438 borrowers. The top MFIs in Kenya formed the Association of Microfinance Institutions (AMFIs), a member-based organization that was registered under the Societies Act. Financial services are provided to more than 6.5 million families from lower and middle-income levels (Microfinance Bulletin, 2020). The MFIs offer a wide range of financial services to economically active low-income people and small businesses in both rural and urban areas, including savings and credit facilities, money transfers, and micro insurance.

The prudential standards for Microfinance Institutions (MFIs) require the maintaining a liquidity ratio of 20% of all liabilities. This requirement ensures that MFIs have adequate liquidity to meet their short-term obligations and manage unexpected cash flow fluctuations. This requirement allows MFIs to be well positioned to address the needs of their clients and honor their financial obligations promptly. However, MFIs having offices across the nation must have a capital base of KES 60 million, while those restricted to a single community must have KES 20 million (Central Bank of Kenya, 2018). Not more than 10% of the shares would be permitted to be sold when shares owned by the deposit-taking MFI are up for sale without CBK approval. The deposit-taking MFIs must undergo an external audit, as required by regulations. Any proof of any observed irregularities or illegal actions by any institution officer must be communicated by the auditors. The deposit-taking microfinance is anticipated to get the Finance Minister's clearance before acquiring any shares that represent more than 25% of their total outstanding shares (CBK, 2018).

Microfinance Institutions (MFIs) that engage in deposit-taking activities are subject to more stringent regulatory requirements compared to MFIs that solely provide credit services without accepting deposits. The purpose of this enhanced regulation is to safeguard investor funds, maintain the stability of financial institutions, and ensure the overall soundness of the Kenyan financial services sector. These regulations include ensuring adequate capital reserves, implementing prudential standards, conducting regular audits, and enforcing reporting and disclosure requirements. Therefore, the supervision of deposit-taking MFIs is justified in order to safeguard the welfare of depositors, maintain financial stability, and foster trust in the financial services sector. Stricter regulation ensures that these institutions adhere to sound practices, enhances transparency, and minimizes the risk of financial misconduct. It provides a level of assurance to depositors, investors, and other stakeholders that their funds are being managed responsibly and in compliance with regulatory standards. In sum, the differential regulatory regime between deposit-taking MFIs and those that only provide credit services is intended to preserve the integrity of the financial system and prevent any potential disruptions that could arise from insufficient regulation (Odhiambo, 2011).

Profitability, market share, and customer happiness are the mainly used performance metrics. Profitability is a key indicator of a company's capacity to generate revenue from its key production inputs (labor, capital, and management). The relationship between revenue, expenses, and profit levels in relation to company investment size is the main emphasis of profitability analysis. Profit is measured using ROA, ROE and operating profit margin. The ROA, which measures overall profitability, will have a greater value for a very profitable firm. ROE is used to calculate the owner's return on equity investment. On the other side, operating profit margin is used to calculate capital returns per dollar (Agarwal, Erramilli & Dev, 2013).

According to Farris (2010), market share is the portion of the market that can be accounted for by either units sold or revenues generated by a specific business. The ability of a corporation to foresee market dynamics and the needs of its target customers is measured by a company's market share, as Vargo and Lusch (2014) highlighted. Market share must be closely monitored in order to spot any changes in the level of competition. Tactic and strategic decisions are typically influenced by changes in the competitive environment because these changes are based on the share that competitors have of the customer's wallet.

Customers' experiences determine how satisfied they are. Customers' impressions, interactions, and opinions of the business all contribute to their experience. When a customer has a good experience, they are considered to be satisfied (Ogilo, 2012). As a result, it can be claimed that different factors affect consumer satisfaction, and these factors fluctuate over time. It is conceivable for a consumer to be pleased on one occasion and unsatisfied on another, or despite a poor beginning, they may eventually become content. Because of this, it's essential to continuously assess how satisfied clients are by using different metrics to record different phases (Uzhegova, 2015).

1.2 Research Problem

The chosen management approach of a company plays a crucial role in determining whether its set vision, mission, goals, and objectives are achieved. In today's turbulent global market, strategic leadership is particularly essential for a firm's success. Strategic leadership encompasses the ability to anticipate and navigate changes, make informed decisions, and align resources and efforts towards the achievement of strategic objectives. At the core of strategic leadership lies the development and execution of an action plan. This provides a roadmap for translating strategic intent into practical steps and initiatives. It outlines the specific actions, timelines, responsibilities, and resources required to implement the chosen strategies effectively. Through the action plan, an organization can break down its strategic goals into manageable tasks and monitor progress towards their attainment. In an organization, the management conveys an action plan to the staff (Lear, 2012). The team's leader inspires them to put forth extra effort to get things done. Therefore, everything revolves around establishing goals and objectives and accomplishing them through time (Kıyak *et al.,* 2011).

The operating environment of the company is the strategic leader's biggest problem. This is due to the inherent risk and uncertainty in the current business environment. Decisions by the leaders must be based on dynamic knowledge because it is constantly changing (Guillot, 2013). As a result, leaders must make difficult choices.

Micro Finance Institutions have had a number of challenges and have not been able to achieve broad outreach and sustainability, compromising the impact they have on their clients and their performance (Masinde, 2012). Performance in terms of operational, managerial, and strategic difficulties has been the key constraint for MFIs (Masinde, 2012). MFIs have persisted in relying on clients' need for loan facilities and ignored the requirement to maintain objectivity and strategic performance. Additionally, the growth rate for new borrowers has been low, averaging about 2.8% over the years. The sector's profitability and sustainability levels have fallen drastically as a result of rising operational and finance costs brought on by expensive lending methodologies and increased risk exposure.

The declining performance of Microfinance Institutions (MFIs) can indeed be attributed to organizational leadership challenges. Effective leadership is key for the success and sustainability of any organization, and MFIs are no exception. Businesses fail if the leadership has flaws like the inability to persuade its employees to follow its vision, the failure to counter or recognize threats, the misjudgment of their ability to manage the business' external environment, the inability to separate personal needs from those of the firm, a conviction that they can handle all situations, the firing of any employee that disagrees with them, and the underrating of obstacles that have occurred in the past.

Included in the empirical research are Kariuki and Wachira (2017), who investigated the impact of leadership philosophies on the effectiveness of microfinance organizations in Nairobi, Kenya, and discovered that democratic leader was the most favored style. However, the study by Kariuki and Wachira (2017) mainly focused on leadership styles while the focus of this study is on strategic leadership. Gathondu (2018) investigated how transformational leadership results affected employees' performance in Kenyan microfinance institutions. The findings revealed that commitment, trust, learning and staff satisfaction have a positive and significant relationship with staff performance. However, this study mainly focused on transformational leadership and employee performance while the current study focus is on strategic leadership. Waithaka *et al*. (2013) investigated the impact of leadership traits on the social performance of microfinance firms in Kenya. The findings demonstrated that MFIs in Kenya can enhance their leadership qualities to increase their social performance. However, this study focused on leadership characteristics while this study's focus is on strategic leadership. From the empirical literature it is evident that there is minimal literature on strategic leadership in MFIs. What is the influence of strategic leadership on performance of micro-finance institutions in Nairobi County, Kenya?

