



Transformational leadership and innovation in deposit taking SACCOs: The moderating role of competitor orientation



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ABSTRACT

With the drive for enhanced financial inclusion of the population through encouraging savings and investments in a bid to spur economic growth and attain the Sustainable Development Goals (SDGs), the critical role played by Savings and Credit Cooperative Societies (SACCOs) in developing countries in this endeavor cannot be gainsaid. It is worth noting that the extent to which such entities will contribute to economic development depends on the leadership paradigm utilized in guiding their operations and the extent to which they are innovative in their undertakings. This may further depend on the moderating effects of various factors, among them competitor orientation, especially in developing countries like Kenya, where the SACCO sector has grown tremendously with many deposit-taking SACCOs licensed to operate by the government. This study sought to establish the influence of transformational leadership on innovation in Deposit Taking SACCOs as moderated by competitor orientation in developing countries with a focus on Kenya. The study utilized descriptive and correlation research designs where 49 respondents, drawn from all the 7 Deposit-taking SACCOs in the Western region of Kenya, were targeted. Structured questionnaires were employed for data collection. The study used descriptive and inferential statistics to analyze data. Findings revealed that transformational leadership had a positive and significant influence on innovation. Further, competitor orientation had a positive but insignificant moderating effect on the relationship between transformational leadership and innovation. The study recommends that managers utilize transformational leadership practices in their undertakings to encourage innovation that ensures firm competitiveness. They should also focus on competitor orientation to support the firms' innovative efforts.

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Introduction

In a bid to end extreme poverty, many developing countries such as Kenya are pursuing the of attainment of sustainable development goals (SDG) number one and eight that target ending extreme poverty levels and encouraging sustained economic growth (UN, 2015). A key focus of attainment of the SDG number eight is the enhancement of access to financial services by the populace by strengthening of domestic financial institutions and encouraging growth of enterprises through enhancing access to financial services. The Government of Kenya, through its Kenya Vision 2030 Economic Development blueprint has identified the Savings and Credit Cooperative sector as a critical player in financial resource mobilization and the deepening of financial services (GoK, 2007). Through the SACCO movement, members have been able to save money and access credit for use in undertaking economic activities at affordable interest rates when compared to other financial institutions such as banks.

It is worth noting that the success of the SACCO movement is however dependent on the extent to which its leadership embraces strategic thinking and innovation as it navigates competition in the financial sector. This is because, in the current competitive

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business world, innovative organizations sustainably compete against those that are static in their worldview as they create sustainable competitive advantages (Lukes, 2017). Further, leadership has been identified as a significant determinant of organizational innovation (Jung, Chow, and Wu, 2008). According to Jiang, Cheng, Wang and Baranik, (2014) leadership is a process of guiding organizational members to plan for changes and move towards achieving the changes. Leadership is the capability of inspiring, motivating and guiding others to achieve a higher organizational job performance (Rahman, Ferdousy & Bhattacharjee, 2014).

Besides leadership being recognized as essential for organizational innovation, Oke, Munshi and Walumbwa (2009) contended that it was important for an organization to have the right type of leadership that can effectively drive innovation. Decision making by leaders guided by a vision and encompassing a “risk” mentality impacts on the effectiveness of leadership. Various studies advanced on the influence of various leadership styles on organizational success tend to point out the centrality of leadership in organizational success and innovativeness (Cottray, Siverstton & Tell, 2018; Cakir & Adiguzel, 2020). Those leaders that embrace transformational leadership style have been found to inspire creativity among employees leading to anticipated outcomes especially in dynamic and competitive sectors (Khan et al., 2020; Gumusluoglu & Ilsev, 2009).

According to Goeschel, Wachter and Pronovost. (2010) transformational leaders encourage the workforce to think in a different manner, search for new prospects and to find newer solutions to problems. Prasad and Junni (2016) posited that transformational leaders built enthusiasm amongst organizational members to be creative and develop new ideas as well as solutions in regards structures, processes and practices in the organization. Transformational leaders can foster innovation by encouraging followers to act on a firm’s vision (Si & Wei, 2012). The followers should however take cognizance of their environment especially their competitor’s behaviour and general orientation (Dahleez & Abdelfatah, 2021).

