ROLE OF TRANSFORMATIONAL LEADERSHIP IN ORGANIZATIONAL PERFORMANCE OF STATE-OWNED BANKS IN KENYA

JOHN KIPLELEI KIRUI

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Role of Transformational Leadership in Organizational Performance of State-Owned Banks in Kenya

John Kiplelei Kirui

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DECLARATION

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

Signature: ………..……………………..… Date: …………………….

John Kiplelei Kirui

This thesis has been submitted for examination with our approval as University Supervisors.

Signature: ………..……………………..… Date…………………..…………

Dr. Mike Amuhaya Iravo (PhD)

JKUAT, Kenya

Signature ………..……………………..… Date…………………..…………

Prof. Christopher Kanali (PhD)

JKUAT, Kenya

DEDICATION

I dedicate this thesis to my late parents, Korkoren Kocheng'tany and Tapsagaa Koorgeenyoon Chemaluk whose encouragement in their life time remain my inspiration in pursuit of education; to my dear wife Angeline, my children, Judith Tapsubei, Sharon Tapyetgei, Kevin Kiboldo, Diego Maritim and Patricia Koe whose love, patience, understanding and support I treasure, to my two grandchildren Amanda and Ayana , to all my extended family members ,friends, fellow age set members of Kerongoro, my old students and teachers whose interaction made me to continually reflect on the subject of leadership.

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
EPS	Earnings Per Share
MLQ	Multifactor Leadership Questionnaire
MTS	Money Transfer Services
NBM	New Business Model
NSE	National Stock exchange
ROA	Return on Assets
ROI	Return on Investments
ROS	Return on Sales

DEFINITION OF TERMS

Change management: Is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers (Armstrong, 2010).

Organizational structure: Refers to the way responsibility and power are allocated and work procedures are carried out among organizational members (Armstrong, 2010).

State-owned Banks: Refers to a registered bank in Kenya whose ownership is made of 51% ownership of its shareholding by the central government of Kenya (CBK, 2013).

Transformational leadership: Raising subordinate awareness on the importance and value of designated outcomes, getting employees to transcend their own self-interests for the sake of the group or organization, and changing or increasing subordinate needs (Avolio, 2005).

Transactional leadership: Involves focusing on clarifying the effort-reward relationships, using reward systems (personal and material) to achieve maximal motivation (Avolio, 2005).

Public enterprise: An institution operating a service of an economic or social character on behalf of the government but as an independent legal entity, largely autonomous in its management, though responsible to the public through government and parliament and subject to some direction by the government, equipped on the other hand with independent and separate fund of its own and the legal and commercial attributes of a commercial enterprise (CBK, 2013).

Idealized Influence: Idealized influence is the behavior that is reflected by leaders showing charismatic personality. Idealized leadership, at its core represents the highest levels of moral reasoning and perspective-taking capacity. These leaders are willing to sacrifice their own gain for the good of their work group and organization. They set high standards for work conduct and are a role model for those standards (Hoffman et al., 2011).

Inspirational Motivation: Inspirational Motivation is communicating a vision with fluency and confidence, increasing optimism and enthusiasm, and giving interesting talks that energize others. It is about encouragement to raise the consciousness of workers about the organization's mission, vision, and committing to the vision is a key theme of this factor (Geib and Swenson, 2013).

Intellectual Stimulation: Intellectual stimulation refers to leaders who challenge their followers' ideas and values for solving problems. Through intellectual stimulation, transformational leaders are able to show their followers new ways of looking at problems. Such leaders encourage their followers to use non-traditional thinking to deal with traditional problems and they give ear to subordinates' ideas even if different from theirs (Braun et al., 2013)

Individualized consideration: Individualized consideration is the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower, and listens to the follower's concerns (Grant, 2010).

Policies: Policies are principles, rules and guidelines formulated or adopted by an organization to reach its long term goals. (CBK, 2013).

Regulations: Regulations are principles or rules employed in controlling, directing or managing an activity, organization or system. (CBK, 2013).

Organizational performance: Organizational performance refers to the actual output or results of a particular organization or company as measured against its intended output/goals or objectives (Langton & Robbins, 2007).

ABSTRACT

The main objective of the study was to establish the role of transformative leadership in organizational performance of state-owned banks in Kenya. Specifically the research sought to find out the extent to which the elements of transformational leadership which are individual consideration, intellectual stimulation, inspirational motivation and idealized influence affect organizational performance. Rules and regulations governing state owned banks in Kenya were also analyzed in respect to their effects on organizational performance. The study was conducted in 22 branches of Post Bank and National Bank within selected Rift Valley Region, Kenya. The study used both primary and secondary means of collecting data by employing quantitative approach with a target population of 137 employees. A questionnaire was used as an instrument for data collection. Analysis involved both descriptive and inferential statistics. A regression analysis was carried out and the obtained coefficient of determination of 0.6374 implied that 63.7% of the variations in the organizational performance in state-owned banks can be explained by the variations in independent variables; idealized influence, inspirational motivation, intellectual stimulation, individual consideration, and policies and regulations. Further, by quick standard error tests, the individual coefficients of the regression function were found to be significant in influencing organizational performance. The fairly high value of the coefficient of determination implied that the model can be used to generalize and to predict future outcomes in the banking industry which is a key driver in the economic development of a society. Furthermore, models that can be used for prediction would be helpful to these organizations for purposes of strategic planning and policy making. The study found out that idealized influence, inspirational motivation, intellectual stimulation and individual consideration positively influenced organizational performance. This showed that, the top management should use the research findings to increase employee productivity and thus organizational performance in state-owned banks. The study established that policies and regulations set by the bank influenced individual performance. Though they were regulated by the Banking Act of Kenya, the government shareholding interfered with the policies and regulations and thus they were not effective in enhancing employee performance and sometimes conflicted with the objectives of the bank. From the findings of the study, further research can be conducted to investigate how transformational leadership influences individual employee performance to help clarify the specific individual performance which can be linked to organizational performance. Further research can also be carried out in the entire banking sector and comparative analysis of private and state owned banks performance in relation to transformative leadership which would enhance the generalization of the findings.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The extent to which the organization achieves its goals and performs its task is the most commonly measures of leadership effectiveness (Erkutlu, 2008). While much of the attention in the past has been on the development of leaders at the upper levels of the organization, new organizational paradigms that include the sharing of information, decentralization of decision-making authority and widespread use of teams have made the development of leaders across organizational levels increasingly important. The term leadership holds different meanings to different people.

According to Northouse (2009), “leadership is a process whereby an individual influences a group of individuals to achieve a common goal”. Similarly, de Jong and Den Hartog (2007) viewed leadership as “the process of influencing others towards achieving some kind of desired outcome”. Other researchers (DuBrin, 2007) defined leadership as “the ability to inspire confidence and support among the people who are needed to achieve organizational goals”. All these definitions saw leadership as a process and therefore, it can be observed through the ways in which the leader behaves as opposed to viewing leadership as a trait which suggests that some individuals are born with special qualities that makes them leaders (Northouse, 2009).

Faced with the rapid changes in the business environment, organizations today need to be more creative and innovative in order to sustain their business, compete, grow and even lead in the market (Gumusluoglu & Ilsev, 2009). Innovation is also increasingly recognized as a key source of sustainable competitive advantage for organizations (Tseng, Liu & West, 2009). By engaging a more innovative work force, a team’s performance is expected to improve, and ultimately help enhance the organization’s performance as a whole. Based on past empirical studies, transformational leadership has been found to be an effective form of leadership at the organizational level (Nemanich and Keller, 2007), industrial level (García-Morales *et al*., 2012). Various studies have also demonstrated that transformational leadership is positively correlated with improved organizational performance in terms of customer satisfaction (Liao and Chuang, 2007), organizational innovation (García-Morales *et al*., 2012), job satisfaction (Braun, et al., 2013) and staff retention (Green *et al*., 2008).

Transformational leadership has gained academic attention over the last 20 years as a new paradigm for understanding leadership. The notion of transformational leadership was developed under the tutelage of Bernard Bass (Bass, 1997). In its global perspective, Smith (2015) stated that the transformational leadership implementation has been widely embodied in both public and private sectors, in organization in many countries, in diversity leadership levels within organizations. New information technology-enabled process management methodologies have been implemented world-wide, and organizations are achieving enhanced efficiency and effectiveness through the use of these new management approaches. Appropriate models and systems have been implemented in the private sector, and the researchers argue that public sector enterprises can learn from these private sector experiences (Geib & Swenson, 2013).

According to Srivastava *et al*., (2006), public sector organizations have been undergoing a very turbulent phase in the past several years. Forces of globalization, liberalization, privatization, and technology are combining to make life harder than ever for public managed organizations. Therefore, competitiveness is the key to survival in such an open and market-driven economy. Originally, transformational leaders were expected to be less effective and less common in public organizations compared to private organizations, because public organizations were thought to rely more on bureaucratic control mechanisms than private organizations (Bass & Riggio 2006). It is believed that public sector reforms and privatization will necessarily lead to cheaper, better services for the citizens, and consequently no services should be immune from these reforms.

The banking system in Kenya is increasingly becoming market driven. The banks are finding new ways to go to the customer rather than waiting for the customer to come to the banking halls. Parts of the tools that the banks have used include agency banking, ATMs, M-banking including the use of M-Pesa services, online banking and so on. Financial institutions are in the process of executing an unprecedented reconfiguration of the banking industry and the financial services industry is changing rapidly. Technology, government regulation, and increasing customer sophistication are forcing financial service institutions to re-evaluate their current business practices.

Finding new ways to improve public sector performance is one of the key objectives of research in Public Management (Nasi 2011). The theory of transformational leadership is based on the norm that leaders demonstrate certain behaviors that speed up employees' level of innovative thinking through which they enhance individual employee performance behaviors (Birasnav, 2014). However, there are large differences in productivity across different ownership groups of Kenyan banks. Employees in state-owned banks earn only half of the net interest revenue of employees in foreign-owned banks. State-owned banks have twice as many employees relative to their assets, loans and deposits as foreign-owned banks. This disparity across ownership groups indicates significant potential gains from increased competition and the resulting productivity improvements.

In the current organizational environment, change has become synonymous with standard business practices as long-term organizational ends have to be reformulated on an ongoing basis. The central theme in managing change is the execution of strategic leadership. This relates to leader's ability to: anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization (Taylor-Bianco & Schermerhorn, 2006). Transformative leadership contributes to competent human capital which is the real asset for any organization, and this makes the human resource management role important in recruiting, managing, and retaining the best. The human resource department has a clear role in this process and determines the success tempo of any organization. An urgent priority for most of the organizations is to have an innovative and competent human resource pool; sound in management practices with strong business knowledge. Through transformative human resource managers' role, competent employees enhance their intellectual competencies leading to sound intellectual stimulation which impacts on organizational performance positively Mahapatro (2010).

Compared to other banks where the government has stakes, such as National Bank of Kenya, Cooperative Bank of Kenya, Post Bank is the only bank that has not fully adopted the market-driven practices to compete as commercial bank. While Post Bank's incentives and performance measures may be different from the private sector commercial banks, better management control and cost reductions are certainly public sector enterprise objectives.

The Kenya Post Office Savings Bank (Post Bank) was established in 1910 under the defunct East Africa Post and Savings (EAPS), which was subsequently taken over by the Kenya Post and Telecommunication Corporation when the East Africa Community was dissolved in 1977. The bank is wholly owned by the Government of Kenya and was established primarily to encourage thrift and mobilize savings. It has endeavored to carry out this mandate through expansion of its outreach and development of products and services that are aimed at meeting the expectations of its customers. Besides savings services, Post Bank has expanded its service offerings to include local and international credit cards under the sponsorship of a commercial bank, money transfer services (MTS), collections and disbursement services.

