

Influence of Strategic Leadership on the Performance of Pharmaceutical Manufacturing Firms in Nairobi County

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ABSTRACT

The purpose of the study was to determine the influence of strategic leadership on the performance of pharmaceutical manufacturing companies in Nairobi County. The study applied a descriptive research design. Population comprised 71 pharmaceutical manufacturing companies in Nairobi county which served as the unit of analysis. Targeted respondents were procurement managers, finance managers, and marketing managers who in total were 288. Sampling technique applied was a stratified random technique using a Taro Yamane formula. To collect data, the researcher used questionnaires that were both physically and electronically administered. Data that was gathered was analyzed using SPSS where descriptive and inferential analysis were done. Findings revealed an R-square of 0.692, an F-ratio of 344.992, a beat score of 0.958, and a p-value of 0.000. The study concluded that strategic leadership had a positive and significant influence on the performance of pharmaceutical companies in Nairobi County. The study was however limited to a direct relationship between the variables without considering other variables that could have an impact on the relationship indirectly. Additionally, outcomes from the study should be applied in general pharmaceutical industries in Kenya with caution because of the difference in business environment. The study recommended that the top pharmaceutical companies in Nairobi county invest in leadership development programs to enhance the capabilities of their leaders which can be tailored to communication training, vision-casting, or even inspirational leadership programs to help in offering better leadership which enhances organizational performance.

Key Words: Strategic Leadership, Performance, Pharmaceutical, Manufacturing, Nairobi County

INTRODUCTION

The pharmaceutical manufacturing industry stands at the forefront of global healthcare, playing an important role in the development, production, and distribution of life-saving medications. In an era marked by rapid technological advancements, evolving regulatory landscapes, and heightened consumer expectations, the performance of pharmaceutical manufacturing companies is intricately linked to their strategic leadership (Yegros-Yegros, et al., 2020). Strategic leadership, encompassing the vision, decision-making process, and adaptability of top executives, serves as the compass guiding these organizations through the complexities of a dynamic and competitive market (Forman, & Kohler, 2023).

At its core, strategic leadership in pharmaceutical manufacturing involves aligning the company's overarching goals with industry trends, regulatory requirements, and the ever-changing demands of patients and healthcare providers. The ability of leaders to navigate this intricate web of challenges directly

influences the efficiency, innovation, and ultimately, the success of pharmaceutical manufacturing operations. Whether it is embracing cutting-edge technologies, fostering a culture of continuous improvement, or addressing supply chain complexities, strategic leaders are instrumental in steering companies towards sustainable growth and resilience (Bogers, et al., 2019).

Strategic leadership plays a crucial role in shaping the performance and success of pharmaceutical manufacturing companies worldwide (Samimi, 2022). As the global pharmaceutical industry continues to evolve, companies must navigate complex challenges such as regulatory changes, technological advancements, and the ever-growing demand for innovative healthcare solutions. Leaders who can effectively formulate and execute strategic plans are essential in driving the growth and sustainability of pharmaceutical manufacturing enterprises. Globally, exemplary companies like Pfizer, Johnson & Johnson, and Roche have demonstrated the impact of strategic leadership on their sustained success (Festa, Rossi, & Marinelli, 2021). Being industry giants, they have skillfully applied strategic visions that entailed the introduction of innovative drugs, expansion of markets, and prompt responses against trends in the same sector.

Strategic leadership for pharmaceutical manufacturers is indispensable to the heterogeneous and dense healthcare environment in Africa. For instance, some instances have worked out in a few countries like South African and Egyptian companies such as Aspen Pharma care and Hikma Pharmaceuticals respectively (Odedina et al., 2020). In Kenya, which is an important player in the East African economy, organizations such as Glaxo Smith Kline Pharmaceuticals Kenya and Mission for Essential Drugs and Supplies (MEDS), demonstrate the immense significance of strategic leadership in the pharmaceutical industry (Ngaruiya, K'aol & Njenga, 2023) First, these companies have critical roles towards health care in Kenya and are major contributors to the growing pharmaceutical sector that includes a lot of partnerships and strategic initiatives aiming to expand and build up Kenyan pharmaceutical industry. The role played by strategic leadership in these companies is an area that should be examined despite their evident contributions.

