

**INFLUENCE OF TRANSFORMATIONAL LEADERSHIP
ON ORGANIZATIONAL PERFORMANCE OF STATE
CORPORATIONS IN KENYA**

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**Influence of Transformational Leadership on Organizational
Performance of State Corporations in Kenya**

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of Philosophy in Human Resource Management in the Jomo
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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

This work is dedicated to my loving husband Edwin M. Owuor and our three children; Jude, Cynthia and Bob for their immense support both directly and indirectly as I pursued my studies. Special thanks my parents and in - laws for their continued and constant encouragement to be the best that I could be. God bless you all.

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ACRONYMNS

CSR	Civil Service Reform
IC	Individualized consideration
II	Idealized influence
IM	Inspirational motivation
IS	Intellectual stimulation
LMX	Leader Member Exchange
MDGs	Millennium Development Goals
MLQ	Multifactor Leadership Questionnaire
MTEF	Medium Term Expenditure Framework
NPM	New Public Management
PC	Performance contracting
PCD	Performance Contracting Department
PRSP	Parastatal Reform Strategy Paper
RoK	Republic of Kenya
UWES	Utrecht Work Engagement Scale

DEFINITION OF TERMS

Employee Engagement - A workplace approach designed to ensure that employees are committed to their organizations goals and values, motivated to contribute to their organizational success and able at the same time to enhance their own sense of well-being. (Macey & Schneider, 2008).

Idealized influence - Refers to behaviors like showing that benefits of the group are more important than benefits of the individual, demonstrating high ethical norms and being a role model for the subordinates (Bono & Judge, 2004).

Individualized consideration - Involves responding to the specific, unique needs of followers to ensure they are included in the transformation process of the organization (Simic, 1998).

Inspirational motivation - Is the degree to which the leader articulates a vision that is appealing and inspiring to followers (Kelly, 2003).

Intellectual stimulation - Involves arousing and changing followers' awareness of problems and their capacity to solve those problems (Bono & Judge, 2004).

State Corporation – Entity however incorporated that is solely or majority owned by government or its agents for commercial purposes (RoK, 2013).

Transformational leadership – Is leadership that focuses on the enhancement of followers' involvement with the goals of the organization, leading to performance (Stone, Russell & Patterson, 2004)

ABSTRACT

Globalization and capital markets over the past two decades have changed business landscape. Most firms have expanded operations overseas and even strictly domestic firms are facing competition from abroad. To respond to global competition and meet the requirements of Kenyan *Vision 2030* it is necessary than ever to implement the right HR strategies in order to improve organizational performance in State Corporations in Kenya. In Kenya reforms and transformations mostly depend on high levels of motivation and commitment on the part of leaders to solve complex problems associated with implementation and restructuring initiatives. While transformational leaders have been advocated as productive during reforms and transformations and evidence suggests that transformational practices do contribute to organizational performance, past research has been predominantly on overall transformational leadership rather than its dimensions and even fewer studies have focused on the possible mediators between transformational leadership and organizational performance. This study addressed this shortcoming by establishing the influence of transformational leader behaviors on organizational performance with an interest on the mediating effect of employee engagement between these relationships in the state corporations in Kenya. A survey data from 90 sampled State Corporations in Kenya was used to explore the existing relationships. Stratified random sampling technique was employed to select the respondents for the study. Both primary and secondary data was used in this study. Primary data collected using structured questionnaires was prepared and analyzed with the help of the Statistical Package for Social Sciences (SPSS) version 22. Descriptive statistics such as means, standard deviations as well as inferential statistics; correlations and regressions analyses were conducted to establish the relationships between the study variables. A Sobel test was used to establish the mediating effect of employee engagement between transformational leadership and organizational performance. The findings indicate that both transformational leadership and employee engagement are significantly related to organizational performance in State Corporations in Kenya. Three out of the four of transformational leader dimensions in this study; inspirational motivation (though weak), intellectual stimulation and individualized consideration were found to be significantly related to both employee engagement and organizational performance. Idealized influence of leader was however found to be negatively related to both. Employee engagement was found to partially mediate the relationship between transformational leadership and organizational performance. The study thus recommended that HR managers should develop HR policies and practices for leaders around the three dimensions of transformational leadership dimensions if they are to influence, their subordinates' engagement and subsequent organizational performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The concept of leadership has generated dozens of theoretical and empirical models over the past decades (Jacobsen & House, 2001). Leadership concept is one of the most discussed, examined and yet elusive idea in social science (Bennis & Nanus, 1986). Leadership has been regarded as critical in the initiation and implementation of transformations in both individuals and organizations. Leadership literature points out that it has been an important topic in both the academic and organizational worlds for many decades (Zhang, 2010) and has gained importance in every walk of life, from politics to business and from Education to social organizations (Kala, 2014).

The available literature reveals a wide range of definitions for leadership (House & Aditya, 1997), for instance leaders are considered as those individuals that have clout - commonly assigned through formal position or authority to influence group members and to move them toward a common organizational goal (Northouse, 2007). Most of leadership definitions are two fold; that is, to provide direction and exercising influence over subordinates' (individualistic) as well as mobilizing work with others to achieve shared goals (organizational context).

The history of leadership has witnessed its evolution into various stages; Ranging from classical leadership as the oldest style with its origin in antiquity and was the prevailing view until 1970s. In classical leadership the leader commands or maneuvers others to act towards an objective which may or may not be explicitly stated and other members of the group adhere to the directives of the leader and do not question openly their commands either out of fear or out of respect for the leader. Critiques of this style of leadership however argue that this leadership may only operate successfully when followers accept right or duty of leader to dictate them, but may however be limited in instances where leader cannot command or control

every action or complex situations demanding the capacity of more than one person, or when additional commitment of followers is called for (Zhang, 2010).

The next leadership style, transactional arose when human relations movement brought a focus on followers and their surroundings. Transactional leaders and their followers interact and negotiate agreements that they are engaged in. Here it is important for the leader to have power to reward followers (Bass & Avolio, 1993). Other known transactions require correcting followers or getting involved with issues that needs the leaders' attention known as management by exception (Bass, 1985; Avery, 2004). Transactional leaders regard their followers as individuals and focus on their needs and motives. According to Avery (2004) transactional leadership overcomes some limits of classical leadership in that they are known to involve followers. But this too has limits whereby followers can perceive the monitoring of leadership as constraining and lowering their ability to perform at their best. This style may also not apply in times of rapid change and uncertainty, particularly when greater commitment is needed.

1.1.1 Transformational Leadership

From mid 1980s, visionary leadership emerged with its emphasis on follower commitment to vision of the future. Over the past two decades visionary also known as transformational leadership emerged as one of the most popular approaches to understanding leader effectiveness. Transformational leadership is seen as the required leadership in that, such leaders transforms the norms and values of employees, whereby the leader motivates the workers to perform beyond their expectations (Yukl, 1989). Here the leader focuses on the enhancement of followers' involvement with the goals of the organization (Bass, 1994) leading to employee engagement first to their jobs and then to their organizations in the long run.

Interest in transformational leadership over the past three decades is the result of two tendencies (Simic, 1998). First there were the significant global economic changes from the early 1970s which followed on from about 25 years of post-World War 2 stability. This meant that many large western companies such as General Motors had

to consider radical changes in their ways of doing business. Factors such as rapid technological changes heightened levels of competition, rising flow of products from newly industrialized countries, volatility in Organization of Petroleum Exporting Countries (OPEC) pricing strategies, and changing demographic structures created a turbulent, unstable and competitive environment in which significant organizational change was imperative. Changes often included downsizing and the adoption of new forms of organizational arrangement. These amendments took their toll on worker satisfaction and empowerment and broke the old social contract of long-term employment in return for employee loyalty (Griffin, 2003). Because companies needed to resolve the apparently contradictory challenge of finding new ways of affecting change while simultaneously building employee morale, new approaches to leadership were needed (Conger, 1999).

Secondly, the theoretical base of work on leadership that prevailed in the 1970s was founded in explorations of traits, behaviors, and situations (contingency theories) and failed to account of some 'untypical' qualities of leaders (Simic, 1998). This meant that new dimensions of leadership had emerged that went beyond the previous known styles as transactional or even situational, calling for a new redefinition.

Transformational leaders elevate people from low levels of need, focused on survival (as expressed Maslow's hierarchy of needs theory), to higher levels (Kelly, 2003; Yukl, 1989). These leaders may also motivate followers to transcend their own interests for some other collective purpose (Feinberg, Ostroff & Burke, 2005) and typically help followers satisfy as many of their individual human needs as possible by appealing notably to higher order needs such as to love, learn, and to leave a legacy. This style of leaders are said to engender trust, admiration, loyalty and respect amongst their followers (Barbuto, 2005).

Transformational leaders require that leaders engage with followers as 'a whole' person rather than simply targeting certain employee aspects to emphasize the actualization of followers (Rice, 1993). This leadership style according to Chekwa (2001) is based on self-reflective exchanging of values and beliefs by the leader and

their followers, whereby leaders and followers raise one another's achievements to levels that might otherwise have been impossible on ones' own.

1.1.2 Transformational Leadership and Employee engagement

The subject of employee engagement has generated a great deal of interest in recent years as a widely used term in organizations and consulting firms. The term is used at different times to refer to psychological states, traits and behaviors as well as their antecedents and outcomes (Macey & Schneider, 2008). In some cases employee engagement has been characterized as a distinct and unique construct that consists of cognitive, emotional, and behavioral components associated with individual role performance (Saks, 2006). Engagement occurs when employees know what to expect, have resources to complete their work, participate in opportunities for growth and feel they contribute significantly to their organizations (Batista- Taran, Shuck, Guittierez & Baralt, 2009).

While Employee engagement is defined in many ways, the following definitions will be preferred; Engagement is the willingness and ability to contribute to company success; the extent to which employees put discretionary effort into their work, in the form of extra time, brainpower and energy (Towers & Perrin, 2003). Employees are said to be engaged when many different levels of employees are feeling fully involved and enthusiastic about their jobs and their organizations. Engaged employees often display a deep, positive emotional connection with their work and are likely to display attentiveness and mental absorption in their work (Saks, 2006).

The relationship between engagement and leadership is that every manager must fulfill leadership role in the workplace. Most managers often make the assumption that by simply being managers, they are also leaders and that their subordinates' will automatically follow them (Hall, Guirdy, Mckyer, Outley & Ballard, 2008). This is not always the case and organizations must make concerted effort to have leaders who are able influence their subordinates' in many spheres (such as engagement levels) if they are to achieve organizational objectives.

Engaged employees are beneficial to their organizations whether public or private. State corporations may equally benefit from engaged employees, as the firms play important roles in the socio-economic development of their nations. State corporations represent the extended arm of Government, by providing key goods and services that would otherwise not be served by private sector alone (Motinga, 2004). According to Kala (2014) employee engagement has been called the most useful idea for human resources practitioners in the 21st century (McBain, 2006) and ultimate prize for employers (Perrin, 2003). A Tower Perrin's 2006 global survey found that companies with engaged employees had a near 52% gap in performance improvement in operating income and customer satisfaction compared with companies whose employees had low engagement scores (Towers Perrin, 2006).

Transformational leadership rests on the assertion that leader behavior can arouse followers to a higher level of thinking (Bass, 1985; Burns, 1978). By appealing to follower ideals and values, transformational leaders enhance subordinates' commitment to a well-articulated vision and inspire them to develop new ways of thinking and solutions to problems. Indeed the positive association between the transformational leader and follower is well documented (Fuller et al., 1996) and many studies too have begun to examine the process by which those effects are ultimately being realized (Bono & Judge, 2003).

It has been suggested that leadership is one of the most important factors that influence work engagement (Schaufeli & Salanova, 2007). Meyer and Allen (1997) found that leadership can be used as an antecedent for organizational commitment. In particular Aditya (2009) asserts that leadership style is crucial in encouraging employee engagement. Most studies also indicate that leadership style has not only been recognized as a critical component in the effective management of employees, but has also been suggested as one of the single biggest elements contributing to employee perceptions in the workplace and workforce engagement (Wang & Walumbwa, 2007; Macey & Schneider, 2008). Empirical data suggest that there are many ways through which leaders for example focus on follower influence such as by forming and communicating inspirational vision (Conger & Kanungo, 1987).

1.1.3 Transformational leadership, Engagement and Organizational Performance

Performance management remains relevant to organizations in the twenty first century. According to Fwaya (2006), organizational performance is the assessment of the functioning of an organization under such parameters as productivity, employee morale and effectiveness with the aim of attaining competitive advantage. Performance decisions are useful in making decisions towards performance oriented reforms that lead to achievement of organizational goals (Taylor, 2011).

A central aspect of transformational leadership style is the need for change for the benefit of both the individual and organizations they lead. These leaders create an inspiring vision of their organizations, and motivate their followers to work towards achieving organizational success (den Hartog, Koopman & Van Muijen, 1997). As promoters of change, the leader will influence their subordinates' to follow in their direction and act as a bridge between leadership behaviors and organizational performance. The leaders elevate their followers' interest, values and motivational levels (Bass, 1994) to perform beyond expectation and achieve the organizations goals.

Empirical literature points to the fact that, there is a direct linkage between employee engagement on one hand and organizational profitability (Czarnowsky, 2008); customer satisfaction (Macey & Schneider, 2008); increased sales (Posdakoff & Mckenzie, 1994) and positive extra role behaviors (Organ, Posdakoff & Mckenzie, 2006). These outcomes are seen as not only due to leadership, but also as a result of employee engagement to first their jobs and then organizations.

Employee engagement however despite being critical for organizational performance, is neither infinite, nor self-renewing, and thus if not well managed may pose a risk to employers. A Towers Perrin, 2005 global workforce survey involving about 85,000 people working full – time for large and medium sized firms found that only 14% of all employees worldwide were highly engaged in their job, while 24% reported that they were actively disengaged (Towers Perrin, 2006). A study by Fleming and Asplund (2007) also found that, although engaged employees

are consistently more productive, profitable, safer, healthier, and less likely to leave their employer, only 30% of the global workforce is estimated to be engaged (Harter, Schmidt, & Hayes, 2002; Saks, 2006). Moreover, Czarnowsky (2008) highlights that despite continued evidence of linkages between engagement and positive business outcomes, employee engagement is declining.

1.1.4 State Corporation Reforms and Transformation

Effective public sector management is a critical ingredient for sustainable development in Africa (Hope, 2012). Consequently public sector reforms remain necessary and on-going policy objectives for many countries. Many countries are taking steps to streamline governments, strengthen institutions and modernize management (Obong'o, 2009). According to Wilkins (2014) there can be no meaningful public sector reforms without public service renewal.

The history of post – independent African states is that of monumental democratic and developmental failures (Njiru, 2008). After almost five decades of independence, most countries on the continent are characterized by underdevelopment and poverty among vast majority of the citizens. These can be seen in Africa's dominance in the primary sectors (not manufacturing or industrial) such as agriculture, low domestic capital, heavy debt and high unemployment rates.

The African continent, in relation to the rest of the world, lags behind in all other regions in regards to performance indicators. For instance, the gross national income in purchasing power parity was seen at a low of US dollar 2480 in Africa against a worldwide figure of US dollar 9190 (Njiru, 2008). Given the current trends in socio-economic development, most African states in exception of a handful, could be in danger of missing out on many of the Millennium Development Goals (MDGs') by 2015.

As early as the 1970's many governments in Africa recognized that state corporations were performing poorly. Poor performance by state corporations have been associated with labor rigidities, increased fiscal and foreign debt and inflation problems (Shirley, 1999). State corporations were noted to provide poor and unreliable services and failed to meet citizens demands. Despite the dismal

performance of state corporations, in developing countries, state corporations remain an integral part of socio-economic activity (Oluoch, 2013) and are expected to play integral role in a country's development agenda. Rising stakeholder expectations have forced governments in many countries to reform state corporations with the aim of improving their operations, reduce deficits and make them perform optimally for national competitiveness (Dockey & Herbert, 2000).

Noting that the public sector efficiency sets the standards for other sectors in Kenya, the Government of Kenya launched a series of reforms such as; the 1993 civil service program to enhance public service efficiency and productivity. The program was set out in three phases as; cost containment, performance improvement and consolidation and sustenance of gains made by reform initiatives (R.o.K, 2008). State corporations alongside parent ministries and departments took part in the performance contracting and are subject to evaluations to ensure the reforms in public sector is realized (RoK, 2010).

The history of state corporations in Kenya dates back from the independence days when they were formed to promote the interest of colonialists. After independence in 1963 the Kenyan Government found out that owing to shortage of private domestic savings and inadequate or total lack of entrepreneurial training, experience and management skills, the task of national development for rapid rate of economic growth could not be entrusted to the exigencies of market forces alone (RoK¹, 2010). This led to the publication of the first National Development Plan in 1964 known as Sessional Paper No. 10 on African Socialism and its application to planning in Kenya. As a direct result of some of the policies set out in this Paper, the Government established various state corporations under a number of legal instruments including Acts of Parliament.

Since independence in 1963, there has been a proliferation of state corporations covering all sectors of the economy such as agriculture, commerce, industry, tourism, construction, housing, banking amongst others. Some of the state corporations established during the former era have either been abolished or amalgamated. State corporations were later divided into eight functional categories to include; Banks,

Financial and Insurance, Development Authorities and Corporations, Research and Education and miscellaneous. Each state corporation is responsible to a parent ministry within the Government with the Executive head of that state corporation being answerable to the Permanent Secretary of that ministry (RoK², 2010). The same have been reclassified into five categories as; Commercial state corporations, Commercial state corporations with strategic functions, Executive agencies, Independent Regulatory Agencies, Research institutions, Public Universities, Tertiary Education and Training institutions (RoK, 2013).

The reforms and transformation processes in Kenya have largely been geared towards overhauling administrative systems to better serve the needs of both governments and citizenry with improved public services by reducing poverty and sustaining good governance. Like other African countries, Kenya has been primarily driven by the fact that state bureaucracy has been underperforming and public service delivery has not been optimal. According to Hope (2012) these reforms revolved and culminated in the notion of re-engineering of the public sector known in the literature and practice as the “New Public Management” (NPM).

NPM broadly symbolizes the aim of fostering a performance oriented culture that sought to revamp the process through which public organizations operate in order to increase efficiency and effectiveness by encompassing client oriented, mission driven, and quality enhanced management (Hope, 2001). This initiative is intended to better serve the needs of both government and citizenry with improved delivery of public services to reduce poverty while improving livelihoods and sustaining good governance (RoK¹, 2010). Organizations and their leadership were to be involved in performance contracting.

Performance Contracting (PC) is a freely negotiated agreement between Governments and the respective Ministry, Department or Agency (MDA) which clearly specifies the intentions obligations and responsibilities of the two contracting parties was instituted. As such it stipulates the results to be achieved by the contracted party and the commitment of Government as the contracting party. PC is a key component of the performance based practices adopted by the Government of

Kenya (RoK, 2003). It is currently being implemented in 462 public institutions including the 178 state corporations. PC was first introduced in Kenya through the Parastatal Reform Strategy Paper (PRSP) which was approved in 1991.

This PRSP saw the introduction of PC on a pilot basis on two agencies as; Kenya Railways Corporation and the National Cereals and Produce Board and later re-introduced in the Kenyan Public Service in 2004 as part of the Civil Service Reform (CSR). Implementation of PC is overseen by an institutional framework anchored in the Executive arm of Government. In the evaluation of PCs, the parameters for evaluation are founded on performance criteria categories and total sub-weights are preset. Under each criteria category, a set of indicators are defined. A sample of the performance evaluation criteria used by the Government to rank the various MDA's, indicate the rankings using performance grading of Excellent (1.00-1.49), Very good (1.50-2.49), Good (2.50-3.49), Fair (3.50-3.59) and Poor (3.60-5.00) as cited in the (OPM / PER, 2012).

According to Aseka (2005) the practice of transformative leadership began to emerge in Kenya on the backdrop of poor results of transactional leadership which had been predominant since independence in 1963. Bukachi (2009) support this sentiment by noting that although leadership has been practiced for long in Kenya, tendencies towards transformational leadership are now high in both public and private organizations. Transformative leadership has been daunted with the task of enhancing goal attainment in the re - engineering of the public sector drawing on the NPM.

Some state corporations with the help of transformational leaders have been reported to post outstanding performance in the performance contracting results as evident in the improved public performance since the advent of 2003 multi-party democracy (RoK, 2011).

The Government of Kenya currently regards its public sector transformation strategy as a dynamic and focused process designed to fundamentally reshape the public service to accomplish its role in the achievement of vision 2030 (Isahakia, 2010). The *Kenya vision 2030* is the countries new development blue print covering the

period 2008 to 2030 and aims to transform Kenya into a newly industrializing middle income country providing a high quality life to all its citizens by the year 2030. The aim of Vision 2030 is to transform Kenya into a newly industrializing middle income country providing a high quality of life to all citizens in a clean and secure environment. Simultaneously the vision aspires to meet the MDGs for Kenyans by 2015.

State corporations in Kenya have continued to play diverse roles with mixed results. In driving towards the goals set under Vision 2030, state corporations are expected to play five key roles as; promoting and or accelerate economic growth, supporting efforts aimed at building institutional capability and technical capacity, improving delivery of public services, supporting the creation of good and widespread employment opportunities and supporting targeted and judicious building of regional and international partnerships.