According to Central Bank of Kenya (2013), the bank has over 1.2 million customers and is working towards having its legal framework changed to pave way for a level playing field in the sector. Some of the notable achievements of the bank include being able to accelerate growth in customer deposits by adopting a new service delivery technology platform, paperless banking services through the use of the point of sale terminals and the use of the bank's automated teller machines and those of partner institutions. In order to keep pace with the competitive environment, Post Bank has had to transform itself in a fundamentally different Kenyan financial sector, and it has survived unaided not only by its adoption of new technology, but also by a fundamental cultural change within. The most notable change within the bank has to do with transformational leadership. However, unlike commercial banks and deposit taking microfinance institutions, Post Bank is prohibited by law from offering lending services to its customers with the goal of providing mass-market accessible banking for Kenyans.

The National Bank on the other hand was incorporated in 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence. The Bank is listed on the Nairobi Securities Exchange (NSE). In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in 1996, it further reduced its Shareholding by 40 million Shares to the public. Throughout the 1990s the bank has posted losses annually and some of the rebranding schemes are meant to turnaround its fortunes. The current shareholding now stands at government and its agencies own 70.56% and the general public owns 29.44%. In 2013, the bank rebranded and changed its logo as part of the bank's 5 year transformation strategy to become a top tier bank by 2017. The Bank is also set to increase coverage through branch network from current 75 to 120 and to boost the Agency Banking network to 2,000 agents by 2017. The operations of the entire Bank branch network are centralized with a real-time, online accounting system.

According to Central Bank of Kenya (2013), the ever changing consumer needs, innovative financial products, deregulation, information technology upgrades, and the onset of multiple delivery channels are reshaping the financial services industry. To remain competitive in the new landscape, banks have continued to expand their product lines and add new delivery channels to develop more effective marketing systems and techniques, and enhance the service quality levels. Use of alternative channels such as e-banking and m-banking continue to be the frontiers upon which banks seek to enhance access to customers as well as differentiating their products. All the mentioned strategic changes call for innovative and well-informed group of leaders under the etiquette of transformational leadership.

The effects of transformation changes that have been undertaken by Post Bank have included the instant card issuance system to replace the passbook system, increased staff capacity to implement change projects and the rollout of a new retail channel based on agents. The New Business Model (NBM) has made it possible for Post Bank to start to drive down its costs. Changes in the law have made it illegal for commercial banks to charge customers with savings accounts, has put pressure on Post Bank to do likewise. Consequently, it stopped levying ledger/maintenance fees to remain competitive; this had an immediate impact on its income, so the full cost-reduction effects of the NBM were dampened. Despite the various benefits Post Bank has since it is state-supported, it has not performed well to the expectations of the Kenyan people. Other competitors in the banking sector have capitalized on these weaknesses and have steadily undertaken transformational leadership interventions within their organizations. It is therefore important to investigate the relationship between transformational leadership and organizational change with specific focus on state-owned banks.

1.2 Statement of the Problem

The banking system in Kenya has been undergoing a lot of changes since independence. There has been virtually a variation of transformation in all dimensions in terms of: directed and undirected, proactive and reactive, emanating from internal and external environment. Change thus has become part of the business process, requiring ability of the managers to initiate, embrace and lead change in their organizations. Studies have refuted the old model of change process that sought to unfreeze, change and refreeze by suggesting that a state of continuous change can become a routine in its own right. Other studies have perceived change as a normal and natural response to internal and environmental conditions.

According to Mwangi, Mukulu and Karanja (2011) transformational leadership is positively correlated with organizational performance and therefore its effect must be clearly understood. Despite the public and government support Post Bank and National Bank have been receiving for the last couple of years minimum, transformational leadership hasn't been felt at the state corporation. Routine operations of customer service, service delivery of deposit and withdrawals have not changed much. Since their inception, the organizational structures are still the same. Attempts to enhance their business approaches have been undertaken by various government committees. A number of reports from these committees suggested that serious re-engineering had to be carried out at a cost in excess of Ksh. 2 Billion and which has not been implemented to date. According to Koech and Namusonge (2012), transformational leadership styles have a strong positive relationship with organizational performance. The study recommended that managers should strive to become role models to their subordinates; inspire subordinates by providing meaning and challenge to work; stimulate subordinate efforts to become innovative & creative; and pay attention to each individual's need for achievement and growth.

The effectiveness of an organization's management can critically impact upon its viability and there are many reasons why the management process may fail and include failure to think creatively about the likely effects of plans, obtain external/internal participation and commitment, co-ordinate and control resources (Ngware *et al*., 2009). Transformational leaders are models of integrity and fairness, set clear goals, have high expectations, provide support and recognition, stir the emotions and passions of people, and get people to look beyond their self-interest to reach for the improbable (Pierce & Newstorm, 2008). Empirical evidence also shows that transformational leadership is strongly correlated with employee work outcomes such as lower turnover rates, higher level of productivity, employee satisfaction, creativity, goal attainment and follower well-being (Eisenbeiß &

Boerner, 2013). All these outcomes ultimately contribute towards effective organization performance, meeting stakeholder needs and customer satisfaction.

The need for routines to be effective and able to improve performance has been challenged as the view that a better approach to change is a situation where organizations and their people continually monitor, sense and respond to the external and internal environment in small steps as an ongoing process. Leadership effectiveness is crucial to success in any organization and it closely depends on outcomes and consequences of the leaders' activities for followers and organization (Yukl, 2006). The extent to which the organization achieves its goals and performs its task is the most common measures of leadership effectiveness (Erkutlu, 2008). However, regarding state-owned banks which enjoy state support, few empirical studies have been carried out to determine how they are managed to negotiate their survival through sustainable organizational performance given its public nature and the sea of changes that have swept not only the banking sector in Kenya, but also the entire economy. The study therefore sought to determine the role of transformational leadership on organizational performance in state-owned banks.

1.3 Objectives

1.3.1 General Objective

The general objective of this study was to investigate the role played by transformational leadership in organizational performance of state-owned banks in Kenya.

1.3.2 Specific Objectives

1. To establish the role of idealized influence in organizational performance of state-owned banks in Kenya.
2. To analyze the role of inspirational motivation strategies in organizational performance of state-owned banks in Kenya.

3. To examine the role of intellectual stimulation in organizational performance of state-owned banks in Kenya.
4. To determine the role of individual consideration in organizational performance of state-owned banks in Kenya.
5. To evaluate the role of policies and regulations in organizational performance of state-owned banks in Kenya.

1.4 Hypothesis of the Study

The study attempted to test the following hypotheses:

$\boldsymbol{H_{01}}$: Idealized influence does not have a significant influence on organizational performance of state-owned banks in Kenya.

$\boldsymbol{H_{02}}$: Inspirational motivation strategies have no significant influence on organizational performance of state-owned banks in Kenya.

$\boldsymbol{H_{03}}$: Intellectual stimulation has no significant influence on organizational performance of state-owned banks in Kenya.

$\boldsymbol{H_{04}}$: Individual consideration has no significant influence on organizational performance of state-owned banks in Kenya.

$\boldsymbol{H_{05}}$: Policies and regulations do not have a significant influence organizational performance of state-owned banks in Kenya.

1.5 Significance of the Study

The present study will benefit various audiences upon its successful completion. It was anticipated that it will benefit the management of state-owned banks by helping them understand the importance of managing organizational change in today's uncertain economic climate by clarifying the principles underlying successful implementation and change leadership in the organization. The employees of state-owned banks will also gain from deeper understanding of how organization change affects their working lives by bringing about profound and dramatic changes. As the organization attempt to cope with a progressively more turbulent environment, it relies increasingly on its employees to adapt to change. At the same time, employees often resist change for a variety of reasons stemming from individual differences and from the work context. The study therefore attempted to shed light on how change leadership can help secure employee commitment by inculcating in them positive attitudes toward the change, the alignment with the change, the intentions to support it, and the willingness to work on behalf of its successful implementation.

Customers of the bank are likely to gain from the proposed study since change management is usually tailored to meet customer needs. By undergoing through various changes, the organization attempts to position itself for greater appeal to customer by offering better products and services, improving quality and flexibility of its offering, and being responsive to the customer by providing greater values. The academia is likely to benefit from the concepts highlighted in the present study. Since the study delves into the aspects of building change capacity of within the organizational leadership, it clarifies concepts relating to the ability of the company to produce solutions (content) that respond to environmental evolution (external context) and/or organizational evolution (internal context) and to implement these change processes successfully within the company (process).

The government and the general public are also likely to benefit from the proposed study as they are the ones who provide the financing to state-owned banks. Changes that bring about efficiency gains, and improved management practices provide the public with the assurances that their taxpayer funds are not wasted. They are therefore able to hold accountable and ensure greater transparency from those they have entrusted with the tasks of providing stewardship to the organization and its resources. It was envisaged that by focusing on the critical area if leadership the study will contribute to the Human Resource

Management in terms of leading and managing change in organizations through positive human resource attributes. The study was expected to contribute immensely to the Human Resource Management by giving an insight on how transformational leadership can change organizations from good to excellent ones.

1.6 Scope of the Study

The study was limited to state-owned banks in the Rift Valley region of Kenya. The study focused on National and Post Bank which have a combined total of 22 branches in the region. The entire staff population of the bank's branch network in the region was selected because of convenience. The study was limited five variables namely; idealized influence, inspirational motivation, intellectual stimulation, individual consideration and policies and regulations. The choice of the Rift Valley region was informed by the fact that it had the highest number of branches of state-owned banks in the country. The branches were also easily accessible for the research purposes therefore cost-effective.

1.7 Limitations of the Study

The researcher encountered number of limitations. Firstly, dissemination of information for fear of victimization was a limitation which was likely to affect the study. Secondly, given the transition nature of state-owned entities, some respondents were unwillingly to fill the questionnaires. Lastly, since the researcher could not physically administer all the questionnaires, the response rates were not as high as expected. To counter these limitations, the researcher attempted to adequately brief the targeted respondents about the intentions of the study and how the findings were to be used. The respondents were also assured of confidentiality and anonymity.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter reviews existing transformational leadership literature as it relates to organizational performance. The key components of transformational leadership are identified and linked to organizational performance. A conceptual framework has been drawn indicating the relationship between the components and organizational performance. An understanding of the interplay between transformational leadership and organizational performance is an important factor for developing effective organizations. The chapter therefore presents the theoretical review, empirical review, the conceptual framework and the research gaps identified.

2.2 Theoretical Review

Based on existing literature, many theories of leadership are available. Major theories of leadership include the traits theory, leader-member exchange theory, contingency theory, situational leadership theory, transactional leadership theory and transformational leadership theory. Traits theory of leadership, also known as 'Great Man' theory proposes common characteristics of effective leaders, which contributed to the notion that leaders were born, not made. A criticism of the traits theory was that the list of leadership traits was not definitive. Findings from studies conducted over the past 100 years showed uncertain results and new traits kept emerging (Northouse, 2009).

2.2.1 Leader –Member Exchange Theory

On the other hand, leader-member exchange theory conceptualizes leadership as a process that is centered on the interactions between leaders and followers. It assumes that leaders develop exchange relationships with each of their followers and that the quality of those leader-member exchange relationships influences the followers responsibility, decision influence, access to resources and performance. However, as a result of the exchange relationships, the issue of discrimination in the workplace is raised since some followers may be perceived to be part of the more privileged group.

2.2.2 Contingency and Situational Leadership Theories

Other theories of leadership, namely the contingency and situational leadership theory suggests that successful leaders use different styles according to the situation and their followers. The main difference between these two theories of leadership is that contingency theory takes a broader view that includes contingent factors about the leaders' capability and other situational variables, whereas situational leadership theory tends to focus more on the behaviors that the leader should adopt, given the situational factors. Although situational leadership theory is widely used in leadership training and development, the lack of a strong body of research on situational leadership raises questions about its theoretical basis (Northouse, 2009).