1.3 Research Objective

The study sought to examine the relationship between strategic leadership and performance of MFIs in Nairobi County, Kenya.

1.4 Value of the Study

The findings will provide valuable insights for MFI managers in Kenya and beyond. They will gain a deeper understanding of how strategic leadership influences performance within their organizations. By considering the results of this study and its findings, managers can effectively guide and direct their teams towards achieving the set goals. They can prioritize the key factors in enhancing staff performance and overall organizational success.

The study findings will also be important to the policy makers. It will provide insights on the influence of strategic leadership on performance and therefore inform the formulation of policies and regulations that promote and enhance strategic leadership within MFIs sector. Policymakers can design strategies that encourage MFI managers to prioritize and invest in leadership development and strategic leadership

Further, the study will also be important to researchers and academicians. It will help improve their understanding on influence of strategic leadership on performance because it will add to the body of knowledge on strategic leadership and performance. It therefore can be used as a reference for future related studies. Researchers and academicians can use these findings as a reference and build upon them in their future studies. It will help deepen their understanding of the relationship between strategic leadership and performance within the specific context of MFIs. This can lead to further research and exploration of best practices, interventions, and strategies to enhance strategic leadership and improve performance in the microfinance sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers literature review on the influence of strategic leadership on performance. It covers the theoretical overview, the characteristics of leadership strategies, organizational performance indicators, and the connection between strategic leadership and performance.

2.2 Theoretical Foundation

In order to assess how strategic leadership affects performance, this study was based on four theories: the upper echelons theory, resource-based vision theory, and transformational leadership theory.

2.2.1 The Upper Echelons Theory

Developed by Hambrick and Mason in 1984, the Upper Echelons Theory (UET) is a management theory. The top management team's (TMT) personality, values, and past experiences all have an impact on how they make organizational and strategic decisions, according to the report. UET was established on the tenet that key managers' knowledge, skills, and expertise have a direct impact on how well an organization performs (Yamak, Nielsen & Escriba-Esteve, 2014). As a result of the decisions made by managers in situations that arise in the context of organizational life, it is claimed that organizational performance is directly impacted. These authors introduced a model in which managers respond to situations that arise in the context of organizational life.

Hambrick and Mason argued that in order to reconcile the influence that these "upper echelons" have on organizational performance, attention should be paid to data that are readily observable and reflecting individual characteristics with respect to the educational, professional, and social backgrounds of prominent managers in organizational contexts (Liu, Gong & Liu, 2014). UET claims that organizational results can be somewhat predicted based on the traits of executive managers as a result of the gathering and analysis of these data. UET concentrates on looking at demography to propose that managerial qualities are suitable proxies for underlying variations in cognitions, values, and perceptions because it is difficult to quantify the cognitions, values, and perspectives of TMT personnel (Paradis & Sloss, 2011). Thus, factors including age, the length of time and the nature of work experience, as well as educational background, can be used to forecast TMT personnel' behavior when faced with strategic decisions in organizations.

For academics looking at how higher echelons affect organizational performance, applying UET to the study of organizations presents two obstacles. First, while using UET, it's crucial to decide whether to concentrate the research on a single person, like as the CEO, or on a group of managers, such as the TMT (Paradis & Sloss, 2011). Dealing with level of analysis problems that are inherent when researching big, multi-leveled organizations presents another hurdle for UET research. Analyses must be aware of and properly account for these data because work utilizing UET investigates either individual or TMT traits as drivers of performance or other outcomes at the organizational level. It is frequently challenging in reality to discover and isolate single-level linkages that operate independently of other levels because the majority of organizations exist as hierarchically structured systems (Georgakakis, *et al*, 2017).

The relationship between strategic leadership and performance was examined using the Upper Echelons Theory in this study. The question of causation must be carefully taken into account in order to use UET to analyze organizational effectiveness. First, managers with substantial professional expertise inside an organization or industrial sector act more in line with these prior experiences than on the basis of their personal characteristics. Organizational strategies, which arise from executive decision-making, often mirror the macro dynamics that propel the attainment of organizational objectives. For instance, a management appointed from outside the organization might provide a different perspective to the decision-making process than a manager appointed from within the company. The study employed the theory to learn how strategic leadership impacts microfinance institution performance in Nairobi County, Kenya.

2.2.2 Resource Based View Theory

Birger Wernerfelt created this theory in 1984. According to the resource-based view (RBV), a company's competitive advantage is essentially derived from the application of a variety of advantageous capabilities and material or intangible resources at its disposal. By defining capabilities as a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource with the goal of increasing the productivity of the other resources held by the firm, Zacharias *et al*. (2015) emphasize the distinction between capabilities and resources. Resources are inventories of readily available goods that an organization owns or controls, while capabilities are the organization's ability to use resources (Steinle & Schiele, 2008). In essence, combining resources is what creates capabilities. If a company has the best and most appropriate stock of the resources pertinent to its operations and strategy, it is more likely to succeed and thrive (Sarason & Tegarden, 2013). The firm is generally described in the RBV in terms of the resources or expertise it possesses or wields. It is a way to enhance our grasp of the market by adding a respect for the firm's position.

According to this theory's proponents, only those unique resources can produce a sustained competitive advantage. Instead of focusing on external factors those beyond the control of an organization, the Resource-Based View (RBV) framework emphasizes internal factors that organizations can actively manage and leverage. A firm's resources and capabilities form the foundation for developing its strategy. An organization's unique relationships and resources determine its competitive position. Because each firm has distinct resources, tangible and intangible assets, and organizational capacities to utilize these assets, each firm differs from the others in essential ways (Zacharias *et al.,* 2015). The Resource-Based View (RBV) is a crucial component of strategic leadership, sustainability, organizational competitiveness, and performance. It enables top leaders to optimize the utilization of internal resources to their fullest potential. Top management teams can influence the utilization of available resources, according to the RBV theory, in order to attain and maintain profitability, sustainability, and competitive advantage. The resource-based view approach can be used by top land administration professionals to maximize resource usage and create superior organizational strategies. The strategic leadership theory and resource-based vision theory together may enhance organizational performance. The RBV can also be used by top management teams to explain how they can use strategic leadership abilities to improve the performance of microfinance institutions in Nairobi. The theory was utilized in the study to explain how strategic leadership affected the performance of microfinance institutions in Kenya's Nairobi County.

2.2.3 Transformational Leadership Theory

The research conducted by James McGregor Burns in 1978, which was further developed by Bernard Bass in 1985, is the source of transformative leadership. The behavioral theories and attribute theories are combined in transformational leadership (Price & Weiss, 2013). The foundation for this theory can be found in a study by Bernard M. Bass titled "Leadership Performance Beyond Expectations," which defined transformational leadership as increasing subordinates' awareness of the importance of their tasks and performing well, educating subordinates about their needs for personal development, accomplishment, and growth, and motivating subordinates to work for the organization's benefit (Yukl, 2012). Four elements—idealized influence, inspirational motivation, customized consideration, and intellectual stimulation—are highlighted by transformational leadership.