Competitor orientation is the observation of competitors continuously and reacting through creation of products and services which are distinct from those of competitors (Reulink, 2012). According to Modding (2012) competitor orientation means that companies need to understand current and potential competitors’ short-term strengths, shortcomings, long-term capabilities as well as strategies. Studies done by Salman (2015) and Jamilah, Sakti and Herman (2020) in Pakistan and Indonesia have shown that competitor orientation has an influence on product innovation.

According to Damanpour (1991) innovation refers to introducing equipment, systems, laws, products or services, new technological production process, a structure or new administrative system or a new planning program to be adopted by an organization. Businesses should invest in creative and innovative activities so as to continue being relevant and sustainable in the economic environment that is highly competitive. This can be attained by focusing on the employees’ perception on their firm’s leadership (Khalili, 2016). Innovation has been considered as the foundation of firm competitiveness and a determinant of a nation’s economic performance in the long run (Dosi & Nelson, 2010; Fagerberg & Verspagen, 2002; Freeman, 1982). Jimenez and Sanz-Valle (2011) pointed out innovation as being a key factor for a firm’s success, survival and sustainable competitive advantage. In the competitive financial sector especially in the developing countries, players such as SACCOs have been forced to embrace product, market and process innovations.

A SACCO is a financial cooperative that is member owned whose primary objective entails mobilizing savings and issuing loans to members on competitive terms so as to enhance their well-being socially and economically (Kamonjo, 2014). Kenya’s cooperative movement has been ranked seventh globally and in Africa it’s one of the most vibrant (Ademba 2010; Muriuki & Ragui 2013). Kiragu (2015) noted that SACCOS served 81% of the Kenyan population thus playing an important role in the financial sector and in resource mobilization (Lari, 2015). According to Dulo (2006) increased competition in SACCO’s has necessitated strategy development so as to boost their performance.

Co-operatives generate employment for over 555,000 people directly and a total of 2 million indirectly, and savings of 250 billion Kenya shillings or thirty percent of the national savings (Co-operative Alliance of Kenya, 2015; Gicheru, 2012). Despite this potential, co-operatives are characterized by poor performance (Wanyama, 2014), decline in membership (Kiragu, 2014), poor governance and management (KNBS, 2016; Mumanyi, 2014; Nkuru, 2015) and competition from banks that have embraced technology for instance, use of mobile services and internet banking (SASRA, 2014). Further, the changing operating environment has impacted on SACCO’s in Kenya. Whereas various solutions have been proposed for alleviating these problems, utilization of the transformational leadership style to spur innovation and maintain competitiveness of organizations have been explored. Empirical support exists for the role of transformational leaders as an important driver of innovation across varying organizations and contexts such as automaker industry in Iran (Abdolmaleki, Ashloubagh, Shahrabic, Ashlaghi & Safdari, 2013), telecommunication industry in Somalia (Ali & Ibrahim 2014) and public and private higher educational institutions in Iraq (Al-Husseini & Elbeltagi, 2016). Studies done in Kenya on transformational leadership were linked to various organizational outcomes such as staff performance in microfinance institutions, in commercial banks and staff performance in state owned enterprises. Such studies done on SACCOs have tended to focus on transformational leadership and its effect on performance measured in terms of various outcomes such as, employee job satisfaction, job security, organizational culture or general organizational performance (Rere & Kipkorir 2019; Mutua, Mutetei & Kithinji 2021) and not innovation yet this is critical in a competitive financial market.

Although transformational leadership may affect innovation in organizations directly, research has suggested that the direct effects may be too complex to isolate (Srivastava, Bartol, & Locke, 2006; Choi, Kim, Ullah, & Kang, 2016). Some studies found that transformational leadership positively influenced innovation (Ali & Ibrahim, 2014; Al-Husseini & Elbeltagi, 2016; Sethibe & Steyn,

2017) while others found a negative association between the two (Basu & Green, 1997; Jaussi & Dionne, 2003). In further analysis, some studies focused on the effect of mediating variables on the relationship between transformational leadership and innovation where mediators such Social capital (Chen, zheng, Yang & Bai 2016), knowledge sharing (Alnesr & Ramzani 2019) and knowledge management practices (Saad, Al Altheeb & Abbas, 2020) were used while moderators have also been utilized in such studies (Mokhber, Khairuzzaman & Vakilbash 2018). All these studies have generated mixed results. In the Kenyan context, very few of such studies in the financial sector have utilized moderators (Gathondu 2018, Njiinu, 2017 & Ngaithe, 2015). They majorly addressed the micro finance subsector.