The underlying assumption of the behavioral theories is that a behavior in the leader will evoke some sort of expected, specific or measurable behavior in the follower. Situational leadership also emphasized the level of maturity, or readiness of the followers as a contingency or context that leaders need to account for in order to establish the correct fit between the leader and follower (Bass, 2008).. Many behavioral studies have been conducted since the 1930sand 1940s and the results of these studies indicate that neither autocratic nor democratic leadership style can be advocated as the method for increasing productivity. Group member satisfaction was found to be higher under democratic leaders as was initially reported by Stogdill (1974) and subsequent studies and practices has affirmed that theory. However, Stogdill reviewed over 3000 works on leadership and concluded that very little was learned about the subject over the 4 decades or so that leadership had been studied. There has been much less focus on traits, and behaviors and more of a focus on situations or contingency as well as the current emergence of transformational leadership discussed earlier. Contrary to the underlying premise that there is only one best way to lead people for all situations, contingency theory postulates that a leader has many capabilities that are dependent and drawn upon the situation at hand. The essence of situational leadership approaches lies in the effectiveness of particular behaviors that are the most appropriate for the context or situation.

Fiedler (1967) introduced the first contingency model and attempted to align leadership style with situational demands. Fiedler believed that the leader's task should be consistent with the leader's control over situations and a leader could predict with some certainty the outcome of a situation if he had a high degree of control over the situation. Fiedler proposed that a leader's control over a situation ranged from low to high and that a task-oriented leader would be more successful in situations of either low or high control. In contrast, a relationship-oriented leader would be most successful in situations of moderate control. Each style of leadership would be effective when applied in the correct situation. This theory claims that an effective leader adapts his or her leadership style to subordinates' capacity to accomplish tasks (Langton & Robbins, 2007).

House's (1971) path-goal theory was based on the premise that different leadership styles complement the characteristics of the followers and the demands of their tasks. He characterized leadership behavior styles in four categories: directive, supportive, achievement-oriented, and participative. According to (Langton & Robbins, 2007), this theory outlines three "contingency dimensions" that serve to define the situation the leader faces: The leader-member relations, the task structure, and the position of power. Thus, elements of context determine the leadership style. A major criticism of this theory is that it has unrealistic goals and that the success of the organization is centered on the leader's ability and adaptability. (Parry & Bryman, 2006) stated that the movement away from the behaviours and styles of the transformational or charismatic leader has also led to an interest in the spirituality of leadership. Conversations about the dark side of charisma, narcissism and pseudo-transformational leadership have led inevitably to theoretical discussion about the "right" and "wrong" of leadership, rather than just the utilitarian effectiveness of organizational leadership.

In today's service-based, knowledge economy, many organizations are beginning to shift away from traditional models of management, originally developed for production-oriented firms, and now require a broader range of leadership skills and styles that are adaptive to diversity and to dramatic, often discontinuous changes in the work environment. Transformational leadership has gained academic attention over the last 20 years as a new paradigm for understanding leadership. This study is based on the modern theory of leadership which emerged as a result of further research on leadership conducted on the contingency and path-goal theories. In particular, this study is based on the transformational leadership theory which concept was popularized in the 1970s onward by Burns (1978) and later Covey (1992) who advocated for leadership being about transforming people and organizations by engaging their hearts and minds.

Transformational leadership is based more on the leaders shifting values, beliefs and needs of their followers and is a broader concept which implies reshaping the entire strategies of the organization. Transformational leadership leads to positive changes in those who follow. Transformational leaders are generally energetic, enthusiastic and passionate. Not only are these leaders concerned and involved in the process, they are also focused on helping every member of the group succeed as well. Transformational leadership is expected to clarify organizational goals and increase the congruence between organizational and employee values and thereby positively affect motivation (Paarlberg & Lavigna 2010). The concept of transformational leaders was initially introduced by leadership expert and presidential biographer James McGregor Burns. According to Burns (1978), transformational leadership can be seen when "leaders and followers make each other to advance to a higher level of moral and motivation."

Through the strength of their vision and personality, transformational leaders are able to inspire followers to change expectations, perceptions and motivations to work towards common goals. Later, researcher Benard M. Bass expanded upon Burns original ideas to develop what is today referred to as Bass' transformational leadership theory.

2.2.3 Transformational leadership Theory

According to Bass, transformational leadership can be defined based on the impact that it has on followers. Transformational leaders garner trust, respect and admiration from their followers. Bass suggested that there were four different components of transformational leadership namely; intellectual stimulation, individualized consideration, idealized influence and inspirational motivation.

Intellectual stimulation where transformational leaders not only challenge the status quo, they also encourage creativity among followers. The leaders encourage followers to explore new ways of doing things and new opportunities to learn. Individualized consideration is where transformational leaders offer support and encouragement to individual followers in order to foster supportive relationships. Transformational leaders keep the lines of communication open so that followers feel free to share ideas and so that leaders can offer direct recognition of each follower's unique contribution. Inspirational motivation is where transformational leaders have a clear vision that they are able to articulate to followers. These leaders are also able to help followers experience the same passion and motivation to fulfill these goals. Idealized influence where the transformational leader serves as a role model for followers. Because followers trust and respect the leader, they emulate this individual and internalize his or her ideals.

Transformational leadership is suitable for this study for a number of reasons. Firstly, However much the contingency and path-goal theories have a degree of acceptance, leadership studies turned to the study of situations and the belief that leaders are the products of given situations. Transformational leaders articulate a vision that emphasizes the way in which collective goals are consonant with follower values, causing followers to regard organizational goals as their own and submit extra effort toward goals and accomplishments" (Hoffman et al., 2011). This study will assess the transformational leadership theory and how this affects organizational performance. Unlike other modern theoretical processes of leadership, transformational leadership theory elevates the goals of subordinates and enhances their self-confidence to strive for higher goals. Transformational leaders are advised that when leader behaviors are directed toward the team as a whole, there is a beneficial impact on team effectiveness. By contrast, when leaders pay special attention to a few individual members, it may have the unintended consequence of lowering team potency and team effectiveness. Consequently, team leaders can maximize team performance by assembling the "parts" into the "whole" and engaging in team-focused behaviors rather than differentiated behaviors" (Zhang et al., 2013). Secondly, transformational leaders emphasize on learning, empowerment and teamwork. The characteristics of transformational leadership as described by (Grant, 2012) are given as, the goals of the organization must be communicated and embodied in the culture of the organization, communication is especially important and should be performed through leaders who are instrumental in permeating the vision through the various levels of organizational hierarchy. The decisions and actions of leaders must reinforce the need to transform. Changes must be made in the organization's structure and processes. These changes must be consistent with the values and objectives contained in the vision. Leaders must demonstrate a commitment to these values by their own behavior and by the way they reinforce the behaviour of others.

2.3 Conceptual Framework

Based on the reviewed literature, a conceptual framework representing the relationship between transformational leadership and organizational performance in state-owned Banks in Kenya was developed to guide the study. This is shown in Figure 2.2. Transformational leadership forms the independent variable while organizational performance forms the dependent variable. The underlying premise is that transformational leadership does influence employees who in turn impact the organization. Transformational leadership contains the interrelated components of charisma or idealized influence (attributed or behavioral), inspirational motivation, intellectual stimulation, and individualized consideration.

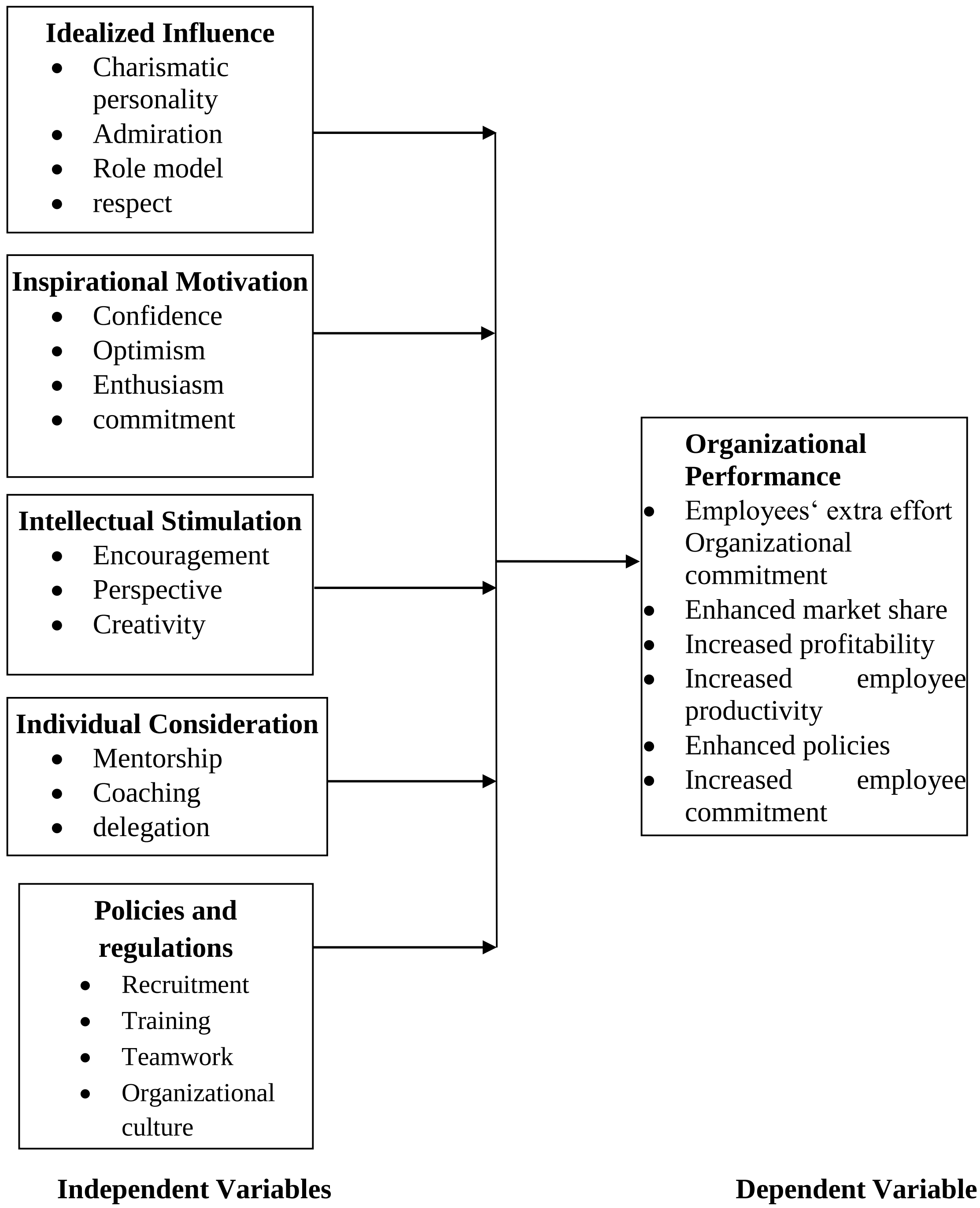

Figure 2.1 Conceptual Framework

Transformational leadership behaviors are influential in motivating follower change and transforming followers to be more aware of task outcomes, activating their highest order needs and extending beyond their own self-interest for the benefit of the organization. This study explored the relationship between the components of transformational leadership and organizational performance. Furthermore, the study hypothesized that policies and regulations influence the performance of state-owned banks. Therefore, the study established the relationship of idealized influence, inspirational motivation, intellectual stimulation, individual consideration and policies and regulation on the performance of state-owned banks in Kenya, Kenya.

2.4 Conceptual Review

The study reviewed major variables which were relevant to the research.

