

Strategic Leadership, Operational Excellence and Organizational Performance: A Lesson from Japanese Company in Malaysia

Abstract: This paper focuses on the strategic leadership practices (SL) and Operational Strategy (OE) on XYZ Japanese automobile company and how it can give impact on Organizational Performance (OP). Since the mid-1980s a growing body of research on leadership has focused on strategic leadership, in contrast to managerial and visionary leadership. It focused on how leaders make decisions in the short term that guarantees long-term viability of the organisation. Specifically, this contribution addresses two issues including (1) the relationship between SL towards OP and (2) the relationship between OE and OP.

This study was conducted in one of the Malaysia's Japanese Automobile company located in Klang Valley, Selangor. This quantitative research according to its purpose and data collection method. The groups of employees from Senior Executive and above were reviewed. Around 200 questionnaires that were distributed, 51 usable questionnaires were returned, a respond rate of 25.5%. The finding reveals that the SL and OE have a significantly direct effect on OP.

Accordingly, the study provides several recommendations that included the need for Top Management Team as participants, different methodology used and so on, in order to achieve the best response to the needs and wishes of the Senior Executive and above in Malaysia particularly to increase their contribution to the achievement of SL and OS to raise the level of their OP as a whole.

Index Terms: strategic leadership, operational excellence, organisational performance.

I. INTRODUCTION

Strategic leadership can be defined as “the leader’s ability to predict, and maintain flexibility and to empower others to create strategic change as necessary” (Hitt, Ireland, & Hoskisson, 2012). It is multi-functional and relates to managing others as well as organizations in managing the challenges of today’s globalised business environment. Strategic leadership also requires expertise in managing both internal and external business environment and engage in a complex information processing (Deeboonmee & Ariratana, 2014).

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Over the past 20 years, the field of strategic leadership has undergone many changes. Good business leaders are able to identify and overcome obstacles that exist at a practical level. Distinct elements describe a leadership environment in three levels: complexity, time horizons and focus (see Guillot, 2003). Leaders are required to be direct, general and strategic (Jacobs, 2006).

Great leaders are judged as much by what they leave behind as much as by what they achieve during their tenure. A vibrant, vital organisation that is fiercely competitive and driven to excel is, of course, an important legacy of a leader (Boal & Hooijberg, 2001). This means having in place a high-performing leadership team, a thinking organisation and managers and employees at all levels passionately committed to getting things done. At the direct level of leadership, communications focus exclusively on the internal audience in the organisation. This is due to business leaders using maximum time at this level and they become comfortable and familiar with the environment (Guillot, 2003). However, at the operational level, there is different requirement. Performance requirements at the strategic level are the most challenging and the least familiar if viewed from the perspective of potential strategic leaders. Leaders need to improve their thinking as challenges abound, their performance requirements stringent (McCleskey, 2014). Therefore, it is vital to convince UMW Toyota's business leaders to use their integrative thinking to ensure best performance in their business.

This topic is an emerging field of study. There is limited research concerning the impact of strategic leadership in the operational strategy and performance of business organisations in Malaysia. Literature review revealed a gap that prompted the following research question: “What is the impact of strategic leadership in the operational strategy and performance of business organisations in Malaysia particularly in UMW Toyota”?

II. LITERATURE REVIEW

There have been similar studies conducted in the context of South Africa (Serfontein, 2011) and although there are many studies on leadership in Malaysia, not many have focused on the automobile industry. Tian, Risku, & Collin, (2016) stated that skilled leaders are able to guide their employees to perform



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effectively and provide high output. According to Carey, Kashyap, Rajan, & Stulz, (2012), "Internally, a company is likely to suffer a crisis of morale, confidence and productivity among employees and similarly, stockholders may panic when a company is left riddles and worry about the safety and future of their investments. When a public company is left with a void in leadership, for whatever reason, the ripple effects are widely felt both within and outside the organization". Strategic leadership is the aptitude to operate successfully and deliver extraordinary performance (Deeboonmee, & Ariratana, 2014). According to the resource-capability theory (Leiblein, 2011 & Porter, 2005) organisations are a gathering of particular ability, resources, organisational habits and proficiencies. Renko & Vignali, (2010) noted a difference between competitive advantage based on strategic assets/resources and competitive advantage based on capabilities, since an organisation's resources do not automatically guarantee its competitive advantage. Boal and Hooijberg (2001) point to the importance of managerial theories of leadership in explaining strategic leadership. Resources are seen as organisation-specific properties that are hard to handover because the assets may contain tacit knowledge as an organization's strategic leadership competency. Swann, & Brocklehurst, (2004), argued that the resource-based model emphases on the subtleties of technological, marketing, organisational, good performance and managerial novelty towards strategic leadership.