Given the important role played by SACCOs in the finance sector in developing countries such as Kenya through mobilizing savings, advancing credit and enhancing financial inclusion, it's critical that effect of transformational leadership in spurring innovation as moderated by competitor orientation be established. The current study Therefore, intends to fill the contextual, sectoral and conceptual gaps as evidenced in the extant literature by examining how competitor orientation moderates the relationship between Transformational leadership and innovation in Deposit Taking SACCOs.

Study Objectives

- i. *To assess the influence of transformational leadership on innovation of Deposit Taking SACCOs in Kenya*
- ii. *To examine the moderating influence of competitive orientation on the relationship between transformative leadership on innovation of Deposit Taking SACCOs in Kenya*

Literature Review

Theoretical Review

Transformational Leadership Theory

The concept of transformational leadership concept was first introduced by Burns (1978) and further developed by (Bass, 1985). According to Burns (1978) leaders and followers raise one another to attain higher degrees of both morality and motivation. Bass (1985) linked Transformational leadership with high performance as a result of integrity, goal clarity, high expectations, help, stimulation, encouragement, recognition and inspiration. Transformational leadership was introduced by Bass (1985) as a leadership style whereby the role of the leader is basically to function as a change agent. Bass and Avolio (1994) made an assertion that transformational leadership induced some unique leadership behaviors such as idealized influence, intellectual stimulation, inspirational motivation and individualized consideration. The theory postulates that transformational leaders can foster firm success, innovation as well as effectiveness (Adriani, 2019; Li et al., 2019) as they are able to articulate an organization's vision, are aware of employees needs, can develop followers creative abilities, avail resources for intellectual development and by their display of moral as well as ethical standards (Ismail et al., 2010).

Resource Advantage Theory of Competitive Advantage

The Resource Advantage theory postulates that a comparative advantage in resources will yield a firm the marketplace position of competitive advantage (Hunt, 1995, 2012; Hunt & Morgan 1996). This theory lays emphasis on innovation as being endogenous to the firms' competing process (Hunt, 2011a). According to Hunt and Duhan, (2002) by embracing Innovations firms can deliver more customer value than their competitors and attain business success. R-A theory defines resources as the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively provide a market offering that has value for some market segment(s) (Hunt, 1995; Hunt & Morgan, 1995). According to Hunt and Morgan (1995) having knowledge about competitors' products, price including strategies gathered from implementing a market orientation can enable an organization to produce for some segments a more effective or efficient market offering than for the competitors.

This theory relates to competitor orientation which can generate a competitive advantage thus resulting to superior organizational performance. Market orientation which has competitor orientation as an aspect is about a firm's capacity to respond to changes in the market and its necessary while pursuing competitive advantage (Narver & Slater, 1990). When firms become pro-active in competing with their rivals, they embrace innovation.

Empirical Review

Transformational Leadership and Innovation

Various studies conducted across countries on transformational leadership and its effect on innovation show that the former affects the latter. Naguib and Naem (2018) confirmed that transformational leadership affected organizational innovation, and that both top management support and also resource supply mediated the relationship between transformational leadership and innovation process in Egyptian corporations. Al-Husseini and Elbeltagi (2016) who carried out a related study in Iraq's public and private educational institutions of higher learning found that the four transformational leadership components affected product and process innovation and that the relationships were much stronger in public institutions. Uddin, Fan and Das (2017) also confirmed that transformational leadership affected organizational innovation and organizational learning as well as knowledge management mediated the relationship. These studies posit that although transformational leadership has an effect on innovation, various mediators if included

in the study may affect this direct relationship. Similar findings were reported in another study done in China's modern industrial park by Chen, Zheng, Yang and Bai (2016). The study confirmed that social capital (both internal and external) mediated the association between transformational leadership and organizational innovation.