2.4.1 Idealized Influence and Organizational Performance

Idealized influence is the behavior that is reflected by leaders showing charismatic personality. It describes the degree in which leaders are perceived as an inspiring role model and most often such leaders exhibit excellent behavior and might sacrifice their own needs to improve the objectives of their workgroup (Moss & Ritossa, 2007). Using idealized influence, transformational leaders act in a way that allows them to serve as role models to their subordinates. Bass and Riggio (2006) noted that transformational leaders are admired, respected, and trusted. Their subordinates identify them with charismatic personality and attracted to emulate them. Besides, these leaders are endowed by their followers as having extraordinary capabilities, persistence, and determination.

Idealized leadership, at its core represents the highest levels of moral reasoning and perspective-taking capacity. These leaders are willing to sacrifice their own gain for the good of their work group and organization. They set high standards for work conduct and are a role model for those standards. They build trust in people because those who work for them know they are working toward the common good, and their sacrifices along the way are evidence of their consistency for their actions and values. They are also people who see the good in others first and when it is not obvious they work to build it out with concern for people. In an organization such as Post Bank, such leaders would therefore improve organizational performance through its employees by creating trust, admiration and respect of their subordinates. Such leaders are also likely to act as role models and thus enhance a sustainable work culture within the organizations workforce.

2.4.2 Inspirational Motivation and Organizational Performance

The second component of transformational leadership is inspirational motivation. Transformational leaders using inspirational motivation attracts people toward the vision of the organization with their effective communicating personality. Yammarino and Dubnisky (1994) noted that inspirational leadership is communicating a vision with fluency and confidence, increasing optimism and enthusiasm, and giving interesting talks that energize others. This statement was echoed by Bass and Riggio (2006) who added transformational leaders get followers involved in envisioning attractive future; they create clearly communicated expectations that followers want to meet and also demonstrate commitment to goals and the shared vision. Inspirational motivation is about encouragement to raise the consciousness of workers about the organization’s mission, vision, and committing to the vision is a key theme of this factor so as to enhance performance.

Sarros and Santora (2001), described the key indicators of inspirational motivation to be organizational vision, communication, challenging to workers encouragement, working with workers, and giving autonomy are the core values of inspirational motivation. State owned bank’s management must therefore aspire have leadership that clearly articulates and fluently disseminates its vision, encourages its employees and gives greater autonomy to enhance employee commitment, a key ingredient for organizational performance.

2.4.3 Intellectual Stimulation and Organizational Performance

The third component of transformational leadership is intellectual stimulation. Intellectual stimulation refers to leaders who challenge their followers' ideas and values for solving problems. Through intellectual stimulation, transformational leaders are able to show their followers new ways of looking at problems. Such leaders encourage their followers to use non-traditional thinking to deal with traditional problems and they give ear to subordinates' ideas even if different from theirs.

A recent study conducted in Nigeria stated that intellectual stimulation provokes followers to think new methods and means in an innovative ways by getting them involved in the process of decision-making as well as problem solving that impact on their social, economic, environmental and political wellbeing (Nwagbara, 2010). Intellectual simulation had a statistically significant positive correlation with effectiveness and satisfaction in the quantitative study.

According to the study encouraging and expecting followers to challenge their own old ways of doing things were key ingredients that help to keep on changing. Leaders who are intellectually stimulating see the advantages of creating unity through diversity. By bringing together and integrating a diverse range of perspectives, they are able to create genuinely new ideas and initiatives. The goal of intellectual stimulation is to continuously generate the highest levels of creativity from the subordinates (Avolio, 2005). It is therefore important that top management of Post Bank and National Bank must practice intellectual stimulation in order to spur their employees into enhancing their self-efficacy at work. Ultimately efficient employees will enhance productivity at both individual and organizational levels.

2.4.4 Individual Consideration and Organizational Performance

The last component of transformational leadership is individualized consideration. Individualized considerate leaders pay special attention to each individual follower's needs for achievement and growth by acting as an advisor, coach or mentor. Subordinates and colleagues are developed successively to the higher levels of potential. Individualized consideration is practiced when new learning opportunities are created along with a supportive climate. Individual differences in terms of needs and desires are recognized. The leader delegates tasks as a means of developing followers. Delegated tasks are monitored to sincerely identify if the followers need further support (Bass &Riggio, 2006). Despite the policy bottlenecks faced by Post Bank and National Bank, its management can improvise individual consideration techniques that would go a long way in tapping individual employee potential and maximize it to enhance both employee and organizational performance.

2.4.5 Policies and Regulations and Organizational Performance

Organizational policies and regulation have been found to influence organizational performance. A number of studies including Ines *et al*., (2002) have found that recruitment, training, teamwork and organizational culture were the four HR policies mentioned by most interviewees in the six case studies as affecting organizational performance. Secondly, it was found that management accountants were working closely with their HR colleagues to support the HRM function in improving organizational performance. Areas of collaboration included strategic planning, budgeting, development of performance related bonus schemes and decision making. Thirdly, it was evident that the companies in this study had made great efforts to link specific HR policies with organizational performance – despite the problem of the number of other factors affecting organizational performance.

For example, one of the case studies, a British company, had entered into an HR benchmarking scheme with other organizations and the management accountants and HR managers combined the results from this HR benchmarking scheme with the results from their own annual surveys of employees' opinions. The company analyzed these combined results over several years so that it could establish relationships between specific HR policies and organizational performance, taking into account issues such as time lags. This breakthrough for the company in linking the effects of specific HR policies to organizational performance was achieved by very close co-operation between its HR managers and management accountants (Kouhy *et al*., 2001).

In the Kenyan context, state-owned banks are not only governed by specific policies and regulations under the Banking Act but are also regulated by the internal regulations set by specific line ministries and department. These regulations and policies may in one way or another influence the banks performance. Though the Banking Act applies to banking institutions in Kenya, the Act does not bar state-owned banks from enforcing their own internal regulations and policies. Considering the competitive nature of the banking industry, only banks that are able to gain competitive advantage over their rivals in the long term may enjoy superior performances. Therefore it would be imperative to explore the influence of policies and regulations on the performance of state-owned banks in Kenya in order to predict future performance and to eliminate policies that curtail performance of state-owned banks.

2.4.6 Organizational Performance

In order to understand the relationship of the components of transformational leadership, it would be necessary to expound on organizational performance. Transformational leadership styles have been validated against numerous outcome variables such as the impact on followers' extra effort, organizational commitment, satisfaction, and perceived performance. There are numerous articles in the literature as well as studies that have reported a relationship between transformational leadership and higher levels of follower effort, satisfaction with the job and leader, and perceived performance compared to other leadership styles (Bass, 1990; Bass &Avolio, 1997; Yammarino& Bass, 1990; Yukl, 1994). By articulating a compelling and positive vision of the future, communicating high performance expectations, role modeling, and displaying confidence in followers' ability to meet high expectations, transformational leaders have been found to positively influence followers' performance (Shea, 1999; Waldman &Yammarino, 1999).

Research examining the leadership-performance connection, have typically used either subjective measures (followers' perceptions of the leader) or objective measures (sales volume) and very little else. To date, the majority of empirical studies on transformational leadership and performance have employed subjective measures using subordinate evaluations of leader behaviors (Pritzker, 2001). Objective criteria are necessary to assess leader effectiveness and include, but are not limited to, financially based measures such as profitability, return on investment (ROI), rate of return on investment, stock price, earnings per share (EPS), sales or revenue growth, return on sales (ROS), return on assets (ROA), as well as broader operational measures such as market share, and number of new products.

Several studies have utilized both subjective and objective measures of leader performance, with differing results. Some evidence suggests that each of the transformational leadership factors positively predicts business unit performance (Bass &Yammarino, 1991; Hater & Bass, 1988; Howell &Avolio, 1993) even though nothing substantial has been reported in Post Bank that may relate leadership development efforts and business unit performance. A field study conducted by Howell and Avolio (1993) found that transformational leadership measures significantly and positively predicted business unit performance in the financial industry. Some of the benefits possibly are enhanced levels of volunteer efforts, more innovative products, more innovations, and higher company financial performance.

Organizational performance, as a concept, suffers from problems of conceptual clarity in a number of areas. The first area is in the definition of the concept. The term performance is often used indiscriminately to describe everything from efficiency and effectiveness to improvement. The second of these problems is in measurement. An inadequate definition or in this case, many similar yet different definitions, often lead to problems in measurement and practitioners use the term to describe a range of measurements including input efficiency, output efficiency, and even transactional efficiency (Stannack, 1996). Further, leadership is often compared to management in terms such as effectiveness versus efficiency (Bennis, 1999; Boyatzis, 1982; Drucker, 1993; Kotter, 1999). It has been argued that companies are driven by profit yet should be driven from a customer satisfaction perspective. If customers are happy, they buy more, recommend products and services to others and profits grow. While this emphasis on profit is due mostly to demanding shareholders, it does put much emphasis on hard (financial) benefits that are usually quantified in monetary terms.

A review of the literature on organizational performance shows a marked trend from financial ratios and tangibles to non-financial aspects and intangibles as the most important business measures. Financial ratios, the comparison of one financial measure or number to another, can define company performance and assess a firm's current and future strengths and weaknesses. Others have argued that financial analysis measures are inadequate due to their lagging performance and cannot capture the true picture of the performance of the organization in the context of the modern business environment (Kaplan & Norton, 1996). From the reviewed literature, it is clear that there are five main areas to consider when evaluating organizational performance: market share, innovative performance (new products, innovative lead time, and portion of revenue spent on research and development activities), productivity of all inputs, liquidity and cash flows, and finally, profitability. The study will use profitability as the key indicator.

2.5 Empirical Review

Previous empirical studies have attempted to link transformational leadership and organizational performance. Braun, Peus, Weisweiler and Frey (2013) suggested that team perceptions of supervisors' transformational leadership exert a cross-level main effect on individual followers' job satisfaction. That is, individual followers' job satisfaction will not only be enhanced by transformational leadership experienced in direct interactions with the supervisor, but also by leadership behavior directed toward other team members and the team as a whole. The study further indicated job design is likely to play an important role in moderating the performance effects of transformational leadership and that leaders can enhance perceptions of pro-social impact not only by engaging in transformational behaviors, but also by modifying the connections between employees and the beneficiaries of their work.

Grant (2012) enumerated evidence from field and laboratory studies which demonstrated that even when employees are responsible for a meaningful job or task, they gain a stronger awareness of its pro-social impact when they have contact with the beneficiary; this beneficiary contact enables them to see the tangible, meaningful consequences of their actions for a living, breathing person. According to Hoffman, Bynum, Piccolo, and Sutton (2011) by articulating a compelling vision that emphasizes shared values, a transformational leader instills in followers a sense of the collective and pride associated with being members of their organizations. The study further showed that followers with high levels of person-organization congruence perceive that they are a part of something bigger than themselves and are more likely to engage in behaviors that facilitate group productivity. The results demonstrated that the effect of transformational leadership on group-level effectiveness is mediated by group-level person-organization value congruence.

Sookaneknun and Ussahawanitchakit (2012) explored the relationships among transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration), organizational innovation capability and firm performance with market culture as a moderator in the context of cosmetic industries in Thailand. The study revealed that of the four dimensions of transformational leadership only idealized influence had an effect on organizational innovation capability. However, when all four dimensions were integrated as transformational leadership, it had a positive influence on organizational innovation capability. Secondly, organizational innovation capability had a positive effect on firm performance.

Similar studies by Al- Tarawneh, Alhamadani and Mohammad (2012) also showed that transformational leadership dimensions, which include Idealized Influences; Inspirational Motivation; Individualized Consideration; and Intellectual Stimulation were found to significantly relate to higher level of marketing effectiveness as indicated by the positive and significant coefficients 0.074 ($p < 0.05$), 0.503 ($p < 0.01$), 0.311 ($p < 0.01$), and 0.092 ($p < 0.05$) respectively. Furthermore, Zhang, Li, Ullrich and van Dick (2013) suggest that two processes can generate divergent team-level outcomes. Specifically, when leader behaviors are directed toward the team as a whole, there is a beneficial impact on team effectiveness. By contrast, when leaders pay special attention to a few individual members, it may have the unintended consequence of lowering team potency and team effectiveness. Consequently, team leaders can maximize team performance by assembling the "parts" into the "whole" and engaging in team-focused behaviors rather than differentiated behaviors.