A. Operational Strategy, Strategic Orientation and Organisational Performance

Strategic Orientation is a specific method to develop strategies. It is a method based on the analysis of strengths, weaknesses, opportunities and threats (SWOT) (Al-Ansari, Bederr, & Chen, 2015). While Operational excellence is a philosophy of the workplace where problem-solving, teamwork, and leadership results in the ongoing improvement of the organisation (Coleman, 2010). The process involves focusing on customer's needs, keeping the employees positive and empowered, and continually improving performance in the workplace (Al-Ansari, Bederr & Chen, 2015). According to Beer, Voelpel, Leibold & Tekiec (2006), organisational strategy must be aligned with the environment and at the same time it must have the ability to fit its strategy in order to compete, survive and perform in a competitive environment.

Organisational performance really depends on leadership role (Harrison, 2011). Performance is multidimensional and is related to the subject of interest (Li & Simerly, 1998). Traditionally, firm's performance is measured by financial success and profitability and as well as key variables such as : return on assets (ROA), return on equity (ROE), return on sales (ROS), and return on investment (ROI) (Li & Simerly, 1998).

Most organisations may appear to be performing well performance in the short term due to favourable market conditions, for example, or they may have created a niche

enough with a single product or market position, but that can change quickly when business conditions deteriorates or during economic instability.

III. RESEARCH METHODOLOGY

A. Hypotheses

Based on literature review, the following are the research hypotheses:

H1: Strategic leadership is directly and positively associated with operational strategy.

H2: Strategic leadership is directly and positively associated with organizational performance.

The purpose of this quantitative study is to examine the association of strategic leadership with operational strategy and organisational performance in the automobile industry in Malaysia with a particular focus on XYZ Japanese Automobile company.

B. Survey and sample

A survey was conducted to collect data and test the hypotheses. A pilot study was conducted to test the measuring instrument prior to the self-administered questionnaire survey. The results of the pilot study helped refine the questionnaires. 200 questionnaires were distributed to selected senior executives, chief executive officers and members of the senior executive group between April and August 2014. Their responsibilities in their organizations give them a unique and comprehensive view of strategic leadership activities.

The performance of these organisations was measured by self-reported performance include: adaptive leadership, autonomy, communication, processes and systems, knowledge and values to ensure consistency in their performance.

A total of 51 valid responses was received, or a response rate of 25.5 per cent.

C. Measurement Instrument

A measurement instrument was adopted and adapted to measure the impact of strategic leadership on operational strategy, strategic orientation and organizational performance. The instrument was validated by Serfontein (Serfontein, 2011) and used to measure:

- Strategic leadership (independent variable)
 - Action
 - Coherence
 - Discipline
- Operational excellence (dependent variable)
 - Cost management
 - Product differentiation
 - Integration
- Organisational performance (dependent variable)
 - Self-reported performance

An operational excellence can be seen as a particular type of cost-management



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positioning (Porter, 2005). Porter argued that organisations can only attain a competitive advantage and earn superior returns if they pursue a dedicated positioning strategy. Bowen & Wiersema, (2005) noted that by reducing defects in products and develop better products faster will allow a company to better utilize its inputs. According to Waruhui (2014), the key factor for operational effectiveness and offers different advantages in successful management of industry change is an effective integration of functional areas.

Bowen & Wiersema, (2005) strategy model is used to measure strategic orientation in the sample companies. Organisations were asked: 'To what extent do the following statements best describe your workplace's competitive strategy?'

Self-reported performance measures were used to measure organisational performance in this study. Organisations were asked to indicate their current level of performance for each of the six performance measures. These performance measurements include: adaptive leadership, autonomy, communication, processes and systems, knowledge and values.

D. Cronbach Alpha coefficients

The Cronbach Alpha coefficients were computed and used to evaluate the internal consistency of the measuring instrument on responses obtained from the pilot study. The estimated Cronbach Alpha coefficients for the independent variable of the strategic leadership constructs of action, coherence and discipline were 0.89, 0.88 and 0.83 respectively. With regards to the dependent variable of operational excellence, the Cronbach Alphas were 0.86, 0.83 and 0.85. All the researched coefficients would appear to satisfy. Cortina, & Greenberg (2013) suggested minimum criterion for internal reliability.

Data was analysed using SPSS version 20. Exploratory data analysis (EDA) was used to summarise main characteristic of individual variables. Descriptive statistics was used to describe data set as well as means and standard deviations . , Inferential statistics on the other hand were used to make inferences on the relationship between the constructs of strategic leadership and operational strategy as well as organisational performance.

IV. RESULTS

A. Respondent's profile

The mean age in years of the overall 51 respondents is 33.84 with a standard deviation of 5. The sample respondent from Toyota is 51 (representing 31 males and 20 females with 61% and 39%, respectively). The 4 (8%) respondents from Toyota have a PhD, 18 (35%) respondents have a Master and 29 (57%) have a degree.

B. Corporate characteristics

The corporate characteristics show number of employees and annual turnover. The number of employees in XYZ Japanese Automobile companies approximately 8000 and it has an annual turnover of about 1.1 trillion as of 31st march 2014 (XYZ annual report, 2012).