Pharmaceutical manufacturing companies in Nairobi County have encountered several challenges in the areas of resource use efficiency and production-related challenges to under performance and quality issues (Maika, 2020). These companies also face competitiveness challenges hindering their market penetration within and outside Nairobi county (Cheruiyot et al., 2021). A survey by the World Health Organization (2022) revealed that a good number of drugs in chemists within Nairobi county are mainly outsourced from India and other countries outside Kenya, which has significantly affected their performance with a good number closing their business in the last decade.

LITERATURE AND HYPOTHESIS

Transformation Leadership Theory

Transformational leadership was first put forth by James Down ton and expanded upon by James Mac Gregor Burns in 1978, the idea became more widely known after being developed further by Bernard Bass during the 1980 s and the 1990 s. The leader's capacity to initiate change, promote innovation, as well as establish a common vision are crucial in creating an energetic and vibrant work setting in the organization. Down ton (1973) suggested that there are transformational leaders who have a vision of the future state that they want to achieve. This state is not achievable through normal practices. The followers need to be motivated to move the organization towards this desirable level beyond normal practices. The theory argues that transformational leaders transcend the transactional interchange and participate in visionary and motivational leadership. The theory emphasizes four leadership practices namely; idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Siang chokyoo, et al., 2020).

Transformation leadership focuses on the role of the leader in changing and creating new directions within

the given organization's culture while strategically seeking directions based on the current situation. Transformational leaders are critical strategic leaders who are instrumental in motivating and directing their followers toward visionary goals that align the internal resources of an organization with its external environment. Transformational leaders can play a significant role in manufacturing companies due to the nature of performance, which focuses on innovation, efficiency, and flexibility. Such leaders develop an environment of continuous improvement and employees' creative thinking for success in the company (Philip, 2021).

The performance of manufacturing firms under transformation leadership involves better commitment from workers, creativity, and overall job satisfaction. Transformational leaders influence their followers' self-management and motivate them towards group achievement through nurturing a sense of belongingness in an effective and enjoyable environment. Directly, this way improves employees' morale thus leading to high productivity and innovation. Additionally, focusing on personal attention would help managers have a better understanding of different drivers for every team player (Chandra sekara, 2019).

Despite its noteworthy strengths, the transformational leadership theory has been criticized particularly for the challenge of articulating or quantifying what constitutes a transformational leader. This leads to a big argument involving how personal the assessment is and their lack of any tangible policy on how to implement them. The other criticism is on its applicability since it works in specific contexts for example different cultures or organizations. In addition, fears are that the transformational leader can manipulate the situation and use inspirational techniques to benefit himself or herself while failing to promote the welfare of the organization (Fourie & Höhne, 2019).

In the current study, transformational leadership theory contributes to the understanding of what makes a good leader because it stresses the need for inspiration, and vision and considers individuals as separate people. The importance of strategic leadership reveals itself through the focus on sculpturing the organization's culture and harmonizing inner endeavors with external aims. Transformational leadership could enhance the performance of pharmaceutical manufacturing firms through an innovation-driven, flexible, and satisfied work environment within organizations. This research delves into the limitations of its application or acceptability within the conceptualization of strategic leadership and the performance of pharmaceutical manufacturing companies in Nairobi County.

EMPIRICAL LITERATURE REVIEW

Phina (2020) conducted a case study on the effect of strategic management on the performance of manufacturing firms in south-east Nigeria mainly focusing on the classical and resource-based theory. The study involved a population of 1200 employees and used a sample size of 300 drawn from select manufacturing companies through Taro Yamane's formula. Using multiple regression analysis, the results showed that several strategic processes such as strategy objectives, formulation, implantation, and evaluation influenced the manufacturing firm's organizational performance in Southeast Nigeria. In conclusion, strategic management is crucial in an organization's performance context which it shapes. The recommendations emphasized the need for matching the strategic objectives and objectives of the organization at large to improve productivity and the performance of employees. More so, this study underlined that managers and supervisors need to be included when strategies are being developed so that they can fit into both long and short-term objectives.