Transformational leaders encourage their followers to approach issues in novel ways by appealing to their goals and moral principles. According to Berkovich (2016), the theory of transformational leadership offers a sensible strategy since it enables a leader to see how they genuinely encourage and reward subordinates for accomplishing the organizational vision. This notion is inextricably linked to the objective of strategic leadership, which is to foresee, preserve flexibility, enable others to make the strategic changes required for the organization, and predict these changes (Price & Weiss, 2013).

Understanding transformational leadership in leadership studies is crucial because it is said to inspire followers with a sense of self-assurance, admiration, and commitment, stimulate followers' minds and inspire fresh perspectives on issues, use contingent rewards to reinforce performance, mobilize followers into action, and turn followers into leaders (Yukl, 2012).

The most successful and appropriate leadership style in light of the traits and responsibilities of strategic leadership is transformational leadership. Leadership that transforms is dynamic, inspiring, thought-provoking, and sensitive to each individual. Transformational leaders frequently encourage followers to look beyond their own interests in favor of the organization's bigger picture. In times of transition, transformational leadership is crucial and pertinent, and it has been linked to motivation and creativity. According to Morton *et al*. (2010), transformational leadership can possibly revolutionize an entire organization and has a substantial impact on subordinates. It inspires followers to go above and beyond what they expect, to keep developing their skills, and to prioritize the needs of businesses over their own. The study used the theory to explain the influence of strategic leadership on performance of micro-finance institutions in Nairobi County, Kenya.

2.3 Strategic Leadership and Organizational Performance

Alhyasat and Sharif (2016) looked into the relationship between strategic leadership and organizational performance in Jordan Industrial Estates Company. The study's goal was to investigate the connection between Jordan Industrial Estates Company organizational performance and strategic leadership. Data were gathered quantitatively using a self-administration questionnaire. The study employed a straightforward random sample of

30 employees from Jordan Industrial Estates Company (JIEC). The link between the various variables was ascertained using the Statistical Package for the Social Sciences (SPSS). The findings indicated that strategic leadership and organizational performance are positively correlated.

Onu *et al*. (2018) conducted study on organizational performance and strategic leadership in Nigeria. This study investigated the association between organizational performance and strategic leadership in a sample of Nigerian manufacturing enterprises. The study used both primary and secondary sources of data. With the use of descriptive and inferential statistics, the generated data was examined. The study's findings demonstrated a high correlation between organizational performance and strategic leadership in a subset of Nigerian manufacturing firms.

In a study on the effect of strategic leadership on the profitability of commercial banks, Witts (2016) discovered that strategic leadership had a significant impact on the effectiveness of the senior management team and organizational financial performance in terms of strategic thinking, strategic direction, and development of core competencies. According to Serfontein (2010), strategic leadership significantly and positively impacted organizational performance in South Africa as measured by profits per share (EPS) and return on assets (ROA). Purpose and vision, strategic direction, utilization and maintenance of core competencies, growth of human capital, emphasis on ethical behavior, and installation of strategic control are all elements of strategic leadership.

Ahmed (2018) conducted study on the organizational effectiveness and strategic leadership of tea estate firms in Kenya's Nandi County. The goal of the study was to investigate how tea estate enterprises in Nandi County's organizational performance is impacted by strategic leadership. Nineteen tea farms were the target demographic, and a descriptive study design was adopted. Closed- and open-ended questionnaires with established reliability and validity were used to obtain the data. It was discovered that visionary leadership, followed by inspiring leadership, transformational leadership, and managerial leadership, is the most important element influencing success in Tea estate enterprises in Nandi County.

Nthini (2013) emphasizes that establishing the corporate strategic direction, managing the corporate resource portfolio, emphasizing an effective organizational culture, emphasizing ethical behavior, and maintaining a balance between organizational controls are all elements of strategic leadership. Strategic direction, strategic thinking, emphasis on ethical standards, the development of core competences, and managing change, according to Ogechi (2016), are all elements of strategic leadership. Additionally, Kitonga et al. (2016) asserted that organizational control, human capital, ethical behavior, and strategic direction are all essential elements of strategic leadership that have a substantial impact on an organization's performance.

2.4 Empirical Studies and Research Gaps

When performing a study, empirical review is essential because it gives the researcher the chance to examine other studies of a similar nature and determine how the studies were carried out by the researchers. Gaps existed in the evaluated literature. Some of the reviewed studies found as follows. In 2007, Akinyele and Olufunke conducted research on the relationship between organizational performance in Nigeria and strategic leadership. Palladan et al. (2016) evaluated the connection between tertiary enterprises' performance and strategic leadership in Nigeria. These two studies were conducted in manufacturing firms. Further, the research studies were carried out in Nigeria hence, the findings cannot be generalized for Kenya.

Kitonga (2017) explored the influence of strategic leadership practices on performance in not-for-profit organizations in Nairobi County, Kenya. The study focused on the direct relationship between strategic leadership practices and performance. This study had a wide-ranging focus since it involved the entire not for profit organizations sector. Njihia (2017) focused on strategic management practices and credit performance of micro finance institutions in Kenya. This study did not look at strategic leadership. Also, there are many parameters to measure performance of micro finance institutions in Kenya and not only credit performance. This research finds it necessary to study the influence of that strategic leadership has on performance of micro-finance institutions in Nairobi County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter on research methodology discusses the procedures and methods of the research. It also goes into detail about the data sources and types, the target audience, the sampling procedures, and the methodologies that were employed to choose the sample size. Additionally, it details the gathering and examination of data.

3.2 Research Design

Census survey design was used in this study. According to Saunders, Lewis, and Thornhill (2007), descriptive studies explain a situation exactly as it is without any manipulation, and explanatory studies establish causal associations among variables. Exploratory research describes what occurs, asks questions, and evaluates the phenomenon in relation to a new aspect. The explanatory study explains any causal relationships between variables that may exist. The purpose of this study is to determine "how" different facets of strategic leadership affect the functionality of microfinance organizations in Nairobi County, Kenya.

Additionally, descriptive statistics were employed to get the data ready for more in-depth statistical analysis, allowing for generalization from the study sample to the study population. The foundation for determining the probability causal relationship between the study variables, testing the research hypothesis, and coming to conclusions is statistical analysis (Saunders et al., 2007).

Inferential data analysis was conducted by use of regression analysis. Inferential statistic is used to make judgments about the probability that an observation is dependable or one that happened by chance in the study (Singpurwalla, 2013). The study sought to establish the relationship between strategic leadership and performances of micro-finance institutions in Nairobi County, Kenya.

3.3 Population of the Study

Population refers to the aggregation of elements from which the sample is selected (Rubin & Babbie, 2015). Ngechu (2014) noted that the population is a group of elements, people that are being investigated with the intention of generalizing the findings. This population is known as the target population. A population is a collection of components from which the study can draw conclusions. A survey's target population is the full set of units for which inferences are to be drawn from the survey's data (Coopers & Schindler, 2013). This study used a census approach and hence was conducted among forty-six (46) microfinance institutions registered as members of AMFI in Nairobi County.

