

INFLUENCE OF LEADERSHIP STYLES ON ORGANIZATION PERFORMANCE OF INSURANCE COMPANIES IN SOMALIA

Ibrahim Mohamed Ahmed ¹, Gladys Kituku ² & Michael Kiama ²

¹ MBA Candidate, School of Business and Economics, Kenya Methodist University [KEMU], Kenya

² Lecturer, School of Business and Economics, Kenya Methodist University [KEMU], Kenya

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ABSTRACT

This study aimed at establishing the influence of leadership styles on organization performance of insurance companies in Somalia. The study incorporated Leadership Theory. The researcher used descriptive research design to meet the study research objectives. The study focused on five insurance companies in Somalia; Takaful insurance Of Africa, umma insurance brokers, Amana insurance, Baraka insurance and Som-Takaful insurance. The study interviewed 73 respondents, including Chief Executive Officers, heads of departments, and their assistants. Due to the study's small sample size, the census approach was used. Structured questionnaires were distributed to the study's sampled population. Using the Statistical Package for Social Sciences, both descriptive and inferential statistics were used to analyze quantitative data objectively. To arrive at conclusions, the study findings were examined, summarized, and presented using a variety of descriptive statistics methods such as frequencies distribution tables, percentages. Correlation analysis and multiple regression analysis were utilized to determine the relationship between the independent variable and dependent variable, that is, effect of leadership styles on the organizational performance of insurance businesses in Somalia, with model significance determined using F-tests, Analysis of Variance (ANOVA), at 95 percent confidence intervals. The researcher adhered to research ethics. From the analysis, the study found that leadership styles had positive and statistically significant relationship with organization performance. Thus, the study concluded that, organizational performance of insurance companies in Somalia is influenced by leadership styles.

Key words: Leadership, Organizational performance, Insurance, Somalia

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INTRODUCTION

Insurance plays a significant and expanding role within the financial industry across both developed and developing nations. The presence of a robust and effectively regulated insurance sector has the potential to make a substantial impact on economic growth and the efficient allocation of resources. The inception of Islamic insurance companies has been widely regarded as a revitalization of the insurance industry in Somalia following the onset of the civil war in 1991. Prior to 1991, insurance companies in Somalia were state-owned entities under the governance of the Somali government. During this period, Somalia was governed by a communist regime that did not adhere to the Islamic principles governing insurance, as highlighted by Sheikh Ali and Jama (2016). The Republic of Sudan played a pioneering role in the development and implementation of the concept of Islamic insurance. This was evident when Faisal Islamic Bank was established in August 1977.

In 1978, the board of banks reached a consensus to establish a cooperative insurance firm that strictly adheres to Sharia principles. This pioneering initiative commenced its operations in January 1979, marking the inception of the world's first Islamic insurance entity (Sulieman, 2013). It is essential for insurance firms to have a solid understanding of the potential outcomes of strategic leadership factors that might have an impact on their organizational performance. therefore, this follows with Sabbah (2018) observation that the cost of retaining a client is less than a tenth of the expense of acquiring a new one. As a result, insurance companies' managers should stay in touch with newly acquired clients to encourage its growth.

Statement of the Problem

Somalia's insurance sector has progressed over the previous few decades, broadening the scope of available services (Wakeham & Gilmer, 2020). Mahmud (2021) notes that the number of insurance companies has nearly doubled during the last two decades. Additionally, previous and recent research investigations have revealed that there is a surge in modern insurance businesses in Somalia (Adoke & Abdulaziz, 2021), as well as a true abandoning of old Sharia insurance plans (Abdellah, 2019). The study's overarching goal was to determine whether or not insurance firms in Somalia may benefit from a better knowledge of strategic drivers of organizational success. Despite the fact that research on the insurance's state in Somalia show that these organizations used a variety of methodology and measurements to investigate the organizational performance repercussions of basic instruments, strategies, and activities, the research often did not investigate the influence of strategic leadership elements on organizational performance, but rather the relationship between financial success and these characteristics (Iman, 2018; Nur, 2021). Somalia has a weak insurance culture, despite the fact that insurance is a major factor in determining one's standard of living (Kumar, Engle & Tucker, 2018). The lack of an insurance statute and insurance firms for more than two decades has contributed to this deplorable culture. Instead of insurance, Somalis still put their faith on the support of extended family members in times of need. Traditional Somali clothing called a 'Qaaran' is one example of how members of a family or tribe may come together to help one another in times of tragedy. This traditional clothing is still worn in both urban and rural areas, and is generally acknowledged as a key factor in the low insurance culture of Somalia.