Kilic (2022) researched the complicated link between strategic leadership and innovative performance in the production sector in Istanbul Turkey. The study adopted a quantitative approach whereby 345 white-collar workers filled in a questionnaire between May and August 2021. Remarkably, the study attained a high response rate of 77%, enriching an understanding of how strategic leadership influences innovativeness in this industry setting. Factor and correlation analyses revealed a strong positive linkage between strategic

leadership and innovative performance. The innovation performance was highly related on one side, especially with transformational political leadership sub-dimensions (with r ranging from 0.703 to 0.712). Further, managerial and ethical leadership were positively correlated (r is equal to 0.498 and 0.543, respectively) with innovative performance. Another finding of the study established that most persons who were aged between twenty and thirty years old had higher levels of strategic leadership than any other age group. This study provides valuable insights into the complex connection between strategic leadership and innovation in this particular manufacturing sector.

Li, (2021) examined the effects of leadership, contingent on value innovation, on financial performance among Chinese SMEs engaged in manufacturing. The aim was the decoding of complex links between leadership, value innovation, and the financial aspects of Chinese manufacturing companies and focusing on their prosperous counterparts to determine the main elements that helped them survive and grow. This led to a positive relationship between leadership and value innovation concerning overall financial performance. Crucially, it demonstrated that product innovation acts as a mediating variable between management and financial outcome, but business model innovation does not mediate management–finance relations. It examines how successful companies from China adopt a value innovation strategy for promoting continuous expansion within new economies.

Fatynardi (2023) undertook research work focusing on diversification strategy as an intervening factor for improving the competitive advantage. The design of this study involved exploring the activities of some of the large and middle-sized enterprises operating on the Indonesian Riau Islands, according to the directory on export-oriented companies for 2021, published by the country's central statistical bureau. The study sought out the effect of strategic leadership on the competitive edge of these aforementioned firms within that category. Testing the hypothesis through qualitative research and structural equation modeling. Two hundred and ten respondents were sampled purposively via a questionnaire survey for representing the sector of manufacturing. AMOS analysis showed that the diversification strategy acts as a strong and positive mediator toward the achievement of competitiveness advantage in a different way. Future studies may consider additional exogenous variables and/or dimensions like cross-culture leadership focusing on a fixed sample from within Riau Island.

Adelekan (2020) examined how strategic leadership and strategic thinking affect the competitive advantage of the fast-moving consumer goods (FMCG) in Nigeria. By using a survey research design, the study sent out structured questionnaires to the employees of seven FMCG companies. A 4 percent confidence interval at a 95 percent confidence level was used in determining the sample size according to Rao soft's methodology. For this purpose, three hypotheses were developed, and ordinary least square estimations of regression models were conducted in STATA version 14. This shows how the two factors of strategic leadership and strategic thinking lead to a positive and significant impact on FMCG's competitive edge. In addition, the combined effect of these factors was also shown to be positive and significant. It established that a combination of strategic leadership, and strategic thinking explains 47.9 % variance in FMCG competitive advantage. Hence, this study emphasizes the role of strategic leadership and strategic thinking in enhancing FMCG's competitive advantage in Nigeria with important findings about their collective impact. However, it is important to note that the study has an edge over others as it explores strategic leadership and thinking concurrently for a better understanding of FMCGs performance in Nigeria.

DATA AND METHODS

The study applied a descriptive research design, which was selected mainly due to its ability to tell about what? Which? What? And how? About research. Additionally, descriptive research design allows for the conducting of quantitative analysis, therefore the researcher will be able to deduce the link between strategic leadership and the performance of pharmaceutical companies in Nairobi County as supported by (Parajuli, 2020). The study's target population involved 288 middle-level managers in procurement, finance, and

marketing departments for pharmaceutical companies. The sampling technique for the study followed the stratified-random sampling technique and the Taro Yamane formula where a sample size of 167 respondents was sampled with a margin error of 5%.

$$n = N / [1 + Ne^2] \dots \dots \dots \text{Equation (i)}$$

Where n represented sample size, n represented the entire population whereas E represented the sampling error margin.