1.2 Statement of the Problem

Faced with a challenging and fluid global as well as regional context, it is clear that state corporations in Kenya must implement the right HR strategies in order to improve productivity and effectiveness in their organizations. Past research indicate that state corporations in Kenya have been faced with a myriad of challenges including corruption, nepotism and mismanagement (World Bank, 2011). According to Miringu and Muoria (2011) state corporations in Kenya have experienced a series of challenges leading to some of them winding up or undergoing privatization. Moreover in 2011 /12 financial year a total of eleven commercial state corporations made losses (GoK, 2013)

The continued deterioration of the performance of these corporations has led to much emphasis to restructure functioning of state corporations such as the Kenya Ports Authority (KPA), Kenya Railways (KR) and Kenya Power and Lighting Company (KPLC) among others. Recently key state corporations such as Kenya Airways (2014/2015), Mumias Sugar Company Limited (2013/14) financial reports indicated huge losses necessitating a call on the government of Kenya to bail them out of their

financial woes. Other challenges in the parastatal sector involved strikes among public University lecturers (2012 /13) and medics in Kenyatta National Hospital (2011).

These continued challenges disrupt vital services offered to the citizens causing much suffering and inconveniences, and if not controlled may hamper the achievement of the Governments *vision 2030* goals through state corporation contribution. According to Wamalwa (2003) there was still a need to boost strategies to achieve the sustained 10 percent desired growth rate. Kenya's economic growth is still not good enough to achieve Vision 2030 goals (Njiru, 2008). The study sought to explore relevant HR strategies that can be used turn around the challenges facing state corporations in Kenya to facilitate improved performance.

Although transformational leadership has been found to relate to organizational outcomes, past research has been predominantly on overall transformational leadership rather than its dimensions (Saboe, Taing, Way & Johnson, 2015) and there is lack of understanding on the mediators through which transformational leadership relates to these outcomes (van Knippenberg & Sitkin, 2013). This study sought to evaluate the influence of four transformational leadership behaviors on organizational performance and the mediating effect of employee engagement between the variables.

1.3 Research Objectives

1.3.1 General objective

This study aimed to analyze the influence of transformational leadership on organizational performance in State Corporations in Kenya.

1.3.2 Specific Objectives

1. To examine the effect of idealized influence on employee engagement and organizational performance in state corporations in Kenya.
2. To establish the influence of inspirational motivation on employee engagement and organizational performance in state corporations in Kenya.

3. To examine the influence of intellectual stimulation on employee engagement and organizational performance in state corporations in Kenya.
4. To establish the influence of individualized consideration on employee engagement and on organizational performance in state corporations in Kenya.
5. To examine the extent to which employee engagement mediates the relationship between transformational leadership and organizational performance in state corporations in Kenya.

1.4 Research Hypotheses

The following null hypotheses were generated and tested in this study;

H₀₁: Employee perception of idealized influence in his /her direct supervisor is not significantly related to employee engagement and organizational performance in state corporations in Kenya.

H₀₂: Employee perception of inspirational motivation in his / her direct supervisor does not significantly influence employee engagement and organizational performance in state corporations in Kenya.

H₀₃: Employee perception of intellectual stimulation in his or her direct supervisor does not significantly influence employee engagement and organizational performance in state corporations in Kenya.

H₀₄: Employee perception of individualized consideration in his or her direct supervisor does not significantly influence employee engagement and organizational performance in state corporations in Kenya.

H₀₅: Employee engagement does not mediate the relationship between transformational leadership and organizational performance in state corporations in Kenya.

1.5 Scope of the Study

This study focused on employees and management in 178 state corporations in Kenya as per the 2010/2011 Performance Contracting Evaluations results (RoK, 2013). State corporations play an important role in national economic development and represent the extended arm of the Government, by providing key goods and services to the economy that would otherwise not be served by private enterprises alone (Motinga, 2004). The study was limited to three thematic issues of transformational leadership, employee engagement and organizational performance and the relationships there in.

1.6 Significance of the Study

This study will be of benefit to the following;

1.6.1 The Government of Kenya

The findings of this study suggest the extent to which various components of transformational leadership are believed to influence employee engagement in state corporations. The emphasized attributes of the transformational leader may thus be used in public sector for; policy decisions; recruitment and selection as well as training and development of managers in the various Public service sectors in Kenya. This will help to increase employee engagement levels and organizational performance in public sector thereby boosting the realization of the socio – economic aspects of the Kenyan *Vision 2030*.

1.6.2 The Managers and Employees at State Corporations

The Management of the targeted State Corporations will also benefit by knowing the engagement levels of their workforce as well as those leader behaviors, considered important in affecting employee engagement and organizational performance. Such information may be used for training of existing leaders or future recruitment purposes if these leaders are to influence employee engagement and organizational performance in their organizations.

1.6.3 Academicians and Future Researchers

This study will also be of benefit to academicians and future researchers who may be inspired by this study and may use it as basis for further research or to fill in the identified research gaps.

1.7 Limitations of the study

This study was hindered by;

1.7.1. Biased reporting

This study data was generated by use of self- reported Questionnaires which while considered cost-effective and time - saving, may have the potential for bias (Polit & Beck, 2008). The study countered this bias by employing the use of tested and validated instruments that had earlier been used in previous studies with much success.

1.7.2 Unwillingness to give information

This study was conducted in State Corporations and thus posed a challenge in obtaining information needed for the study due to fear of reprimand or lack of confidentiality for respondents. The researcher obtained introduction letters both from University (see Appendix) and permission from relevant authority within the state corporations thus an assurance to respondents of the basis for and confidentiality of information collected.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the theoretical, conceptual and empirical literature pertinent to the study. Theories of leadership especially transformational leadership, employee engagement and organizational performance which formed the major variables of the study are reviewed and discussed. The empirical literature (past researches) on the various themes, are also reviewed to establish research gaps inherent in the studies. Lastly, critique of literature, summary and research gaps too, form key components of this section.

2.2 Theoretical Framework

A theory is an explanation of some aspect of phenomenon. Theories have practical value because they are used to better understand, predict and control various phenomena. The main aspect of theory is to inform practice. It has been said that there is nothing as practical as a good theory. Leadership, employee engagement and organizational performance draw upon numerous theories some of which are discussed in this study.

2.2.1 Leadership Theories

For many decades, leadership theories have been the source of numerous studies. Many scholars have tried to define what allows leaders to stand apart from the masses, leading to as many theories as there are philosophers, scholars and professors. The theories are commonly categorized by which aspects are believed to define the leader. The most widespread theories include; great man theory of the 1840's; trait theory (1930's – 40's); behavioral theories (1940's – 50's); contingency theories (1960's); transactional theories (1970's) and transformational leadership theories (1970's).

Trait theories originated from assumptions that leaders are born and not made. Researchers wanted to identify a set of characteristics that distinguished leaders from followers. Thus the leader-trait theories attempted to explain the distinctive characteristics that accounted for leader effectiveness such as energy level, appearance, aggressiveness and dominance. This list would then be used to promote candidates for leadership.

Behavioral theories deviated from the trait theories to focus on what the leader actually did on the job. These theorists explained leadership as a product of distinctive styles used by effective versus ineffective leaders. Kurt Lewin (1890 - 1947) the first school of thought in these array of scholars who posited that leaders were a function of their behaviors and that such actions could be trained or developed (Shriberg & Shriberg, 2011). While there are numerous models of successful leadership, the three foundational studies remain as, the Ohio State studies, university of Michigan and Robert Blakes leadership grid.

Contingency approaches to leadership arose due to the apparent failure of the two earlier approaches to fit in all situations (universalistic). It became apparent that there was no one leadership style that suited all situations leading to the birth of contingency approaches. These approaches tried to define leadership success based on leaders, followers and situations. In the mid to late 1970's leadership paradigms began to shift to the integrative theory. Meaning the theories attempted to combine trait, behavioral and contingency theories to explain successful leader-follower relationship. Contingency theory is thus about using the right style of leadership in the right situation to succeed. Fiedler (1951) developed the first which he called contingency theory of leader effectiveness and noted that leadership style is a reflection of both personality and behavior and that leaders do not change styles but situation may call for different leadership (Achua, 2007).

2.2.2 Transformational Leadership Theories

The transformational leadership was initially introduced by leadership expert McGregor Burns (1978) by distinguishing between ordinary (*transactional*) leaders, who exchanged tangible rewards for the work and loyalty of followers, and extraordinary (*transformational*) leaders who engaged with followers, focused on higher order intrinsic needs, and raised consciousness about the significance of specific outcomes and new ways in which those outcomes might be achieved (Barnett, McCormick & Conners, 2001; Judge & Piccolo, 2004). According to Burns, transformational leadership can be seen when leaders and followers make each other to advance to a higher level of morale and motivation. Through the strength of their vision and personality, such leaders are able to inspire followers to change their expectations, perceptions and motivation to work leading to achievement of organizational goals.

The idea of transformational leadership was developed further by Bass (1985), who disputed Burns' conception of transactional and transformational leadership as opposites on a continuum. He suggested instead that the two, are separate concepts and that good leaders demonstrate characteristics of both (Judge & Piccolo, 2004). Bass expanded upon Burns original ideas and developed what is today referred to as Bass' Transformational Leadership Theory. According to him, transformational leadership can be defined based on the impact such leaders will have on followers.

Transformational leaders garner trust, respect and admiration from their followers. They help their followers, under certain conditions employees to rise above their own self-interests and give extra effort in order to achieve the organization's mission (Bass, 1985). Such leaders are able to elicit this extra-ordinary performance on followers through behaviors that motivate exceptional performance (Conger & Kanungo, 1998; Bass 1985) leading to organizational performance.

Both Burns (1978) and Bass's (1985) theories explained the interaction between employees and management especially how the relationship between employee and management is managed in ways that ultimately leads to employees going beyond their self-interest in support of organizational targets. Transformational and

transactional leadership theories provide a useful lens for understanding how leaders impact organizational performance. Though there are differences between transformational and charismatic theories, scholars are now viewing them as sharing much in common and referring to this body of work as new leadership theory (Hunt & Conger, 1999) or neo-charismatic theory (Fiol, Haris & House, 1999).

According to Bass (1990) transformational leadership occurs when leaders broaden and elevate the interests of their employees, generate awareness and acceptance of the purposes and mission of the group, and stir employees to look beyond their own self-interest for the good of the group. Transformational leadership fosters capacity development and brings higher levels of personal commitment amongst 'followers' to achieve organizational objectives. Together, heightened capacity and commitment are held to lead to additional effort and greater productivity in organizations (Barbuto, 2005; Leithwood & Jantzi, 2000).

Transformational leaders are active leaders that have four distinguishing characteristics; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1985; Conger, 1999). Such leaders devote significant energy to leading their employees and also respect the gifts and abilities of their workers. The four leadership dimensions stated enable leaders to behave as strong role models fostering followers' transformation into more successful and productive individuals (Hay, 1995). Transformational leaders thus display behaviors that can potentially impact the level of engagement of their employees

Conger and Kanungo (1994) identified six dimensions that include behaviors associated with articulating a group vision, personal risk, avoiding the status quo and sensitivity to follower needs. Posdakoff et al., (1990) also identify six dimensions of transformational as; articulating a vision, role modeling appropriate behavior, fostering acceptance of group goals, high performance expectation, and intellectual stimulation as well as providing individual support. Lastly, Shamir, Zakay, Breinin & Popper (1998) describe four dimensions of transformational leadership as; ideological emphasis, emphasizing collective identity, exemplary actions and supportive behaviors.

2.2.3 Khan's Psychological Model

Given the limited research on employee engagement, there has been little in the way of model or theory development. Two streams of research that provide models for employee engagement are however, Khans' and Maslachs' theories. Khan (1990) studied conditions of personal engagement and disengagement at work, by interviewing summer camp counselors and organizational members of an architect firm about their moments of engagement and disengagement at work. He found three psychological conditions associated with engagement or disengagement at work; meaningfulness, safety and availability. In other words workers were more engaged at work in situations that offered them meaningfulness and psychological safety and when they were more psychologically available (Saks, 2005). In the only study that tested Kahn's (1990) model, May et al., (2004) found that meaningfulness and psychological safety were significantly related to engagement. They also found job enrichment and role fit as positive predictors of engagement.

2.2.4 Maslach's Burnout Theory

The other model of engagement is Maslach's which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one's job (Maslach et al., 2001). In this theory the six areas of work life that can lead to burnout and engagement are identified as; workload control, rewards and recognition, community and social support, perceived fairness and values. Although both Kahn (1990) and Maslach et al., (2004)'s models indicate psychological conditions or antecedents that are necessary for engagement, they do not explain why individuals will respond to these conditions with varying degrees.

2.2.5 Social Exchange Theory (SET)

A stronger rationale for explaining engagement is found in Social Exchange theory. SET argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. A basic tenet of SET is that the relationship revolves over time into trusting, loyal and mutual commitments as long as the parties abide by the rules of exchange (Cropanzo and Mitchell, 2005).

Rules of exchange usually involve reciprocity or payment, such that actions by one party, leads to response or action by other party. For example when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization (Cropanzo and Mitchell, 2005). This is consistent with Robinson et al., (2004) which describes engagement as a two way relationship between the employer and employee.

One way for individuals to repay their organization is through their level of engagement; that is employees will choose to engage themselves in varying degrees in response to the resources they receive from their organizations (Saks, 2005). In summary, SET provides a theoretical foundation to explain why employees choose to become engaged or less engaged in their work and organization. In Kahn's (1990) definition of engagement, employees feel obliged to bring themselves more deeply into their role performances as repayment for resources they receive from their organizations, good leadership included.

2.2.6 Leader Member Exchange (LMX) theory

Leader member exchange is another employee engagement theory in line with the SET theory. LMX theory provides how leaders in groups maintain their position through a series of tacit exchange and agreements with their members (Salmon & Robinson, 2008). LMX thus focuses on the relationship between leader and follower. Graen (1975) developed this model operating on the premise that all subordinates are not treated equally. Because of time restraint and human nature, leaders often spend more time with one group of subordinates' than with others. This then become the *in - group* who are seen to perform at a higher level than their counter-parts in the *out – group* (Shrieberg & Shrieberg, 2011).

According to Batista-Taran et al., (2009) LMX focuses on the dyadic and quality of the relationship between leader and followers, and where members feel as a part of a group and of which they have more responsibilities, take proactive decisions and have high access to organizational resources. When the members feel the opposite where leader offers low levels of support to follower, the subordinates feel less motivated and this influences their ability to perform effectively.

2.2.7 Goal Setting Theory

Goal setting theory provides that performance in organizations is enhanced when goals are set. The goals act to direct both leaders and employees in organizations towards certain performance targets. Organizational goals also provide performance standards and are what is measured to establish achievement of objectives. Leaders in organizations should not only set goals, but the said goals should be specific and challenging if they are to provide meaning and stimulation to employees.

According to Locke and Latham (2006) more challenging goals can be used by organizational leaders to motivate employees towards performance in both their individual tasks and hence organizational performance. Specific goals should be set at individual, team and organization at large. Using the goal setting theories leaders can enhance their followers engagement and performance by setting clear, challenging and meaningful goals. Such goals will not only stimulate the subordinates' thinking but will also provide opportunities for creativity and learning. Goal setting theory therefore posits that conscious and well defined goals are important if managers are to attain a particular standard for their employees and organizations (Woodcock, 2012)

2.2.8 Resource Based Theory

The resource based theory can be traced back to Selznick (1957) who suggested that work organizations each possess distinctive competence that enables them to outperform their competitors. According to Penrose (1959) a firm is a collection of productive resources such as financial, human, material and capital. Pearce and Robinson (2007) argue that resource based view helps to improve upon an organizations strengths, weaknesses, opportunities and threats (SWOT) by examining a variety of different yet specific resources and capabilities available to it.

Human resources as one of the components and most unique resource in organizations can thus be used by firms to achieve competitive advantage. The resource based view argues that organizational resource including human resources which is the interest of this study should be developed if organizational goals are to be achieved. Both leaders and employees in organizations are crucial for achieving

organizational goals and HR should strive to put in place strategies that maximize the potential of both leaders and their followers.

2.3 Conceptual Framework

The conceptual framework in figure 2.1 illustrates the relationship between the variables of the study. It indicates the four dimensions of transformational leadership as adopted from Bass (1985) as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, on employee engagement as mediator and subsequently organizational performance as dependent variable. This study presumed that transformational leaders influence organizational performance through engaging their subordinates to both their jobs and organizations as explained by what such employees say, how they stay and strive in relations to their organizations and finally leading to organizational outcomes. The four dimensions of transformational leadership; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were analyzed to determine their influence on first employee engagement and then organizational performance respectively. The fifth research objective was also assessed to ascertain the extent to which employee engagement mediated the relationship between transformational leadership and organizational performance.

Since its introduction by Burns (1978) and later Bass (1985), Transformational leadership theory has evolved to describe four dimensions of leader behaviors as; idealized influence; inspirational motivation; intellectual stimulation and individualized consideration. The conceptual framework for this study was an integration of Bass & Avolio (1993) model of transformational leadership and Heger's (2007) illustration of employee engagement and organizational performance as spelt out in the performance contracting (2011) index. The framework is illustrated in Figure 2.1

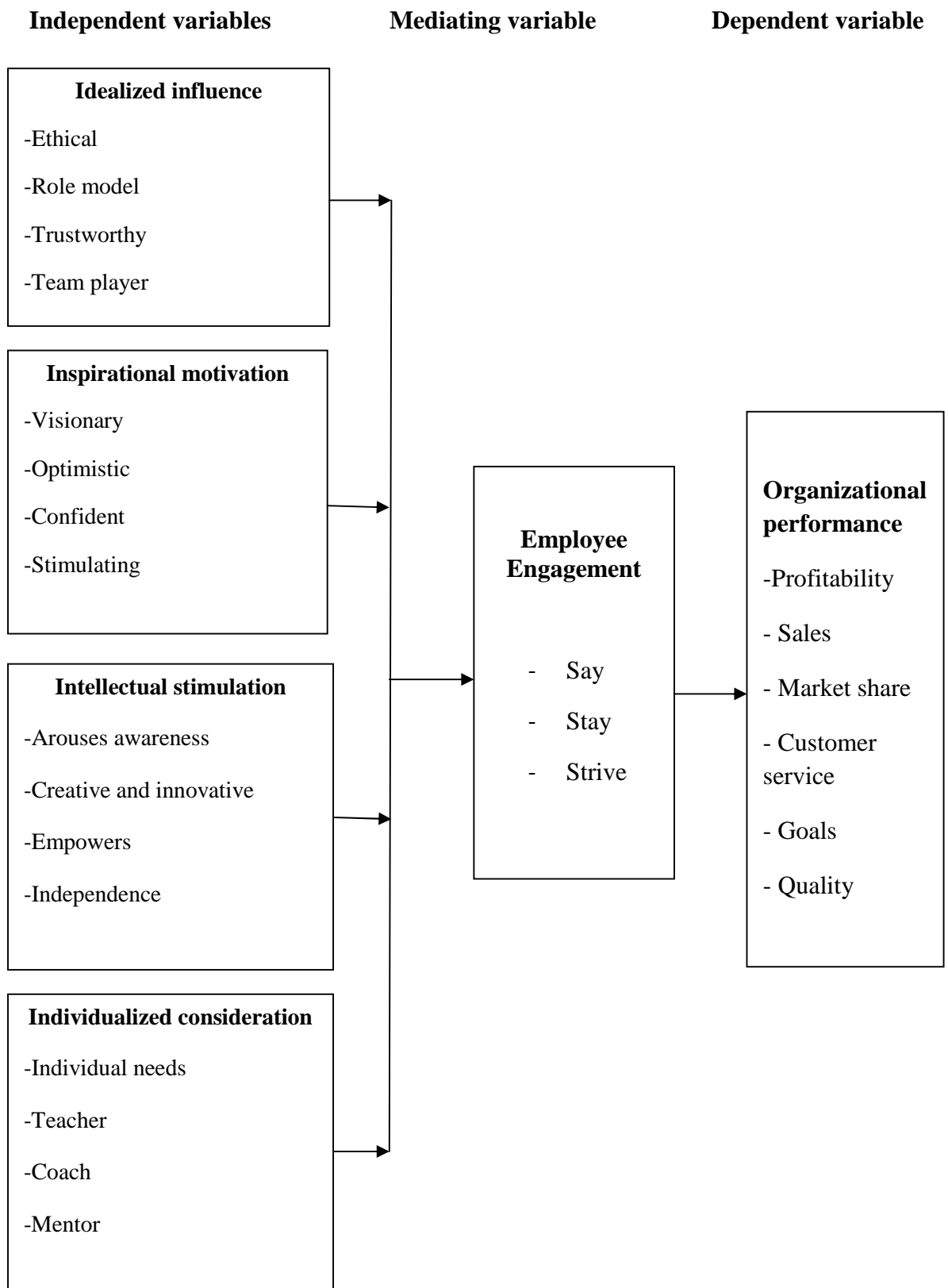


Figure 2.1: Conceptual framework of the study

2.3.1 Idealized Influence

The first dimension idealized influence refers leader actions that make group values and goals salient. The leader promotes cooperation and teamwork by instilling in followers a desire to work towards common goals (Saboe et al., 2015). The leader does this by articulating a group vision (Conger & Kanungo, 1994) and fostering acceptance of group goals (Podsakoff et al., 1990). Emphasizing group goals is important as it elevates follower values and goals from self-interest to social interest and thus cultivates group cohesion.