As a result, there are minimal research has been conducted in Somalia on the impact of strategic determinants on organizational performance. Therefore, the study sought to bridge the empirical and conceptual knowledge gaps on how leadership styles affect the organizational performance of insurers in Somalia and across nationalities.

Purpose of the study

The objective of this study was to investigate the influence of leadership styles on organizational performance of insurance companies in Somalia.

LITERATURE REVIEW

Theoretical Foundation

Leadership Theory

According to leadership styles theory, organizational effectiveness is highly dependent on prudent leadership (Muzinga & Awolusi, 2019; Abdow, 2019; Dastane, 2020). As Martins (2020) notes, leadership styles theory emphasizes people at the top of the company not only as relational actors but also as strategic and symbolic actors, in contrast to most general leadership theories, which emphasize leaders at any level of the organization. This argument is backed up by Kinnunen (2020), who states, "The leadership styles study focuses on executives who are ultimately responsible for the corporation and the impact their decisions have on organizational outcomes." Concentrating on leadership styles is critical since it results in the establishment of meaning and direction for the company (Basil & Hassan, 2018). Akdere and Egan (2020) define leadership styles as the leadership style that motivates followers to exceed goals and targets, consistently enhances their capabilities, and prioritizes the organization's interests over their own through strategy creation. Strategic leaders provide a sense of purpose and direction in their organizations, and this section examines the precise activities and behaviors of strategic leaders that contribute to the firm's success (Tien, 2019; Tourky, Kitchen & Shaalan, 2020).

Leadership styles occurs in an ambiguous, complicated, and information-overloaded environment, therefore necessitates the ability to integrate the organization's internal and external environments, as well as the careful processing of information (Palladan, Kadir, & Chong, 2016), all of which are critical in today's dynamic environmental context. Leadership styles should also be a catalyst for organizational change, either by guiding the organization through change or by giving leadership in coping with the consequences of ongoing change (Mansaray, 2019). In the framework of this study, insurance companies' leadership is typically limited to their top executive officers, with no involvement of other employees or significant investors (Jagoda & Wojcik, 2019). Leadership styles theory is consequently crucial for insurance firms' performance, as the majority are still struggling owing to a lack of sufficient resources in Somalia, necessitating a clear strategic direction, competent team, and an organized organizational structure, processes, and controls (Mohamed, Abdul-Talib & Ramlee, 2021). Thus, leadership styles theory was beneficial in assessing the relationship between leadership styles and organizational performance in Somalia's insurance sector.

Leadership styles and Organizational performance of insurance companies

Kim (2020) asserts that in order for a leadership style to be efficacious in enhancing a company's competitiveness in a sustainable manner, it is imperative for the top management team to engage in strategic cognition and implementation, foster a shared vision and mission for the organization, and navigate through challenging decision-making processes. Leadership competencies, capabilities, and activities encompass various aspects such as establishing the firm's purpose or vision, leveraging its core competencies, nurturing its human capital comprising the knowledge, skills, and abilities of employees, as well as the firm's processes and controls, and upholding an efficient organizational culture characterized by a multifaceted amalgamation of ideologies, symbols, and values embraced by the firm's workforce (Mui, 2018).

Angira (2021) argues that a company's competitive advantage and performance are impacted by leadership styles that include traits like flexibility, agility, strategic thinking, and openness to change. However, visionary leadership, effective utilization and maintenance of core competencies, and personnel development all rank as essential determinants in an organization's performance (Latif, Nazeer, Shahzad, Ullah, Imranullah & Sahibzada, 2020).

Leadership vision has a significant impact on organizational growth because it influences the organizational behavioral pattern toward achieving the organization's ultimate goal by stressing the value on which the

organization should concentrate its efforts (Haque, TitiAmayah and Liu, 2016). Meng and Berger (2019) identified a significant and favorable impact of vision and leadership styles on the overall performance of organizations.

Leadership styles must emphasize the need of strategically developing and mobilizing the appropriate and optimal human capital, as it is the organization's most valuable resource (Mui, Basit & Hassan, 2018). Miller (2021) noted that when a company's senior management lacks leadership abilities, the organization would struggle to prosper in an ever-changing business environment, regardless of the availability of other performance drivers. This necessitates leadership styles that places a premium on human capital development (Muriithi & Waithaka, 2019).

As such, leadership styles is accountable for establishing and implementing human capital development initiatives that contribute to the organization's prosperity, strength, and competitiveness (Atiku & Lawal, 2022). Cho and Lee (2018) discovered a positive association between an organization's performance and employee development.