Further the studies confirmed that knowledge management mediates the relationships (Foumany, Mehraban. & Gahani, 2015; Saad, Al Altheeb, & Abbas, 2020). Similarly, studies done in public universities in Iraq, private universities in Indonesia and in Public and Private Universities of Syria revealed that transformational leadership has an effect on innovative behavior and innovation respectively and that knowledge sharing mediated the relationships. (Al-husseini, Elbeltagi & Moizer, 2019; Suhana, Udin, Suharnomo & Mas'ud, 2019; Alnesr & Ramzani 2019). Sethibe and Steyn (2017) examined the effect of leadership styles specifically transformational and transactional leadership on innovative behaviour In South African companies participated in this research. The results indicated that both leadership styles enhanced employees' innovative behaviour. 'Transformational leadership is necessary as it can keep abreast with the changing times and can also steer a firm's innovative capacity (Feng, Huang, & Zhang, 2016). Abdolmaleki, Ashloulaghb, Shahrabic, Ashlaghi, and Safdari (2013) conducted a study on the effects leadership style had on innovation in Iran's Khodro automakers. The survey results indicated that leadership impacted on employees' innovation. Ali and Ibrahim (2014) carried out a study on Somalias telecommunication industry on the impact leadership styles had on corporate innovation. Focus was on transactional, transformational and Laissez-faire style. The study adopted cross-sectional survey research design. The findings indicated that the three styles of leadership positively and significantly influenced firm innovation. Akbar, Rezaei and Roshanak (2015) did find that transformational leadership positively impacted on employee creativity and innovation while studying employees of an Iranian university. On the contrary, Basu and Green (1997) found transformational leadership strongly and negatively impacted on innovative behavior in a study conducted Fortune 500 manufacturing plant thus depicting inconsistency in findings on the effect of transformational leadership on innovation. Studies done in Kenyan SACCOs on the effect transformational leadership has on performance have confirmed that transformational leadership style has an influence on SACCO performance. (Rere & Kipkorir 2019; Mutua, Mutetei & Kithinji 2021). However, the studies focused on performance generally leaving out innovation which is imperative in a competitive financial market. Thus, evidence is lacking on whether transformational leadership has an influence on innovation in the SACCO sector.

From the reviewed studies it can be noted that studies have been done on the relationship between transformational leadership and innovation. However, the studies have focused on varying contexts, sectors and there also inconsistency on findings and as such this study intended to ascertain influence of transformational leadership on innovation of Deposit Taking SACCOS in Kenya.

Moderating effect of Competitor Orientation on the relationship between Transformational Leadership and Innovation

A study conducted in Pakistan on the effect market orientation had on product innovation ascertained that customer and competitor orientation including interfunctional coordination influenced product innovation (Salman, 2015). Using cross sectional survey Mamman and Abuga (2020) investigated how competitor orientation affected innovation amongst SMEs in Nigeria's Yobe State and found that competitor orientation affected SMEs' innovation. Wathanga (2016) studied the effect corporate governance had on the performance of Kenyan dairy co-operatives in Mt Kenya region. The study assessed the effect of comprehensive strategic decision-making, participative governance, human capital, long-term orientation, the moderating effect of market orientation on the link between corporate governance and performance. Descriptive correlational design was used. Findings revealed that comprehensive strategic decision-making and participative governance were not significant while long term orientation and human capital were significant in predicting revenue per customer, ROA and product innovation. Further, market orientation did not moderate the link between corporate governance and organizational performance. Gumusluoglu and Ilsev (2009) carried out in Turkey's entrepreneurial software development companies and found that transformational leadership influenced organizational innovation. Further, external support for innovation significantly moderated this effect however internal support did not moderate the relationship. The study recommended for further research to be done on other contextual variables such as relationships with customers and competitors in the market. It can be noted that studies have focused on the direct effect of competitor orientation on innovation (Mamman & Abuga, 2020; Salman, 2015). There is paucity of literature on the moderating influence of competitor orientation on the relationship between transformational leadership and innovation of Deposit Taking SACCOS in Kenya.

Based on the literature review, the hypothesis of this study are:

H₀₁ Transformational Leadership does not significantly influence innovation in Deposit Taking SACCOS in Kenya

H₀₂ Competitor Orientation does not significantly moderate the relationship between transformative leadership and innovation in Deposit Taking SACCOS in Kenya

Research and Methodology

Research design and target population

The study adopted descriptive and correlational research design and targeted 49 respondents who comprised of section heads from the seven sections namely: Finance, Accounting, Human Resource, Sales and Marketing, Customer service, Quality Assurance and Procurement. The respondents were drawn from all the 7-deposit taking SACCOS in the western region, Kenya. A census study was considered. Israel (2009) stipulates that census is appropriate where the population is less than 200.

