

## Effect of Strategic Leadership on Competitive Advantage of Selected Quoted Insurance Companies in Nigeria

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**Abstract:** The insurance industry globally plays a pivotal role in social and economic growth of any economy. The industry in Nigeria, however, has been plagued with the challenges of poor strategic leadership and governance towards achieving strategy implementation and thus caused competitive disadvantage of insurance companies in Nigeria. Henceforth, this study investigated the effect of strategic leadership components on competitive advantage of selected quoted insurance companies in Nigeria. The study employed survey research design and twenty listed insurance companies were selected which controls 72% of the total market share of the total insurance companies. The study employed total enumeration as the population was 420. The Cronbach's alpha reliability coefficients ranged between 0.710 and 0.881. Data were analyzed using inferential statistics. Findings revealed that there was significant effect of strategic leadership (strategic direction, strategic vision, ethical practices, strategic control and strategic intent) on competitive advantage ( $F_{(5,415)} = 91.619$ ,  $Adj R^2 = 0.760$ ,  $p < 0.05$ ). The study concluded that strategic leadership components have positive and significant effect on competitive advantage. The study recommended that insurance companies' management should sponsor their staff to a continuing training and development programs in order to expose their staff to skills and knowledge regarding strategic leadership and achieve competitive advantage.

**Keywords:** Competitive advantage; Insurance companies; Strategic leadership; Multiple regression

**JEL Classification:** G22

### 1. Introduction

The issue of competitive advantage has been come a major concerned for companies around today's global marketplace especially the insurance companies. In today's 21st century businesses environment are characterized by continuous change as a result of fast changing technologies, ever increasing changes in customer demand and the growing levels of intense global competition. In the rapidly changing environment, business organizations especially insurance companies face the challenges of stiff competition and unstable overall performance.

Many insurance companies in developing economies in their quest for sustained competitive advantage have reacted to these new set of challenges by downsizing, unbundling, focusing on core business, reengineering, decentralization, outsourcing, restructuring, and relying on self-directed work teams (Kising'u, 2017). Unfortunately, Olaka, Lewa and Kiriri (2017) claimed that most insurance companies in Africa countries cannot longer sustained competitive advantage by simply lowering

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costs, higher quality and better service as these factors have now become the minimal criterion for remaining in the competitive game. Olaka *et al.* (2017) further established that majority of firms including insurance companies have experienced declined in competitive advantage due to challenges of complexity, poor strategic leadership, unpredictable and environmental turbulent that characterized today's business environment. Even in Nigeria business environment, the level of competitive advantage and market share among organizations especially in the insurance companies have been unstable resulting from poor strategic leadership, unpredictable and environmental turbulent dominating insurance businesses in Nigeria (Agwu, 2018).

Globally, most literatures have established that achieving firm competitive advantage is determined by how strategic leadership implement and operate their daily business activities. Therefore, the competitive advantage and overall performance of organizations is highly influenced by the choice of leaders made. Strategic leadership is increasingly becoming an essential issue that most organizations are facing today. It is assumed that strategic leaders are capable of anticipating, envisioning, maintaining and initiating changes that create a competitive advantage over other organizations (Daft, 2011). The actions and practices of these leaders are required by organizations to shape the formation of strategic intent, strategic mission and to influence successful strategic actions. These are key contributions of strategic leaders and aid in the formulation and implementation of strategies which yield results above normal returns (Kirimi & Minja, 2010). Their actions are very crucial as they give a clear road map regarding the success or failure of the organizations they are leading (Kisingu, 2017).