The leader demonstrates high ethical norms and becomes a role model for the subordinates (Bono & Judge, 2004). Inspirational motivation and idealized influence are together called charisma. Whereby, charismatic leaders have a positive influence on their followers and can change the self-focus of employees from negative to a positive focus (Yorges, Weiss & Strickland, 1999). The result is that subordinates become more involved with the vision of the leader and are willing to make more sacrifices for that vision (House and Howell, 1992) leading to commitment to their organizations and achievement of organizational goals.

Through idealized Influence, the leader provides role modeling for high ethical behavior and instill pride in their follower thereby they gain respect and trust of such followers. It is this attribute of leader that motivates employees to contribute their best at work leading to organizational performance. Once employees feel motivated to perform at their best, they feel confident and enjoy their stay within their organizations. These employees thus become more committed not only to their jobs but their organizations (engagement) which ultimately lead to organizational performance.

2.3.2 Inspirational Motivation

Inspirational motivation refers to leaders who have a strong vision for the future based on values and ideals (Bono & Judge, 2004). Here the leader articulates a vision that is appealing and inspiring to followers. Through the vision, the leader offers to the followers the opportunity to see meaning in their work. Followers are challenged

with high standards and leader encourages them to become part of the overall organizational culture and environment (Kelly, 2003; Stone, Russell & Patterson, 2003).

Inspirational motivation might be achieved through motivational speeches and conversations by leader and other public displays of optimism and enthusiasm, highlighting positive outcomes, and stimulating teamwork (Simic, 1998). Due to inspirational motivation, followers are willing to invest more effort in their tasks, feel encouraged and optimistic about the future and believe in their abilities. (den Hartog et al., 1997). In other words the supervisor is optimistic and enthusiastic about the future (Bono & Judge, 2004). This leads to follower commitment to and contributions to their organizations. The idealized influence and inspirational motivation are strongly correlated and are sometimes combined to form a measure of Charisma (Bass, 1998).

2.3.3 Intellectual Stimulation

The third transformational leadership dimension is Intellectual stimulation. This involves leaders arousing and challenging followers' awareness of problems and their capacity to solve those problems (Bono & Judge, 2004; Kelly, 2003). Here, the leaders question assumptions and beliefs of the organization and encourage followers to be innovative and creative, thus approaching old problems in new ways (Barbuto, 2005). The leader empowers followers by persuading them to propose new and controversial ideas without fear of punishment or ridicule (Stone, Russell & Patterson, 2003). They do not impose their own ideas judiciously and certainly on subordinates (Simic, 2003). This encourages follower initiative and independence in handling issues.

The supervisor challenges the subordinates to see problems from a different perspective, thinking outside the box. In this way the supervisor make the workers active thinkers within the organization and consequently employees become more involved in the organization. Through intellectual Stimulation, the leader takes risks to solicit followers' ideas. Leaders with this style stimulate and encourage creativity

in their followers leading to engagement and thus organizational performance. Employees' who encounter such leaders are empowered and rarely look up to their leader to solve problems arising from work. They instead think of creative and stimulating ways to solve challenging jobs or problems that lead to effectiveness in handling issue.

2.3.4 Individualized Consideration

The fourth dimension of transformational leadership according to Bass (1985) is individualized consideration. This dimension concerns a dyadic relationship between the leader and the follower and involve showing respect and caring for follower needs (Saboe et ai., 2015). In individualized consideration the leader responds to the specific, unique needs of followers to ensure they are included in the transformation process of the organization (Simic, 1998). People are treated individually and differently on the basis of their talents and knowledge (Shin & Zhou, 2003) and with the intention of allowing them to reach higher levels of achievement that might otherwise have not been achieved (Chekwa, 2001; Stone, Russell & Patterson, 2003).

Individualized influence may take the following form; through expressing words of thanks or praise to subordinate, fair workload distributions, and individualized career counseling, mentoring and professional development activities. Besides having an overarching view of the organization, the transformational leader must also comprehend those things that motivate followers individually (Simic, 2003) thus leading to engagement and hence organizational performance.

The supervisor acknowledges followers' feelings and emotions and their need to grow and develop themselves (den Hartog et al., 1997). In such a case, employees are seen as unique individuals who need specific individual attention that is congruent with the developmental phase they are in (Avolio & Bass, 1995). The leader gives empathy and support, keeps communication open and places challenges before the followers (Conger & Kanungo, 1990).

Individualized consideration therefore is the degree to which the leader supports follower (Posdakoff et al., 1990) and acts as their mentor or coach and listens to his or her individual concerns and needs. Providing support is important as it builds trust with ones followers and helps them to cope with the task and interpersonal stressors via social support from the leader.

Together, the four main dimensions of transformational leadership are interdependent, that is they must co-exist and they are held to have an additive effect that yields performance of follower beyond expectations (Gellis, 2001; Hall, Johnson, Wysocki & Kepner, 2002; Kelly, 2003; Shin & Zhou, 2003). Transformational leaders thus not only encourage their employee's performance but also interest in work and the organizations they work for thus influencing their engagement to both their jobs and organizations.

2.3.5 Employee Engagement

Employee engagement has become widely used and popular term (Robinson et al., 2004), however what has been written about employee engagement can be found in practitioner journals where it has its basis in practice rather than theory and empirical research (Saks, 2006). Employee engagement is defined differently in academic researches and among practitioners (Ghafoor et al., 2011). Basically it is psychological traits and behaviors (Macey & Schneider, 2008). Employee engagement is defined in terms of other well- known constructs like organization commitment and citizenship (Saks, 2006). It is also defined as the emotional and intellectual commitment of employee towards the organization. This study will utilize job and organizational engagement based on the social exchange theory (SET).

According to most studies engaged employees consistently demonstrate three general behaviors which improve organizational performance; they **Say**- the employee advocates for the organization to co-workers and refers potential employees and customers; **Stay**- the employee has an intense desire to be a member of the organization despite opportunities to work elsewhere and **Strive**- the employee

exerts extra time, effort and initiative to contribute to the success of the business. (Baumruk & Gorman, 2006). This employee engagement model has been tested and validated by over 15 years of research on millions of employees and across a variety of companies and industries (Aon Hewitt, 2012). Engaged employees are not just committed, they are passionate or proud, they have a line of sight on their own future and organizations mission and goals (BlessingWhite, 2008)

2.3.6 Organizational Performance

Performance is a contextual concept associated with the phenomenon being studied (Hofer, 1983). In the context of organizational performance; performance is seen as a measure of the change of the financial state of an organization or the financial outcomes that results from management decisions and executions of those decisions by members of the organization (Carton, 2010).

Many consultants maintain that various initiatives and programs improve the performance of organizations. However optimal definitions or measures of performance remain controversial (Salmon & Robinson, 2008). Fortunately practices that improve commitment and attitudes of employees have been found to enhance performance (Gong, Law, Chang & Xin, 2009). Leadership can be used as an antecedent for employee commitment to work and their organizations leading to improved performance.

Since the perception of these outcomes remains contextual, the measures used to represent performance are selected based on circumstances of the organization being studied. Most organizational performance measures will however be based on profitability, financial, employee turnover, market based share (Carton, 2010), which are mostly inward looking.

Many studies measure organizational performance on five perspectives as; profit; productivity; sales and market share; customer service and achievement of goals. In relation to profits many researchers use traditional accounting measures of profits. One of the most common indices of profitability is return on assets - ROA (Staw & Epstein, 2000). Roughly ROA is the annual profit or net income divided by the

average assets over the year. ROA thus measures operating efficiency reflecting the long term financial strength of organizations.

The second measure of organizational performance is productivity. Productivity although related to profits may be computed on the basis of employees. Thus productivity of an organization may be computed by dividing the organizations revenue by the number of employees (Huselid, 2005, Norton & Burns, 2008). In a study by Norton and Burns (2008) it was found that employees' perception of pay affected productivity.

Sales and market share may also be used to compute an organizations performance. Gong et al., (2009) suggest that typical examples for organizational performance can be seen in its sales growth and market share. In lieu of more objective measures of workplace performance, researchers also assess subjective indices such as customer service (Salamon & Robinson, 2008). Customer service was rated more favorably if employees felt trusted by management (Huselid, 1995).

In the of Kenyan context, the expected outcome of the performance contracts included service delivery, improved efficiency in resource utilization, institutionalization of a performance oriented culture while reducing or eliminating the reliance of public agencies on exchequer funding and overall performance (RoK 2010¹). Moreover, the revised measure of organizational performance was two way; (1) outward looking performance criteria to cover; service delivery (customer satisfaction), delivery of National priorities (Vision 2030) and delivery of specific MDA's mandate which covers 65% while (2) inward criteria comprised cross-cutting government priorities (such as Integrity, HIV & AIDS, Gender) and internal effectiveness, growth and development which covered 35% of performance measure.

This research focused on both internal and external measures of organizational performance relevant to achieving the socio – economic goals of *Kenyan Vision 2030*. The question as to why organizations, state corporations in Kenya included may find it necessary through transformational leaders to invest in employee engagement is answered in the fact that employee engagement is interwoven

significantly with important business outcomes (Towers Perrin, 2003, 2006 & 2008; Hewitt Associates, 2004). In light of various researches done, employee engagement impacts on organizational performance.

Studies have found positive relationship between employee engagement and organizational performance outcomes such as employee retention; productivity; profitability customer loyalty and safety. These studies also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. (Ellis & Sorensen, 2007; Perrin, 2003; Hewitt Associates, 2004).

According to these studies engaged employees consistently demonstrate three general behaviors which improve organizational performance; They Say, Stay and Strive in and about their jobs as illustrated previously. According to a U.K civil service people survey of 2011, employee engagement in the civil service leads to both individual and organizational performance as depicted in Figure 2.2.

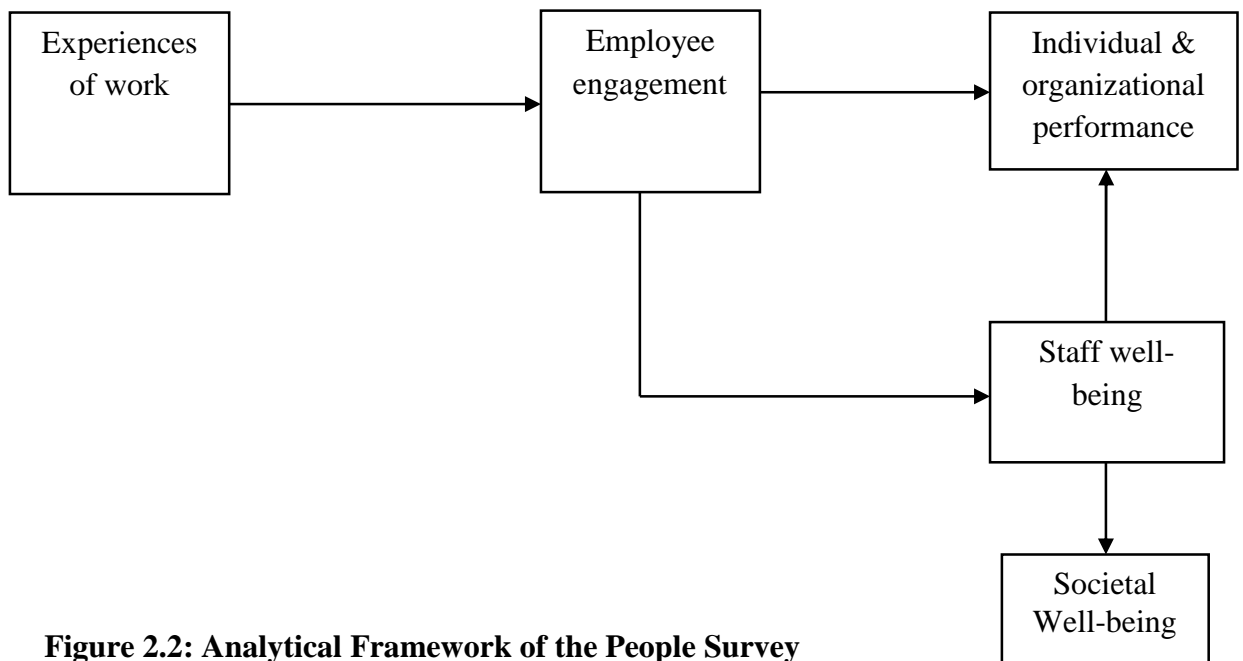


Figure 2.2: Analytical Framework of the People Survey

Source: (SCPS, 2011)

In the figure 2.2, it is theorized that by taking actions to improve employees' experiences of work, managers and leaders influence their employees' commitment to work and their organization which affect their output, well-being and organizational success. This will be seen in reduced sickness absence which further impacts on citizens' day to day lives. The question of what would happen to an organization if its employees are disengaged, is explained in the fact that employees who are not engaged are likely to be spinning (wasting their effort and talents on tasks that may not matter much), settling (certainly do not show full commitment and not dissatisfied enough to make a break) and splitting (they are not sticking around for things to change in their organizations). They too have far more misgivings about their organizations in terms of performance measures such as customer satisfaction (BlessingWhite, 2006; Towers Perrin, 2003).

2.4 Empirical Literature

2.4.1 Transformational leadership

For a long time the relationship between transformational leadership and organizational performance has been analyzed in literature (Bass, Avolio, Jung & Benson, 2003; Howell & Avolio, 1993). Meta-analyses show a positive relation between transformational leadership and organizational performance (DeGroot, Kiker & Cross, 2000; Lowe, Kroeck & Sivasubramaniam, 1996). This results hold different organizational contexts and different group success criteria such as group performance (Shamir, 2002; Pillai & Williams, 2004), project success in R&D departments (Keller, 1992) and innovation (Howell & Higgins, 1990; Shin & Zhou, 2003).

Meta-analyses and reviews have evidenced the positive effects of transformational leadership on both team and organizational performance (Dumdum, Lowe & Avolio, 2002). According to De Rue et al., (2011) transformational leadership accounted for 28.5 percent of the total explained variance in group performance and 22.8 percent of the explained variance in leader effectiveness. Saboe et al., (2015)

conducted a study on the unique mediators that underlie the effect of different dimensions of transformational leadership by looking at two dimensions of idealized influence and individualized consideration on follower and organizational outcomes. The findings indicate that the dimensions of transformational leadership operate through unique channels. Kala (2014) conducted a study on the relationship between leadership styles and employee engagement using 150 employees from diverse sectors in Coimbatore. The study concludes that leadership styles influence employee engagement and has significant relationship with all the factors in the job engagement. Specifically transformational leadership was found to be significantly related to employee engagement.

Ghafoor et al., (2011) studied transformational leadership, employee engagement and performance among 270 employees and managers of telecom companies in Pakistan. His findings indicated significant relationship between transformational leadership, employee engagement practices and employee performance. The results also supported the mediation of psychological ownership in relationship of these variables. Salanova, Chambel and Martinez (2011) studied the link between supervisors' transformational leadership and staff nurses' extra role performance as mediated by self- efficacy and work engagement. A direct relationship between transformational leadership and work engagement was found

Zhang (2010) conducted a study on the relationship between perceived leadership style and employee engagement among 439 sales assistants in Sidney Australia. The results showed that employee engagement is associated with an employees' perception of leadership style in his or her direct supervisor, negatively when classical or transactional leadership styles are perceived and positively in the case of visionary or organic leadership. Moreover three employee characteristics moderated the relationship between the perceived leadership style and employee engagement in different ways. In this study, Zhang concludes that leadership styles influence employee engagement.

Laschinger et al. (2009) found work engagement to be a significant mediator between empowerment and perceived effectiveness for both new graduate and

experienced nurses. Simpson (2009) found large significant positive correlations between turnover intentions and job satisfaction. In addition hierarchical multiple regression revealed 46% of the variability in work engagement was accounted for by registered nurses satisfaction with their professional status, interaction at work and their status to quit.

Dibley (2009) studied the relationship between the transformational leadership styles of officers and the levels of their followers' work engagement in the South African army. His findings indicated a significant correlation between transformational leadership of officers and their followers work engagement. Walumbwa et al. (2008) found a positive relationship between authentic leadership and work engagement while Schaufelli and Bakker (2004) found particularly strong relationship between availability of job resources and work engagement. There was also somewhat a weaker but still significant negative relationship between engagement and turnover intentions. Similarly Harter et al. (2002) demonstrated that employee engagement is negatively associated with turnover and positively associated with job satisfaction.

Barbuto Jnr (2005) also studied the relationship between leaders motivation and the use of charismatic, transactional and transformational leadership and the study findings revealed indicated inspirational motivation, idealized influence and individualized consideration range ($r = .10$ to $.29$) for self-reports while raters inspirational motivation, idealized influence and individualized consideration $r = .18$ to $.19$. The role work engagement and performance play in staff retention has received considerable attention in both nursing and management literature. Researchers have found significant relationships between work engagement, job satisfaction, job performance and retention (Harter et al., 2002, Schaufelli & Bakker, 2004, Laschinger & Leiter, 2006).

Marcos and Sridevi (2010) in their work, Employee engagement: the key to improving organizational performance found that employee engagement is a stronger predictor of organizational performance clearly showing the two way relationship between employer and employee compared to the three earlier constructs of job

satisfaction, employee commitment and Organizational Citizenship Behavior (OCB). They found out that engaged employees are emotionally attached to their organizations and highly involved in their job with great enthusiasm for success of their employer, going extra mile beyond the employment contractual agreement.

2.4.2 Employee engagement studies

During the past decade, a great deal of research has been carried out on the importance of employee engagement. In various studies engagement is viewed as a positive state of mind overwhelming satisfaction which is characterized by feelings of vigor, dedication and absorption (Blomme, Kodden & Suffolk, 2015). Vigor refers to a state of mind in which individuals feel energetic, fit strong and indefatigable; dedication refers to a state of mind in which individuals feel highly engaged by their work inspiring and making them feel proud and absorption refers to pleasant state of mind in which individuals are fully immersed in their work (Hannah, Sumanth, Lester & Cavarretta, 2014). Engaged employees are seen to be effective and productive leading to organizational performance.

Woodcock (2012) examined the relationship between transformational leadership and employee engagement with possible mediating mechanisms through which transformational leadership exerts an influence on employee engagement. Results revealed that transformational leadership significantly predicted employee engagement and trust. The mediation hypotheses were however unsupported and results of main model failed to support variables in the model predicting behavioral engagement.

2.5 Critique of Literature

Over the past 30-40 years leadership theories have shifted from a focus on managerial task and functions towards leader follower exchanges (Bass & Bass, 2008). This follows a growing recognition that leaders do not accomplish tasks by themselves and that followers play an equally important role in goal achievement. The new approaches thus focused on what drives followers to go beyond managers' performance expectations and infuse creativity in their work to achieve goals.

The need for new approach to leadership was fuelled by a greater recognition of the active role followers' play in the leadership processes (Bass, 1985; Dvir & Shamir, 2003). The emerging theories also acknowledge that although followers can be managed to accomplish tasks and reach acceptable performance levels, they also have significant determination over whether they will be led by their leader (De Rue & Ashford, 2010).

Over the past decade and a half, topical areas of charismatic and transformational leadership in organizational settings have undergone significant evolution in terms of both theory and practice (Conger, 1999). As a result our knowledge about leadership has deepened through insights about the nature of effective leadership. Through the available theories, we however note conflicting information and conceptual weaknesses that reduce their capacity to explain effective leadership. There are numerous dimensions of these leadership forms which we still know very little about.

Though an understanding of transformational leadership predicated on its outcomes appears to have been achieved, Leithwood and Jantzi (2000) observe that despite over four decades of work in this field the literature in educational leadership, there still exist no single and clear conceptions of the processes that constitute transformational leadership. For instance, Gronn (1996) remarks on the close relationship between charismatic and transformational leadership while pointing out the absence of notions of charisma in some work of transformational leadership.

The dimensions of transformational leadership have been an issue of debate among scholars (Saboe et al., 2015). According to Bass and Avolio (1995) transformational leaders have four dimensions as; idealized influence (charisma), inspirational motivation (articulating a vision), intellectual stimulation (challenging assumptions) and individualized consideration (attending to follower needs) while Leithwood & Jantzi, (2000) suggests six. These are set out as : Building vision and goals; Providing intellectual stimulation; Offering individualized support; Symbolizing professional practices and values; Demonstrating high performance expectations; and developing structures to foster participation in decisions.

Transformational leadership researches have therefore not yielded a consensus view on this phenomenon. Nevertheless, it is clear that general understandings of transformational leadership are dominated by acceptance of the four dimensions set out in the attributes discussed earlier (Stone, Russell & Patterson, 2003). These factors have been confirmed by but few empirical works in the area (Bass, Avolio, Jung & Benson, 2003).