3.4 Data Collection

As part of the data collection process, information is gathered from all relevant sources in order to address the research problem, test the hypothesis, and evaluate the findings (Etikan & Bala 2017). The various data collection methods entail observation checklist, questionnaire, interview and focus group discussion. Primary data was collected in this research by use of questionnaires. Primary data is data that has been collected for the first time and firsthand. Cooper and Schindler (2013) opined that data is facts presented to the researcher from the study environment. The collected data was then be used to make inferences and conclusions regarding the study population. The questionnaire was structured into close ended questions. This means that there was a list of questions to all the respondents in the same way (Bell, Bryman & Harley, 2018). Closed-ended questions usually have one-word responses or multiple-choice answers that can be chosen from (Kothari, 2014). More respondents who would not otherwise be reached can be contacted thanks to the questionnaire. It can simultaneously cover a huge group. A structured questionnaire was also employed because it may gather a lot of data at a minimal cost per response.

In social science research, the questionnaire is a well-established technique for gathering information about participant social features, present and historical conduct, norms of behavior or attitudes, and their views and reasons for action with reference to the topic under examination (Bulmer, 2004). Ghauri and Gronhaug (2005) claim that using questionnaires to gather data is a low-cost strategy. These other benefits were also noted: They had pre-written questions that could be quickly and cheaply distributed to a large number of responses. It also ensures greater validity, ensures anonymity and confidentiality to its respondents, respondents' ability to complete the questionnaire at their convenience, flexible tool in collecting both quantitative and qualitative information and it is an economical way of accumulating information. The questionnaire was structured in three sections. The first section covered the demographic information of the respondents, section two covered questions on strategic leadership and section three covered questions on performance of MFIs. For simplicity of comprehension, Likert scale numbers 1 to 5 were then assigned to numerical values from the data results.

On the financial performance of MFIs, secondary data were gathered for the study. The financial information of MFIs, including both disclosed and unpublished financial information, was used to calculate profitability, market share, return on equity, and return on assets. According to AMFI (2020), there are forty-six (46) microfinance institutions registered with AMFI within Nairobi County. All these institutions vary in their age, capital base, structure, vision, mission and organizational goals. The study collected data from the managers and supervisors from all the MFIs.

The research instrument, which is the questionnaire for the study was developed and then pre-tested to know how long it would take to complete it. This determined if the questions met the objectives of the study as well as test the quality of the questionnaire (Hennink, *et al*, 2020). Drop and pick later method was selected as the best way to administer the questionnaire and the researcher gave four weeks period to the respondents after dropping to them the questionnaires. This is because it was deemed to be the most appropriate in this study because it could collect more information, give more honest answers to personal questions and additionally, give the respondents' ample time to objectively respond to each question (Quinlan, *et al*, 2019). Regular visits and phone calls was done to make sure that the information to be provided was correct, that is, filled in by the appropriate people and objectively.

The University of Nairobi provided the necessary letter authorizing data collection. The ethical guidelines were followed in this study to protect the respondents' feelings and dignity when asking pointed questions. Additionally, the researcher included an introductory letter with a confidentiality guarantee for the respondents. Additionally, care was made to prevent any respondents from suffering any kind of physical or psychological injury throughout the research's conduct. The data was obtained, examined, analyzed, and presented honestly by the researcher.

3.5 Proposed data analysis and presentation

Data analysis is the act of methodically arranging and synthesizing research information and test hypotheses in order to obtain data on a certain subject. The raw data was cleaned, processed, and then analysed because it was challenging to interpret the raw data collected in the field (Mugenda & Mugenda, 2008). Inferential and descriptive analysis were both used in the study's mixed data analysis approach. Descriptive statistics methods were used to analyze the acquired quantitative data. Pearson R correlation was utilized to assess the consistency and direction of the linear relationship between the variables. For models of linear regression, r- squared (R^2) was used to show the variation in the dependent variable that could be explained by the independent variables. Because multiple regression analysis employs the predictor factors to forecast the response variable, it was employed in this investigation. The regression model is as below;

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

Y is the response variable performance of micro-finance institutions

X_1 is Strategic leadership

β_0 is the constant

β_1 is the coefficient for the independent variable ε is the error term.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

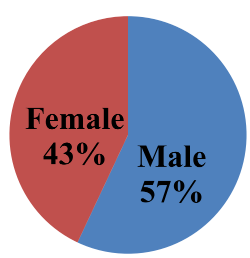
This chapter entails analysis of data. It covers the demographic information analysis, descriptive statistics and inferential statistics. The analysis starts with the demographic information followed by descriptive statists as per the study objectives. Inferential statistics including regression and correlation analysis are then presented followed by a discussion of the findings.

4.2 Findings on Firm Profile

92 managers and supervisors from the MFIs were the subject of the study where 86 completed the surveys and sent them back. This generated a 93% response rate. The response rate was sufficient to draw conclusions from the study's results.

4.2.1 Gender of Respondents

The respondents were requested to indicate their gender. The findings were as presented in Figure 4.1



Source: Research primary data, 2022

Figure 4.1: Gender of respondents

The results showed that 43% of respondents were women and 57% of respondents were men. This suggests that the study was not biased against gender because it included both sexes.

4.2.2 Respondent Period of Service in the Organization

This study sought to examine the period the respondents had worked in their organization. The findings were as presented in Figure 4.2.

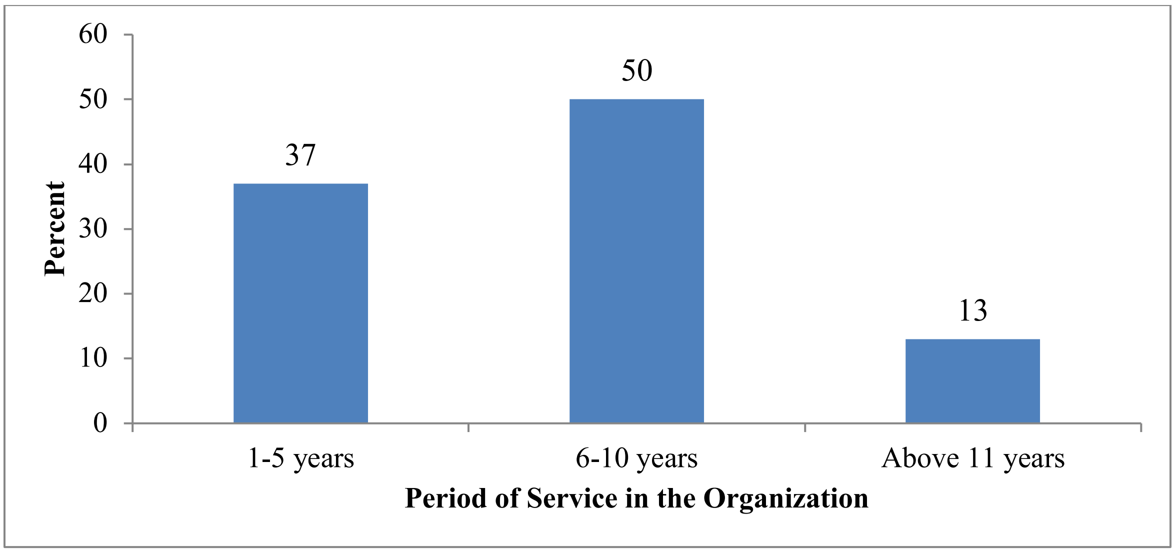


Figure 4.2: Respondent Period of Service in the Organization

Source: Research primary data, 2022

According to the results, 50% of the respondents said they had worked for the organization for six to ten years, 37% said they had worked for one to five years, and 13% said they had worked for more than eleven years. This suggests that workers had been with the company for a sufficient amount of time to supply the data required for the study.