According to Odumeru and Ifeanyi (2013), transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that enhance their performance. They further note that transformational leaders were evaluated as more effective, higher performers, more promotable than their transactional counterparts, and more interpersonally sensitive. They also indicate that transformational leadership is strongly correlated with employee work outcomes including lower turnover rates, higher level of productivity, employee satisfaction, creativity, goal attainment and follower well-being.

According to Mwangi *et al*., (2011) the significance of emotional intelligence on transformational leadership in public universities in Kenya was analyzed. The factor analysis results indicated that all the elements of transformational leadership were perceived to be highly significant by university employees. There was a clear establishment of correlation between emotional intelligence and transformational leadership. Specifically, most of the emotional intelligence competencies were significantly correlated to transformational leadership. The self-awareness competency correlated with transformational leadership except in the statement that employees are treated as individuals and their views and ideas are sought and contributions valued of idealized influence. The study further noted that employees' encouragement to achieve the university mission correlated with all the attributes of self-management. The social awareness competencies significantly correlated with transformational leadership at both 0.01 and 0.05 level of significance.

According to Koech and Namusonge (2012) laissez-faire leadership style was found not to significantly correlate to organizational performance. The study established that correlations between the transformational-leadership factors and organizational performance ratings were high (0.518 to 0.696, $P < .05$), whereas correlations between the transactional-leadership behaviors and organizational performance were relatively low (0.219 to 0.375, $P < .05$). The study recommended that managers should formulate and implement effective reward & recognition systems, strive to become role models to their subordinates; inspire subordinates by providing meaning and challenge to work; stimulate subordinate efforts to become more innovative and they should pay greater attention to each individual's need for achievement and growth.

Kabuki (2013) attempted to find out the impact of transformational leadership in capacity building in Kenyan secondary schools and the perceptions of teachers, students, principals and quality assurance and standards officers about the principal's transformational leadership. The study also investigated the extent to which principals, teachers and quality assurance and standards officers understand the concept of transformational leadership and how effectively it is being used in school management. The study found out that leadership programs should develop viable extensions to their programs to assist principals in incorporating effective practice of transformational leadership roles into their day to day performance as school administrators. The study recommended that newly recruited heads should be trained on transformational leadership to cope with change and adapt to the ever-changing present. They should also provide support, encouragement and growth opportunities for teachers and others and empower them by practicing transformational leadership style.

2.6 Critique of Existing Literature

Across the studies, idealized influence was consistently the variable most strongly related to leader effectiveness. This finding emerged across studies regardless of type of organization, level of the leader, or in how effectiveness was measured. It should be noted, however, that a much stronger association between idealized influence and effectiveness was found for subordinate perceptions of effectiveness than for organizational measures. In addition, charisma was more strongly related to effectiveness in public organizations than in private firms. However, this effect was mitigated when studies were separated by the type of criterion used to measure effectiveness. Idealized influence is perhaps the scale most closely associated with a generalized impression of transformational leadership, due to the nature of the items which make up the scale and because the construct itself tends to represent affective reactions of subordinates to the leader. In this sense it could be expected that the most encompassing measure of transformational leader behavior would be more highly associated with perceptions as well as other measures of effectiveness.

Much like idealized influence, the individualized consideration scale was found to be much more strongly associated with subordinate perceptions of effectiveness as compared with organizational measures of effectiveness. A positive association between individualized consideration and effectiveness was consistent across studies. No differences were found in public or private organizations or for different levels of leader in how individualized consideration relates to effectiveness. Through the aggregation of studies, intellectual stimulation was revealed to be perhaps the most interesting among the five scales. It was related to subordinate measures of effectiveness as well as organizational measures, although it was more highly related to the subordinate measures. A significant difference was noted in how intellectual stimulation relates to effectiveness in public or private organizations ($p < .01$). Regardless of how it was measured, intellectual stimulation was more highly related to effectiveness in public organizations than in private firms. Based on this background the study established the relationship between individualized consideration, intellectual simulation and organizational performance in state owned banks in Kenya.

The public versus private organization findings for intellectual stimulation are somewhat counter-intuitive. Intellectual stimulation is generally associated with encouraging subordinates to think about problems in new ways, which should be of particular importance in private organizations seeking competitive advantage. Public institutions are often thought to function within a more bureaucratic framework that may serve to suppress the impact of a transformational leadership style (Bass, 1985). The procedural nature of bureaucracies would tend to provide substitutes for leadership in the form of structures and procedures rather than creating leadership opportunities. But it may be the very nature of the mechanistic organization that propels transformational leadership in the form of intellectual stimulation leader behavior to be highly salient to individuals. In organizations where innovation is the norm, perceptions of intellectual stimulation may not be as prominently associated with effectiveness as it is in more mechanistic firms.

To the extent that intellectual stimulation involves cognitive reappraisal of the status quo and the questioning of long held assumptions, it appears that this construct is more highly associated with performance in the public sector than it is in private industry. Another unexpected finding was that intellectual stimulation was equally important in its relationship with effectiveness for low and high level leaders. This finding is in contrast to the commonly held assumption that intellectual stimulation of subordinates is more important at higher levels of the organization (Tichy & Devanna, 1986). This finding implies that the affective and cognitive appraisal of leader behavior is similar across organizational levels. Leaders promote effectiveness, or at least are perceived to enhance performance, at both the higher and lower levels of the organization when they display transformational behavior. This enhanced performance is achieved through all those actions that characterize the transformational style including the intellectual stimulation of employees and concern with the human potential of each individual subordinate.

The processes of arousing the subordinate interests and dormant capabilities is often more important than to promise, threaten, or engage them in nondirective participatory decision making (Bass, 1988). Whether it is simply that transformational leaders are listened to more attentively in delineating transactional benefits to employees, or whether some other type of motivational challenge is issued by such leadership, transformational behavior appears to have a real impact on performance throughout the organization. Those who have asserted that the transformational construct has been embraced because of the affective allure of its implications—rather than on empirical, practical or rational grounds—are impeached by the consistency of this result across studies.

Intellectual stimulation of subordinates is a relatively unexplored aspect of leadership behavior, the "third child” of transformational leadership. It now seems quite clear that the leader who is able to intellectually stimulate subordinates will not only foster the perception of effectiveness among subordinates, but will also amplify performance itself as gauged by independent measures of productivity. Inducing employees to appreciate, dissect, ponder and discover what they would not otherwise discern is perhaps the basis of behavior that comes closest to our prototypical abstractions of "true leadership." The leader who intellectually stimulates subordinates is teaching subordinates "how to fish for themselves rather than simply giving them the fish"(Bass, 1988). When leaders actually engage in such behavior, they appear to engender not only subordinate acclamations, but productive ardor as well. The transformational leader through intellectual stimulation instills feelings of power in followers to attain higher goals through socialized power rather than the "pure" charismatic leader who attempts to exert dominance and subjugate followers through personalized power (Waldman, 1987).Because intellectual stimulation has more than simply a subjective impact on perceptions of effectiveness, this critical leadership construct should be comprehensively investigated.

The reviewed literature indicates a positive correlation between transformational leadership and organizational performance. Odumeru and Ifeanyi (2013) opine that transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that enhance their performance.

Furthermore, Mwangi *et al.*, (2011) analyzed the significance of emotional intelligence on transformational leadership in public universities in Kenya. The factor analysis results indicated that all the elements of transformational leadership were perceived to be highly significant by university employees. There was a clear establishment of correlation between emotional intelligence and transformational leadership. Similarly, Koech & Namusonge (2012) investigated the effects of leadership styles on organizational performance at state-owned corporations in Kenya and established that correlations between the transformational-leadership factors and organizational performance ratings were high. All these studies indicate positive correlation though none indicate the specific relationship of the components of transformational leadership on organizational performance more so in public sector organizations which enjoy funding from government sources.

2.7 Research Gaps

From the reviewed literature, it is clear that there is little or no evidence of studies on the relationship between transformation leadership and organization performance in Kenya. A study by Koech and Namusonge (2012) on the effects of leadership styles on organizational performance at state-owned corporations in Kenya found a significant positive relationship between transformational leadership and organizational performance. The study however focused on leadership styles and thus the effect of transformational leadership was not clearly addressed. Furthermore, the relationship between the components of transformational leadership as posited by Bass (1978) on organizational performance was not addressed. Koech and Namusonge (2012) looked at state-owned corporations in Kenya which are numerous in number and play significantly different roles in the Kenyan economy.

A clear understanding of the effects of transformational leadership would therefore be of great importance if it was understood from a specific industry. The study focused on state-owned banks since literature indicates that countries with a higher share of government-owned banks have experienced lower GDP per capital growth, less effective resource allocation; lower and more concentrated access to credit and higher interest rate spreads (La Porta *et al.*, 2002). Furthermore, the disparity across ownership groups indicates significant potential for gains which can be attributed to increased competition and the resulting productivity improvements from transformational leadership.

2.8 Summary of Reviewed Literature

Review of available literature suggests that transformational leaders change their organization's culture by inspiring a sense of mission and purpose about the importance of the group's work and stimulating new ways of thinking and problem solving. Transformational leaders inspire ordinary people to make extraordinary things happen in organizations. It is about the practices leaders use to transform values into actions, visions into realities, obstacles into innovations, separateness into solidarity, and risks into rewards (Kouzes & Posner, 2012). Transformational leadership is concerned about values, ethics, emotions, long term goals, standards, including the assessment of followers', satisfying their needs, motivates them and treating them with grace and dignity (Jackson ,2014),

While some studies in literature support the applicability of transformational leadership to all forms of organization, which includes the largest public companies, other investigators find transformational leaders are represented as 'great men' and this heroic leadership bias may naturally have detrimental consequences such as blind trust from followers and autocratic behaviour by leaders (Northouse, 2013). An understanding of the interplay between transformational leadership and organizational performance was therefore an important factor for developing effective state-owned Banks in Kenya.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides the roadmap to achieving the objectives of the study. The chapter discusses the research design, target population, sampling frame, sampling and sampling technique, research instrument, data collection procedures, piloting and data processing, analysis and presentation.

3.2 Research Design

3.2.1 Research Philosophy

A research philosophy is defined as the 'development of knowledge and the nature of that knowledge'. (Saunders, Lewis & Thornhill 2009; Yin, 2009). It addresses the assumptions that support the research strategy and the methods chosen as part of a research paradigm. In addition, our practical experiences, relationship to knowledge and the process by which they are known and developed in real-life situations (Saunders *et al*., 2009) also matter. Therefore, it helps to put into perspective the research design, to know which research design would work and which would not, and to identify and even create a design that may be outside the researcher's knowledge supported by past experience (Easterby-Smith, Thorpe, & Lowe, 2003). Research was founded on philosophical assumptions, which are related to the researcher's view or perception of what reality is Easterby-Smith *et al.*, (2002), such philosophical assumptions can be understood in terms of epistemology and ontology. Epistemology, which is the branch of philosophy that deals with the study of knowledge, concerns itself with the understanding of how people have come to know what they claim to know. In terms of such a perspective, some of the questions which emerge relate to what constitutes meaningful evidence, as well as to what process gives rise to knowledge. In contrast, ontology is concerned with the nature of reality or, as Easterby-Smith *et al.*, (2002) put it, ontology is the science of being and existence. In effect, therefore, ontology is the researcher's perception on the nature of the real world. Ontological questions therefore relate to such issues as the nature of reality and to whether reality can exist prior to being discovered.