While leadership paradigms have progressed over the years, certain aspects of leadership such as aesthetic, ethical and social justice dimensions have received minimal attention. Moreover leadership theories also tend to suggest a linear progression towards clarity and greater conceptual clarity while ignoring the detours and obstacles in the historical journey. This further entrenches the complexity and treacherous journey in the search for true meaning of leadership. Rost (1991) indicate that summaries of leadership theories are ritualistically repeated by author after author giving no new meaning. Also the traditional theories are always addressed as separate and distinct in nature and not structural-functionalist of which they indeed are. Collectively the theories appear an important contribution on to an understanding of the study themes.

While engagement theories are useful in understanding the complex nature of employee relations with their leaders and how their relationship influence each other, neither Khans psychological contract nor Maslach's burnout theories explore the leader – follower experiences and how they influence each other towards higher achievements. The social exchange theory illustrates the missing gap as work experiences are not only about physical attributes but emotions too play a bigger role.

2.6 Research Gaps

Although most researches have explored the relationship between transformational leadership and organizational performance (Howell & Avolio, 1993; Pillai & Williams, 2004), few studies have been done on the effects of this leadership style on employee engagement. Little is still known about mediating processes between

transformational leadership and organizational success (Yukl, 1999). This is important since despite leadership being important in steering organizations to success; it is not complete without followership. According to Saboe et al, (2015) past researches on transformational leadership have also been predominantly on overall transformational leadership rather than its dimensions. Most leadership studies in a wide variety of organizations have also examined the impact of transformational leaders on subjects in a variety of settings including corporations, schools and military units (Conger & Kanungo, 1998; House & Aditya, 1997; Podsakoff, McKenzie & Bommer, 1996). No known study has been conducted in state corporations that explore the influence of transformational leadership on organizational performance with employee engagement as mediator in state corporations. This study intends to bridge this gap by analyzing the four dimensions of transformational leadership on employee engagement and subsequent organizational performance in state corporations.

2.7 Summary

This chapter reviewed the theoretical literature related to the themes in the study. Theories of leadership such as trait, contingency, transformational leadership are discussed. Employee engagement theories in this study were social exchange theory and leader member exchange which postulated the existing relationship between leaders and their followers while organizational performance theories in this study included the goal setting and resource based theories. The interactions of these theories help to explain issues within the concepts to simplify the interrelatedness.

The conceptual framework is also illustrated in this section with transformational leadership dimensions as given by Bass (1985) as idealized influence (charisma), inspirational motivation, intellectual stimulation and individualized consideration adopted by the study to form the independent variables. Employee engagement as mediator and organizational performance as dependent variable completed the framework. Past studies related to the variables were analyzed and research gaps identified. The framework tries to understand the mechanisms with which

organizational leaders may influence their organizational performance through their subordinates. Employee engagement thus was seen as mediator between transformational leadership and organizational performance.

Majority of empirical literature reveal that transformational leader articulates vision in a clear and appealing manner, explain how to attain the visions, act confidently and optimistically, express confidence in the followers, emphasize values with symbolic actions, leads by example, and empowers followers to achieve the vision of the organization (Stone, Russell & Patterson, 2003) causing their followers commitment to their jobs and organization. This in turn will lead to organizational performance.

Despite employee engagement emerging as a critical driver of business success in today's competitive marketplace, many research gaps on the relationship between leadership as an antecedent of employee engagement and employee engagement consequently leading to organizational performance in the state corporations arose. Literature revealed that employees feeling of involvement, cohesiveness, commitment, potency and performance are enhanced by transformational leadership style (Shamir, House & Arthur, 1993).

An employee who receives support, inspiration and quality coaching from the supervisor is likely to experience work as more challenging, involving and satisfying and consequently become highly engaged with the job tasks. Not only does engagement have the potential to significantly affect employee retention, productivity and loyalty for their organizations but it is also a key link to customer satisfaction, company reputation and overall stakeholder value. Thus, to gain a competitive edge, organizations opt to turning to their HR's to set the agenda for both leadership and employees as key players if organizational performance is to be achieved.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology and design adopted by the study. It comprises six sections including: Research design; Target population; Sampling frame; Sample size and technique; Data collection tools & procedure and data analysis and presentation of the research.

3.2 Research Design

A research design is the arrangement of all conditions that affect a research (Cooper & Schindler, 2008). This study adopted a quantitative research design. According to Creswell (2008) designs are categorized as experimental or non – experimental designs such as surveys. Survey research designs provide a quantitative or numeric description of trends, attitudes or opinions of a population by studying a sample of that population. The overall objective of a descriptive design is to discover new meaning by describing what exists and determine the frequency with which something occurs.

In this study the leader characteristics, employee engagement and organizational performance were not only described but also measured to ascertain the relationships and establish the causal effects between study variables. The design was also cross – sectional (involving one time interaction with groups of people) in nature. Cross-sectional surveys are studies that yield data that can be modeled by regression analysis (Jones, 2011) and findings based on sample generalized to a population.

3.3 Target Population

The target population of this study comprised all the 178 state corporations in Kenya at the time of the study and who had taken part in the 2011/2012 performance contracting exercise (RoK, 2013). Mugenda and Mugenda (2008) define population

as a complete set of individual cases or objects with common observable characteristics. The study targeted the Human Resource departments of which a top manager, middle level manager and or non-managerial employee who had been in their organization for three or more years was to give information needed for the study. The three respondents (unit of observation) were used to reduce biasness and also to report on the next level of leadership. The population of the study is highlighted in table 3.1.

Table 3.1 Target Population

S/No	Functional category	Number of state corporations
1	Financial	16
2	Commercial/ manufacturing	30
3	Regulatory	36
4	Public universities	20
5	Training and Research	14
6	Service	50
7	Regional Development Authorities	6
8	Tertiary Education	6
Total		178

3.4 Sampling Frame

The sampling frame for the study was the list of the 178 state corporations in Kenya as per the performance contracting report 2010 /2011 (RoK, 2013). The list based on

functional categories is attached in Appendix D. According to Mugenda and Mugenda (1999) a sampling frame is a directory or index of cases from which a sample can be selected. The 8 functional categories of the state corporations were used to enhance the representativeness of the study to allow for the generalizations of findings.

3.5 Sample and Sampling Technique

3.5.1 Sample Size

The main factors considered in determining the sample size for this study were the need to keep it manageable enough while also ensuring a high level of precision. This was to enable the study, derive detailed data at an affordable cost in terms of time, finances and human resources (Mugenda & Mugenda, 2003) while also being able to generalize the results of the study. The sample size for this study was drawn using Watson (2001) sample size table, at 95% confidence level for population of 178 state corporations generating 123 state corporations.

The sample size formula is given as;

$$ss = \frac{Z^2 * p * (1-p)}{C^2}$$

Where;

Z = Z - value (e.g 1.96 for 95% confidence level).

P = Percentage picking a choice, expressed as decimal (0.5 used for sample size needed)

C = Confidence interval expressed as decimal (0.04 = ±4).

For each of the 123 sampled state corporations, three respondents were used to avoid biased reporting as the unit of observation. Creswell (2008) notes that the sample size will depend on the accuracy required and the likely variation of the population

characteristics being investigated as well as the analysis to be conducted on the data. The employees and management in the targeted state corporations were largely considered homogenous and any major diversity were captured in the demographic data. Table 3.2 illustrates the calculated sample size.

Table 3.2 Sample Size

Classification	Target Population	Sample size
Financial	16	11
Commercial/ manufacturing	30	20
Regulatory	36	25
Public universities	20	14
Training and Research	14	10
Service	50	35
Regional Development Authorities	6	4
Tertiary Education	6	4
Total	178	123

3.5.2 Sampling Technique

Stratified random sampling technique was used to draw the sample elements. According to Sekaran (2003) stratified random sampling involves stratification or segregation of sampling elements, followed by random selection of the subjects from each stratum. The goal of stratified sampling was to achieve a desired representation from various sub-groups (Mugenda & Mugenda, 2003) to allow for generalizations. The state corporations were stratified into eight categories based on their functional

areas as stated earlier in the sampling frame and proportionate stratified sampling utilized to draw the 123 organizations (unit of analysis). A further stratification was based on respondents' position that is manager, supervisor or non-managerial staff within the department at the time of data collection. Each category of the respondent was to report on the next level managements' transformational leadership engagement and organizational performance. This was appropriate to check on whether management / supervisory level had an impact on follower engagement and organizational performance. The study adopted the organization as unit of analysis (where generalizations would be done) and respondents' as unit of observation from whom the required data for analysis was collected.

3.6 Instruments

3.6.1 Questionnaire

Both primary and secondary data was used in this research. While secondary data was collected from books, journals, organizational reports and websites, primary data was collected using a questionnaire designed and administered to both managerial and non-managerial staff. Cohen (1989) defines a questionnaire as a self-report instrument used for gathering information about variables of interest to an investigation. The questionnaire being the main tool was preferred for its advantages in permitting respondents a greater depth of response, time to verify answers, anonymity and also being economical in terms of time and cost.

The questionnaire consisted of both closed-ended and open-ended questions. All questions were concise and relevant in order to maximize the response rate (Roszkowski & Bean, 1990; Yummarino, Skinner & Childer, 1991). The questions on transformational leadership were adopted from Multi-factor Leadership Questionnaire – MLQ (Bass & Avolio, 2003) comprising 16 items on the four attributes of transformational leader as outlined in the objectives. The MLQ has been found to be very reliable (Howell & Higgins, 1990) as a self-report of transformational leadership attributes. For employee engagement Hegers' (2007) questionnaire measuring employee engagement comprising three distinct

components, of what employees say, how they strive and their duration of stay was used, based on thirteen items. According to Aon Hewitt (2012) this model has been used and is supported by many years of research in the area of organizational Psychology. Organizational performance had seven questions relating to performance indices including growth in market share, customer satisfaction, quality of services offered spanning a period of five years.

3.6.2 Rating scales

A likert scale is adopted where there is a need to measure respondents' opinions and beliefs (Stangor, 1998; Collis & Hussey, 2003). Opinions and beliefs in this study were for instance those on transformational leadership, employee engagement and organizational performance. The likert rating scale allows a numerical value to be given to an opinion (Collis & Hussey, 2003). Based on the foregoing discussion, all items for independent, moderating and dependent variables were measured on a five-point likert-scale (ranging from strongly disagree - 1 to strongly agree - 5, or no extent - 1 to very great extent - 5). A five point scale was considered appropriate for this thesis to reduce confusion and help respondents to maintain consistency in their ratings.

3.6.3 Content of Questionnaire

The complete questionnaire is reproduced in Appendix B. Questions were devised in such a way that respondents could answer immediately without having to look for information. Guidelines recommended by Dillman (2000) of asking questions as complete sentences using closed ended questions with ordered response categories were followed. The questionnaire had four sections; relating to demographic data, transformational leadership, employee engagement and organizational performance themes of the study.

3.6.4 Measures of variables

In measuring transformational leadership the Multi-factor Leadership Questionnaire (MLQ) by Bass and Avolio (2003) was adopted with few amendments to suit the

study. This tool measures the four I's of transformational leadership as, idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Each dimension of transformational leadership was measured on a four item scale. (See Table 4 in Appendix D)

The measure for the mediating variable; employee engagement, was based on Heger's (2007) model where three distinct components of; employees intention to stay in the organization, discretionary effort to improve individual and hence organizational performance and employees' organizational advocacy was adopted. Thirteen- item index with four items for "say", three items for "stay" and six items for "strive" were utilized with few modifications to fit the study. The measures were adopted from previous researches as shown in the Table B in Appendix D. According to Aon Hewitt (2004) study, this employee engagement model has been tested and validated by over 15 years of research across a variety of companies, industries and across countries.

Organizational performance questions were customized based on the performance contracting measures for public service and state corporations in Kenya. According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes stated as; **financial** – profits, return on assets, return on investments; product **market performance** – sales volumes, market share and shareholder return – total shareholder return, economic value added among others. The indicators were rated anonymously by respondents on a five-point likert scale (1= no extent; 5 = Very great extent). Respondents were asked to rate their organizational performance over the last five years in relation to performance indicators given.

3.7 Data Collection Procedure

The participating organizations were approached through a consent letter to the organizations management. The HR manager was approached to randomly select the participants for data collection according to the categories identified earlier in the sample size. The senior manager was deemed the best as they had control and

authority over subordinates and would lead to the desired respondents. This study employed the help of two research assistants to administer the questionnaire to respondents in the state corporations on the sample category. The entire instrument was administered to the respondents following a brief set of instructions. Subjects were asked to grant informed consent and indicate if they wished for more information. Participation was however on voluntary basis and respondents were allowed a 2 day period to complete the instrument and return it to the manager for collection. Those not having completed were reminded and given one more day upon which the rest were treated as non-response rates.

3.8 Pilot Test

A pilot study was conducted to determine whether potential respondents would have difficulties in understanding or interpreting the questionnaire (Dillman, 2000; Chan & Chan, 2005). 10% of the 123 state corporations yielding 12 conveniently sampled surveys were used to give the needed information for piloting. The pilot tests checked to see if the length of questionnaire was acceptable and uncover any difficulties arising from the procedure and feedback used make necessary adjustments. The pilot study also focused on ensuring that validity (soundness of research conclusions) and reliability (the degree which results are repeatable) were achieved (Durrheim & Wassenaar, 2002).

Confirmatory Factor analysis was performed to test whether the four factor model (transformational leadership), employee engagement and organizational performance variables fitted our data. The results showed that the fit indexes fell within the acceptable range of five (0.5) and above suggesting that the model fitted the data well. Similar studies (Wang et al., 2015) employed a similar test to examine a six factor model of transformational leadership using the same test with much success.

Reliability analysis was used to assess the internal consistency among the items of the study. Cronbach's alpha coefficient ranges between 0 and 1 was used. The six category items were accepted as they had an alpha value of 0.7 and above deemed

reliable and thus acceptable in social science researches (Hair, Black, Babin & Anderson, 2010). The questionnaire items were also valid based on the confirmatory factor analysis yielding item ratings of more than 0.5, acceptable for sound validity. The validity may have been due to the fact that instrument items had been used successfully in previous studies. No item whatsoever was dropped from the list of 40 item questionnaire proposed for the study.

3.9 Data Processing and Analysis

Data processing and analysis comprise categorizing, manipulation and summarizing of data in order to obtain answers to research questions (Kothari, 2008). Before conducting our analyses, we screened the data for outliers, input errors and missing data. Due to incomplete data out of the 94 completed surveys, only 90 surveys were finally used for data analysis. The data was entered into the statistical package for social science (SPSS) version 22 and various analyses run to establish the study objectives and test hypotheses.

3.9.1 Descriptive Statistics

Frequencies, percentages and cumulative percentages were used to establish the scores in the demographic data. Means and standard deviations were used to establish the typical average value or deviations in the distribution of independent variables. Reliability analysis, using the Cronbach alpha as well as confirmatory factor analysis was conducted to establish the consistency of measurements in the data collection instrument.

3.9.2 Inferential Statistics

A preliminary inferential analysis employed correlations of study variables explored the existing relationships between variables of the study. First the independent variables (transformational leader behaviors) were correlated with employee engagement and then organizational performance, to determine the direction of the relationships and significance for each independent variable on first the mediator and then the dependent variable in the study.

A Sobel test for mediation as proposed by Baron and Kenny (1986) was used for mediation analyses. Mediation models are concerned with explaining the mechanisms by which an independent variable (transformational leadership dimensions) exerts influence on a dependent variable (organizational performance) via a mediator (employee engagement) in this study. Multiple regressions to assess the relationship between the dimensions of transformational leadership as independent variables on first, organizational performance as dependent variable and then on employee engagement as the mediator was conducted, before a hierarchical regression analysis done to predict the causal relationships and significance between the study variables.

The multiple regression formula is presented as;

$$Y_s = o + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$$

Where;

Y_s = Transformational leadership / Employee engagement

o = Constant

X_1 = Idealized influence

X_2 = Inspirational motivation

X_3 = Intellectual stimulation

X_4 = Individualized consideration

e = error term.

3.9.3 Hypothesis testing

There are two types of statistical hypotheses. Null hypothesis, denoted by H_o and alternative hypothesis denoted by H_a or H_1 . The null hypothesis is usually the hypothesis that sample observations result purely from chance, while alternative hypothesis indicates that sample observations are influenced by some non- random cause.

Symbolically the hypotheses are expressed as;

$$H_0: = 0.5$$

$$H_a: 0.5$$

The stated alternative hypotheses were tested at 95% confidence level ($\alpha = 0.05$), whereby;

When P - value ≥ 0.5 the observed difference is “not significant” and

When P - value < 0.5 the observed difference is “significant”.

Based on the above, the study thus either rejected the null hypothesis and supported the alternative hypothesis, or failed to reject null hypothesis for want of evidence.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study and discussions of the results as set out in the research methodology. The findings are on the influence of transformational leadership behaviors of supervisor on both employee engagement and organizational performance in state corporations in Kenya. It also presents findings on the extent to which employee engagement mediates the relationship between transformational leadership and organizational performance in these organizations. The chapter contains the response rate, reliability analysis of instrument, characteristics of study variables; idealize influence, inspirational motivation, intellectual stimulation and individualized consideration which were the dimensions of independent variable transformational leadership. Findings of correlations and regression analyses are also provided in this chapter and hypothesis testing to determine the direction and significance in the relationship between variables. Chapter concludes with a summary.

4.2 Response Rate

The study distributed 123 surveys for data collection to sampled state corporations in Kenya. Out of the 123 questionnaires issued for data collection to the respondents, a total of 90 questionnaires accounting for 73% were returned. After cleaning of data, the study used 90 completed questionnaires for analysis. According to Mugenda and Mugenda (2003) over 50% response rate is adequate for analysis while over 70% is rated as very good. The response rate was thus rated as good and was deemed suitable for analysis.

4.3 Reliability Analysis

Reliability of an instrument refers to its ability to produce consistent and stable measures. A reliable measurement will consistently assign the same score to the same phenomena. According to Creswell (2008) reliability refers to stability or consistency of measurements; that is whether or not the same results would be achieved if the test or measure was applied repeatedly. The most common reliability coefficient is the Cronbach's alpha, which estimates internal consistency based on the average inter - item correlation. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the value is to 1, the greater the internal consistency of the items (variables) in the scale.

The questionnaire employed for this study measured three constructs; transformational leadership, employee engagement and organizational performance. Transformational leadership was measured using 16 questions and the scale had a high internal consistency as determined by Cronbach's alpha value of 0.72. The second construct employee engagement had 13 items in the scale, also revealed a high internal consistency with a Cronbach's alpha value of 0.79. Finally, organizational performance which was measured using seven items had a Cronbach's alpha value was 0.72. The findings are presented in Table 4.1.

Table 4.1: Cronbach's Alpha's Reliability test for study variables

Item	C's Alpha	C's Alpha Based on Standardized Items	No of Items	Comments
T. L	.721	.821	16	Accepted
E. E	.792	.795	13	Accepted
O.P	.716	.725	7	Accepted

Key; T.L.- Transformational leadership, E. E -Employee engagement and O. P - Organizational performance.

The reliability of the constructs were acceptable based on the rule of George and Mallery (2003) who ascertain that Cronbach's alpha value that is greater than 0.9 is considered excellent; value of 0.8 is deemed very good and 0.7 is rated as good. In social sciences researches, a reliability value of 0.7 or more is considered acceptable. All the three items transformational leadership, employee engagement and organizational performance achieved the threshold of acceptance in social science researches (Hair et. al, 2010). Thus reliability of the questionnaire was affirmed and accepted altogether.

4.4 Demographic Data

For the study to assess the relationships between the variables of the study, it was considered important to first establish the demographic information of respondents such as gender, age bracket, level in organization, period served in the said organization and the size of department. Demographic data are also nearly always collected in surveys in order to enable a judgment to be made about the representativeness of the respondents in terms of the larger population (Creswell, 2008). This was also considered important as earlier studies have revealed that employee engagement and organizational performance may both be influenced by such characteristics. The distribution of the data is presented in tables 4.2 to 4.6.

4.4.1 Gender Distribution of Respondents

The gender of respondents was considered important in this study as earlier studies on leadership; engagement and performance have shown that it has a direct effect on the variables. The gender of respondents in the study indicate a fair distribution between the two categories as shown in Table 4.2

Table 4.2: Gender of respondents

		Frequency	Percent	Cumulative Percent
Valid	Male	50	55.6	55.6
	Female	40	44.4	100.0
	Total	90	100.0	

From the findings it can be deduced that despite majority of the respondents being male (55.6%), there is a fair balance of gender in the state corporations in Kenya. This helps to support the new dispensation in the Kenyan constitution that upholds equality and affirmative action in public service to ensure gender balance. The gender representation was also to see the influence of gender in relation to the study themes of transformational leadership, employee engagement and organizational performance. In this case either gender is well represented by the study and thus findings can be generalized in both cases.

4.4.2 Respondents Age Bracket

The age bracket of respondents was considered in this study as it is believed that older employees are more engaged to their organizations and hence contribute to organizational performance. In this study, out of the 90 respondents, 7 (8.3%) were between 18-24 years of age, 22 (24.6%) were between 25-29 years of age, 20(21.8%) were between 30-34 years of age, 15 (16.3%) were between 35-39 years of age, 12(13.1%) were between 40-44 years of age, and 14 (15.9%) of the respondents were of 45 years and above . The Table 4.3 illustrates the results.