4.2.3 Period of Organization Operation

The study sought to determine the period the organization has been operation. Findings were as indicated in Figure 4.3

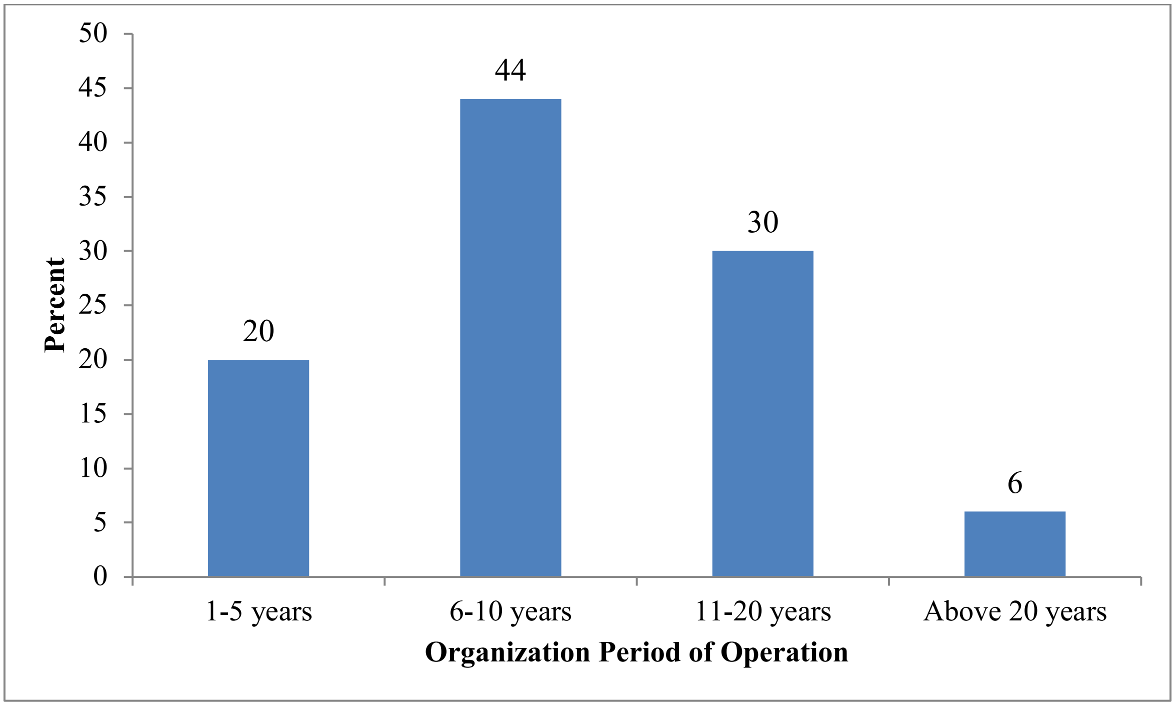


Figure 4.3: Organization Period of Operation

Source: Research primary data, 2022

According to the results, 44% of respondents said their organization had been operating for between six and ten years, 30% said it had been operating for between eleven and twenty years, 20% had been operating for between one and five years, and 6% had been operating for more than twenty years. According to the findings, the bulk of the organizations have been in existence for more than six years.

4.2.4 Position of Respondent in the Organization

The study sought to determine the respondent's position in the organization. Findings were as presented in Figure 4.4.

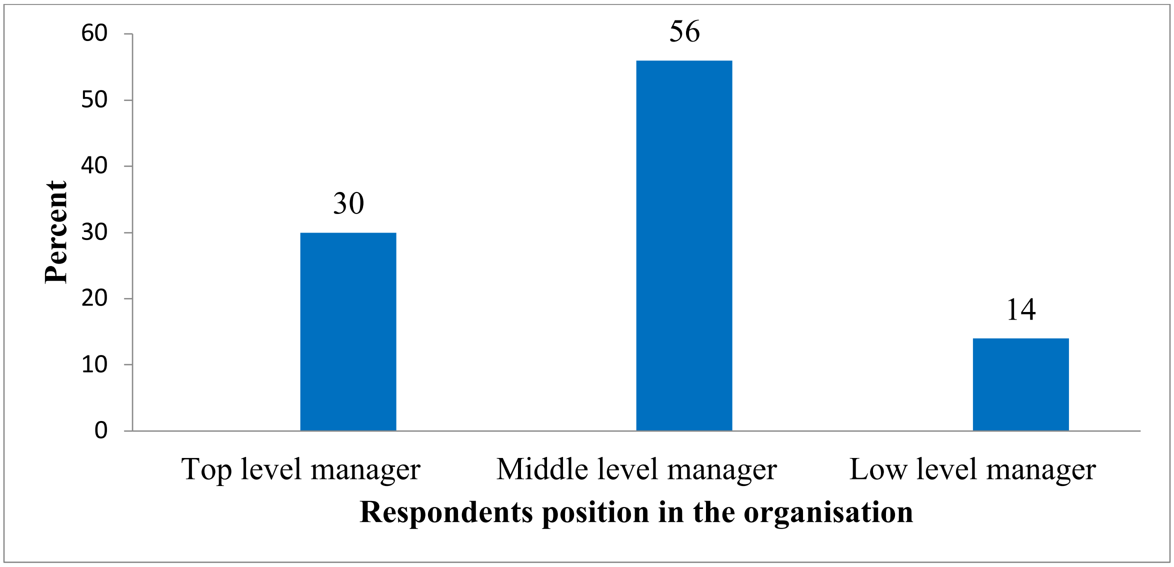


Figure 4.4: Respondent Position in the Organization

Source: Research primary data, 2022

56% of respondents were middle-level managers, 30% were top-level managers, and 14% were low-level managers, according to the findings. This suggests that responders came from a range of organizational roles where strategic leadership is used.

4.3 Data Analysis on Observed Relationships

4.3.1 The effect of Strategic Leadership

The respondents were required to indicate their level of agreement on the following statements about strategic leadership. Scale 1-strongly disagrees, 2-disagree, 3-moderate, 4-agree, 5-strongly agree. The results were as shown in Table 4.1.