Research in the sphere of the natural and social sciences has assumed different perspectives, in keeping with the above philosophical assumptions. As a result, two different streams of research paradigm, with different methodological underpinnings, have emerged, namely positivism and interpretive. A research paradigm is a comprehensive belief system which guides research and practice in the field. Fellows and Liu (2003) define a research paradigm as a system in terms of which people view events. The positivism research paradigm is variously referred to as the 'normative' and 'quantitative', while the interpretivism paradigm is often referred to as 'social constructivism' and 'qualitative' by different scholars. Positivist scholars argue that the world is concrete and real, and that a separation is necessary between the researcher and the research object in order to prevent the former's subjective feelings from affecting the research process, which might, otherwise, bias the study. Positivists believe in empiricism, which is based on the belief that observations and measurements constitute the core of all scientific endeavors. Interpretivist scholars, in contrast, believe that the world is, by nature, subjective, because it is determined by people, rather than by objective, externally observable facts (Easterby-Smith *et al.*, 2002).

In support of such an argument, Fellows and Liu (2003) contend that truth and reality are socially constructed and cannot, therefore, exist independently. Interpretivists, therefore, maintained that the key role of the researcher in the research process was to gain a general overview of the context of the topic which is being investigated. Proponents of both schools of thought have advanced reasons for claiming the superiority of one school which they advocate over the other. Positivists, for instance, contend that qualitative data does not necessarily exist in exclusivity, and that all data can be quantified by means of allocating figures or codes. The Interpretivists, in contrast, argue that all data are basically qualitative, with numbers merely being attached to meanings in quantitative analysis. As the debate rages on, various research approaches characterizing both the positivist and interpretivist approaches have emerged. This study adopted a positivist's paradigm with a survey research design which was deemed appropriate for quantitative studies.

3.2.2 Research Design

Quantitative research involves numbering relationships between variables (Sekaran, 2003); uses objective measurements and statistical analysis of data, which are collected from a well-controlled environment. According to Ary, Jacobs and Razavieh (2002), quantitative research falls into either the experimental or the non-experimental category. In a non-experimental study, no attempt is made to change the behavior or conditions of the subjects of research, with the researcher measuring existing phenomena as they are found (Sekaran, 2003). Major forms of non-experimental research include survey research (descriptive studies), correlation studies, and causal comparative studies. Survey research is undertaken to measure the characteristics of different groups, or their attitude towards, or perceptions of, a certain phenomenon. Correlation research, in contrast, is used to determine, as well as to examine the strengths and direction of, the relationship between two or more variables in relation to the same group of people (Ary *et al*., 2002).Causal comparative research attempts to investigate the cause for, or the consequences of, differences between certain groups of people.

According to Mann (2003), a study takes a snapshot of a population at a certain time, allowing conclusions about phenomena across a wide population to be drawn. Cross-sectional studies may be repeated at different time points, but unlike cohort studies, they will not seek to link information from the same participants at different points. Cross-sectional studies can be helpful in determining how many people are affected by a condition and whether the frequency of the occurrence varies across groups or population characteristics. Cross-sectional studies can be very cost effective as they are completed in a short period. They commonly use surveys to collect data and they do not require participants to be assigned to groups. When these studies are based on a sample of the entire population, they enable results to be generalized to the whole group. The major limitation to a cross sectional study is that one can only see that two variables are associated thus this study design cannot tell you if one variable is causing a change in another variable. This study adopted a descriptive research design.

According to Churchill (1991), a descriptive research approach is used when the purpose is to; describe the characteristics of certain groups, estimate the proportion of people specified in a certain way, and to make specific predictions. Descriptive research survey was used in this study because it gives respondents opportunity to express their views about the relationship of transformational leadership and performance of state owned banks in Kenya. The Descriptive technique was used because of their consistency and relevance to the study.

3.3 Target Population

The target population as defined by Borg and Gall (1989) as all members of a real or hypothetical set of people , events or objects to which a researcher wishes to generalize the results of the study. It is the total number of individuals, objects, or any other subject of concern which by virtue of a common characteristic is of interest to the researcher and may lead to the obtaining relevant information regarding a phenomenon under study (Saunders *et al*., 2007). The study's target population included employees of state-owned banks in Kenya. Specifically, the population was made up of employees of Post Bank and National Banks working in the 22 branches in Kenya Region (Table 3.1). This was because these banks are state owned and seek to improve their performance by increasing their performance and profits. Rift valley region was chosen as an area of study because it had the highest number of state-owned banks branches in comparison with other regions. It was also easily accessible to the researcher for better response rate.

Table 3.1: Target population

Bank	Number of employees
Post Bank	58
National Bank	79
Total	**137**

3.4 Sampling Frame

The sample frame was drawn from employees of Post Bank and National Bank in the selected Rift Valley region, Kenya. The researcher adopted stratified random sampling because the population of interest was homogeneous hence the need to draw a representative sample. The sample elements were the managers/ supervisors and other employees of the various bank branches. From the target population of 137, a sample size of 102 was derived. The sample frame was established by first, having all categories of employees represented in the sample and then sub-groups, based on departments formed. A sample was obtained from each of the sub- group depending on diversity, representativeness, accessibility and heterogeneity of the population. This ensured that views of all categories of employees in state-owned banks were captured.

3.5 Sample size and Sampling Techniques

Sampling is the process of selecting a member of individuals selected to represent the larger group. The study employed a mixture of sampling techniques. Firstly, the study used stratified random sampling to categorize the respondents into managers/ supervisors and other employees distributed in various departments. Purposive sampling was used to target all the 22 branch managers and because it was believed that they possessed the needed information to establish the relationship between transformational leadership and performance of state owned banks in Kenya. Secondly, the study used simple random sampling to target all other employees whose sample size was statistically derived using

Yamane (1992) as presented in equation (3.1). In the equation, *n* is sample size, *N* is size of elements in the sampling frame, and *e* is the level of significance and *e* is the error term.

$$n = \frac{N}{1+Ne^2}$$

Given the size of the sampling frames as 137 and a significance level of 5%, then the sample size of 102 element was determined (Table 3.2).

Table 3.2: Sample Size Allocation

Bank	Population	Sample Size
Post Bank	58	43
National Bank	79	59
Total	**137**	**102**

3.6 Data Collection Instruments

This study used questionnaire to collect data. According to Kerlinger (1983) , a questionnaire is an appropriate data collecting instrument as it gives the respondents time to give well thought out answers and it is also effective when analyzing data collected using computer programmes like the statistical Package for Social sciences (SPSS). Development of questionnaires involved review of various documents, discussions with colleagues, designing of the question items, review and editing of the questionnaires. Questionnaire was the main research instrument for the study. According to Bachman (2000), a questionnaire has the advantage that, it can be used to collect information from large sample and diverse regions. Questionnaires also save time and uphold confidentiality and more so, since they are presented in paper form, there is no opportunity for the interviewer bias. The researcher decided to use administer questionnaires because the respondents were able to read and write. The instrument comprised of closed ended questions. Closed ended questions were designed in such a way as to elicit objective information from the respondent based on their background and working environment.

According to Barrick and Mount (2001) matrix questions share the same set of response categories and the most commonly used form of the category is the Likert type scale. For convenience and better analysis, a five point Likert Scale was used for the closed- ended questions. A self-administered questionnaire was constructed based on the above-mentioned instruments. The first section of the questionnaire contained questions relating to employee biographical data, which included the age, gender, and work experience. The second part contained propositions on each of the research objectives based on 5 point Likert scale. The last section, contained propositions on a Likert scale on measurement of organizational performance.

The study deliberately targeted bank employees and managers who formed the core leadership in these state-owned banks. The rationale for this decision was based on assumption that subordinates staff may report more accurately and truthfully, the behaviors of their leaders than the leaders themselves. For example, Wohlers, Hall, and London (1993) indicate that subordinate perceptions of leader behavior tend to be more accurate than leader self-reports. Bass and Yammarino (1989) report that an individual's self-ratings of leadership using the MLQ are generally higher as compared with others' ratings of that individual's leadership. Another researcher Berson, (1999) reports that bottom quartile leaders' self-ratings tend to be inflated as compared to their followers' ratings. Thus, in this study, CEOs' self-reports of their transformational leadership behavior were captured and their views corroborated with the views of their employees.

3.7 Data Collection Procedure

Primary data was collected using closed ended questionnaires. To ensure an efficient data collection process, the researcher first sought permission to collect the data. Secondly, the researcher prepared a letter of introduction to all the branch managers. The letter requesting permission to collect data from employees of the banks who were respondents in this study was sent to the branch managers of the branches concerned. As has already been stated, only 22 branches of Post Bank and National Bank within the selected Rift Valley region in Kenya participated in the study. A contact person was identified at each such branch, to whom the questionnaires were sent for distribution to, and collection from, the respondents concerned with the study. The contact person approached each potential respondent, giving out the questionnaire only to those who expressed willingness to participate in the study. The researcher, together with a research assistant who was trained to assist with the study, physically collected all the completed questionnaires from the contact persons at each branch.

3.8 Pilot Test Study

Several authors (Kothari, 2004; Saunders *et al.,* 2011) emphasize that pilot test study should be undertaken to pre-test the questionnaire. Pilot study will enable researcher to obtain assessment of validity of questionnaire as well (Saunders *et al.,* 2011). According to Cooper and Schindler (2003), research instrument should be pilot tested to detect weaknesses or errors in the instrument. The pilot test should be conducted with the subjects from the target population and simulate the procedures and protocols that have been designated for data collection (Cooper and Schindler, 2003).

3.8.1 Reliabilty Test

According to Cooper and Schindler (2003), the size of the pilot groups may take any range, depending on the method to be tested, but the respondents do not have to be statistically selected. The questionnaires were piloted to determine their usefulness, clarity in terminology, focus of questions, relevance and applicability, time required and methods for analysis. The questionnaire was pre-tested on 10 respondents who were not included in the final study. The study used 10 respondents since state-owned banks have a smaller market outreach in comparison to privately owned banks. The feedback from the piloting was incorporated before embarking on data collection. This enhanced the validity and reliability of the instruments.

A questionnaire with a high reliability would receive similar answers if it is done again or by other researchers (Bryman and Bell, 2007). Utilizing data from the pilot test, the reliability of the questionnaires was determined through the Cronbach-alpha coefficient analysis. The Cronbach-alpha reliability recommends a reliability coefficient of $\alpha = 0.70$ and above. It provides a good measure of reliability because holding other factors constant the more similar the test content and conditions of administration are, the greater the internal consistency reliability. The reliability test results are shown in Table 3.3.The reliability test results produced Cronbach alpha (α) values of greater than 0.70, making the questionnaires largely reliable as recommended by (Fraenkel &Wallen, 2000).

Table 3.3: Reliability test

Study Variables	Number of tests	Cronbach alpha values
Idealized Influence	7	0.79
Inspirational Motivation	6	0.86
Intellectual Stimulation	7	0.75
Individual Consideration	7	0.77
Policies and Regulations	7	0.81
Organizational performance	4	0.78

3.8.2 Validity of the Instrument

The validity of the questionnaire was determined using construct validity method. Construct validity is the degree to which a test measures an intended hypothetical construct (Mugenda & Mugenda, 2003). Using a panel of experts familiar with the construct is a way in which this type of validity can be assessed. The experts can examine the items and decide what that specific item is intended to measure (Kothari, 2004). Faux (2010) asserts that an effective and practical approach to pre-testing questionnaire instruments is to ensure that the questionnaire is understood by participants. This ensures that the response rates will be highly improved and the instrument will be able to yield responses relevant to the research objectives.

According to De Vos (1998), a valid instrument measures the concept in question accurately. In the study, the validity of the questionnaires was observed by adhering to the characteristics of self-evident measures. These measures demonstrated the extent to which the instruments measure what they were supposed to measure, which is classified as face and content validity. Thus, in order to ensure face validity, the questionnaires were subjectively assessed for presentation and the relevance of the questions.