Table 4.3: Age bracket of respondents

		Frequency	Percent	Cumulative Percent
Valid	18-24 years	7	8.3	8.3
	25-29 years	22	24.6	32.9
	30-34 years	20	21.8	54.8
	35-39 years	15	16.3	71.0
	40-44 years	12	13.1	84.1
	45 and above	14	15.9	100.0
	Total	90	100.0	

It can be deduced from the above results that most active work force and hence engagement in state corporations in Kenya lie between the ages of 25 – 39 years, accounting for approximately 63% for the category of age groups as shown from the findings. Only 15.9% were above 45 years, this reflects a normal curve as the retirement age of 60 years does not guarantee the aged remain in the service for that long. Even further is the mortality rate in third world countries that show a high mortality rate with the mortality in Kenya standing at the age of fifty (50).

4.4.3 Level in the Organization

The level (status) of employees were considered important in this study, as earlier studies reveal that supervisory or management levels had a direct influence on employee engagement and organizational performance. In this study, the respondents were asked to state the organizational level category they were in. Out of the response rate of 90, 45 (50.4%) of the respondents were in non-management level, 20 (22.2%) of the respondents were in lower management level, 16 (17.9%) of the respondents were in mid-management level, and 9 (9.5%) of the respondents were senior level managers. This result is given in Table 4.4

Table 4.4: Level of respondent

		Frequency	Percent	Cumulative Percent
Valid	Non - management	45	50.4	50.4
	Lower - management	20	22.2	72.6
	Mid - management	16	17.9	90.5
	Senior - management	9	9.5	100.0
	Total	90	100.0	

From the findings majority of the respondents (45) were in non - managerial accounting for 50.4% while only 9 (9.5%) were in senior management. This is considered a normal curve as there are usually more employees than management in any given organization. The triangular representation of a normal organization, show the base of the triangle as holding most of the organizational workers usually in non-managerial positions. In this study both managerial and non-managerial employees responded with majority being in non-managerial positions.

4.4.4 Organizational Service Duration

Organizational size duration was important in this study as engagement is attained depending on the length of service in an organization, moreover employees gain more experience as they work in organizations leading to performance. In the study, the respondents were asked to state the organizational service duration category they belonged to. Out of the 90 respondents; 29 (32.2%) of the respondents had been in their organization for a duration of between 3 - 5 years, 24 (26.7%) of the respondents for a duration of between 6-10 years, 20 (22.3%) of the respondents for a duration of between 11-15 years, 7 (7.7%) of the respondents for a duration of between 16-20 years while only 10 (11.1%) of the respondents had served in their organization for a duration 21 years or more. This result is given in Table 4.5.

Table 4.5: Length of service in organization

		Frequency	Percent	Cumulative Percent
Valid	3 - 5 years	29	32.2	32.2
	6 -10 years	24	26.7	58.9
	11-15 years	20	22.3	81.2
	16 -20 years	7	7.7	88.9
	21 years or more	10	11.1	100.0
	Total	90	100.0	

It can be inferred from the statistics above that 59.1% the respondents had been in their organizations for 10 years or less and that only 29.9% over ten years. Then it can be deduced that most employees may change jobs or organizations after the said duration.

4.4.5 Department Size

Department size was considered important in this study as the smaller the department the more cohesive the members and ease of control by the supervisor leading to positive individual (engagement) and organizational performance. In the study, the respondents were asked to state the departmental size category they were in. Out of the targeted 90, 16 (17.8%) of the respondents departmental size of between 10 or less employees, 45 (50.0%) of the respondents departmental size of between 11-20 employees, 20 (22.2%) of the respondents departmental size of between 21-30 employees, 6(6.7 %) of the respondents departmental size of between 31-40 employees, and 3 (3.3%) of the respondents departments' size of 40 and above employees. The Table 4.6 illustrates the results.

Table 4.6: Department size

		Frequency	Percent	Cumulative Percent
Valid	10 or less	16	17.8	17.8
	11-20	45	50.0	67.8
	21-30	20	22.2	90.0
	31-40	6	6.7	96.7
	40 or more	3	3.3	100.0
Total		90	100.0	

It seems clearly from the statistical result above that over 70% of the respondents are from departmental sizes of 20 or less employees. Most organizations know the effectiveness of small work groups and encourage small departments for efficiency and effective working among staff.

4.5 Variables of the study

Independent study variables of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were analyzed to determine the respondents' perception regarding the existence of the leadership behaviors. Means and standard deviations were to establish each items implication on leader behavior. Means are used to calculate measures of central tendencies in order to determine the typical average value in a distribution. The mean is preferred as it takes into account the precise score of each case thus it incorporates more information than the median which only states a scores relative position. The standard deviation on the other hand, was used to determine the measure of variation with the negative or positive signs to show the direction of variation.

4.5.1 Idealized influence

The study sought to find out from respondents if their supervisor displayed idealized influence. Four items were used to determine supervisors' idealized influence with

questions as to whether the leader; instilled pride for being associated with them; went beyond self-interest for the good of the group; displayed a sense of power and confidence and made personal sacrifices for the benefit of others. The results for the mean scores for the four questions on idealized influence; whether supervisor instilled pride for being associated with them (M = 3.87); whether supervisor goes beyond self-interest for the good of the group (M = 4.26); whether supervisor displays a sense of confidence and power M = (4.26) and whether supervisor makes personal sacrifices for the benefit of the group (M = 4.28) respectively. The overall mean for idealized influence was thus (M = 4.17).

This indicate that majority of the respondents agreed that their leaders displayed idealized influence. The question as to whether the supervisor instilled pride in them for being associated with them was however ranked lowest with a mean of (M = 3.87) while whether supervisor made personal sacrifices for the benefit of others had the highest mean of (M = 4.28). The findings reveal that employees perceived that the supervisors within state corporations in Kenya displayed idealized influence. The findings are depicted in Table 4.7.

Table 4.7: Idealized influence

	N	Mean	Std. Deviation
My supervisor instill pride in others for being associated with them	90	3.87	1.153
My supervisor goes beyond self-interest for the good of the group	90	4.26	.889
My supervisor displays a sense of power and confidence	90	4.26	.814
My supervisor makes personal sacrifices for the benefit of others	90	4.28	3.305

4.5.2 Inspirational Motivation

The study sought to find out from respondents whether their supervisors displayed inspirational motivation. Specifically the study sought to establish whether their supervisors were enthusiastic about what needs to be done; expressed confidence that goals would be achieved; talked optimally about the future and articulated a compelling vision for the future. The means for questions as to whether supervisors'; talked enthusiastically about what needs to be done (M = 4.26); expressed confidence that goals will be achieved (M = 4.35); talks optimally about the future (M = 4.29) and whether supervisor articulates a compelling vision for future (M = 4.24) respectively. The overall mean for inspirational motivation (M = 4.29). The findings are presented in Table 4.8.

Table 4.8: Inspirational motivation

	N	Mean	Std. Deviation
My supervisor talks enthusiastically about what needs to be done	90	4.26	.627
My supervisor expresses confidence that goals will be achieved	90	4.35	.641
My supervisor talks optimally about the future	90	4.29	.746
My supervisor articulates a compelling vision for the future	90	4.24	.726

4.5.3 Intellectual Stimulation

The study sought to find out from employees in the state corporation in Kenya if their supervisors displayed intellectual stimulation behaviors. From the findings in

Table 4.9, the means for questions as to whether their supervisor; examined critical assumptions to questions (M = 3.96); looked at problems from differing angles (M = 4.17); sought differing perspectives while solving problems (M = 3.97) and allowed employees some independence (M = 4.02) respectively. These findings indicate that majority agreed that their leader expressed intellectual stimulation behaviors of transformational leadership. Overall mean for intellectual stimulation was (M = 4.03).

According to study findings majority of the subordinates perceived their supervisors as displaying intellectual stimulation by boosting employees' logical thinking and intelligent evaluations of their work environment which in turn helped employees to create new ideas. Stimulated employees thereby take risks by bringing new practices and ideas that help improve performance in their organizations. The findings are shown in Table 4.9.

Table 4.9: Intellectual stimulation

	N	Mean	Std. Deviation
My supervisor re-examines critical assumptions to questions as to whether they are appropriate	90	3.96	.848
My supervisor gets to look at problems from many different angles	90	4.17	.748
My supervisor seeks differing perspectives when solving problems	90	3.97	.944
My supervisor does not impose on others instead allow for some independence	90	4.02	.811

4.5.4 Individualized Consideration

The employees were asked whether their supervisors displayed individualized consideration. Specifically they were to answer questions as to whether; their supervisor treated others as individuals rather than groups; spent time coaching and teaching staff; helped employees develop their strengths and were empathetic and supportive to followers. The study findings indicate leader treated others as individuals ($M = 3.43$, $SD = 1.23$), spent time teaching and coaching staff ($M = 3.77$, $SD = 0.86$), helped others to develop their strengths ($M = 4.00$, $SD = 0.69$) and was empathetic and supportive ($M = 4.31$, $SD = 0.59$). The findings are presented in the Table 4.10.

Table 4.10 Individualized consideration

	N	Mean	Std. Deviation
My supervisor treats others as individuals rather than as members of a group	90	3.43	1.233
My supervisor spends time teaching and coaching staff	90	3.77	.858
My supervisor helps others to develop their strengths	90	4.00	.694
My supervisor is empathetic and supportive	90	4.31	.593

4.6 Correlation Analyses

A correlation is a statistical measurement of the relationship either positive or negative between two variables. Possible correlations range from +1 to -1. A zero correlation indicates there is no relationship between the variables of the study. A correlation of -1 indicates a perfect negative correlation meaning that as one variable goes up, the other goes down. A correlation of +1 indicates a perfect positive correlation, meaning both variables move in the same direction together.

Examining the statistical significance of a computed correlation coefficient which is based on randomly selected sample provides information about the likelihood that the coefficient will be found in the population from which the sample was taken (Bryman & Bell, 2011). Correlation analysis was important in this study as it formed the basis for the relationships between variables of the study. Correlation would however not be final as it does not infer causation / influence of which this study had an interest.

In this study the independent variables (dimensions of transformational leadership), idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were correlated with; first with the mediating variable employee engagement and then with the dependent variable organizational performance. Correlation analysis results provided the basis for further analyses. This was due to the fact that while correlation analysis though important in this study, would be inadequate to predict the effect of variables on each other.

4.6.1 Correlation between transformational leadership dimensions and employee engagement

In this study a Pearson product – moment correlation coefficient was computed to assess the relationship between perceived transformational leadership attributes of supervisor and employee engagement in state corporations in Kenya. Specifically the transformational leadership attributes of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were correlated to determine their relationships with employee engagement.

The Pearsons’ product moment correlation results for idealized influence in this study was ($r = 0.11$, $p = 0.09$). These results indicate a weak and insignificant relationship between idealized influence of supervisor in state corporations in Kenya and employee engagement. This means that the idealized influence of supervisor does not impact much on employee engagement in the state corporations in Kenya. And that an increase in the idealized influence of supervisor will lead to a minimal increase in employee engagement.

The relationship between idealized influence of supervisor in state corporations in Kenya was also not significant for their subordinates' engagement. The significance ($p = 0.09$) is higher than the accepted alpha level of significance of 0.05 in this study. Based on this correlation results, the study thus rejected the alternative hypothesis 1a that; there is a significant relationship between the idealized influence of supervisor and employee engagement in state corporations in Kenya and fail to reject the null hypothesis.

The Pearsons' product moment correlation between inspirational motivation and employee engagement ($r = .27^{**}$, $p = 0.000$). The results reveal a moderate but significant relationship between inspirational motivation of supervisor and employee engagement in the state corporations of Kenya. From the results, an increase in inspirational motivation of supervisor will automatically lead to an increase in employee engagement in state corporations in Kenya. Though the strength of relationship is minimal, the relationship is seen as highly significant ($p = 0.000$), showing that inspirational motivation of supervisor in state corporation in Kenya has a positive influence on employee engagement. The results thus support the alternative hypothesis 2a that; there is a positive and significant relationship between the inspirational motivation of supervisor and employee engagement in the state corporations in Kenya.

Pearsons' product moment correlation results for both intellectual stimulation ($r = .47^{**}$, $p = .000$) and individualized consideration ($r = .49^{**}$, $p = .000$) of supervisor in the state corporations in Kenya and employee engagement were found to be positive and moderate. These relationships were also noted as significant as the p - value for significance was less than 0.05 alpha threshold in both cases implying that the relationships was not due to chance.

These findings imply that, when intellectual stimulation and individualized consideration of supervisor in state corporations are increased, there will also be an increase in employee engagement in these organizations. The alternative hypotheses 3a and 4a that indicate that there is a positive and significant relationship between intellectual stimulation and individualized consideration of supervisor on one hand

and employee engagement on the other in the state corporations in Kenya are thus supported. The findings of correlation analysis between transformational leadership dimensions / behaviors and employee engagement are expressed in the Table 4.11.

Table 4.11 : Correlations between transformational leadership and employee engagement

		II	IM	IS	IC	EE
II	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	90				
IM	Pearson Correlation	.389**	1			
	Sig. (2-tailed)	.000				
	N	90	90			
IS	Pearson Correlation	.233**	.425**	1		
	Sig. (2-tailed)	.000	.000			
	N	90	90	90		
IC	Pearson Correlation	.382**	.425**	.471**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	90	90	90	90	
EE	Pearson Correlation	.106	.266**	.469**	.488**	1
	Sig. (2-tailed)	.094	.000	.000	.000	
	N	90	90	90	90	90

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

Key: idealized influence, inspirational motivation, intellectual stimulation, individualized consideration and employee engagement.

The correlation analysis results confirm the alternative research hypotheses 2a, 3a and 4a, indicating that there exists a positive and significant relationship between employee perception of inspirational motivation, intellectual stimulation and individualized consideration of supervisors' on one hand and employee engagement on the other in the state corporations in Kenya. The study however failed to support the alternative hypothesis 1a, indicating that there is a positive and significant relationship between idealized influence of supervisor and employee engagement in the state corporations in Kenya and the null hypothesis supported.

Table 4.12: Hypothesis findings from correlation analysis

Hypothesis	Findings	Status
1a	$r = .106, p = .094$	Not supported
2a	$r = .266, p = .000^{**}$	Supported
3a	$r = .469, p = .000^{**}$	Supported
4a	$r = .488, p = .000^{**}$	Supported

4.6.2 Correlation between transformational leadership dimensions and organizational performance

A Pearson product – moment correlation coefficient was computed to assess the relationship between employees' perception of transformational leader behaviors of his / her direct supervisor and employee engagement in state corporations in Kenya. Specifically the transformational leadership behaviors of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were correlated with organizational performance.

The findings indicate a positive relationship between all the transformational leadership behaviors of supervisor in state corporations in Kenya and organizational performance. Correlation results indicated that idealized influence of supervisor in state corporations in Kenya was positively related and significant to organizational

performance ($r = .186^{**}$, $p = .003$). Though the Pearson's value of 0.186 is depicted as weak in this study, the relationship is statistically significant as ($p = 0.03$) is less than the 0.05 alpha threshold for significance in this study. This means that idealized influence of supervisor in the state corporations in Kenya is positively related to organizational performance and relationship is also not by chance. The alternative hypothesis 1b indicating that there is a positive and significant relationship between idealized influence of supervisor and organizational performance in the state corporations in Kenya is thus supported and the null hypothesis rejected.

The implication for this finding is that if idealized influence of supervisor in the state corporations in Kenya is increased, then it will lead to an increase in organizational performance. The study shows that despite this relationship, idealized influence has not been fully exploited by supervisors in the state corporations in Kenya for organizational performance as indicated by this study.

The other transformational leadership behaviors of supervisor; inspirational motivation, intellectual stimulation and individualized consideration indicate positive and moderate relationships to organizational performance in the state corporations in Kenya. These relationships are also seen as significant and thus up to 99% of the relationship is not due to chance.

The correlation analysis results for inspirational motivation ($r = .430^{**}$, $p = .000$) implies that an increase in the inspirational motivation of supervisor in state corporation in Kenya will lead to an increase in organizational performance. The study thus deduces that supervisors in the state corporations in Kenya should be enthusiastic when dealing with employees by expressing confidence and articulating a compelling vision about the future if they are to improve their organizations' performance. The supervisors' inspirational motivation should be increased if there is to be an improvement in state corporations' performance. The alternative hypothesis 2b indicating that there is a positive and significant relationship between the inspirational motivation of supervisor and employee engagement is thus supported and null hypothesis rejected.

The correlation analysis between the intellectual stimulation of supervisor and organizational performance, results indicate a Pearson's correlation coefficient $r = .398^{**}$, $p = .000$. These results indicate a moderate but positive relationship between intellectual stimulation of supervisor in state corporations in Kenya and organizational performance. The relationship is not by chance but is statistically significant as p – value of 0.000^{**} (less than the 0.05 alpha levels for significance). This means if intellectual motivation of supervisor in the state corporations in Kenya is increased, it will lead to an increase in organizational performance. The alternative hypothesis 3b in this study that indicates that, there is a positive and significant relationship between the intellectual stimulation of supervisor and organizational performance is also supported and we reject the null hypothesis.

Last but not least, the correlation between the individualized consideration of supervisor and organizational performance in state corporations in Kenya, the Pearson's correlation coefficient results, $r = .373^{**}$, $p = .000$. This shows that there is a moderate but positive relationship between the individualized consideration of supervisor and organizational performance in the state corporations in Kenya. The relationship is also confirmed to be significant as $p < 0.05$ alpha level for significance. The alternative hypothesis 4b that indicated that there is a positive and significant relationship between individualized consideration of supervisor and organizational performance is thus accepted and the null hypothesis rejected. The findings are in line with Wang et al., (2005) who found significant relationships between transformational leadership behaviors and organizational performance and OCB ($r = .20$, $p = 0.01$, and $r = .18$, $p = 0.00$) respectively. The findings are presented in the Tables 4.13 and 4.14.

Table 4.13: Correlations between transformational leadership behaviors and organizational performance

		I.I	I.M	I.S	I.C	O.P
I.I	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	90				
I.M	Pearson Correlation	.389**	1			
	Sig. (2-tailed)	.000				
	N	90	90			
I.S	Pearson Correlation	.233**	.425**	1		
	Sig. (2-tailed)	.000	.000			
	N	90	90	90		
I.C	Pearson Correlation	.382**	.425**	.471**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	90	90	90	90	
O.P	Pearson Correlation	.186**	.430**	.398**	.373**	1
	Sig. (2-tailed)	.003	.000	.000	.000	
	N	90	90	90	90	90

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

Key: idealized influence, inspirational motivation, intellectual stimulation, individualized consideration and organizational performance.

In general we can deduce from the above findings that there exists a positive but moderate but positive relationship between perceived supervisors inspirational motivation, intellectual stimulation and individualized consideration on one hand and organizational performance in the state corporations in Kenya. This means that supervisors in the state corporations in Kenya display the aforementioned behaviors but only to a moderate extent thus barely influencing their organizations

performance. The said supervisor behaviors are also not due chance, implying that an increase in inspirational motivation, intellectual stimulation and individualized consideration of supervisor will lead to an increase in organizational performance in the state corporations in Kenya.

In this study, the least value for the Pearsons' correlation belonged to the idealized influence. Showing that despite the idealized influence of supervisor in the state corporations being positively related and significant for organizational performance, the Pearsons' r value of .186, $p = .003$ depicts a minimal display of this behavior by supervisors. The relationship is however significant $p = 0.003$. These findings suggest that an increase in idealized influence of supervisor, will lead to an increase in organizational performance in state corporations in Kenya. From the correlation analysis results, all the four dimensions of transformational leadership are positively related to organizational performance in the state corporations in Kenya. The alternative hypotheses 1b, 2b, 3b and 4b in this study that there exists a positive and significant relationship between the idealized influence, inspirational motivation, intellectual stimulation and individualized consideration of supervisor in state corporations in Kenya in one hand and organizational performance on the other are thus supported by the correlation analysis results. The hypothesis based on correlation analysis between transformational leadership behaviors and organizational performance is as presented in table 4.14.

Table 4.14: Hypothesis findings from correlation analysis

Hypothesis	Pearsons' r value	Status
1b	$r = .186^{**}, p = .003$	Accepted
2b	$r = .430^{**}, p = .000$	Accepted
3b	$r = .398^{**}, p = .000$	Accepted
4b	$r = .373^{**}, p = .000$	Accepted

4.7 Sobel test for Mediation

Regression analysis is a complex statistical technique that tries to predict the value of an outcome or dependent variable based on one or more predictor variables. This study sought to establish whether employee engagement mediated the relationship between transformational leadership and organizational performance. The Baron and Kenny (1986) Sobel test for mediation was employed. This involved conducting a set of three regression analyses. First, organizational performance as the dependent variable was predicted based on idealized influence, inspirational motivation, intellectual stimulation and individualized consideration of the supervisor (as predictors) in the state corporations in Kenya. Then a second regression was done to predict the value of employee engagement as dependent variable based on transformational leadership attributes of; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration as predictors. Finally a hierarchical regression analysis was conducted to establish the mediating role of employee engagement.