C. Descriptive analysis of the dimensions

All dimensions of data were analysed using descriptive analysis as part of the exploratory approach. A respondent profile is shown in Table 4.2, showing mean, standard deviation and Cronbach Alpha. The respondents answered all the questions related to strategic leadership, operational strategy and organisational performance. All the questions were measured on a five-point Likert scale. The mean of strategic leadership (action, coherence and discipline) constructs was calculated from the operational strategy and organisational performance constructs. The standard deviation shows how the observations are spread around the mean. All the Cronbach's alpha coefficient for all dimensions were acceptable, since it is above the threshold of 0.5 for exploratory research (Cortina, & Greenberg, 2013).

D. Comparative analysis

In this section, correlations among certain variables were calculated and the p-values were used to determine whether the differences among the constructs were significant. The focus is on the following specific dimensions:

- Strategic leadership and operational strategy
- Strategic leadership and organizational performance

Endogenous constructs of operational excellence and organisational performance are also displayed. Operational excellence is measured by cost management, integration and product differentiation. Organizational performance is measured by EPS and ROA and self-reported measurements. This study shows that strategic leadership has an impact on operational strategy and performance of business organisations.

E. The influence of strategic leadership on operational strategy

The three constructs of strategic leadership (action, coherence and discipline) are tested for their influence on strategic orientation and its dimensions. These relationships were inspected by means of correlation analysis as well as regression analysis.

The results of the correlation analysis are shown is the Pearson correlation coefficients and regression (ρ) and p-values of the separated dimensions of strategic orientation are shown with the strategic leadership constructs. Cohen (1983) commented that a correlation below than 0.29 indicated a weak positive correlation and more than 0.5 a strong positive correlation (see also Miles, & Field, 2013).

Action, discipline, and coherence versus execution of strategy. The data from the study shows a strong positive relationship between action, discipline and coherence versus the execution of strategy ($r = 0.61$; $p = <0.05$; $r = 0.62$; $p = <0.05$; $r = 0.74$; $p = <0.05$). The Regression analysis also indicates the same relationship ($r^2 = 0.37$; $p = <0.05$; $r^2 = 0.39$; $p = <0.05$; $r^2 = 0.54$; $p = <0.05$).

The second hypothesis in this study is that strategic leadership (action, coherence and discipline) is directly and positively associated with organizational performance. Therefore, Strategic



Strategic Leadership, Operational Excellence and Organizational Performance: A Lesson from Japanese Company in Malaysia

leadership must have a positive effect on organizational performance and its dimensions. These relationships were inspected in this study by regression analysis and Pearson correlation coefficient.

The results of the correlation analysis on the relationship between strategic leadership and organizational performance are shown in Table 4.3 and 4.4. The Pearson correlation coefficients and p-values of the separated dimensions of organizational performance are shown with the strategic leadership constructs. Cohen (1983), remarked that a correlation of 0.1 to 0.29 indicates a weak positive correlation, 0.3 to 0.49 indicates a moderate positive correlation and > 0.5 a strong positive correlation.

H1) there are relationship strategic leadership and organizational performance

The data in the study indicated a strong positive relationship between strategic leadership and organizational performance (H2 accepted) both correlation and regression analysis.

H2) A relationship exists between strategic leadership and operational strategy

The result clearly indicates that strategic leadership is correlated with operational excellence. The correlation analysis shows that strategic leadership is moderately connected with cost management, but in regression analysis the value shows a weak positive relationship between action and cost management which is less than 2 (i.e. 0.15) it is a lump sum that strategic leadership is positively associated as a whole, but weakly associated between action and cost management (H2- Accepted)

Based on these findings, the Null hypothesis is rejected. By implication, the literature and the respondents who participated in this study confirmed that strategic leadership is directly and positively associated with the operational strategy and organizational performance in XYZ Japanese Automobile Company.

V. SUMMARY AND CONCLUSION

This study has contributed to literature by revealing a direct and positive relationship between strategic leadership operational excellence and business performance. Thus, executives and business leaders in XYZ Japanese Automobile Company have good strategic leadership practices and operational excellence towards their Organizational Performance.

This study proposes that strategic competitiveness will give companies an advantage to survive in an uncertain and turbulent era by formulating and executing their strategies successfully. It is also suggested that if organisations focus more on a product differentiation and integration of their people, they will perform well and yield above-average returns (Serfontein 2011).

It is strongly recommended that future researchers examine the impact of strategic leadership in the operational strategy and performance in different business sectors, as well as in public organisations, in order to have an all-inclusive view of the impact of strategic leadership in the

performance of business organisations in Malaysia.

End of 21st century's will be filled with competitive opportunities, threats and challenges for the countries. In Malaysia, this study proclaims that effective strategic leadership practices could help organisations boost their performance while competing effectively in an unpredicted and turbulent environment.

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