Though strategic leadership has been acknowledged by Kraja and Osmani (2013), that strategic leadership is often important only to large corporations, most studies have shown that for every organization, either large or small, to succeed and attain a competitive advantage, it has to be strategic in their daily operations. However, the quality and strength of firms' competitive advantage, as proposed by the resource-based theory, relates to how effective internal resources of firms are utilized, instead of their position in the external environment (Makanga & Paul, 2017). Ahmed and Mukhongo (2017) and Abosedo, Obasan and Alese (2016) emphasized that poor attention to the strategy-making processes of organizational leadership has generated the problem of competitive disadvantages, low performance and high failure rate of insurance companies in Nigeria. Ng'ang'a (2018) established that majority of commercial banks and insurance companies in developing countries like Kenya, Nigeria and Ghana failed to achieve competitive advantage and overall performance due to poor strategic leadership as compare with their foreign counterpart. Considering background challenges and majority of studies in relation with strategic leadership and competitive advantages, they have established mixed findings between the empirical link of strategic leadership and overall firm performance but very few of these past studies have established how strategic leadership components (strategic direction, strategic vision, ethical practices, strategic control and strategic intent) affect competitive advantage of selected quoted insurance companies in Nigeria. This serves as the gap and motivation for this study, to examine the effect of strategic leadership components on firm competitive advantage of selected quoted insurance companies in Nigeria.

## 2. Theoretical Foundation

### Resource Based Theory

Resources Base was originated by Barney (1986) and Wernerfelt (1984) based on the fundamental ideas of Penrose (1959) in the theory of the growth of the firm and Rubin (1973) in the theory of the expansion of firms. The theory of resource based-view (RBV) states that organizational resources which were valued, rare, and difficult to duplicate and substitute were a source of competitive advantage, which was capable of improving business performance and competitive advantage (Barney, 1991). The resource-based view theory is a dominant theoretical approach in the field of strategic management which focuses on firm's resources in achieving a commitment to continuous development to gain market advantage and organisational effectiveness. Resource based theory of the firm seeks to elucidate the internal sources of a firm competitive advantage (Kraaijenbrink, Spender & Groen, 2010).

The resource-based view of the firm focuses on the relevance of organisation unique resources in accomplishing sustainable competitive advantage as it improves the mechanism of choosing resources with great potential value (Agha, Alrubaiee, & Jamhour, 2012). Hamel and Prahalad (1994) avers that competitiveness is born in the gap between company's resources and its management team goals. The resource-based view of the firm stipulates that the essential sources and drivers to competitive advantage and superior performance are associated with qualities of their resources which are valuable and inimitable (Ling & Jaw, 2011). Though, possessing these resources alone is inadequate to achieve competitive advantage and value creation; firms must effectively manage their unique resources and capabilities to gain an advantage and realize value creation over rivals (Amurle, Gakure & Waititu, 2013; Burugo & Owour, 2017). Dudu and Agwu (2014) argue that to enhance firm performance, consistent leadership strategies among the firm's unique resources through orientation, strategic leadership decisions, visualization and realization of purpose, team synergy, innovative thinking is required. Therefore, strategic leadership is centrally linked with achieving superior competitive advantage and overall firm performance.

## 3. Literature Review and Hypothesis Development

Several scholars such as Olaka *et al.* (2017), Jaleha (2018), Witts (2016), Olanipon, Olumuyiwa and Akinola (2018), Strukan, Nikolic, and Sefic (2017) regarding the positive effect of strategic leadership on competitive advantage. Other studies (Andersson & Zbirenko, 2014; Wang, Tsui & Xin, 2011; Wang, Holmes, Oh & Zhue, 2016; Zoogah, 2011) have systematically examined strategic leadership and its effect on the competitive advantage of service firms with results pointing to positive relationship. The aforementioned studies assert that certain leadership skills enhance strategic leadership thus improving competitive advantage. Correspondingly, Mahdi and Almsafir (2014) examined the role of strategic leadership in building sustainable competitive advantage in the academic environment with results indicating positive significant effect. Likewise, the works of Masungu, Marangu, Obunga, and Lilungu (2015) revealed that strategic leadership has strong positive significant effect on competitive advantage which seems to sustain the findings of Mahdi and Almsafir (2014). Corroborating the findings of Mahdi and Almsafir (2014) and Masungu, *et al.* (2015) is the work of Obunga, Marangu and Masungu (2015) which revealed a strong significant positive result exist between strategic leadership and competitive advantage. The study further revealed that strategic

leadership influence performance as it is moderated by organizational factors as these factors results in competitive advantage.