The regression equation for predicting the values of both organizational performance as dependent variable and employee engagement as mediating variable from the predictor variables (transformational leadership attributes) is given as;

$$Y_{\text{predicted}} = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + e$$

$$\text{Whereby fitted value} = \text{intercept} + (\text{slope} * \text{predictor})$$

$$\text{Which is predicted employee engagement / organizational performance} = \text{intercept} + \text{slope} * \text{transformational leadership variables.}$$

The intercept (constant) gives the value of the response or dependent variable when the predictors are at zero levels. For instance the average employee engagement or organizational performance when transformational leadership is at zero. The slope gives the marginal change in the response variable for a unit change in the predictor variable. For example for every unit increase in transformational leadership of supervisor behaviors, employee engagement or organizational performance will increase by that margin. This is as a direct consequence of assuming that the

underlying functional model is linear and thus fitting a linear equation. The test involved three step regression analyses as depicted in diagram 4.1.

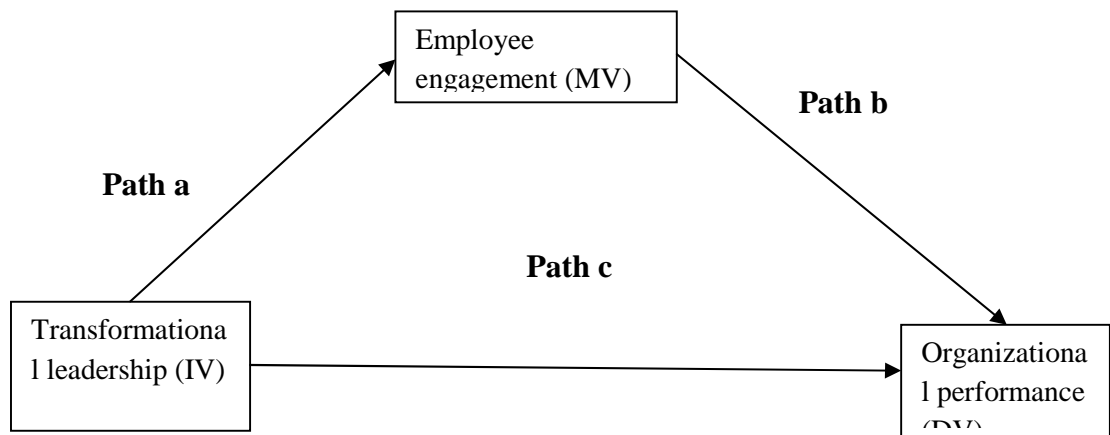


Figure 4.1: The mediation analyses paths (Adopted from Kenny & Baron, 1986).

The figure 4.1 illustrates the relationships between the variables of the study. In **path a** transformational leadership variables lead to employee engagement and then from employee engagement through **path b** to organizational performance. However in **path c**, transformational leadership leads directly to organizational performance.

4.7.1 Regressing Transformational Leadership on Organizational Performance

The first regression analysis entailed regressing transformational leadership behaviors of supervisor as the independent variables on organizational performance. Specifically the transformational leadership behaviors of; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (as depicted in **path c** in figure 4.1) were used to predict organizational performance in the state corporations in Kenya. Results of the findings are presented in Tables 4.15 - 4.17.

Table 4.15: Model summary for predicting organizational performance using transformational leader behaviors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511 ^a	.261	.249	.396

a. Predictors: (constant), idealized influence, inspirational motivation, intellectual stimulation, individualized consideration

The model summary shows a moderate but positive correlation between perceived transformational leadership of supervisor in the state corporations in Kenya and organizational performance ($R = .511$). The R^2 of 0.26 suggests that 26 percent of the variation in organizational performance in state corporations in Kenya is explained by transformational leadership (overall) of supervisor with specific relation to supervisor behaviors of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. The remaining 74 percent of organizational performance is accounted for by other factors not present in the model.

To determine whether there existed a linear relationship among the variables in the regression, the analysis of variance (ANOVA) output was examined. The analysis of variance reports how well the regression equation fits the data by studying the value of F – statistic and its corresponding significance. The regression model predicts organizational performance well as can be seen from Table 4.16 indicating that relationship is statistically significant ($F = 21.76$ $p = .000$). This means that there is a 99 percent chance that the relationship between transformational leadership and organizational performance is not due to chance. This further supports our correlation analysis that indicated that there was a positive relationship between transformational leadership of supervisor in state corporations in Kenya and organizational performance is not due to chance. Findings are presented in Table 4.16

Table 4.16: Analysis of variance for transformational leadership and organizational performance.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.659	4	3.415	21.775	.000 ^b
	Residual	38.735	247	.157		
	Total	52.394	251			

a. Dependent Variable: OP

b. Predictors: (Constant), Idealized influence, Inspirational motivation, Intellectual stimulation, individualized consideration

The study findings confirm that the relationship between transformational leadership and organizational performance in state corporations in Kenya is not only positive, but also significant. Thus employees' perception of transformational leadership behaviors in their immediate supervisor is directly related to organizational performance. This means that an increase in transformational leadership behaviors of supervisor will lead to an increase in organizational performance of state corporations in Kenya.

The linear combination of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (dimensions of transformational leadership) was found to be significantly related to organizational performance, $F(4, 247)$, $p = 0.00$. The first condition for mediation in this study was thus achieved as illustrated in path c. If the study had revealed no relationship between transformational leadership and organizational performance, then there would be no need to proceed to the next analysis.

The regression coefficients presented in Table 4.17 with predictors as idealized influence, inspirational motivation, intellectual stimulation and individualized

consideration were used to determine the individual relationships of leader behaviors on organizational performance. The findings provide the necessary information to predict organizational performance using the leadership attributes as shown in column B.

Table 4.17: Regression coefficients for transformational leadership and organizational performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	2.055	.243	8.475	.000
	I.I	-.015	.025	-.037	.544
	I.M	.263	.060	.285	4.366
	I.S	.156	.049	.206	3.189
	I.C	.139	.055	.169	2.532

a. Dependent variable: Organizational performance

b. Predictors; Idealized influence, inspirational motivation, individualized, intellectual motivation and individualized consideration

The column B gives the values of the regression coefficients, idealized influence, inspirational motivation, intellectual stimulation and individualized consideration as well as the constant. The constant (2.055) is the expected value of organizational performance when the values of transformational leadership or leader behaviors are removed from the equation and thus equals zero. That is when transformational leadership is missing from state corporations in Kenya, then, organizational performance will be at 21 percent.

The other values in B represent the extent to which each of the supervisors' transformational leadership behavior contributes to organizational performance. In this study, while three of the four leader behaviors; inspirational motivation (B =

.263), intellectual stimulation ($B = .156$) and individualized consideration ($B = .139$) contribute positively to organizational performance, idealized influence ($B = -.015$) of supervisor is negatively related to organizational performance in state corporations in Kenya. These findings imply that a unit increase in the idealized influence of supervisor will lead to 0.015 reductions in organizational performance. The remaining three attributes of supervisor; inspirational motivation, intellectual stimulation and individualized consideration of supervisor will contribute positively up to ($B = .263, .156$ and $.139$) respectively to organizational performance in the state corporations in Kenya.

In regards to statistical significance of leader behaviors on organizational performance, the three dimensions, inspirational motivation ($t = 4.37, p = .000$) intellectual stimulation ($t = 3.19, p = .000$) and individualized consideration are significant ($t = 2.53, p = .012$) respectively. The findings indicate that the three dimensions of transformational leadership are significant for organizational performance in state corporations in Kenya showing that the relationships are not due to chance. All the p – values are less than the 0.05 alpha level used to determine significance in this study and thus the t – test can be used to preliminary support the study hypotheses 2b, 3b and 4b indicating that inspirational motivation, intellectual stimulation and individualized consideration were positively related and significant for organizational performance in state corporations in Kenya. Idealized influence of supervisor was however found not significant $t = -.607, p = 0.54$ in this study. The findings thus are used to accept null hypothesis 4b, that idealized influence was significant for organizational performance in state corporations in Kenya.

These findings further support the correlation analysis findings that showed that while perceived idealized influence of supervisor was found to be negatively related to and insignificant for organizational performance in state corporations in Kenya, employee perception of inspirational motivation, intellectual stimulation and individualized consideration of supervisor was found to be positively related and significant for organizational performance in state corporations in Kenya. The findings thus confirm alternative hypotheses 2a, 3a and 4a, while we fail to reject null hypothesis 1a.

The regression equation for predicting organizational performance from transformational leadership behaviors was;

$$\begin{aligned} \text{Predicted Organizational Performance} &= o + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 \\ &= 2.055 + -.015X_1 + .263X_2 + .156X_3 + .139X_4 \end{aligned}$$

Three of the four leader behaviors; inspirational motivation (Beta = .285), intellectual stimulation (Beta = .206); individualized consideration (Beta = .169) were found to be positively related and significant for organizational performance by contributing the margins given to organizational performance in state corporations in Kenya. The relationship was however moderate as revealed from the statistics. The fourth variable idealized influence of supervisor (Beta = -.037) was found to be negatively related to organizational performance in state corporations in Kenya. These findings indicate that in general, employee's perception of inspirational motivation, intellectual stimulation and individualized consideration by their supervisor will lead to an increase in organizational performance while an increase in idealized influence of supervisor however, having a negative influence, would lead to decreased organizational performance in the state corporations in Kenya. The findings further support hypothesis 2b, 3b and 4b while failed to support hypothesis 2a. The negative relationship of idealized influence on organizational performance may be due to a suppressor variable which Darlington (as cited by Chung – Fang & Yi Ying, 2012) defines as that which may influence a variable, causing a positive relationship to become negative.

4.7.2 Regressing Transformational leadership on employee engagement

The second phase of regression analysis involved transformational leadership behaviors as independent variables on employee engagement as dependent variable (in this study though considered as mediator between transformational leadership dimensions and organizational performance). The transformational leadership attributes of idealized influence, inspirational motivation, intellectual stimulation and idealized consideration were regressed on employee engagement to predict their

influence on the engagement of employees in state corporations in Kenyan. The results of the findings are presented in the Tables 4.18 to 4.20.

Table 4.18: Model Summary for transformational leadership on employee engagement

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569 ^a	.323	.312	.408

a. Predictors: (Constant), aggregate idealized influence, inspirational motivation intellectual stimulation, individualized consideration.

From the findings above $R = 0.57$ and $R^2 = 0.32$. The R – values shows the association between transformational leadership of supervisor and employee engagement. The relationship is positive and moderate correlation between transformational leadership (overall) and employee engagement in state corporations in Kenya $R = 0.57$. R^2 of 0.32 indicates that 32 % of variation in employee engagement in the state corporations in Kenya is explained by transformational leadership behaviors of their immediate supervisor. Specifically the supervisor attributes of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration will account for 32% of employee engagement in the state corporations in Kenya.

The analysis of variance (ANOVA) results shows the relationship between transformational leadership and employee engagement is significant $F = 29.5$, $p = 0.000$, indicating this relationship is significant and not by chance. The findings imply that the relationship between transformational leadership and employee engagement is causal and not due to chance. This means that an increase in transformational leadership behaviors of supervisor in the state corporations in Kenya will lead to an increase in employee engagement while a decrease in transformational leadership will lead to a decrease in employee engagement in state corporations in Kenya.

Table 4.19: Analysis of Variance (ANOVA^a)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.607	4	4.902	29.495	.000 ^b
	Residual	41.048	247	.166		
	Total	60.655	251			

a. Dependent Variable: EE

b. Predictors: (Constant). Idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

This study indicates that up to 32% of employee engagement in the state corporations can be accounted for by the linear combination of leader behaviors of; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration of their direct supervisor. The findings are also confirmed as not by chance, but are statistically significant as $F(4, 247) = 29.50, p < 0.05$. This study therefore affirms that there is a strong and positive relationship between transformational leadership behaviors of supervisor and employee engagement in the state corporations in Kenya. The findings are in line with Woodcock (2012) who found that transformational leadership significantly predicted employee engagement and trust. The finding thus consequently met the second condition for mediation.

The regression coefficients in Table 4.20 summarize the equation by looking at the specific leader dimensions and their influence on employee engagement in the state corporations in Kenya. The B column gives the values of the regression equation, that is the constant and the coefficient values. The regression equation for predicting employee engagement was;

$$\begin{aligned} \text{Predicted employee engagement} &= o + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e \\ &= 1.767 - 0.053X^1 + 0.02X^2 + 0.90X^3 + 0.336X^4 \end{aligned}$$

From the regression coefficients Table 4.20, the standardized coefficients column Beta, indicate the extent to which transformational leadership attributes of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration of supervisor contribute to employee engagement in the civil service in Kenya. The positive or negative signs before the values show the direction of their relationship with employee engagement. These standardized coefficients Beta values are the estimates resulting from analysis performed on variables that have been standardized so that they have a variance of 1. This is usually done with an aim of answering the question, which of the independent variables has a greater effect on the dependent variable in a regression equation?(Schroeder et al, 1986).

In this study the Beta values for transformational leader behaviors of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were used to determine the direction of relationship and influence on employee engagement in state corporations in Kenya.

Table 4.20: Regression coefficients for transformational leadership on employee engagement.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.767	.250		7.076	.000
II	-.053	.026	-.119	-2.022	.044
IM	.020	.062	.020	.315	.753
IS	.90	.050	.309	5.001	.000
IC	.336	.056	.380	5.955	.000

a. Dependent variable: Employee engagement

b. Predictors: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration

As can be seen from the Table 4.20, the Beta value for idealized influence (Beta = -0.119). This shows that idealized influence of supervisor is negatively related to employee engagement in state corporations in Kenya. The study shows that a unit increase in idealized influence of supervisor will lead to a decrease of -0.119 in employee engagement in state corporations in Kenya. The relationship is however statistically significant ($T = -2.022$, $p = 0.044$). This finding further confirms the correlation analysis which indicated that employee perception of idealized influence of supervisor in the state corporations in Kenya though negatively related to employee engagement and is however statistically significant. The alternative hypothesis 1b that indicated that; there is a significant relationship between idealized influence of supervisor and employee engagement in the state corporations in Kenya is thus supported.

The other three leadership behaviors of; inspirational motivation (Beta = .020), intellectual stimulation (Beta = .309) and individualized consideration (Beta = .380) imply that all the three attributes of supervisor in the state corporation in Kenya are positively related to employee engagement in state corporations in Kenya. In regards to their statistical significance, inspirational motivation is not significant ($t = 0.32$, $p = 0.753$). However, both intellectual stimulation and individualized consideration of supervisor in the state corporations in Kenya are both significant ($t = 5.0$, $p = 0.000$) and $t = 6.0$, $p = 0.000$) respectively. The Beta values also indicate the magnitude of increase in employee engagement as predicted by a unit increase in each case holding all other variables constant.

The study confirms that both intellectual stimulation of supervisor (at 31%) and individualized consideration (at 38%) of the supervisor contribute moderately to employee engagement in the state corporations in Kenya and are significant. However while both intellectual stimulation and individualized consideration are significant contributors to employee engagement, inspirational motivation is not significant and contributes only 2% to employee engagement ($t = 0.32$, $p > 0.753$) in state corporations in Kenya. Idealized influence of supervisor is found to be negatively related to employee engagement but significant ($t = -2.0$, $p < 0.05$). The regression analysis supports the earlier correlation analysis which indicated that

overall, there is a strong and positive relationship between transformational leadership and employee engagement and the relationship is statistically significant. The second condition for mediation was also consequently met.

4.7.3 Hierarchical regression analysis

The study sought to establish the extent of employee engagement as mediator between transformational leadership and organizational performance in state corporations in Kenya. This final analysis entailed hierarchical regressions with mediating variable, employee engagement at block one and independent variables of transformational leadership attributes at block two, regressed on dependent variable organizational performance. The study examined whether employee engagement was a full or partial mediator between the two study themes of transformational leadership and organizational performance. The findings are presented in Tables 4.21 - 4.23.

Model summary for hierarchical regression

From the hierarchical model summary Table 4.21 presenting two models of employee engagement as model 1 and transformational leadership as model 2. From the model summary findings indicate, model 1; employee engagement $R = 0.40$, $R^2 = .162$. In the hierarchical model, R value indicates a moderate and positive relationship between employee engagement and organizational performance. R^2 of 0.16 suggest that employee engagement contributes 16% of the variance in organizational performance in state corporations in Kenya. 84% is not explained by this model are due to other factors not included in the model. The relationship is significant ($F = 48.2$, $p = 0.000$) meaning an increase in employee engagement will lead to an increase in organizational performance.

In model two for transformational leadership, $R = .54$ shows that there is a moderate and linear relationship between transformational leadership and organizational performance of state corporations in Kenya. The $R^2 = .294$ indicates that up to 29.4% of the variance in organizational performance of state corporations in Kenya is due to

transformational leadership behaviors of supervisor. The relationship is also significant ($F = 20.5, p = 0.000$). This means that if transformational attributes of supervisor in state corporations in Kenya is increased, then there will be an increase in organizational performance.

From the hierarchical regression results, transformational leadership does add to the variance explained in organizational performance by 13% (R^2 change = .133, $p = 0.000$). This indicates that transformational leadership behaviors, alongside employee engagement leads to 29.4% (an improvement) of organizational performance in state corporations in Kenya. However if employee engagement at (alone) of 16.2% is deducted from the equation, then transformational leadership will remain at 13.3% as shown in the R Square change statistics. Thus transformational leadership in state corporations in Kenya add 13% more to organizational performance through engaged employees.

The positive values in both models show that there is a strong and positive relationship between both transformational leadership of supervisor and employees' engagement on one hand and organizational performance on the other in state corporations in Kenya. Both transformational leadership and employee engagement are significant for organizational performance ($F = 48.2, p = 0.000$ and $F = 11.5, p = 0.000$) respectively. The finding is in line with Ghafoor et al., (2011) who found significant relationships between transformational leader behaviors, employee engagement and employee performance among employees and managers among telecommunication companies in Pakistan. In this study, while employee engagement contributes a 16.2% to organizational performance, transformational leadership add 13.3% to organizational performance in Kenyan state corporations leading to an overall 29.4% to this performance by the two parties. The findings are depicted in Table 4.21.

Table 4.21: Hierarchical model summary

Mo del	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
				R Square Change	F Change	df1	df2	Sig. F Change	
1	.402 ^a	.162	.158	.419	.162	48.248	1	250	.000
2	.492 ^b	.294	.280	.399	.133	11.562	4	246	.000

a. Predictors: (Constant), EE

b. Predictors: (Constant), EE, II, IM, IS, IC

While the above findings depict both employee engagement (Model 1) and transformational leadership (Model 2) as positive and significant contributors to organizational performance, the study sought to establish the specific leader dimensions that yielded the desired organizational performance. This was done by examining the regression coefficients for their contributions and significance to these relationships. The regression coefficients at step two along with the results in the model summary and ANOVA Tables indicate that employee engagement is significantly and positively related to organizational performance. The third condition for mediation that is path b was met by this study. The findings reveal that employee engagement partially mediated the relationship between transformational leadership and organizational performance in state corporations in Kenya. Alternative hypothesis 5 was consequently supported by the study.

The four transformational leader behaviors in the model of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were studied to reveal their influence and significance to this equation. From the hierarchical regression results; idealized influence (Beta = -.011), inspirational motivation (Beta = .281), intellectual stimulation (Beta = .137) and individualized consideration (Beta = .084). The study indicate that three (inspirational motivation,

intellectual stimulation and individualized consideration) of the four leader behaviors were positively related to employee engagement and organizational performance

Only idealized influence of supervisor in state corporations was found to be negatively related to both employee engagement and organizational performance (Beta = -.11). The study thus established that while a unit increase in idealize influence of supervisor in state corporation in Kenya would lead to a decrease in employee engagement and organizational performance. The other three transformational behaviors of inspirational motivation, intellectual stimulation and individualized consideration were all positively related and significant for both employee engagement and organizational performance in state corporations in Kenya.

Table 4.22: Analysis of Variance (ANOVAa)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1(E.E)	Regression	8.476	1	8.476	48.248	.000 ^b
	Residual	43.918	250	.176		
	Total	52.394	251			
2(T.L)	Regression	15.426	5	3.085	20.530	.000 ^c
	Residual	36.968	246	.150		
	Total	52.394	251			

a. Dependent Variable: OP

b. Predictors: (Constant, Employee engagement)

The study further revealed that idealized influence ($t = -.177, p = .859$) of supervisor was insignificant to both employee engagement and organizational performance in state corporations in Kenya. Inspirational motivation ($t = 4.39, p = .000$), intellectual stimulation ($t = 2.07, p = 0.04$) and individualized consideration ($t = 1.20, p = 0.30$) were however positive contributors and significant to both employee engagement and organizational performance in state corporations in Kenya. The findings are presented in Table 4.23.