Data collection

Structured questionnaires were used to collect data. The questionnaire was developed using measures from previous studies. Statements on transformational leadership were adapted from multifactor leadership questionnaire (Bass & Avolio, 2000). Those on competitor orientation were adopted from Narver and Slater (1990) while those on innovation were adapted from scales developed by Osuga (2016) and Rosli and Sidek (2013). A 5-point Likert Scale was used for all items, where 1 = strongly disagree, 2 = Disagree: 3 = Fairly Agree: 4 = Agree and 5 = strongly agree to indicate the respondents' opinions about the relationships between transformational leadership, competitor orientation and innovation.

Data Analysis

A pilot study was conducted in a deposit taking SACCO in Kisumu County. Validity was tested using both content and construct validity tests. As for reliability, Cronbach Alpha was used. Data was analyzed using descriptive and inferential statistics. For descriptive statistics mean and standard deviation were employed. For inferential statistics the study used Pearson's product moment correlation, simple regression and hierarchical regression analysis.

The regression models used were follows: -

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots \dots \dots \text{model 1}$$

$$Y = \beta_0 + \beta_1 X_1 M + e \dots \dots \dots \text{model 2}$$

Where;

Y = Dependent variable

B₀ = Y intercept (constant) whose influence on the model is insignificant

X₁ = Transformational Leadership

M = Competitive Orientation

β₁, = Model coefficient which is significantly large to have significant influence on the model.

ε = is the error term.

Findings and Discussion

Response Rate

A total of 49 questionnaires were distributed to head of sections in all the 7 deposit taking SACCOs in the western region of Kenya and 40 were successfully filled by the respondents and returned which represented a response rate of 81.6%. This was considered excellent in making conclusions and recommendations for the study.

Descriptive Information on Demographics

For authenticity of results, the demographic information was considered crucial for the study. It included the gender of the respondents, their length of service and their levels of education were used.

Table 1: Demographic Characteristics

Demographic Characteristics		Frequency	Percentage
Gender	Male	26	65
	Female	14	35
Length of Service	0-1 year	2	5
	2-5 years	13	32.5
	More than 5 years	25	62.5
Level of Education	Diploma	5	12.5
	Bachelors	26	65
	Masters	7	17.5
	PhD	1	2.5
	Other	1	2.5

Source: Research Data (2022)

The table above indicates that a majority of the respondents were males (26) while females were represented by 14 respondents. Concerning the period they were in service in their respective deposit taking SACCOs, a majority had stayed for more than 5 years (25). This was followed by those respondents who had stayed for 2-5 years (13) and lastly, only 2 respondents had stayed for a period less than 1 year. Concerning the respondents' levels of education a majority of the respondents had a bachelor's degree (25), followed by those with a masters degree (7), then those with diplomas (5), respondents with PhDs were only 1 and those with other qualifications were 1.

Results on Reliability, Mean, standard deviation and correlation of the study

Table 2: Results on Reliability, Means, Standard Deviations and Correlation of the Study

Variable	Reliability	M	SD	Correlation		
				Transformational Leadership	Competitor orientation	Innovation
Transformational Leadership	0.968	4.15	.656	1		
Competitor orientation	0.945	3.59	.982	.702**	1	
Innovation	0.936	4.01	.759	.755**	.717**	1

Note: M=mean SD=standard deviation, **. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2022)

Reliability Results

The results in Table 2 indicated that all the variables had a Cronbach alpha greater than 0.7 thereby achieving the recommended 0.7 for internal consistency and data (Pallant, 2005).

Descriptive Analysis Results on Transformational leadership, competitor orientation and innovation

The descriptive analysis results in Table 2 indicated that a majority of the respondents agreed to the statements on transformational leadership (M=4.15, SD=0.656). This suggests that the leaders have adopted transformational leadership style. Majority also agreed to statements on competitor orientation ((M=3.59, SD=.982). This shows that deposit taking SACCO’s have realized that competition is inevitable in business and as such they need to lookout for competitive actions as well as opportunities in order to have a competitive edge. As concerns innovation, a majority of the respondents agreed to the statements (M=4.01, SD=.759.). This clearly depicts that the deposit taking SACCO’s engage in innovative activities.