Table 4.7: Strategic Leadership in Microfinance Institutions

Statements	N	Mean	Std. Dev
The strategic objectives of the MFI align with mission and vision statement	86	3.826	0.873
The leaders set clear objectives for the organization.	86	4.093	0.920
The organization's vision, mission, goals, objectives and strategies are communicated to all employees.	86	3.907	0.874
The leaders help in developing the organization purpose and vision.	86	3.709	0.956
All departmental heads are well trained on scenario planning in the MFI	86	3.767	0.715
Leaders ensure executed performance strategies are evaluated after implementation.	86	3.988	0.978
Organizational leaders analyze their organization's strengths, weaknesses, opportunities, and dangers to comprehend the current business climate.	86	3.849	0.831
The corporate responsibility plan of the organization is compatible with the resources that are now available.	86	3.919	0.802
The organization leadership ensures that the organization culture that is fostered among employees.	86	3.953	0.910
The organization leadership ensures that employees work towards achieving set goals.	86	4.070	0.897
The leaders make sure that competition is analyzed to comprehend competitive advantages and disadvantages as well as improvement areas.		3.953	0.878
Overall mean		3.91	0.88

Source: Research primary data, 2022

From the findings, the respondents agreed that the leaders set clear objectives for the organization as demonstrated by a mean of 4.093 and the organization leadership ensures that employees work towards achieving set goals as demonstrated by a mean of 4.070. In addition, the leaders ensure analysis of competition in order to understand competitive advantages and disadvantages as well as identify areas for investment or needs for improvement as demonstrated by a mean of 3.953 and the organization leadership ensures that the organization culture that is fostered among employees as demonstrated by a mean of 3.953. The standard deviations obtained for the statements were below 1, an indication that the responses had a low variation.

The respondents further agreed that the organization's corporate responsibility strategy match the availability of current resources as demonstrated by a mean of 3.919 and that the organization's vision, mission, goals, objectives and strategies are communicated to all employees as demonstrated by a mean of 3.907. The participants agreed that the strategic objectives of the MFI align with mission and vision statement as demonstrated by a mean of 3.826. Furthermore, the respondents agreed that leaders ensure executed performance strategies are evaluated after implementation as demonstrated by a mean of 3.988 and that leaders in the organization assess its strengths, weaknesses, opportunities, and threats in order to understand the current business climate as demonstrated by a mean of 3.849. In addition, the respondents agreed that all departmental heads are well trained on scenario planning in the MFI as demonstrated by a mean of 3.767 and that the leaders help in developing the organization purpose and vision as demonstrated by a mean of 3.709. The standard deviations obtained for the statements were below 1, an indication that the responses had a low variability.

4.3.2 The effect on Organisational Performance of Microfinance Institutions

The respondents were required to fill in the required data on performance. Scale 1-was for those who strongly disagree, scale 2 is for those who disagree, scale 3 was for the moderate, scale 4 was for agree while 5 was for strongly agree. The results were as shown in Table 4.2

Table 4.8: Performance of MFIs

Statements	N	Mean	Std.
The efficiency of the strategic management practices facilitates a better performance of the MFI	86	4.012	0.859
Adoption of clear performance strategies improved profitability	86	3.988	0.861
SWOT analysis resulted to an increase in market share	86	3.849	0.898
Return on Investment grew due to clarity of organizational objectives	86	3.919	0.841
Formulation of strategy execution approach resulted to increase in profitability hence an increase in Return on Assets	86	4.058	0.934
Adoption of strategic leadership styles improved sales hence revenue	86	3.895	0.790
There hasn't been a recent financial crisis at the organization	86	3.872	0.847
You are satisfied with how the MFI has been performing	86	3.988	0.969
There is focus strategy targeting a few target markets is adopted by the MFI	86	4.081	0.901
Overall mean	86	3.96	0.88

Source: Research primary data, 2022

The findings indicate that the respondents agreed that there is focus strategy targeting a few target markets is adopted by the MFI as indicated by a mean of 4.081, formulation of strategy execution approach resulted to increase in profitability hence an increase in return on assets as indicated by a mean of 4.058 and the efficiency of the strategic management practices facilitates a better performance of the MFI as indicated by a mean of 4.012.

The respondents further agreed that they are satisfied with how the MFI has been performing as indicated by a mean of 3.988, adoption of strategic leadership styles improved sales hence revenue as indicated by a mean of 3.895 and adoption of clear performance strategies improved profitability as indicated by a mean of 3.988. The agency has not experienced a shortage of finances in the recent past as indicated by a mean of 3.872. The participants also agreed that SWOT analysis resulted to an increase in market share as indicated by a mean of 3.849 and return on investment grew due to clarity of organizational objectives 3.919. The standard deviations obtained for the statements were below 1, an indication that the responses had a low variability.

4.3.3 Correlation between Strategic Leadership and Organisational Performance

The study computed correlation to determine the strength and direction of the relationship between the influence of strategic leadership and performance of MFIs in Kenya. The study utilised a Person correlation analysis. The findings were as presented in Table 4.3.

Table 4.9: Correlation of Strategic Leadership and Organisational Performance

		Performance	Strategic leadership
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	86	
Strategic leadership	Pearson Correlation	.803**	1
	Sig. (2-tailed)	.000	
	N	86	86

Source: Research primary data, 2022

From the findings, strategic leadership and performance of MFIs had a correlation coefficient of 0.803 and a p-value of 0.000. This therefore infers that strategic leadership has a strong and positive correlation with performance of MFIs. Also, strategic leadership and performance of MFIs had a significant relationship because the *p*-value is less than selected significance level (p=0.000<0.01).

4.3.4 Regression Model

Regression analysis was used to establish the the influence of strategic leadership on performance of micro-finance institutions in Nairobi County, Kenya. The regression analysis produced the model summary, ANOVA and coefficient outputs. These are presented in Tables 4.4, 4.5 and 4.6 respectively.

The model summary is used to analyze how the predictor variable changes have affected the dependent variable. This study looked at how changes in strategic leadership affected the performance of MFIs. The results were as presented in Table 4.4.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.809	0.654	0.648	0.02719

The value of R^2 (0.654) suggest that 65.4% variation in performance MFIs can be attributed to changes in strategic leadership. The remaining 34.6% imply that there are additional variables that were not included in this model yet have an impact on MFI performance. Coefficient of correlation is R; it shows the strength of relationship between the study variables. The study variables were strongly related as shown by *R* value is 0.809.

Analysis of variance was used in determining whether the data used in the study is significant.

Table 4.11: Analysis of Variance

Model		Sum of Squares	*df*	Mean Square	*F*	Sig.
1	Regression	9.972	1	9.972	38.530	.001
	Residual	21.74	84	0.259		
	Total	**31.712**	**85**			

According to the results, the F-calculated value (38.530 > 3.953) was higher than the F-critical value, and the p-value was 0.000, which was lower than 0.05. This was an indication that strategic leadership can be used to predict performance MFIs.

The beta coefficients were computed and then fitted to the regression model. The regression model was:

$Y = 0.961 + 0.431X + \text{e}$

Table 4.12: Coefficients

Model		Unstandardized		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.961	0.139		6.914	0.000
	Strategic Leadership	0.431	0.112	0.395	3.848	0.002

According to the results, strategic leadership positively impacted performance MFIs (=0.431). Given that the p-value (0.002) was below the chosen significance level of 0.05, strategic leadership significantly affected performance MFIs. Consequently, a unit increase in strategic leadership will result in a 0.431 unit rise in performance MFIs.