The study used different groups of experts in the field of human resource management and issued them with the questionnaires. The experts were required to assess if the questionnaires could effectively be used in establishing the role of transformational leadership in organizational performance of state-owned banks in Kenya. This was in order to establish content and construct validity. The recommendations from the Human resource experts and the pilot study respondents were used to refine and improve the validity of the data collection instruments. From their suggestions ambiguities, inadequacy in terms were removed and this made it possible for the researcher to clarify questions and thereby improve the quality and increase the strength and validity of the research instrument. Further to that the researcher sought the expert judgment and guidance from the university supervisors who provided insight that were relevant in ensuring content, construct and face validity of the instruments.

3.9 Data Analysis and Presentation

The collected data was organized and accounted for in terms of categorization and analysis. After collection of data, it was processed and then analyzed. Litwin (1999) reports that the primary purpose of pre-processing data is to correct problems that may have been identified in the raw data and this may include differences between the results obtained. During this stage, unusable data were eliminated, interpretation of ambiguous data and elimination of contradictory data from related questions. After correcting the errors that may influenced data analysis, the researcher then formulated a coding scheme. The core function of the coding scheme was to create codes and scales from the responses, which assisted in the summary analysis of the collected data.

Williams (2001) views a coding scheme as an unambiguous set of prescriptions of how all possible answers are to be treated, and what numerical codes are to be assigned to particular responses. Coding of the data was done by first preparing a code sheet, which provided different categories for different responses. Code sheet is useful, especially, when dealing with quantitative data analysis. For effective data analysis, the researcher made use of statistical software package. The other software that was used was word processor, in which case, data was entered in text form straight into a word processor. The advantage of this approach was that, the researcher did not have to waste time on unnecessary processing.

Kathuri and Pals (1993), defines data processing and analysis as categorizing, manipulating and summarizing data in order to obtain answers to research questions. The Statistical Package for Social Sciences Version 21 was used as a tool for analyzing data. The study used descriptive statistics specifically employing measures of central tendency and measures of dispersion to analyze data and the results were presented in form of tables. Multiple regression analysis was then used to provide insight into the nature of relationship between transformational leadership and organizational performance, see equation (3.2). In the equation, Y is organizational performance,$X_1$is idealized influence, X_2 is inspirational motivation, $X_3$is intellectual stimulation, $X_4$is individualized consideration, $X_5$is policies and regulations, and β_0, β_1, β_2 , β_3, β_4, β_5 are unstandardized regression coefficients while s_e is the standard error.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + s_e$$

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

The chapter provides an analysis of the collected data, interpretation and discussion of the findings. Following the processing and analyzing of the collected data, the findings are presented and discussed in this chapter and are in line with the objectives of the study. The chapter also provides the correlation analysis results and the regression analysis carried out. Finally the chapter provides a model and inferences drawn from the model.

4.2 Descriptive Statistics

This section gives a description of the findings of the study.

4.2.1 Response Rate

The researcher distributed a total of 102 questionnaires to the respondents. Out of 102 questionnaires that were issued to the sampled respondents, 96 of them were filled and returned. Of the returned questionnaires, 8 were incorrectly filled and thus were not used in the final analysis. Therefore, 88 questionnaires were correctly filled and hence were used for analysis representing a response rate of 86.3%. Such a high response rate which indicates the degree of study relevance to respondents was attributed to the use of contact persons stationed at each of the institutions which had agreed to allow their employees to take part in the study. According to Curtin (2000), getting a high response rate (>80%) from a small, random sample is considered preferable to a low response rate from a large sample. The study further noted that getting a higher response rate is preferable because the missing data is not random and thus is an important element in proving the statistical significance of the responses. The response rate was thus deemed significant to enable generalizations of the findings of the study.

4.2.2 Respondents' Profile

The profile of respondents identifies the main information about the employees who participated in the research process depending on the relevance of the information sought. The researcher sought to find out the distribution of the respondents according to their gender, age bracket, education level and working experience. The aim was to deduce any trend from the respondent's profile that was directly linked to the variables of the study.

a) Distribution of Respondents by Gender

Table 4.1 shows the distribution of the respondents according to their gender. According to the findings, majority of employees are male (52.3%) while female were 47.7%. However the difference between genders is minimal and the researcher attributed this to the improvement in policy of gender balance in all employment opportunities that was being advocated for in Kenya then.

Table 4.1: Distribution of respondents by gender

Gender	Frequency	Response rate (%)
Male	46	52.3
Female	42	47.7
Total	**88**	**100.0**

b) Distribution of Respondents by Age Group

Table 4.2 shows the distribution of the respondents according to their age. The results indicate that a majority of employees in the commercial banks are of the age group 31 – 40 years (40.9%) while the least age group is above 51 years (11.3%). This was attributed to the absorption of younger employees probably due to the increase use of technology in banks and the changing customer demographics.

Table 4.2: Distribution of respondents by age

Age bracket (Years)	Frequency	Response rate (%)
21 – 30	18	20.5
31 – 40	36	40.9
41 – 50	24	27.3
Above 51	10	11.3
Total	**88**	**100.0**

c) Distribution of Respondents by the Attained Educational Level

The distribution of the respondents according to the educational levels attained is presented in Table 4.3. The results show that more than 69% of the respondents had an undergraduate degree or a master degree level of education which was attributed to the technical nature of majority of activities in the banking industry in Kenya. Further, only 18.1% of the respondents had a diploma level of education further indicating higher requirements are needed to join the banking industry in Kenya. This indicated that the respondents were professionals who knew about transformational leadership and organizational performance. This made them appropriate sample for the study.

Table 4.3: Distribution of respondents by educational level

Educational Level	Frequency	Response rate (%)
Diploma	18	20.5
Degree	54	61.4
Masters	16	18.1
Total	**88**	**100.0**

d) Working Experience of the Respondents

It was also desired to establish the working experience of the respondents (Table 4.4). This was important since previous studies indicated positive relationship between experience of employees and organizational performance. Majority of the respondents (35.2%) had worked for over 5 years in their respective banks. Cumulatively, more than 66% had more than three (3) years of experience while only 12.5% had less than one (1) year working experience. This can be attributed to the fact that most private sector institutions have employees on short-term contracts in an attempt to minimize human resource costs, maximize productivity and to enhance firm performance.

Table 4.4: Distribution of respondents based on work experience

Experience (Years)	**Frequency**	**Response rate (%)**
<1	11	12.5
1 – 3	18	20.5
3 – 5	28	31.8
Above 5	31	35.2
Total	**88**	**100.0**

Table 4.5: Descriptive Statistics on Idealized Influence

	SD	D	N	A	SA
Top management invests in gaining your trust, confidence and respect	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)
Top management has charismatic attributes in dealing with employees	4 (4.6%)	9 (10.2%)	17 (19.3%)	39 (44.3%)	19 (21.6%)
Top managers show conviction when dealing with employee issues	1 (1.1%)	3 (3.4%)	4 (4.6%)	47 (53.4%)	33 (37.5%)
Top management emphasizes group identity when dealing with employees	2 (2.3%)	5 (5.7%)	7 (7.9%)	43 (48.9%)	31 (35.2%)
They also consider or think of others when addressing employee issues	22 (25%)	38 (43.2%)	17 (19.3%)	8 (9.1%)	3 (3.4%)
Top managers challenge tradition and motivates employees	3 (3.4%)	9 (10.2%)	8 (9.1%)	41 (46.6%)	27 (30.7%)
Due to top management attributes, employee performance has increased	4 (4.6%)	8 (9.1%)	17 (19.3%)	39 (44.3%)	20 (22.7%)

Regarding idealized influence and organizational performance it was observed that out of the seven attributes tested six of them had over 67% of the respondents agreeing with the propositions while 68% of the respondents disagreed on whether top management considered them when addressing their issues. On the other hand out of the seven propositions minority of the respondents disagreed on the six and minority strongly agreed that the top management also considers others when addressing employee concerns. From these it can be observed that majority of the respondents feel that leadership has shown charismatic personality and are willing to sacrifice their own gain for the good of their work group and banks.

Table 4.6: Descriptive Statistics on Inspirational Motivation

	SD	D	N	A	SA
Top management have fluently communicated organization vision	11 (12.5 %)	17 (19.3%)	24 (27.3%)	21 (23.8%)	15 (17.1%)
Top managers have enabled employees to translate vision to practicalities	22 (25%)	38 (43.2%)	17 (19.3%)	8 (9.1%)	3 (3.4%)
They also have energized employees thereby increasing employee optimism	19 (21.6 %)	39 (44.3%)	16 (18.2%)	10 (11.3%)	4 (4.6%)
Top management communicate easily with employees on tasks ahead	21 (23.9 %)	41 (46.6%)	17 (19.3%)	8 (9.1%)	1 (1.1%)
Top managers have inspired employees thereby bringing values and encouragement	11 (12.5 %)	17 (19.3%)	20 (22.8%)	21 (23.8%)	19 (21.6%)
Due to management's inspirational motivation, employee performance has increased	18 (20.5 %)	40 (45.6%)	15 (17.1%)	13 (14.5%)	2 (2.3%)

On inspirational motivation regarding four attributes that were proposed over 65% of the respondents disagreed which means that majority of the respondents did not think that vision of the banks were being communicated with fluency therefore synergizing them for improved performance. On whether top management had clearly communicated vision 27.3% of the respondents were unsure and 22.8% were not sure on whether top management had inspired employees. This further indicates that inspirational motivation is not highly practiced in the banks.

Table 4.7: Descriptive Statistics on Intellectual Stimulation

	SD	D	N	A	SA
Top management continuously challenge old assumptions and ways of doing things	22 (25%)	38 (43.2%)	17 (19.3%)	8 (9.1%)	3 (3.4%)
Top managers foster creativity and innovation amongst employees	13 (14.8%)	19 (21.6%)	21 (23.8%)	18 (20.5%)	17 (19.3%)
They also invest in knowledge creation and continuous improvement of employee issues	22 (25%)	39 (44.3%)	18 (20.5%)	7 (7.9%)	2 (2.3%)
Top managers stress the use of intelligence and encourage expression of new ideas	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)
They also encourage new perspectives and contribution from subordinates	22 (25%)	38 (43.2%)	17 (19.3%)	9 (10.2%)	2 (2.3%)
Top managers continually coach employees on self-efficacy	21 (23.9%)	41 (46.6%)	17 (19.3%)	8 (9.1%)	1 (1.1%)
Arising from management’s intellectual stimulation, costs are reduced thus leading increased organizational performance	11 (12.5%)	19 (21.6%)	24 (27.3%)	21 (23.8%)	13 (14.8%)

Regarding this variable 81.8% of the respondents agreed that top management stressed the use of intelligence and encourage expression of new ideas 27.3% of the respondents were unsure on whether arising from managements intellectual stimulation costs are reduced and 23.8% were uncertain on whether top management foster creativity and renovation among employees. For the rest of the other four attributes above 68% of the respondents disagreed with the propositions.

Table 4.8: Descriptive Statistics on Individual Consideration

	SD	D	N	A	SA
Managers deal with each employee individually since each have different abilities and needs	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)
Top management give personal attention to employee issues and thus they feel valued	11 (12.5%)	19 (21.6%)	21 (23.8%)	20 (22.8%)	17 (19.3%)
Top managers are thus able to align organizational vision with individual vision	11 (12.5%)	17 (19.3%)	21 (23.8%)	20 (22.8%)	19 (21.6%)
Management listens, develops, advises and coaches individual contribution	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)
They also encourage one-to-one interactions which increases employee motivation	1 (1.1%)	6 (6.8%)	17 (19.3%)	41 (46.6%)	23 (26.2%)
Individual consideration is widely practiced in the organization	2 (2.3%)	1 (1.1%)	3 (3.4%)	46 (52.3%)	36 (40.9%)
Arising from individual consideration, employee productivity has increased thus increasing organizational performance	1 (1.1%)	1 (1.1%)	7 (7.9%)	47 (53.5%)	32 (36.4%)

Above 72% of the respondents indicated that individual consideration is widely practiced under five of the proposed attributes. Whereas 23.8% of the respondents were unsure of whether top management gave personal attention to employees issues and whether top management are able to align organizational vision with individual vision. From the above the majority felt that the leadership paid attention to followers' needs, act as mentors or coach and listens to their concerns.