Data for the study was primary data and was gathered using questionnaires that were both physically administered and also administered using Google Sheets in an electronic approach. The questionnaire had Likert-type questions on a five-point Likert scale, between 1 and 5 where 1 represented strongly agreed and 5 represented strongly agreed. Data analysis involved coding and entry of data into a statistical package for social sciences (SPSS), for analysis. Analysis techniques involved both descriptive and inferential analysis. Descriptive analysis involved a calculation of mean, frequency, standard deviation, and frequency. On the other hand, inferential analysis involved correlation analysis and regression analysis at a cut-off point of a probability value of 0.05. Data output was mainly presented on frequency tables.

RESULTS AND DISCUSSIONS

The researcher issued 167 questionnaires in the filled out of which 151 questionnaires were returned, representing a response rate of 90.42 %.

Descriptive statistics on strategic leadership

Table 1 shows that respondents agreed with the statement that their strategic leaders communicate a compelling vision for the future of our organization as shown by a mean of 3.93. Respondents also show that they agreed with the statement that their strategic leaders inspire the other employees to achieve better outcomes as given by a mean of 3.95. Additionally, respondents agreed that their strategic leaders effectively build relationships and networks to gain support for strategic initiatives, as shown by a calculated mean of 3.85. Respondents Further, agreed their strategic leaders take advantage/leverage the capabilities of teams and groups to achieve set goals as given by a mean of 3.86. Finally, respondents agreed that strategic leaders have built teams for purposes of knowledge sharing and collaboration as shown by a mean score of 3.90. The results therefore overall demonstrate that their strategic leaders were key players in setting the vision of the organization, therefore giving it a compass to navigate business environments to achieve the set goals. Further, the findings implied that the strategic leaders within the pharmaceutical companies in Nairobi county support their employees, have inculcated a culture of change, and built team spirit to effectively realize the company objectives.

In support of the findings Bogers, et al. (2019), argued that the ability of leaders to navigate this intricate web of challenges directly influences the efficiency, innovation, and ultimately, the success of manufacturing companies. Activities in strategic leadership involve, addressing challenges and complexities, fostering a culture of continuous improvement as well as envisioning a company in the long run.

Table 1: Descriptive statistics on the strategic leadership

Indicators of Strategic Leadership	Mean	Std. Dev
Our strategic leaders communicate a compelling vision for the future of our organization	3.93	1.004
Our strategic leaders inspire the other employees to achieve better outcomes	3.95	0.944

Our strategic leaders promote a culture of change and adaptability	3.93	0.994
Our strategic leaders effectively build relationships and networks to gain support for strategic initiatives	3.85	1.136
Our strategic leaders take advantage/leverage the capabilities of teams and groups to achieve set goals	3.86	1.108
Our strategy leaders have built teams for purposes of knowledge sharing and collaborations	3.90	1.100

Descriptive Statistics on Organizational Performance

Table 2 shows that respondents agreed that the pharmaceutical companies in Nairobi county had consistently achieved sales targets as shown by a mean of 4.01, respondents also agreed that pharmaceutical companies had optimized their profits while minimizing the costs of operations and production as shown by a mean score of 3.97. Lastly, respondents agreed that pharmaceutical companies in Nairobi county had consistently registered growth in employees’ number as shown by a mean score of 3.97.