Kagathi (2013) further revealed that strategic leadership process of decision making by the top-level of management affects the quality of decisions made which significantly affect competitive advantage. Consequently, sustaining the study of Kagathi (2013) is the work of, Cheng, Wang and Zhang (2011) with results indicating strong significant effect on competitive advantage. Considering majority of these empirical findings reviewed, very scanty studies have established how strategic leadership components (strategic direction, strategic vision, ethical practices, strategic control and strategic intent) affect competitive advantage of selected quoted insurance companies in Nigeria. Based on this scanty study, this stud hypothesized that; strategic leadership components (strategic direction, strategic vision, ethical practices, strategic control and strategic intent) do not significantly affect competitive advantage of selected quoted insurance companies in Nigeria.

#### **4. Methodology**

This study adopted the survey research design because it is useful in assessing the thoughts, opinions and feelings of different groups of individual and allowing them give more valid and honest feedbacks on the area of study. The appropriateness of survey research design lies in its being ideal to select sample from the population for intensive study of the characteristics of the population to aid the generalization of the study findings for the whole population (Asika, 2012). The population for the study is four hundred and twenty (420). The total number of top and middle management staff of selected quoted insurance companies were used in this study and the population is 420. Total enumeration method was employed to select all the identified staff of the insurance companies who are top and middle level management staff. The top and middle managers were used in this study because they determine the strategic decision making process, co-ordinate firm resources and set the strategic direction of the firm in achieving firm competitive advantage. The total enumeration was employed due to the small number of top and middle level managers related to the study variables.

The sampling technique adopted for this study is the purposive sampling technique. This technique will be used in selecting the directors and executive management staff of selected quoted insurance companies. The data used for this study is primary in nature and a well-structure questionnaire will be develop to gather data on strategic leadership components and competitive advantage of listed insurance companies in Nigeria, as it is instrumental to the collection of direct responses, feedback and suits the literacy level of the proposed respondents. Pilot testing of the questionnaire was carried out to evaluate the effectiveness of the instrument to be employed, refine the instrument and to reduce the risk of the failure of the full study. A pilot test was conducted on 10% of the sample size (10% of 420 = 42) on a small group of respondents similar to the study sample. The Cronbach's alpha reliability coefficients ranged between 0.710 and 0.881 and data were analyzed using inferential statistics (Multiple regression method of analysis).

The functional model used in this study established the link between strategic leadership components and firm competitive advantage. The functional relationship depicted as follow;

$$Y = f(x_1, x_2, x_3, x_4, x_5)$$

Y= Competitive Advantage (CA)

X= Strategic Leadership (SL)



Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.361	.281		1.289	.198		
	Strategic Direction	.196	.034	.221	5.674	.003	.043	2.068
	Strategic Vision	.225	.032	.344	7.032	.020	.027	3.405
	Ethical Practices	.165	.039	.163	4.215	.041	.044	2.703
	Strategic Control	.182	.021	.152	6.325	.000	.025	5.143
	Strategic Intent	.142	.034	.163	4.221	.002	.044	4.520
a. Dependent Variable: Competitive Advantage								

Source: Researcher's Field Survey Results (2019)

Table 5.1a-5.1c presents the regression result to establish the effect of strategic direction, strategic vision, ethical practices, strategic control and strategic intent on competitive advantage of selected quoted insurance companies in Nigeria. The regression tables depicted that adjusted R-Square (Adj R<sup>2</sup>) is 0.760 which means that 76% of the variations in competitive advantage of selected quoted insurance companies in Nigeria is accounted by Strategic Direction, Strategic Vision, Ethical Practices, Strategic Control and Strategic Intent. However the regression did not explain 24.0% of the variation in competitive advantage which was not captured in the model. In the results all strategic leadership components (strategic direction, strategic vision, ethical practices, strategic control and strategic intent) were positive and significantly affect competitive advantage of selected quoted insurance companies in Nigeria. The results shows that the model fits the data well, the total variation in the observed behaviour of competitive advantage is jointly explained by variation in strategic direction, strategic vision, ethical practices, strategic control and strategic intent up to 76%. The test for the overall significance of the model, the ANOVA of the F-statistics was (F<sub>(5,415)</sub>=91.619, p<0.05). This indicates that there was a statistically significant effect of strategic direction, strategic vision, ethical practices, strategic control and strategic intent on competitive advantage of selected quoted insurance companies (F=91.619, Adj.R<sup>2</sup> = 0.760, p<0.05). Using the statistical results the regression model can be fitted as follows:

$$CA = 0.361 + 0.196SD + 0.225SV + 0.165EP + 0.182SC + 0.155SI \dots \dots \dots \text{eq. (ii)}$$

Where: CA = Competitive Advantage; SD = Strategic Direction; SV = Strategic Vision; ET = Ethical Practices; SC = Strategic Control; SI = Strategic Intent

The table 5.1c presents the model's coefficient values from the regression. The results shows that strategic direction, strategic vision, ethical practices, strategic control and strategic intent were all have positive effect on competitive advantage of selected quoted insurance companies in Nigeria. The results further reported that the coefficients are: strategic direction ( $\beta = 0.196$ ,  $t = 5.67$ ,  $p < 0.05$ ), strategic vision ( $\beta = 0.225$ ,  $t = 7.03$ ,  $p < 0.05$ ), ethical practices ( $\beta = 0.165$ ,  $t = 4.21$ ,  $p < 0.05$ ), strategic

control ( $\beta = 0.182$ ,  $t = 6.32$ ,  $P < 0.05$ ), strategic intent ( $\beta = 0.142$ ,  $t = 4.22$ ,  $P < 0.05$ ) are statistically significant. Furthermore, the VIF (Variance Inflation Factor) of the independent variables are not up to 10 or 5; it is therefore indicated that there is no multicollinearity problem among the independent variables and that the study is free from multicollinearity problem. Therefore, since most of regression coefficients were positive and significant, the null hypothesis was rejected. Hence, the null hypothesis ( $H_0$ ) which states that strategic direction, strategic vision, ethical practices, strategic control and strategic intent do not significantly affect competitive advantage of selected quoted insurance companies in Nigeria was rejected.

There are several studies that are in line with the finding of this study such as Olaka *et al.* (2017), Jaleha (2018), Witts (2016), Olanipon, Olumuyiwa and Akinola (2018), Strukan, Nikolic, and Sefic (2017) regarding the positive and significant effect of strategic leadership on competitive advantage. Other studies (Andersson & Zbirenko, 2014; Wang, Tsui & Xin, 2011; Zoogah, 2011) have systematically examined strategic leadership and its effect on the competitive advantage of service firms with results pointing to positive relationship. Similarly, Mahdi and Almsafir (2014), Masungo, Marangu, Obunga, and Lilungu (2015) and Obunga, Marangu and Masungo (2015) revealed a strong significant positive result exist between strategic leadership and competitive advantage. Their study further revealed that strategic leadership influence performance as it is moderated by organizational factors as these factors results in competitive advantage (Cheng, Wang & Zhang, 2011; Kagathi, 2013). Theoretically, resources base view theory also supported our finding that consistent leadership strategies among the firm's unique resources through orientation, strategic leadership decisions, visualization and realization of purpose, team synergy, innovative thinking centrally linked with achieving superior competitive advantage and overall firm performance. Based on majority past studies findings and resource base view theory assertion that strategic leadership components significantly affect firm competitive advantage, this there rejected the null hypothesis that strategic leadership components do not significant affect firm competitive advantage of selected quoted insurance companies in Nigeria.

## 6. Conclusion and Recommendations

This study concludes that a well position and employment of strategic leadership enhanced sustainable competitive advantage for selected quoted insurance companies in Nigeria. Based on the finding of the study, it was recommended that; leadership in quoted insurance companies and in particular the CEO communicates with clarity, the strategic direction, strategic vision and strategic intent of the organization if it is to achieve its strategic objectives of remaining competitive in the market.

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