Table 4.23: Regression Coefficients for the hierarchical regression

Model		Unstandardized		Standardized	T	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	2.810	.214		13.121	.000
	EE	.374	.054	.402	6.946	.000
2	(Constant)	1.689	.260		6.487	.000
	EE	.207	.061	.223	3.429	.001
	II	-.004	.025	-.011	-.177	.859
	IM	.259	.059	.281	4.390	.000
	IS	.104	.050	.137	2.065	.040
	IC	.069	.057	.084	1.204	.030

a. Dependent Variable: OP

The Beta values for transformational three leadership behaviors of inspirational motivation, intellectual stimulation and individualized consideration (path c) which were significant in the first analysis are still significant, while only idealized influence of supervisor remains insignificant in both cases as shown in Table 4.23 B, when controlling for the effects of the mediating variable, employee engagement. The findings indicate that employee engagement partially mediates the relationship between transformational leadership and organizational performance and is statistically significant. This finding is in line with Ghafoor et al., (2011) who found

significant relationships between transformational leadership, employee engagement practices and performance. The findings are also supported by Salanova, Chambel and Martinez (2011) who found a direct relationship between transformational leadership and work engagement. The final hypothesis 5 is consequently supported by the study.

4.7.4 Stepwise Regression analysis

A stepwise multiple - hierarchical regression was conducted to evaluate whether all the transformational leadership behaviors together with employee engagement were necessary to predict organizational performance in state corporations. Starting with the highest contributor in this relationship; inspirational motivation; then intellectual stimulation and lastly individualized consideration were entered into the regression equation alongside employee engagement consecutively to determine the best combination that contributed the most to organizational performance.

At step 1 With only employee engagement , $R^2 = .162$, (1, 250), $F = 48.248$, $p = .000$, showing it contributed approximately 16% of the variance in organizational performance and was significant, when inspirational motivation of supervisor was added $R^2 = .274$ (2, 249), $F = 27.805$, $p = .000$ meaning up to 28% of variance in organizational performance could be accounted for by both employee engagement and inspirational motivation of supervisor the relationship was statistically significant.

At step 2, intellectual stimulation was added to the equation, $R^2 = .290$ (3, 248). This implies that when both intellectual stimulation and inspirational motivation of supervisor together with employee engagement were entered into the equation, then organizational performance in state corporations rose to 29%. The other two leader behaviors of idealized influence and individualized consideration however did not add anything statistically to the equation.

The study thus concluded that the best model for organizational performance in state corporations would be achieved with the variables as indicated in the equation given.

$$\text{Predicted Organizational performance} = \text{Employee engagement} *$$

$$\text{Inspirational motivation} * \text{Intellectual stimulation}.$$

4.8 Discussion of key findings

This study investigated the conceptual and empirical links between transformational behaviors of supervisors in state corporations in Kenya and organizational performance. Results of this study point out to key findings based on the earlier research objectives and hypotheses generated to guide the study. The study was guided by five research objectives, to establish the relationships and influence of transformational leader behaviors of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, first on employee engagement (as mediator) and then organizational performance as the (dependent variable) in state corporations in Kenya.

The descriptive analyses, results for idealized influence (M = 4.18) predicted high mean scores of between four and five. This imply that employees and supervisors' in state corporations in Kenya agreed to the fact that their leaders exhibited idealized dimension of transformational leadership. Specifically the questions; as to whether their supervisor instilled pride in others for being associated with them (M = 3.87), went beyond their self - interest for the benefit of the group (M = 4.26), displayed a sense of power and confidence (M = 4.26) and made personal sacrifices for the benefit of others (M = 4.28) were analyzed to establish the extent of supervisors' idealized influence behaviors in state corporations in Kenya. As can be seen from these results, the supervisors' behavior of making personal sacrifices for the benefit of individuals or groups received the highest mean (M = 4.28). This shows that supervisors in the Kenyan state corporations were perceived by their subordinates as selfless and willing to support and nurture their followers.

The overall mean for inspirational motivation M = 4.29, indicates that most employees agreed that the supervisors in the state corporations in Kenya displayed

inspirational motivation attributes. This implies that their immediate supervisors' were enthusiastic about duties to be done and even went further to express confidence that the set goals would be achieved. The leaders were also were optimal about the future of their organizations and thus articulated a compelling vision about that future. The highest mean ($M = 4.35$) was for supervisor expressing confidence that goals would be achieved and the lowest for supervisor articulating a compelling vision about the future.

The descriptive analysis results for intellectual stimulation ($M = 4.03$) indicate that majority of the respondents agreed that the leaders in state corporations in Kenya displayed intellectual stimulation behaviors. This may be displayed in leader characteristics such as being critical when evaluating issues ($M = 3.96$); looking at problems from differing perspectives ($M = 4.17$) and in turn seeking differing perspectives when solving problems ($M = 3.97$). Such supervisors were thus considered hands off and did not only impose themselves on their juniors but also gave them opportunities to be creative and innovative ($M = 4.02$) leading to positive outcomes in their organizations.

The overall mean for individualized consideration was ($M = 3.88$). These results reveal that employees' in state corporations in Kenya agreed that their supervisors exhibited individualized consideration attributes. Questions as to whether their supervisors'; treated others as individuals and not as members of a group ($M = 3.43$); spent time coaching and teaching staff ($M = 3.77$); helped others to develop their strengths ($M = 4.00$) and was empathetic and supportive ($M = 4.31$) had means of between 3 and 5 in the likert-scale. These results suggest that employees and supervisors in state corporations agreed that their supervisors expressed individualized consideration attribute of transformational leadership.

From the means and standard deviations results of variables in this study, it is evident that employees viewed their leaders as displaying all the four dimensions of transformational leadership (overall mean $M = 4.17$). They agreed that their supervisors displayed all the four transformational leadership dimensions of

idealized influence ($M = 4.17$), inspirational motivation ($M = 4.29$), intellectual stimulation ($M = 4.03$) and individualized consideration ($M = 3.88$). The highest mean belong to inspirational motivation ($M = 4.29$); and the lowest individualized consideration ($M = 3.88$).

The findings of this study reveal that the four dimensions of transformational leadership as perceived by employees and management in state corporations in Kenya is evident / practiced. We thus can infer therefore that managers in the state corporations in Kenya exercised transformational leadership behaviors. This finding is in line with findings of Chung-Fang and Yi Ying (2012); Appelbaum and Goransson, (1997); Morrison and Rosenthal, (1997) whose studies indicated that managers in organizations exercised transformational leadership behaviors.

The Pearsons' product moment correlation results indicate that there was a positive and significant relationship between inspirational motivation ($r = .266^{**}$, $p = 0.000$); intellectual stimulation ($r = .469^{**}$, $p = 0.000$) and individualized consideration ($r = 0.488^{**}$, $p = 0.000$) of supervisor in state corporation in Kenya and employee engagement. Inspirational motivation ($r = .106$, $p = 0.94$) of supervisor was however found to be weak and insignificant. The findings imply that an increase in all the transformational leader behaviors in state corporations in Kenya would lead to an increase in employee engagement. The finding is in line with Dibley's (2009) study that established a positive correlation between transformational leadership of officers and employee engagement levels. Salanova, Chambel and Martinez (2011) and Zhang (2010) also found strong and positive relationship between leadership style of supervisor and employee engagement. Kala (2014) also found that leadership style is crucial for encouraging employee engagement.

From the correlation analysis results, the idealized influence of supervisor had the lowest Pearsons r value ($r = 0.11$, $p >.05$) showing a weak and insignificant relationship with employee engagement in the state corporations in Kenya. The other three leader behaviors of inspirational motivation, intellectual stimulation and individualized consideration of supervisor were found both positive and highly

significant. These findings though not conclusive form the basis for relationship between the leadership behaviors and employee engagement and provide preliminary evidence to support alternative hypotheses 2a, 3a and 4a while failing to support 1a.

The second regression analysis was conducted to establish the relationships between idealized influence, inspirational motivation, intellectual stimulation and individualized consideration of supervisor and organizational performance in state corporations in Kenya. The results indicate a positive and significant relationship between all the four leader dimensions and organizational performance in state corporations in Kenya. Specifically idealized influence ($r = 1.86^{**}$, $p = 0.003$), inspirational motivation ($r = 4.30^{**}$, $p = 0.000$), intellectual stimulation ($r = 3.98^{**}$, $p = 0.000$) and individualized consideration ($r = 3.73^{**}$, $p = 0.000$) respectively. These findings imply that when transformational leader attributes increase in state corporations in Kenya, so does organizational performance. This findings are in line with Shamir, House and Arthur, (1993); Ghafoor et al, (2011); Wang, Law, Hackett, Wang and Chen, (2005) who also found positive and significant relationships between transformational leadership and organizational performance. The correlation analyses results provide preliminary evidence to support hypotheses 1b, 2b, 3b and 4b.

The study hypotheses were confirmed using the three step procedure recommended by Baron and Kenny (1986). First the study tested whether there was a significant relationship between transformational leadership behaviors of state corporations on organizational performance. The second analysis involved testing the influence of transformational leadership dimensions on employee engagement and lastly controlling for the influence of employee engagement as mediator, to check whether the original relations became smaller or non-significant.

From the regression coefficient output the t - values indicate the variables statistical significance. A t-value of 2 or more indicates statistical significance. This is further confirmed from the significance "sig." column of which a value of 0.05 is considered significant. From the Table 4.15, the model for predicting organizational performance using transformational leadership behaviors was positive and significant

($R^2 = 0.26$, $p = 0.000$). This findings shows that 26% of the variation in organizational performance in state corporations in Kenya is due to transformational leadership and the remaining 74% is accounted for by other factors. This relationship is also not due to chance ($F = 21.78$, $p = 0.000$). The results are in line with Barnett, Mc Commick and Connors, (2001) whose study reveals that transformational leadership contributes positively and is significant for organizational performance.

The regression coefficients, as depicted in Table 4.17, for specific transformational leader behaviors on organizational performance; idealized influence of supervisor ($\beta = -.037$, $p = .544$) was negatively related and insignificant for organizational performance in state corporations in Kenya. This means that employee perception of idealized influence of supervisor is negatively related to organizational performance and the relationship is not statistically significant. The Beta value of $-.037$ for idealized influence in this study indicates that for every unit increase in the idealized influence of supervisor, there is a $-.037$ decrease in organizational performance in the state corporations in Kenya. The study thus failed to support alternative hypothesis 2a, that indicated that there is a significant relationship between idealized influence of supervisor and organizational performance in state corporations in Kenya. The study thus failed to reject the null hypothesis.

In regard to employees' perception of inspirational motivation of their direct supervisor ($\beta = 0.285$, $p = 0.000$). The results indicates that there is a positive and significant relationship between employee perception of inspirational motivation of his or her direct supervisor and organizational performance in the state corporations in Kenya ($t = 4.37$, $p = .000$). The Beta value of $.285$ implies that, a unit increase in inspirational motivation of supervisor will lead to an increase of 0.29 in organizational performance in the state corporations in Kenya.

The remaining two leader attributes of intellectual stimulation ($\beta = 0.206$, $p = 0.002$) and individualized consideration ($\beta = 0.169$, $p = 0.12$). The results reveal positive and significant relationships between intellectual stimulation and individualized consideration of supervisor in state corporations in Kenya and organizational performance. This imply that a unit increase in both intellectual motivation and

individualized consideration of supervisor in state corporations in Kenya will lead to an increase in organizational performance by margins of .206 and .169 respectively. The statistical significance in the three cases implies that these relationships are not by chance. The findings of the study thus support the alternative hypotheses 2b, 3b, and 4b, suggesting a positive and significant relationships between inspirational motivation, intellectual stimulation and individualized consideration of supervisors' in state corporations and organizational performance.

The study indicates that, while there is a significant and positive relationship between three transformational leadership behaviors of; inspirational motivation, intellectual stimulation and individualized consideration on one hand and organizational performance in the state corporations in Kenya on the other, the fourth transformational leader behavior of idealized influence was found to be negatively related and insignificant for organizational performance in state corporations in Kenya. The regression analysis results support the earlier findings of correlation analysis which indicated that alternative hypotheses 2b, 3b and 4b were positively related and significant for organizational performance in state corporations in Kenya. Alternative hypothesis 1b is for positive and significant relationship between idealized influence of supervisor and organizational performance was however not supported. The deductions is that while an increase in idealized influence of supervisor will lead to a decrease in organizational performance in the state corporations in Kenya, an increase in perceived inspirational motivation, intellectual stimulation and individualized consideration of direct supervisor in state corporations will lead to an increase organizational performance. This findings are in line with Marcos and Sridevi, (2010); Ghafoor et al., (2011) whose empirical work established significant relationship between transformational leadership and performance outcomes.

In the second regression analysis results, transformational leadership significantly explained the variance in employee engagement ($R^2 = 0.32$) in state corporations in Kenya. The findings reveal a moderate but positive relationship between the overall transformational leadership of supervisor and employee engagement in state

corporations in Kenya. The relationship was not due to chance ($F = 29.50$, $p = 0.000$). The findings imply that an increase in transformational leadership attributes of supervisor will lead to increase in subordinates' engagement in the state corporations in Kenya.

This finding is in line with Carlson and Perrewe (1995) who observed that major changes in organizational mission strategies and level of follower commitment are likely to emerge as a result of transformational leadership; Hon and Lu (2010) who found that the relationship between management and employees positively affect their commitment to continue working for their organizations and will change employee work performance for the better as well as Meyer and Allen (2006) whose empirical work confirm that leadership can be used as an antecedent for organizational commitment.

Specifically the leader behavior of idealized influence ($\beta = -.119$, $p = 0.44$), was found to be negatively related to employee engagement, though the relationship was significant, $p = 0.44$. The findings indicate that a unit increase in idealized influence of supervisor in state corporations in Kenya would lead to a reduction in employee engagement. This study finding thus supported alternative hypothesis 1b, indicating that existed a significant relationship between idealized influence of supervisor and employee engagement in state corporations in Kenya.

The regression results for inspirational motivation of supervisor ($\beta = 0.02$, $p = 0.753$) indicated a weak but relationship with employee engagement in state corporations in Kenya. The relationship was also insignificant, $p = 0.753$. These findings reveal that a unit increase in inspirational motivation of supervisor will lead to an increase in employee engagement in state corporations in Kenya. Notwithstanding the weak relationship, inspirational motivation of supervisor was also insignificant for employee engagement. Alternative hypothesis 2a, that there is a significant relationship between inspirational motivation and employee engagement in state corporations in Kenya was consequently not supported by the study.

The regression coefficients results for both intellectual stimulation ($\beta = 0.309$, $p = 0.000$) and individualized consideration ($\beta = 0.380$, $p = 0.000$) indicate positive and significant relationships with employee engagement in state corporations in Kenya. A unit increase in either intellectual stimulation or individualized consideration of supervisor, would lead to increase in employee engagement in state corporations in Kenya. The findings support alternative hypotheses 3a and 4a, that there was significant relationship between intellectual stimulation and individualized consideration and employee engagement in state corporations in Kenya.

In the third and last regression analysis, after controlling for Employee engagement, the influence of transformational leadership on organizational performance was still significant, though not completely reduced suggesting partial mediation by employee engagement between transformational leadership and organizational performance. The results confirm alternative hypothesis 5, that employee engagement partially mediated the relationship between transformational leadership and organizational performance in state corporations in Kenya.

4.9 Optimal model for the study

Given the findings of this study, it became evident that idealized influence of supervisor was not significant for both employee engagement and organizational performance of state corporations in Kenya. The optimal model for the study would thus be composed of three transformational leader behaviors of inspirational motivation, intellectual stimulation and individualized consideration as independent variables, employee engagement as mediator and organizational performance as dependent variable. The model is illustrated in Figure 4.2.

Independent variables

Mediating variable

Dependent variable

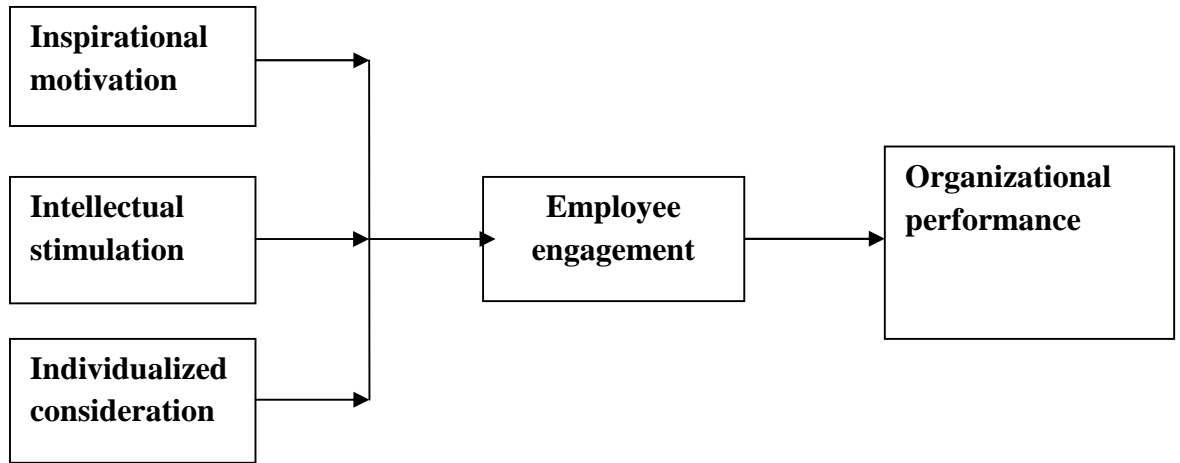


Figure 4.2: Optimal model

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the entire study based on the earlier formulated research objectives and hypotheses. The primary data obtained from respondents was analyzed to give the findings presented in the chapter 4, of which this summary is drawn. Theoretical and empirical literature in chapter two was used to compare the findings of this study and conclusions drawn. Based on the conclusions and key implications drawn from the study, recommendations both for policy and practice are given as well as suggestions for further research.

5.2 Summary of the Findings

The main purpose of this study was to assess the influence of transformational leadership behaviors on organizational performance with special interest on the mediating effect of employee engagement in state corporations in Kenya. The study was guided by five research objectives and hypotheses as stated earlier in chapter one. The hypotheses due to the mediating aspect of employee engagement between transformational leadership and organizational performance were double barreled. That is the transformational leadership behaviors were tested on both employee engagement and organizational performance using both correlation and regression analyses.

The integration of the three research themes; transformational leadership, employee engagement and organizational performance provided valuable insight into their relationships and their influence on each other. It is important to note the study sought to establish the relationships between the study variables, their significance and further test the extent of employee engagement as mediator in the relationship between transformational leadership and organizational performance.

5.2.1 Idealized influence

The descriptive analysis showed that majority of the respondents agreed that their supervisors displayed the transformational leadership behavior of idealized influence in state corporations in Kenya. The likert-scale showed the point four as agreeing with the statement as to whether these leaders exhibited idealized influence. In this study all the four items used to measure the idealized influence of supervisor were rated averagely between points four and five in the likert-scale. This means that majority of employees in the state corporations in Kenya felt that their supervisors displayed idealized influence through behaviors like instilling pride in them, being selfless, displaying sense of power and confidence as well as making personal sacrifices for the benefit of others. The highest mean was for the item as to whether employees felt that their supervisor made personal sacrifices for the benefit of others.

The correlation analysis between idealized influence of supervisor and employee engagement revealed a weak but positive relationship. This indicated that supervisors in the state corporations in Kenya displayed minimal idealized influence. The relationship between idealized influence of supervisor and employee engagement was however not statistically significant, indicating an increase in idealized influence of supervisor would not lead to an increase in employee engagement. Thus while idealized influence of supervisor was found important it had no direct influence on employee engagement in state corporations in Kenya.

From the regression analysis findings on transformational leadership and employee engagement, idealized influence of supervisor was again seen to be negatively related to employee engagement but significant. Meaning an increase in idealized influence of supervisor would lead to a decrease in employee engagement in state corporations in Kenya. Furthermore, idealized influence of supervisor was also found to be negatively related and insignificant for organizational performance in the state corporations in Kenya.

5.2.2 Inspirational motivation

From the descriptive analysis, mean for inspirational motivation revealed that majority of the employees in state corporations in Kenya agreed to the fact that their

immediate supervisors displayed the transformational leadership behavior of inspirational motivation. The highest mean from the four items was for the question as to whether supervisor' in the state corporations in Kenya expressed confidence that goals would be achieved. This implies that supervisors in the state corporations not only set goals but were also optimistic that the set goals would be achieved thus inspiring their employees to work towards the set goals for organizational performance.

The correlation analysis results indicated that there was a moderate, though positive relationship between inspirational motivation of supervisor in the state corporations in Kenya and both employee engagement and organizational performance. The findings imply that supervisors in the state corporations in Kenya displayed moderate levels of inspirational motivation. The relationships here were also found to be significant (not due to chance). These findings imply that, an increase in inspirational motivation of supervisor would lead to an increase in both employee engagement and organizational performance in state corporations in Kenya. The findings indicate therefore that while there was a significant relationship between inspirational motivation of supervisor and both employee engagement and organizational performance in state corporations in Kenya, it had not been fully exploited to influence these outcomes.

The regression analyses depict inspirational motivation as moderately related to and significant for both employee engagement and organizational performance in state corporations in Kenya. This implies that an increase in the inspirational motivation of supervisor would lead to an increase in both employee engagement and organizational performance in state corporations in Kenya.