4.4 Discussion of Findings

This section presents a comparison of the analyzed data with the already existing theories and empirical studies carried out in strategic leadership field on how strategic leadership influences performance of MFIs.

4.4.1 Findings on Correlation of Strategic Leadership and Organizational Performance

This study found that the leaders set clear objectives for the organization and the organization leadership ensures that employees work towards achieving set goals. This was similar to the study by Goodale (2016) and Witts (2016) arguments that strategic leadership determines the ultimate performance of an organization. In this study, the opinion was that clear objectives help to ensure that everyone within the organization is working towards the same goals and that everyone understands what is expected of them. Setting clear objectives also helps leaders to measure progress and evaluate success.

The study also revealed that the organization's vision, mission, goals, objectives and strategies are communicated to all employees and the strategic objectives of the MFI align with mission and vision statement. This was consistent with the studies by Wiersema and Bowen (2008) and Ogechi (2016). This study revealed that strategies are aligned with organizations goals, vision and mission to provide direction to gain the advantage in a dynamic environment.

The study found that leaders ensure executed performance strategies are evaluated after implementation and also assess strengths, weaknesses, opportunities, and threats in order to understand the current business climate. This corroborates with the study by Ngari, (2011). This study indicated that leaders must have the ability to focus on the organization's operational activities and monitor the changes that affect the organization. The study also found that strategic leadership had a strong positive correlation with performance of MFIs. Strategic leadership had a significant influence on performance MFIs in Nairobi County. This was similar to the studies by Alhyasat and Sharif (2016), Onu *et al*. (2018) and Ahmed (2018). This study showed that there is a positive relationship between strategic leadership and organizational performance.

4.4.2 Influence of Strategic Leadership on Organisational performance of Microfinance Institutions

The study revealed that the microfinance institution (MFI) under investigation employed a focus strategy, which involved targeting a limited number of specific markets. This strategic approach allowed the MFI to concentrate its resources and efforts on serving these chosen markets more effectively. Furthermore, the formulation of a well-executed strategy execution approach was established to have a positive impact on the MFI's profitability. By effectively implementing and operationalizing their strategic plans, the MFI was able to achieve improved financial performance, leading to an increase in return on assets (ROA). This suggests that the MFI's strategic decision-making and effective execution played a crucial role in driving its profitability and overall financial success. The study's findings indicate the importance of strategic alignment and execution in the microfinance sector. By focusing on specific target markets and aligning their strategy with the needs and characteristics of these markets, MFIs can enhance their competitive advantage and drive profitability. Additionally, the study underscores the significance of effectively executing the formulated strategy to achieve desired financial outcomes and maximize return on assets.

The efficiency of the strategic management practices facilitates a better performance of the MFI. This was consistent with the study by Goodale, (2016). The author's opinion is that a shared organizational vision suggests positive measures for organizational effectiveness through increased efficiency. The study also found that adoption of strategic leadership styles improved sales hence revenue and profitability. This was consistent with the studies by Alhyasat and Sharif (2016) and Onu *et al*. (2018). Thus the author's opinion is that strategic leadership and organizational performance are positively associated.

The SWOT analysis resulted to an increase in market share and return on investment grew due to clarity of organizational objective. This was similar to the study by Vargo and Lusch (2014). It is thus the pinion of the author that a close market share analysis is crucial in order to identify any change in competition for strategic adjustments by the firms.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the study's limitations, recommendations, conclusions, findings summary, and ideas for additional research. This chapter further provides conclusions based on the primary data analysis. Add 2 or 3 lines that add onto this section.

5.2 Summary of Findings

The aim of the study was to investigate the influence of strategic leadership on the performance of MFIs. The study found that strategic leadership was evident in that the leaders set clear objectives for the organization, ensured that employees work towards achieving set goals, ascertained analysis of competition in order to understand competitive advantages and disadvantages as well as identify areas for investment or needs for improvement and that the organization culture that is fostered among employees. The study also showed that the organization's corporate responsibility strategy match the availability of current resources, the organization's vision, mission, goals, objectives and strategies are communicated to all employees. Also, the strategic objectives of the MFI aligns with mission and vision statement, executed performance strategies are evaluated after implementation, leaders in the organization assess its strengths, weaknesses, opportunities, and threats in order to understand the current business climate, all departmental heads are well trained on scenario planning in the MFI and the leaders help in developing the organization purpose and vision.

The study findings also revealed a robust and positive relationship between strategic leadership and the performance of MFIs. Strategic leadership was found to have a significant impact on improving MFIs performance. This implies that as strategic leadership is strengthened at the unit level, the performance of MFIs is expected to improve. The positive association between strategic leadership and MFI performance suggests that when leaders adopt effective strategic leadership practices, it positively influences the overall performance of MFIs. Strategic leadership involves setting a clear direction, aligning resources, making informed decisions, and effectively managing and motivating the workforce. When these strategic leadership practices are effectively implemented, they contribute to improved performance outcomes for MFIs.

The findings emphasize the importance of strategic leadership as a key driver of MFI performance. By investing in strategic leadership development programs, providing leadership training, and creating a supportive leadership culture, MFIs can enhance their performance and achieve their organizational goals more effectively. It is noteworthy that these findings are specific to MFIs in Nairobi County, Kenya. However, the implications of strategic leadership on performance are likely to hold relevance for MFIs in other regions and countries as well. Future research could explore the generalizability of these findings across different contexts and further investigate the specific mechanisms through which strategic leadership impacts MFI performance.

The study found that focus strategy targeting a few target markets is adopted by the MFI, formulation of strategy execution approach resulted to increase in profitability hence an increase in return on assets, the efficiency of the strategic management practices facilitates a better performance of the MFI, the managers satisfied with how the MFI has been performing, adoption of strategic leadership styles improved sales hence revenue, adoption of clear performance strategies improved profitability, the agency has not experienced a shortage of finances in the recent past, SWOT analysis resulted to an increase in market share and return on investment grew due to clarity of organizational objective.

5.3 Conclusions

The study conducted in Nairobi County, Kenya, yielded important findings regarding the relationship between strategic leadership and the performance of MFIs. The results demonstrated a substantial and statistically significant positive association between strategic leadership and MFI performance in Nairobi County, Kenya. This implies that strategic leadership plays a crucial role in enhancing the performance of MFIs operating in this specific geographic context.

The study's findings indicate that strategic leadership has a direct impact on the performance of MFIs in Nairobi County, Kenya. When strategic leadership practices are effectively implemented, MFIs experience improved performance outcomes. The study observed that the performance of MFIs in Nairobi County, Kenya was significantly influenced by the presence of strategic leadership. This suggests that organizations with strong strategic leadership units are more likely to achieve higher levels of performance compared to those with weaker or less effective leadership. Furthermore, the study highlights that the performance of MFIs in Nairobi County, Kenya would experience an upward trajectory with an increase in the number and quality of strategic leadership units. The findings underscore the importance of strategic leadership as a critical factor in driving MFI performance and overall organizational success.

5.4 Recommendations

The study revealed that strategic leadership was a key enabler to the performance of MFIs. The study recommends that organizational leaders should ensure a shared powerful vision that defines direction, drives proactiveness and sustains the transformation process to create the future.