Correlation Analysis Results

Pearson’s Product Moment Correlation was used to explore associations amongst variables. The results indicated that transformational leadership was positively and significantly correlated with innovation (R= 0.755, p<0.01). The results also indicated that the relationship between competitor orientation and innovation was positive and significant (r = .717**).

Regression Analysis Results

Table 3: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics					
					R ² Change	F Change	df1	df2	Sig. Change	F
1	.755 ^a	.570	.558	.50457	.570	50.309	1	38	.000	
2	.799 ^b	.639	.619	.46851	.069	7.076	1	37	.011	
3	.800 ^c	.639	.609	.47452	.001	.069	1	36	.795	

a. Predictors: (Constant), Transformational_Leadership b. Predictors: (Constant), Transformational_Leadership, Competitor_Orientation. c. Predictors: (Constant), Transformational_Leadership, Competitor_Orientation, Interact

Source: Research Data (2022)

In the first model, the coefficient of determination (R²) is 0. 570.This implies that 57.0% of the changes in Innovation (Dependent Variable) could be attributed to transformational leadership (Independent Variable). On the second model, after introduction of competitor orientation, the coefficient of determination (R²) was 0.639 which implied that 63.9% of the changes in Innovation (Dependent Variable) could be attributed to competitor orientation (Independent Variable. Regarding the third model where the interactive term(interaction between transformational leadership and competitor orientation) was introduced the coefficient of determination (R²) was still 0.639.

Table 4: ANOVA^aResults

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.808	1	12.808	50.309	.000 ^b
	Residual	9.674	38	.255		
	Total	22.483	39			
2	Regression	14.361	2	7.181	32.714	.000 ^c
	Residual	8.121	37	.219		
	Total	22.483	39			
3	Regression	14.377	3	4.792	21.283	.000 ^d
	Residual	8.106	36	.225		
	Total	22.483	39			

a. Dependent Variable: Innovation b. Predictors: (Constant), Transformational_Leadership c. Predictors: (Constant), Transformational_Leadership, Competitor_Orientation d. Predictors: (Constant), Transformational_Leadership, Competitor_Orientation, Interact

Source: Research Data (2022)

Having regards to the ANOVA table 3b above, the regression model can be used to explain the effect of Transformational leadership on innovation as the F statistics was 50.309 (p value < 0.01). When competitor orientation was included in the model, the F statistics changed to 32.714 (p value < 0.01). Further when the interactive term was included in the model the F statistics changed to 21.283 (p value < 0.01). Therefore, both model 1,2 and 3 were statistically significant and could explain the variation in innovation of Deposit Taking SACCO's in, Kenya.

Table 5: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.392	.517		.758	.453
	Transformational Leadership	.873	.123	.755	7.093	.000
2	(Constant)	.612	.487		1.256	.217
	Transformational Leadership	.573	.160	.496	3.573	.001
	Competitor Orientation	.285	.107	.369	2.660	.011
3	(Constant)	.808	.894		.903	.372
	Transformational Leadership	.529	.234	.458	2.262	.030
	Competitor Orientation	.176	.429	.228	.411	.684
	Interact	.025	.094	.172	.262	.795

a. Dependent Variable: Innovation

Source: Research Data (2022)

From the model 1, transformational leadership positively and significantly predicted innovation ($\beta = .873, p < .01$). In model 2 When competitor orientation was entered, it positively and significantly predicted innovation ($\beta = -.285, p < .05$). However, in the third model, after the introduction of the interaction term between transformational leadership and competitor orientation in the model it was found to be positive and insignificant ($b = 0.025, P = 0.795 > 0.05$). The regression equation to measure the changes in Innovation as attributed to transformational Leadership is stated below;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \text{ becomes}$$