Thus, the success of insurance companies is contingent upon the leader's commitment and strategic ability (Shin & Park, 2021). Additionally, this is validated by a study that discovered leadership styles is crucial in enabling insurance companies in Somalia (World Health Organization [WHO], 2021; Mafuta, 2021). Insurance businesses in Somalia should try to embrace leadership styles by establishing a vision, developing human capital, and focusing on core competencies that provide a competitive edge.

MATERIALS AND METHODS

The study was located in Somalia, among the insurance banks. Additionally, the study employed descriptive research design (Kombo and Tromp (2016)). The design allowed for qualitative and quantitative studies. In the event of defining the units of the analysis, a target population of 73 respondents drawn from the five licensed insurance companies in somalia as at 31st, December 2020 and from departmental heads and their assistants since all the work functions of the insurance companies are unified were drawn. The departments from which the target population was drawn from were: marketing, IT, risk and compliance, finance, human resource management and operations. Further the researcher targeted the chief executive officers of five insurance companies. Since the targeted population was relatively small, census design was used to obtain the 73 participants for the study, $n < 100$ (Kiemo, Olweny, Muturi & Mwangi, 2019). Questionnaires were employed as data collection tools, developed in accordance to study objectives. The tools were self-administered. The researcher employed a fundamental random sampling approach to select the Som Takaful Insurance company for data collection pre-testing. Thirteen participants were selected for the study, representing the heads of each department, their respective assistants, and the Chief Executive Officer (CEO). Sekaran and Bougie (2010) noted that the insurance provider involved in the pilot trial was not included in the final analysis sample. Pretesting of the tools enhanced the validity and reliability of data collected. Additionally, quantitative data was analyzed statistically. Descriptive statistics such; mean, standard deviation was analyzed and presented using frequency tables while inferential statistics; correlations and multiple regression. The multiple regression model examined the influence of strategic leadership on the overall performance of insurance companies in Somalia. And the researcher observed ethical considerations through the study.

RESULTS

Response rate

A total of 73 individuals completed the questionnaire for the study out of which, 65 participants consented to participate in the survey, resulting in a return rate of 89%. According to Mugenda and Mugenda (2003) and Wang and Cheng (2020), a response rate of 70% or higher is regarded as representative of the population from which samples are derived, and therefore adequate for the purpose of data analysis.

Reliability test of measurement items on leadership styles

Table 1: Reliability statistics

Cronbach's Alpha	N of Items	Comment
.733	10	Reliable

Source: Field Data (2022)

Cronbach's Alpha for the whole set of 10 elements making up the constructions was calculated, $r=733$, as shown by the results. This indicates that the measuring items are trustworthy and reliable. A Cronbach Alpha greater than 0.7 is termed as reliable (Schrepp, 2020).

Descriptive Statistics Results

Leadership Styles on Organizational Performance of Insurance Companies in Somalia

The study sought to establish how respondents would rate their agreement to statements related to Leadership styles and organizational performance

Table 2: Leadership style on organizational performance

Statement	SA	A	M	D	SD
There are motivational rewards to employees by the company	12%	10%	34%	22%	22%
My CEO involves other staff members in decision-making process	14%	62%	0%	12%	12%
Employees are given reward motivation to promote their wellness	12%	10%	34%	22%	22%
The organization's management organize in-service seminars and training to staff that aid to help organization performance	23%	52%	12%	13%	0%
The CEO in my institution ensures project decisions are made in timely manner	0%	2%	15%	67%	12%
The CEO in my institution undertakes and performs duties in timely manner	0%	0%	54%	23%	23%
The CEO in my institution has a sense of identity which increases commitment of staff to work and less delays in meeting targets	45%	23%	17%	15%	0%
Organization endures that everyone feels they are part of the process of firm's operation	12%	64%	0%	22%	2%
The organization vision is well defined	0%	100%	0%	0%	0%
There are regulations in my company introducing boundaries on what the CEO can change on the enacted budget of the institution	48%	50%	2%	0%	0%

Source: Researcher (2022)

The analysis showed how different leadership styles have affected the success of Somalia's insurance firms. The data exhibits a mean value of 3.289 and a standard deviation of 2.985, indicating that the respondents' values were clustered around the mean. The participants were queried regarding the provision of motivational incentives to employees by the organization. According to the survey results, 12% of respondents strongly agreed, 10% agreed, 34% had a neutral stance, while an equal proportion of 22% disagreed and strongly disagreed. These findings suggest that insurance companies in Somalia are not effectively incentivizing their employees to enhance their performance. The objective of the study was to investigate the extent to which the CEO engages other staff members in the decision-making process. The findings revealed that a significant majority of respondents (62%) agreed with this practice, while 14% strongly agreed. On the other hand, 12% of participants disagreed or strongly disagreed with the CEO involving other staff members in decision-making. Notably, none of the respondents expressed a neutral stance, indicating that the majority of participants were in favor of the CEO involving other staff members in the decision-making process. The participants were queried regarding the provision of motivational incentives to employees by the organization. According to the survey results, 12% of respondents strongly agreed, 10% agreed, 34% had a neutral stance,