The study also recommends that the leaders should communicate the organization's vision, mission, goals, objectives and strategies to all employees and the strategic objectives of the MFI be aligned with mission and vision statement. This helps to provide direction and as well as gain benefits in an environment that is ever changing.

The study recommends that the organizational leaders ought to set clear objectives for the organization and ensure that employees work towards achieving these set goals. This is key in ensuring that everyone within the organization is working towards the same goals and that everyone understands what is expected of them. Setting clear objectives also helps the leaders to measure progress and evaluate success.

The study recommends that leaders should ensure executed performance strategies are evaluated after implementation and also assess strengths, weaknesses, opportunities, and threats in order to understand the prevailing business climate. This will ensure the leaders' ability to focus on the organization's operational activities and monitor the changes that affect the organization.

There is need for strategic control measures to ensure that strategic plans in organizations turn out to be a reality and hence, imperative that Boards of directors and senior management team understand the intended reality.

5.5 Limitations of the Study

Not all participants in the study responded. This is a result of the respondents' hectic work schedules and the hesitation of certain respondents to participate in the study. Certain respondents lacked confidence as they were afraid of disclosing some critical information. Also, some other respondents expressed reservations on exposing their firms' weaknesses. They were concerned that the released vital information could disclosed to their rivals, consequently being used against them. The researcher assured them that the data would only be used for academic purposes, and gave them an introduction letter from the institution.

The study data collection instrument was only the close ended questionnaire which was used to collect primary data. Also, this study was limited in that the focus was limited to the influence of strategic leadership on performance of MFIs, there are other variables that can influence performance of MFIs. The study was only focused on the MFIs registered as members of AMFI in Nairobi County, Kenya which are only forty-six (46) in number. The findings of this study might not be an overall reflection of the perspective of the whole MFIs industry due to other MFIs not registered as members of AMFI making it impossible to take a broad view of the results for all the MFIs causing variable conclusions. An all-inclusive industry study on factors influencing performance would be a more suitable indicator of the influence of strategic leadership in relation to other key influencing factors.

5.6 Suggestions for Further Studies

The primary objective of this study was to examine the impact of strategic leadership on the performance of microfinance institutions specifically in Nairobi County, Kenya.

The study aimed to provide insights into the relationship between strategic leadership and MFI performance in this particular region. However, it is important to acknowledge that the findings are limited to Nairobi County and may not necessarily apply to other regions in Kenya.

This study recommends that future research be conducted on a larger scale, considering a broader population of MFIs across different or the entire 47 Kenyan counties. By including a more diverse sample, researchers can ascertain how strategic leadership influences the functioning and performance of MFIs in various contexts. This expanded research approach would provide a more comprehensive understanding of the role that strategic leadership plays in the microfinance sector in Kenya.

Additionally, the study suggests that further investigation should explore how other dimensions and factors of leadership impact and shape the performance of MFIs in Kenya. This could involve examining different leadership styles, behaviors, and practices, and their effects on MFI performance. By expanding the scope of research beyond strategic leadership, a more holistic view of leadership's influence on MFI performance can be achieved.

Finally, the study proposes conducting research specifically on MFIs that are not registered as members of the Association of Microfinance Institutions. These institutions may operate under different regulatory frameworks and face unique challenges. Exploring how strategic leadership can contribute to the improvement of performance in these non-AMFI MFIs would provide valuable insights and contribute to a more comprehensive understanding of the sector as a whole.

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APPENDICES

Appendix I: Questionnaire

Kindly tick appropriately on the provided spaces

Section A: Demographic Information

1. Kindly indicate your gender?.......................................
2. How long have you been working in the organization?................................
3. How long has your organization been in operation?...................................
4. What is your position in the organization?..

Section B: Strategic Leadership

Indicate your level of agreement on the following statements about strategic leadership.

Scale: 1- strongly disagrees, 2 - disagree, 3 - moderate, 4 - agree, 5 - strongly agree

Statements	1	2	3	4	5
The strategic objectives of the MFI align with mission and vision statement					
The leaders set clear objectives for the organization.					
The organization's vision, mission, goals, objectives and strategies are					
The leaders help in developing the organization purpose and vision.					
All departmental heads are well trained on scenario planning in the MFI					
Leaders ensure executed performance strategies are evaluated after					
Leaders in the organization assess its strengths, weaknesses, opportunities,					
The organization's corporate responsibility strategy matches the					
The organization leadership ensures that the organization culture that is					
The organization leadership ensures that employees work towards achieving					
The leaders ensure analysis of competition in order to understand					

Section C: Performance of MFIs

Kindly fill in the required data on performance.

Scale 1-strongly disagrees, 2-disagree, 3- moderate, 4-agree, 5-strongly agree

Statements	**1**	**2**	**3**	**4**	**5**
The efficiency of the strategic management practices facilitates a better					
Adoption of clear performance strategies improved profitability.					
SWOT analysis resulted to an increase in market share					
Return on Investment grew due to clarity of organizational objectives					
Formulation of strategy execution approach resulted to increase in					
Adoption of strategic leadership styles improved sales hence revenue					
The agency has not experienced a shortage of finances in the recent past					
You are satisfied with how the MFI has been performing					
There is focus strategy targeting a few target markets is adopted by the					

Thank you for participation in the survey

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Appendix II: List of Microfinance Institutions

1. Faulu Microfinance Bank Limited
2. Kenya Women Microfinance Bank Limited
3. SMEP microfinance bank Limited
4. Remu Microfinance Bank Limited
5. Rafiki Microfinance Bank Limited
6. Uwezo Microfinance Bank Limited
7. Century Microfinance Bank Limited
8. Sumac Microfinance Bank Limited
9. U&I Microfinance Bank Limited
10. Caritas Microfinance Bank
11. Vision Fund Kenya Limited
12. Sisdo Microfinance Limited
13. Letshego Kenya Limited
14. Yehu Microfinance Trust
15. Jitegemea Credit Scheme
16. AAR Credit Services
17. Juhudi Kilimo Company Limited
18. Musoni Kenya Limited

19. Select Management Services Limited
20. Greenland Fedha Limited
21. Platinum Credit Limited
22. Jubilant Kenya Limited
23. Habitat for Humanity Kenya
24. Real People Limited
25. Neema Health Educational & Empowerment Programme (NEEMA –HEEP Limited)
26. Micro Mobile Limited
27. Ushindi Bora Limited
28. Hand in Hand Eastern Africa
29. Getbucks Limited
30. Private Equity Limited
31. Jumo Kenya Limited
32. Nyali Capital Limited
33. Premier Credit Limited
34. Moneyworth Investment Limited
35. Hazina Development Trust Limited
36. Spring Board Capital
37. Fountain Credit

38. Longitude Finance
39. Daraja Microfinance Bank
40. Maisha Microfinance Bank
41. Uwezo Microfinance Bank Ltd
42. MESPT
43. Stromme Microfinance East Africa
44. Oikocredit
45. Key Microfinance Bank PLC
46. Muungano Microfinance Bank PLC

Source : AMFI (2020)