5.2.3 Intellectual stimulation

The descriptive analysis depicts intellectual stimulation of supervisor in the state corporations in Kenya as moderate. These findings indicate majority of the employees in state corporations in Kenya perceived their supervisors as displaying intellectual stimulation. The highest mean from the four items was for the question as to whether their supervisor looked at problems from differing angles. We can thus

deduce that supervisors in the state corporations in Kenya not only displayed intellectual stimulation but were specifically good at looking at problems from differing angles with a view of resolving them.

The regressions results showed the relationships between intellectual stimulation of supervisor and both employee engagement and organizational performance of state corporations in Kenya were both positive and significant. These findings imply that an increase in the intellectual motivation of supervisor would lead to an increase in both employee engagement and organizational performance. Therefore supervisors wanting to improve their organizations' performance should work at enhancing the intellectual stimulation qualities to influence first employee engagement and then organizational performance in state corporations in Kenya.

5.2.4 Individualized consideration

The study findings indicated that supervisors in state corporations in Kenya displayed individualized consideration attributes. This is expressed in the overall mean of between four and five in the liker- scale for individualized consideration with highest mean being for the question as to whether employees in the state corporations felt that their supervisors were empathetic and supportive of staff.

From the correlation analysis results, it is evident that there is a moderate but positive relationship between the individualized consideration of supervisor and both employee engagement and organizational performance in the state corporations in Kenya. This relationship is also not due to chance. This implies that an increase in individualized influence of supervisor would lead to an increase in both employee engagement and organizational performance in the state corporations in Kenya. The moderate Pearsons' values however depict that supervisors only display average measures of individualized consideration when dealing with employees.

Regression analyses supported the correlation findings revealing that individualized consideration of supervisor in the state corporations in Kenya was both significant and positively related to employee engagement and organizational performance. Thus if the individualized consideration of supervisor was improved, it would lead to an increase in employee engagement and organizational performance in the state

corporations in Kenya. The supervisors' who took into account their subordinates' uniqueness and did not compare them to others, instead used each employee's strengths for the benefit of the organizations led to increased employee engagement and organizational performance in state corporations in Kenya.

5.2.5 Mediating effect of employee engagement

In the three regression analyses relating to the mediating effect of employee engagement between transformational leadership and organizational performance, the first analysis indicated a strong and positive relationship between transformational leadership and organizational performance. The relationship was also significant meaning an increase in transformational leadership of supervisor would lead to an increase in organizational performance of state corporations in Kenya. The first condition for mediation was met. The second analysis revealed a strong and positive relationship between transformational leadership and employee engagement. The relationship was also significant, meeting the second condition for mediation. The hierarchical (third) analysis with both transformational leadership and employee engagement on organizational performance revealed that employee engagement contributes averagely to organizational performance and is significant. Transformational leadership alone now only contributes half of the employee engagement statistics to organizational performance in the state corporations in Kenya. After controlling for employee engagement, the influence of transformational leadership on organizational performance was still significant, though not completely reduced, suggesting partial mediation between transformational leadership and organizational performance in state corporations in Kenya. All the proposed alternative hypotheses in the study were supported except for the first one indicating that idealized influence was positively related and significant for employee engagement and organizational performance in state corporations in Kenya. A new model of a combination of inspirational motivation, intellectual stimulation and individualized consideration together with employee engagement contributed to organizational performance in state corporations in Kenya. This became the proposed optimum model this study.

5.3 Conclusions

The study tested the research framework with key variables as transformational leadership (with four dimensions), employee engagement and organizational performance to establish their relationships and influence on each other. Findings suggest that; Employees in state corporations in Kenya attested to the fact that their supervisors' displayed all the four transformational leadership behaviors of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

Both transformational leadership (overall) and employee engagement are instrumental to achieving positive organizational outcomes. Three of the four leader behaviors; inspirational motivation, intellectual stimulation and individualized consideration of supervisor in state corporations in Kenya was found to be positively related and significant for both employee engagement and organizational performance in state corporations in Kenya.

Idealized influence of supervisor was not significant for these relationships as was found to be negatively related to both employee engagement and organizational performance. Employee engagement was also found to partially mediate the relationship between transformational leadership and organizational performance in state corporations in Kenya.

5.4 Implications of Study and Recommendations

Following the findings of this study, the following recommendations have been given for both theory and practice especially of Human Resource Departments;

5.4.1 Theoretical implications

This study joins a growing body of literature that shows the basic relationships between transformational leadership dimensions and organizational performance in diverse disciplines. Specifically, understanding how leadership behaviors influence organizational performance through employee engagement in state corporations, will not only fill a gap in theory but also the knowledge acquired will be helpful to HRD in developing training programs for the leaders with a focus on transformational

leadership behaviors that will lead to subordinates' engagement and organizational performance.

5.4.2 Policy recommendation

Human Resources should develop policies and practices relating to transformational leadership and employee engagement. This can be done by developing training and development programs for leaders or managers in state corporations that allow for team-work and knowledge sharing with subordinates to increase employee engagement to their organizations.

The mission of HR should be to create an environment that encourages engagement as well as attract potential employees to organizations and to improve organizational performance by developing challenging and attractive vision together with employees.

The vision should be tied to strategy for achievement of organizational goals and translated into action by leaders' who express confidence that goals will be achieved through team and individual support.

Although the study focused on State corporations in Kenya, the government of Kenya can borrow a leaf from the study findings for purpose of policy to enhance civil service performance for attainment of its vision 2030 goals.

5.4.3 Managerial recommendation

Organization leaders should arouse their employees' curiosity about work and enhance their performance through intellectual stimulation. The following specific recommendations are made in line with the findings of the study;

Managers in state corporations intending to boost their organizations performance through transformational leadership should focus on the three transformational leadership behaviors of inspirational motivation, intellectual stimulation and individualized consideration which were found to be significant for both employee engagement and organizational performance.

The managers should however put less emphasis on idealized influence of leader which is found to be negatively related to both employee engagement and organizational performance when targeting to improve the above.

Employee engagement, found to partially mediate the relationship between transformational leadership and organizational performance, should be considered paramount and significant for improving organizational performance. Thus organizations while working on transformative leadership should equally put emphasis on other policies and practices that positively impact employee engagement.

Both employees and their leaders must be given fair opportunities and support to ensure their organizations performance is improved and goals achieved. This can be done through training and development as well as rewards and compensation to enhance both aspects of transformational leadership and employee engagement.

5.5 Areas for Further Research

This study focused on the effects of transformational leadership organizational performance in the state corporations in Kenya. A special interest was on the mediating role of employee engagement. There is however still need for future researches to be done to establish the specific areas of employee engagement influenced by transformational leadership behaviors, as well as their contribution to organizational performance. Studies may also be done to establish why idealized influence of supervisor was found to be negatively related to both employee engagement and organizational performance as per this study finding. Since majority of empirical studies reveal that there is an enormous return on investment for organizations and even Governments when employees are fully engaged, there's need to establish other factors that may influence employee engagement levels which will further boost organizational performance.

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APPENDICES

APPENDIX A: LETTER OF INTRODUCTION TO RESPONDENTS

Evelyn A. Datche

P. O. Box 42551-80100

Mombasa, Kenya

Dear sir/madam,

RE: INTRODUCTION AND REQUEST TO PARTICIPATE IN STUDY

I am a post graduate student at the Jomo Kenyatta University of Agriculture and Technology (JKUAT) Pursuing a PhD Degree in Human Resource Management (HRM). As a requirement for the fulfillment of this degree course, I am expected to conduct a research thesis. My research title is **Effects of Transformational Leadership on Organizational Performance in state corporations in Kenya.**

You have been randomly selected to participate in this study by filling in the questionnaire to enable the collection of the needed data for analysis. The information collected will be used for academic research only and will be treated with utmost confidentiality.

Thanking you in advance for your co-operation.

Yours faithfully,

Evelyn A. Datche.

Student / Researcher

APPENDIX B: QUESTIONNAIRE

SECTION 1: DEMOGRAPHIC DATA

Please tick in the most appropriate box. []

Organization (optional) _____

1. Kindly indicate your gender:

Male []

Female []

2. What is your age bracket?

18 to 24 Years []

25 to 29 Years []

30 to 34 Years []

35 to 39 Years []

40 to 44 Years []

Above 45 Years []

3. What is your level in the organization?

Non-management []

Lower management []

Mid-management []

Senior management []

4. How long have you served in this organization?

3-5 years []

6-10 years []

11-15 years []

16-20 years []

21 years or more []

5. What is the size of your department?

10 or less []

11-20 []

21-30 []

31-40 []

40 or more []

SECTION 2: TRANSFORMATIONAL LEADERSHIP

In the Table below, Please indicate your appropriate response to the statements given by ticking in the correct box.

Key: Strongly disagree – SD, Disagree – D, Neutral – N, Agree – A and Strongly agree – SA

Statement	SD	D	N	A	SA
Idealized influence					
6. My Supervisor instill pride in others for being associated with them					
7. My Supervisor goes beyond self-interest for the good of the group					
8. My Supervisor displays a sense of power and confidence					
9. My Supervisor makes personal sacrifices for others benefit					
Inspirational motivation					
10. My Supervisor talks enthusiastically about what needs to be done					
11. My Supervisor expresses confidence that goals will be achieved					
12. My Supervisor talks optimally about the future					
13. My Supervisor articulates a compelling vision for the future					
Intellectual stimulation					
14. My Supervisor re-examines critical assumptions to questions as to whether they are appropriate.					
15. My Supervisor gets to look at problems from many different angles					
16. My Supervisor seeks differing perspectives when solving problems					
17. My supervisor does not impose but allows some independence					

Individualized consideration					
17. My Supervisor treats others as individuals rather than as members of a group					
18. My Supervisor spends time teaching and coaching					
19. My Supervisor helps others to develop their strengths					
20. My supervisor is empathetic and supportive					

SECTION 3: QUESTIONS ON EMPLOYEE ENGAGEMENT LEVELS

In the Table below please indicate your response by ticking () in the appropriate box.

1- Strongly disagree – SD, 2 - Disagree – D, 3 - Neutral – N, 4 - Agree- A and 5 - strongly agree - SA

STATEMENT	SD	D	N	A	SA
Say					
20. I speak highly of this organization to my friends					
21. I would be happy for my family and friends to use this organization's product					
22. I would say my company is a good place to work					
23. I emphasize the positive aspects of working for my organization when talking with co- workers					
Strive					
24. I always do more than is actually required					
25. I try to help others in this organization whenever I can					
26. I try to keep abreast of current developments in my area					
27. I volunteer to do things outside my job that contribute to the organizations objectives					
28. I frequently make suggestions to improve the work of my team / department / service					
29. My company inspires me to do my best work					
Stay					
30. The offer of a bit more money with another employer would not seriously make me think of changing my job					
31. I prefer to stay with this company as long as possible					
32. I consider this organization my first choice					

SECTION C: ORGANIZATIONAL PERFORMANCE

Over the last five years how has your organization been performing with regard to the following market and financial indices?

(Use the scale 1 – No extent, 2 – Low extent, 3 – Moderate extent, 4 – Great extent and 5 – Very great extent)

STATEMENT	1	2	3	4	5
33. Improvement in profits					
34. Growth of repeat sales					
35. Growth of existing customers					
36. Growth in market share					
37. Higher ratings in customer surveys					
38. Increase in quality of products					
39. Growth in new customers					
40. Growth in staff development					

Please provide any other information, deemed important for this study

Thank you for your co-operation.

APPENDIX C: OPERATIONALIZATION OF VARIABLES

Table A: Measures of independent variables

Attributes versus measures	Inspirational motivation	Idealized influence	Intellectual stimulation	Individualized consideration
	Leader articulates appealing vision (den Hartog et, al, 1997)	Leader demonstrate ethical norms and being role model for subordinate (Bono & Judge, 2004)	Leader arouses awareness of problems and followers capacity to solve those problems (kelly, 2003)	Responding to specific needs of followers to ensure inclusion (Simic, 1998)
	Leader inspires and challenges followers (Kelly, 2003; Russel and Peterson, 2003)	Behaviors that show benefits of a group are more important than individual	Leaders question assumptions and beliefs and encourage followers to be innovative and creative (Barbuto, 2005)	People treated individually and differently on basis of knowledge and talents (Shin & Zhou, 2003) with intention to reach higher levels.
	Supervisor is optimistic and enthusiastic about future (Bono & Judge, 2004)	Subordinates become more involved with vision of leader and are willing to make sacrifices for that vision (House and Howell, 1992)	Leaders empower follower and encourage them to propose new and controversial ideas without fear of punishment (Stone, Russel & Patterson, 2003)	Supervisor acknowledges followers feelings and emotions and need to grow and develop (den Hartog et al., 1997)

TABLE B: MEASURES OF MEDIATING VARIABLE

Measure	Question sample	Researches using the same
Say	<p>Employee speaks highly of organization.</p> <p>Ask family and friends to use organizations products and services.</p> <p>Emphasize positive aspects for working for organization</p>	<p>(Towers & Perrin, 2003); (Robinson et al., 2004)</p> <p>and (Heger, 2007)</p>
Stay	<p>Offer of a bit more money would not make employee change job.</p> <p>Consider organization as first choice.</p> <p>Will stay with organization as long as possible.</p>	<p>(Flood et al.,2001)</p> <p>(Bloemer and Schroder, 2006)</p>
Measure	Question sample	Researches using the same
Strive	<p>Employee volunteers to do things outside job but contribute to organizational objectives.</p> <p>Always do more than is actually required.</p> <p>Try to keep abreast of current developments in area.</p>	<p>(Towers & Perrin, 2003: Robinson et al., 2004)</p>

**APPENDIX D: LIST OF STATE CORPORATIONS BASED ON
FUNCTIONAL CATEGORY**

1. Financial category

No.	STATE CORPORATION
1	Industrial And Commercial Corporation
2	Agricultural Finance Corporation
3	Kenya Revenue Authority
4	Kenya Urban Roads Board
5	Kenya Roads Board
6	Kenya Rural Roads Authority
7	Kenya National Assurance Company (2001) Ltd
8	National Hospital Insurance Fund
9	Kenya Post Office Savings Bank
10	Kenya Tourist Development Corporation
11	Kenya Re-Insurance Corporation
12	Consolidated Bank of Kenya
13	Kenya Industrial Estates
14	National Social Security Fund
15	Industrial Development Bank
16	Kenya National Trading Corporation

2. Commercial / Manufacturing

No.	STATE CORPORATION
1	Nyayo Tea Zones Development Corporations
2	Kenyatta International Conference Centre
3	Kenya Literature Bureau
4	Kenya Seed Company Ltd
5	Jomo Kenyatta Foundation
6	Kenya Railways Corporation
7	Kenya Broadcasting Corporation
8	Nzoia Sugar Company
9	South Nyanza Sugar Company
10	Kenya Safari Lodges and Hotels
11	Kenya Power and Lighting Company Ltd
12	Kenya Ports Authority
13	Kenya Wine Agencies Ltd
14	Kenya Electricity Generating Company
15	Kenya Pipeline Company
16	Agro Chemical and Food Company Ltd
17	National Oil Corporation of Kenya
18	Kenya Electricity Transmission Company
19	Postal Corporation of Kenya

20	Kenya Airports Authority
21	National Housing Corporation
22	Chemelil Sugar Company
23	Kenya Meat Commission
24	Numerical Machining Complex
25	East African Portland Company Ltd
26	Pyrethrum Board of Kenya
27	National Cereals and Produce Board
28	Kenya National Shipping Line
29	New Kenya Cooperative Creameries Ltd
30	School Equipment Production Unit

3. Regulatory

No.	STATE CORPORATION
1	National Irrigation Board
2	Kenya Dairy Board
3	Retirements Benefits Authority
4	Capital Markets Authority
5	Communications Commissions of Kenya
6	Catering and Tourism Training Development Levy Trustees
7	Kenya Film Commission
8	Tea Board of Kenya

9	Water Services Regulatory Board
10	Kenya Plant Health Inspectorate Services
11	Export Promotion Council
12	Kenya Copyright Board
13	Horticultural Crops Development Authority
14	Kenya Bureau of Standards
15	Kenya Sugar Board
16	Kenya Maritime Authority
17	Kenya Coconut Development Authority
18	Cotton Development Authority
19	Sacco Societies Regulatory Authority
20	Commission for Higher Education
21	Council of Legal Education
22	Kenya Civil Aviation Authority
23	Coffee Development Fund
24	Energy Regulatory Commission
25	Insurance Regulatory Authority
26	Kenya Film Classification Board
27	Coffee Board of Kenya
28	NGO Coordination Board
29	Public Procurement Oversight Authority

30	National Environmental Management Authority
31	Kenya Investment Authority
32	Export Processing Zones Authority
33	Pest Controls Product Board
34	Water Appeals Board
35	National Bio-Safety Authority
36	Media Council of Kenya

4. Public Universities

No.	STATE CORPORATION
1	University of Nairobi
2	Kenyatta University
3	Bondo University
4	Jomo Kenya University of Agriculture And Technology
5	Kisii University
6	Meru University College of Science And Technology
7	Maseno University
8	South Eastern University College
9	Masinde Muliro University of Science And Technology
10	Kimathi University College
11	Kabianga University College

12	Egerton University
13	Moi University
14	Laikipia University College
15	Pwani University College
16	Mombasa Polytechnic University College
17	Kenya Polytechnic University College
18	Multi-Media University College of Kenya
19	Narok University College
20	Chuka University College

5. Training and Research

No.	STATE CORPORATION
1	Coffee Research Foundation
2	Kenya Institute of Administration
3	Kenya Institute for Public Policy Research and Analysis
4	Tea Research Foundation of Kenya
5	Kenya Medical Research Institute
6	Kenya Forestry Research Institute
7	Kenya Sugar Research Foundation
8	Kenya Industrial Research and Development Institute
9	Kenya Agricultural Research Institute
10	Kenya Marine and Fisheries Research Institute

11	National Council for Science and Technology
12	National Museums of Kenya
13	National Crime Research Centre

6. Service

No.	STATE CORPORATION
1	Kenya Veterinary Vaccines Production Institute
2	Rural Electrification Authority
3	Kenya National Library Services
4	National Water Conservation and Pipeline Corporation
5	Geothermal Development Company Ltd
6	Lake Victoria North Water Services Board
7	Water Services Trust Fund
8	Sports Stadia Management Board
9	National Campaign against Drug Abuse Authority
10	Kenya Tourist Board
11	National Council for Persons With Disabilities
12	Kenya Institute of Education
13	National Commission on Gender and Development
14	National Coordinating Agency for Population and Development
15	Constituency Development Fund
16	Higher Education Loans Board

17	Lake Victoria South Water Services Board
18	Kenya Accountants and Secretaries National Examinations Board
19	Rift Valley Water Services
20	Tana Water Services Board
21	Kenya Forest Service
22	National Aids Control Council
23	Kenya National Examination Council
24	Brand Kenya Board
25	Kenya Ferry Services Ltd
26	Athi Water Services Board
27	Privation Commission of Kenya
28	Kenya ICT Board
29	Bomas of Kenya
30	Agriculture Development Corporation
31	Kenya Medical Supplies Agency
32	Local Authorities Provident Fund
33	Youth Enterprise Development Fund
34	Moi Teaching And Referral Hospital
35	Teachers Service Commission
36	Northern Water Services Board
37	National Council for Children Services

38	Kenya National Highways Authority
39	Tanathi Water Services Board
40	Kenyatta National Hospital
41	Water Resources Management Authority
42	Kenya National Bureau of Statistics
43	Kenya Institute of Special Education
44	Kenya Yearbook Editorial
45	Kenya Ordinance Factories Corporation
46	Coast Water Services Board
47	Kenya Industrial Property Institute
48	Centre for Mathematics
49	Kenya Wildlife Service
50	University of Nairobi Enterprise Services Ltd

7. Regional Development Authorities

No.	STATE CORPORATION
1	Coast Development Authority
2	Lake Basin Development Authority
3	Ewaso Ng'iro South Development Authority
4	Ewaso Ng'iro North Development Authority
5	Kerio Valley Development Authority
6	Tana And Athi Rivers Development Authority

8. Tertiary Education

No.	STATE CORPORATION
1	Kenya Education Staff Institute
2	Kenya Utalii College
3	Co-Operative College of Kenya
4	Kenya Water Institute
5	Bukura Agricultural College
6	Kenya Medical Training College

Source; GoK , 2013

APPENDIX F: SAMPLE SIZE SELECTION CHART

Recommended sample sizes for two different precision levels					
<i>Source: Isaac and Michael, 1981; Smith, MF, 1983</i>					
	Sample Size			Sample Size	
Population size	+5%	10%	Population size	5%	10%
10	10		275	163	74
15	14		300	172	76
20	19		325	180	77
25	24		350	187	78
30	28		375	194	80
35	32		400	201	81
40	36		425	207	82
45	40		450	212	82
50	44		475	218	83
55	48		500	222	83
60	52		1000	286	91
65	56		2000	333	95
70	59		3000	353	97
75	63		4000	364	98
80	66		5000	370	98
85	70		6000	375	98
90	73		7000	378	99
95	76		8000	381	99
100	81	51	9000	383	99
125	96	56	10000	385	99
150	110	61	15000	390	99
175	122	64	20000	392	100
200	134	67	25000	394	100
225	144	70	50000	397	100
250	154	72	100000	398	100