while an equal proportion of 22% disagreed and strongly disagreed. These findings suggest that insurance companies in Somalia are not adequately incentivizing their employees to enhance their well-being. The present study investigated whether the management of the organization arranges in-service seminars and training sessions for staff members, which contribute to enhancing organizational performance. The findings revealed that a slightly higher percentage of participants (52%) agreed with this statement, while 23% strongly agreed. Additionally, 12% of respondents expressed a moderate level of agreement, whereas 13% disagreed with the statement. Notably, none of the participants strongly disagreed with the statement. A significant proportion of the participants (67%) expressed disagreement with the notion that the Chief Executive Officer (CEO) of the organization ensures that project decisions are made in a timely manner. A smaller percentage (12%) strongly disagreed with this statement, while none of the respondents strongly agreed with it. A minority (6%) agreed with the statement, and 15% of the participants fell into the category of having a medium level of agreement. The majority of the participants were identified as having a medium level. According to the survey results, only 54% of respondents indicated that the CEO of the institution consistently fulfills their responsibilities in a timely manner. None of the respondents expressed agreement or strong agreement with this statement. Conversely, 23% of the respondents expressed equal levels of disagreement or strong disagreement. The participants were surveyed regarding the extent to which the CEO of the organization possesses a sense of identity that fosters employee commitment and reduces delays in achieving targets. Out of the total respondents, 45% strongly agreed, 23% agreed, 17% held a neutral stance, and the remaining 15% disagreed, with none expressing strong disagreement. All of the participants unanimously concurred that the vision of the organization is clearly articulated. Fifty percent of the participants expressed agreement with the presence of regulations within my organization that establish limitations on the CEO's ability to modify the implemented budget of the institution. Of this group, 48% strongly agreed, while 2% held a moderate level of agreement. Notably, no participants expressed disagreement or strong disagreement with this notion.

Discussion

Diagnostic tests were conducted to ensure that appropriate inferential statistical techniques were applied in the analysis to avoid inaccurate estimations. Pearson product moment correlation analysis explored the relationship between the variables. Leadership styles was shown to have the positive and statistically significantly relationship with organizational performance among insurances banks in Somalia ($r = .785^{**}$, $P = .000$, $n = 65$). This indicates that insurance firms in Somalia would benefit from enhanced leadership techniques in terms of their organizational performance.

To determine how much each independent variable might be predicted by the dependent one, a multiple linear regression analysis was performed. Further, the prediction ability of each independent variable was evaluated and the findings showed in table 3 below.

Table 3: Multiple regression analysis

Model	R	R Square	Adjusted R Square	Change in the Estimate	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. Change
1	.608 ^a	.369	.255	.369	.369	.369	3.223	8	42	.032

Source: Field data (2022)

According to the findings, there is a total of 36.9% ($R^2 = .369$) of organizational performance variation that can be attributed to the predictor variables used in this investigation. A positive and statistically significant link was found between the variables. The probability value of the model was .002. Given that the P value of the proposed model is less than the commonly accepted significance level ($P < 0.5$), it can be concluded that the model is statistically significant in its ability to predict the dependent variable.

Hypothesis Testing

Table 4: Hypothesis testing

Null hypotheses	Findings	Decision
There is no significant influence of leadership styles on organization performance of insurance companies in Somalia.	leadership, ($\beta_4 = 0.210$, $P = .001$) significantly influence organizational performance of insurance companies in Somalia (Sig<0.05)	Reject the null hypothesis and fail to reject the alternative hypothesis

Source: Researcher (2023)

CONCLUSION AND RECOMMENDATION

Leadership was shown to be a significant factor in the success of Somalia's insurance firms, the study's conclusion. So, it stands to reason that insurance firms operating in Somalia would benefit from a more progressive leadership culture.

According to the study's conclusion, it is recommended that insurance businesses in Somalia adopt leadership styles that provide solutions in the enhancement of their organizational performance. This would ultimately contribute to improved organizational performance. The research showed that the organizational performance of insurance firms in Somalia varied by 36.9% due to a combination of strategic variables. Therefore, it is suggested that further study be done into the impact of other strategic elements on the success of insurance firms in Somalia, which control 63.1% of the market. The recommendation extends to other businesses around the country as well.

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