Table 2: Descriptive Statistics on Organizational Performance

Indicators for Organizational Performance	Mean	Std. Deviation
Our company has consistently achieved its sales targets	4.01	0.983
Our organization optimizes profits while minimizing production and operational costs	3.93	1.102
Our organization has consistently had employee growth	3.97	1.101

Inferential Analysis

Correlation Analysis

Results shown in Table 3 show a person correlation score (*r*) of 0.832 and a probability value (p-value) of 0.000 which implied that strategic leadership and performance of pharmaceutical companies in Nairobi county had a strong positive and significant relationship. Kilic (2022), found similar findings when they studied the link between strategic leadership and innovative performance in the production sector in Istanbul Turkey, where research established that strategic leadership positively and significantly affected performance.

Table 3: Correlations Matrix

		strategic leadership	Performance
Strategic leadership	Pearson Correlation	1	.832**
	Sig. (2-tailed)		.000
	N	151	151
Performance	Pearson Correlation	.832**	1
	Sig. (2-tailed)	.000	
	N	151	151

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

Regression Analysis

Results in Table 4 show an R-square of 0.692, which suggests that 69.2% of variations in the performance of pharmaceutical manufacturing companies in Nairobi county can be explained by strategic leadership. Additionally, the results presented show a calculated F-ratio score of 334.992 and an associated p-value of which suggested that the simple linear regression model was significant in predicting the performance of pharmaceutical companies in Nairobi county. Finally, results showed a beta value of 0.958 and a p-value of 0.000 which suggested that strategic leadership positively and significantly influenced the performance of pharmaceutical companies in Nairobi county. The constant was however not significant because the calculated p-value of 0.271 was greater than the critical set value of 0.005. Adelekan (2020) had similar findings when the researcher examined how strategic leadership affected the competitive advantage of fast-moving consumer goods (FMCG) in Nigeria. The study similarly found a positive and significant association between strategic leadership and performance.

Table 4: Regression Analysis

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.832 ^a	.692	.690		.52239	
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.417	1	91.417	334.992	.000 ^b
	Residual	40.661	149	.273		
	Total	132.078	150			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.231	.209		1.105	.271
	Strategic leadership	.958	.052	.832	18.303	.000

1. Dependent Variable: Performance
2. Predictors: (Constant), Strategic Leadership

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that strategic leaders for the pharmaceutical manufacturing companies had communicated their visions clearly in an inspiring way to the rest of the employees. The study also concluded that the strategic leaders had inspired the employees to achieve better outcomes which is an indication that the strategic leaders had fostered a culture of excellence and commitment in the pharmaceutical companies. Strategic leadership was also associated with initiating organizational change which enabled the pharmaceutical companies to respond to the dynamic market conditions. The study

concluded that strategic leaders had created collaborations through relationship and network building which facilitated the implementation of the strategic plans. Strategic leaders also leverage teamwork to achieve set goals. The study concluded that strategic leadership had a positive and significant influence on the performance of pharmaceutical manufacturing companies in Nairobi County which also was supported by the transformational leadership theory that strategic leadership bears the greatest responsibility of crafting the vision for the company, building relationships among employees to drive a team spirit and navigating a company through all dynamics to realize the overall goal. The study, however, was limited to a much narrower scope of manufacturing pharmaceutical business in Nairobi, its application within the general pharmaceutical industry in Kenya should be done with caution because of the difference in business environment. The study was also based on a direct relationship between study variables without putting into consideration the possible effect of external influence on the relationship of the study variables. The inclusion of both mediating and moderating variables would enhance the accuracy of the prediction of the dependent variable.

The study recommended that the top pharmaceutical companies in Nairobi county invest in leadership development programs to enhance the capabilities of their leaders which can be tailored to communication training, vision-casting, or even inspirational leadership programs to help in offering better leadership which enhances organizational performance. The leadership program should invoice sponsoring leaders to attend schools where they can learn as well as on-the-job training where practical skills on leadership are instilled through a hired external consultant. The pharmaceutical manufacturing company also needs to promote a culture of change and adaptability where the strategic leaders in the organization continue to communicate about the benefits of being an adaptable organization and fostering a culture of flexibility where the pharmaceutical companies make a quick shift to adapt to the market dynamics and competitive landscape changes. The leaders can have frequent seminars and an online forum where they can share important aspects of the business that need to be changed and the way to go about it.

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