$$Y = 0.392 + 0.873 X_1$$

Holding other factors constant, one unit increase in transformational leadership would lead to a 0.873 increase in Innovation. The first hypothesis stated that *Ho1: transformational Leadership has no significant influence on innovation of deposit taking Saccos in Kenya*. With $P < 0.01$ at 99% confidence level, the Null hypothesis is rejected as the model indicates a positive and significant influence of transformational leadership on innovation of deposit taking SACCOs in, Kenya. The findings indicate the critical role that transformational leadership style plays in deposit taking SACCO's innovation. It can thus be understood that transformational leadership contributes to innovation, since it reflects the leaders ability to articulate an organization's vision, to be aware of employee's needs, to develop followers creative abilities, to avail resources for developing intellectual capacity and to display moral as well as ethical standards and this can be manifested in the form of innovation in products, market and processes. The findings have

been corroborated by other studies done in Pakistan, Iraq and Egypt (Saad, Al Altheeb & Abbas, 2020, Al-Husseini & Elbeltagi, 2016, Naguib & Naem, 2018). On the contrary, Basu and Green (1997) found transformational leadership negatively impacted on innovative behavior. The regression equation to measure the changes in Innovation as attributed to moderating effect of Competitor orientation on the relationship between transformational leadership and innovation is stated below;

$$Y = \beta_0 + \beta_1 X_1 M + e$$

$$Y = 0.808 + 0.025$$

Holding other factors constant, one unit increase in the interaction term between transformational leadership and competitor orientation would lead to a 0.025 increase in Innovation. The second hypothesis stated that *Ho2: Competitor orientation did not significantly moderate the relationship between transformational leadership and innovation of deposit taking SACCOS in Kenya* was supported. Results reveal a positive and insignificant influence of Competitor Orientation on the relationship between transformational leadership and innovation of deposit taking SACCOS in Kenya. Similarly, according to Wathanga (2016) market orientation did not moderate the link between corporate governance and organizational performance of Kenyan dairy co-operatives in Mt Kenya region. Mamman and Abuga (2020) and Salman (2015) established that competitor orientation influenced innovation however they focused on the direct effect. The results indicate that firms that seek competitor information and propose solutions based on the information, can enhance innovation.

Conclusions

The study rejects the first hypothesis that *transformational Leadership has no significant influence on innovation of deposit taking Saccos in Kenya* and concludes that transformational leadership plays a significant role in enhancing innovation of DTS in Kenya. These findings affirm the transformational leadership theory that postulates that transformational leadership can foster firm success, innovation as well as effectiveness. Further, the study fails to reject the second hypothesis that *Competitor orientation did not significantly moderate the relationship between transformational leadership and innovation in deposit taking SACCOS in Kenya* and confirms that competitor orientation has no significant moderating effect on the relationship between transformational leadership and innovation of DTS's in Kenya. Thus, in as much as its effect is positive, it is however insignificant. The study contributes to existing literature in Strategic Management by providing an insight into the relationship between transformational leadership, competitor orientation and innovation in deposit taking SACCOS in Kenya. The study findings may be of significance to managers in the Deposit Taking SACCO's as they will understand the best leadership practices as drawn from the transformational leadership theory which they will need to engage in so as to ensure innovation and survival of the SACCO's. Managers will also gain an insight into the role of competitor orientation in enhancing innovation. The SACCO sector, may benefit from this study as its results can guide policy makers in making clear policies that will ensure that DTS leaders have transformational leadership attributes required for improved innovation.

Recommendations

DTS should focus on developing transformational leadership attributes of its leaders such as idealized influence, inspiration motivation, intellectual stimulation and individualized consideration so as to enhance innovation. Managers in deposit taking SACCO's should direct their resources to invest in research with focus on competitors and adopt innovative actions as innovation has been recognized as significant source of competitive advantage. Deposit Taking SACCO's should monitor their competitors' actions so as to understand what attracts customers to competitors, to gain an insight on their competitors' strategies, strengths and weaknesses. Moreover, Deposit Taking SACCO's should use the collected information to improve on innovation. The research focused on Deposit Taking SACCO's in Western Kenya thus further research should be done in DTS in other regions. The study may be replicated in other organizations such as banks, non-Deposit Taking SACCO's and universities. The study only focused on transformational leadership hence further studies may be done on other leadership styles such as transactional. Further research can be done on the moderating influence of other market orientation parameters such as customer orientation and interfunctional coordination on innovation as the study only focused on competitor orientation.

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