Table 4.9: Descriptive Statistics on Policies and Regulations

	SD	D	N	A	SA
Policies and regulations set by the bank influences my individual performance	1 (1.1%)	2 (2.3%)	1 (1.1%)	41 (46.6%)	43 (48.9%)
The policies and regulations are regulated by the banking act of Kenya.	1 (1.1%)	2 (2.3%)	2 (2.3%)	48 (54.5%)	35 (39.8%)
Top management takes our input in creating and implementing policies and regulations.	22 (25%)	39 (44.3%)	18 (20.5%)	7 (7.9%)	2 (2.3%)
The government as the majority shareholder interferes with the policies and regulations of the bank	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)
Policies and regulations of the bank are thus not effective in enhancing my performance	1 (1.1%)	3 (3.4%)	4 (4.6%)	47 (53.4%)	33 (37.5%)
The policies and regulations sometimes conflict with the objectives of the bank	2 (2.3%)	1 (1.1%)	3 (3.4%)	46 (52.3%)	36 (40.9%)
Policies and regulations in the bank therefore influence the effective performance of the bank in meeting its objectives	1 (1.1%)	1 (1.1%)	7 (7.9%)	47 (53.5%)	32 (36.4%)

Over 81% of the respondents agreed with the statements given in six proposed attributes.

However 69.3% of the respondents disagreed with the statement that top management takes the employees' input in creating and implementing policies and regulations. From these observations many of the employees felt that the policies and regulations which are set by the banks without their participation have a negative impact on the performance and that the government being a majority shareholder interferes with the policies and regulations of the bank.

Table 4.10: Descriptive Statistics on Effective Organizational Performance

	SD	D	N	A	SA
The banks transformational leadership has enhanced its market position.	1 (1.1%)	1 (1.1%)	3 (3.4%)	42 (47.7%)	41 (46.7%)
Transformational leadership in the bank led to increased and sustained profitability	1 (1.1%)	2 (2.3%)	2 (2.3%)	48 (54.5%)	35 (39.8%)
The transformational leadership has led to an increase in employee productivity	1 (1.1%)	2 (2.3%)	4 (4.6%)	48 (54.5%)	33 (37.5%)
Transformational leadership has enhanced the development and implementation of effective policies	3 (3.4%)	5 (5.7%)	8 (9.1%)	43 (48.9%)	29 (32.9%)

On organizational performance majority of the respondents agreed that transformational leadership played a very vital role in organizational performance whereas minority strongly disagreed. This shows that transformational leadership plays a key role in organizational performance of state-owned banks. Organizational performance was seen in terms of enhanced market positions, increase in employee productivity and enhanced development and implementation of organization policies. And in all these the majority of the employees over 72% agreed.

4.3 Inferential Statistics

4.3.1 Role of Idealized Influence on Organizational Performance

The results of the analysis on factors associated with idealized influence and how it influences organizational performance in state-owned commercial banks are shown in Table 4.5.Based on a 5-ponit Likert, the results show that majority of the respondents agreed that top management invests in gaining one’s trust, confidence and respect (3.87), that top management had charismatic attributes in dealing with employees (3.65) and that top managers showed conviction when dealing with employee issues(4.13). The respondents further agreed that top management emphasized group identity when dealing with employees (3.98), that top managers challenged tradition and motivates employees (3.85) and that due to top management attributes, employee performance had increased (3.72). The respondents, however, disagreed that they also consider or think of others when addressing employee issues (2.31). It was thus deduced that idealized influence played a role on organizational performance.

The findings are comparable to those of Sookaneknun and Ussahawanitchakit (2012) who explored the relationships among transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration), organizational innovation capability and firm performance with market culture as a moderator in the context of cosmetic industries in Thailand and revealed that of the four dimensions of transformational leadership, there was only one, the idealized influence, that had an effect on organizational innovation capability. However, when all four dimensions were integrated as transformational leadership, it had a positive influence on organizational innovation capability. Similarly, Al-Tarawneh *et al.*, (2012), established that include Idealized Influences significantly relate to higher level of marketing effectiveness as indicated by the positive and significant coefficients 0.074 ($p < 0.05$).

Table 4.11: Idealized influence and organizational performance

Description	n	Min	Max	Mean	Std. Dev.
Top management invests in gaining your trust, confidence and respect	88	1	5	3.87	0.993
Top management has charismatic attributes in dealing with employees	88	1	5	3.65	1.124
Top managers show conviction when dealing with employee issues	88	1	5	4.13	0.792
Top management emphasizes group identity when dealing with employees	88	1	5	3.98	0.977
They also consider or think of others when addressing employee issues	88	1	5	2.32	0.998
Top managers challenge tradition and motivates employees	88	1	5	3.85	0.945
Due to top management attributes, employee performance has increased	88	1	5	3.72	0.973

4.3.2 Role of Inspirational Motivation on Organizational Performance

Table 4.6 shows the results relating to inspirational motivation and the role it plays on organizational performance. Based on a 5-ponit Likert the respondents, on average, disagreed that top managers had enabled employees to translate vision to practicalities (2.39), that they also had energized employees thereby increasing employee optimism (2.43), that top management communicated easily with employees on tasks ahead (2.17) and that due to management's inspirational motivation, employee performance had increased (2.44). The respondents were, however, unsure as to whether top management had fluently communicated organization vision (3.13) and whether top managers had inspired employees thereby bringing values and encouragement (3.22). It was, therefore, deduced that inspirational motivation played a role in organizational performance in state-owned banks.

Table 4.12: Inspirational motivation and organizational performance

Description	n	Min	Max	Mean	Std. Dev.
Top management have fluently communicated organization vision	88	1	5	3.13	0.992
Top managers have enabled employees to translate vision to practicalities	88	1	5	2.39	0.988
They also have energized employees thereby increasing employee optimism	88	1	5	2.43	0.945
Top management communicate easily with employees on tasks ahead	88	1	5	2.17	0.997
Top managers have inspired employees thereby bringing values and encouragement	88	1	5	3.22	0.984
Due to management's inspirational motivation, employee performance has increased	88	1	5	2.44	0.951

The findings are in agreement to those of Hoffman *et al.*,(2011) in their study which directly compared the explanatory roles of person-organization and person-supervisor value congruence in the relationship between transformational leadership and work unit effectiveness. Our results demonstrate that the effect of transformational leadership on group-level effectiveness is mediated by group-level person-organization value congruence. Inspirational motivation was found to significantly relate to higher level of marketing effectiveness as indicated by the positive and significant coefficients 0.503 ($p < 0.01$). Their study further noted that by articulating a compelling vision that emphasizes shared values, a transformational leader instills in followers a sense of the collective and pride associated with being members of their organizations. Followers with high levels of person-organization congruence perceive that they are a part of something bigger than themselves and are more likely to engage in behaviors that facilitate group productivity.

4.3.3 Role of Intellectual Stimulation on Organizational Performance

The results for various aspects touching on intellectual stimulation and the role it plays on organizational performance in state-owned banks are presented in Table 4.7.

Table 4.13: Intellectual stimulation and organizational performance

Description	n	Min	Max	Mean	Std. Dev.
Top management continuously challenge old assumptions and ways of doing things	88	1	5	2.37	0.903
Top managers foster creativity and innovation amongst employees	88	1	5	3.31	0.914
They also invest in knowledge creation and continuous improvement of employee issues	88	1	5	2.23	1.117
Top managers stress the use of intelligence and encourage expression of new ideas	88	1	5	3.98	0.959
They also encourage new perspectives and contribution from subordinates	88	1	5	2.35	0.983
Top managers continually coach employees on self-efficacy	88	1	5	2.18	0.955
Arising from management's intellectual stimulation, costs are reduced thus leading increased organizational performance	88	1	5	3.02	0.898

Based on a 5-ponit Likert, the study established that most of the respondents disagreed that top management continuously challenged old assumptions and ways of doing things (2.37), that they also invested in knowledge creation and continuous improvement of employee issues (2.23), that they also encouraged new perspectives and contribution from subordinates (2.35) and that top managers continually coach employees on self-efficacy (2.18). The respondents were, however, unsure whether the Top managers foster creativity and innovation amongst employees (3.31) and whether arising from management's intellectual stimulation, costs were reduced thus leading increased organizational performance (3.02). The respondents agreed that Top managers stress the use of intelligence and encourage expression of new ideas (3.98). The study deduced that generally intellectual stimulation played some role on organizational performance in state-owned banks.

According to a study by Zhang *et al.,* (2013), intellectual stimulation is found to significantly relate to higher level of organizational effectiveness as indicated by the positive and significant coefficients 0.092 ($p < 0.05$). Their results suggest that the two processes can generate divergent team-level outcomes. Specifically, when leader behaviors are directed toward the team as a whole, there is a beneficial impact on team effectiveness. By contrast, when leaders pay special attention to a few individual members, it may have the unintended consequence of lowering team potency and team effectiveness. Consequently, team leaders can maximize team performance by assembling the "parts" into the "whole" and engaging in team-focused behaviors rather than differentiated behaviors". These findings are in line with the current findings where intellectual stimulation is found to have some impact on the organizational performance.

4.3.4 Role of Individual Consideration on Organizational Performance

The findings for different aspects touching on individual consideration and the role it plays on organizational performance in state-owned banks are depicted in Table 4.8.

Table 4.14: Individual Consideration and Organizational performance

Description	n	Min	Max	Mean	Std. Dev.
Managers deal with each employee individually since each have different abilities and needs	88	1	5	3.97	0.918
Top management give personal attention to employee issues and thus they feel valued	88	1	5	3.28	0.914
Top managers are thus able to align organizational vision with individual vision	88	1	5	3.23	1.117
Management listens, develops, advises and coaches individual contribution	88	1	5	3.98	0.959
They also encourage one-to-one interactions which increases employee motivation	88	1	5	3.75	0.983
Individual consideration is widely practiced in the organization	88	1	5	4.18	0.755
Arising from individual consideration, employee productivity has increased thus increasing organizational performance	88	1	5	4.02	0.798

Based on a 5-ponit Likert, the study established that most of the respondents agreed that managers deal with each employee individually since each have different abilities and needs (3.97), that management listens, develops, advises and coaches individual contribution (3.98), that they also encourage one-to-one interactions which increases employee motivation (3.75), that individual consideration is widely practiced in the organization (4.18) and that arising from individual consideration, employee productivity had increased thus increasing organizational performance (4.02). The respondents, nevertheless, were unsure whether top management gave personal attention to employee issues and thus they feel valued (3.28) and whether top managers are thus able to align organizational vision with individual vision (3.23).

Previous studies have reported similar trends when relating individualized consideration and a number of organizational outcomes. These studies have shown that individualized consideration involves responding to the specific, unique needs of followers to ensure they are included in the transformation process of the organization (Spreitzer *et al.*, 2005; Shin & Zhou, 2003 and Simic, 2003). 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 than might otherwise have been achieved (Spreitzer *et al.,* 2005). This might take expression, for example, through expressing words of thanks or praise, fair workload distributions, and individualized career counseling, mentoring and professional development activities. Therefore, besides having an overarching view of the organization and its trajectory, transformational leaders must also comprehend those things that motivate followers individually (Simic, 2003).

4.3.5 Role of Policies and Regulation on Organizational Performance

Table 4.9 presents the results for different aspects touching on policies and regulations and the role they played on organizational performance in state-owned Banks in Kenya.

Table 4. 15: Policies and Regulations on Organizational Performance

Description	n	Min	Max	Mean	Std. Dev.
Policies and regulations set by the bank influences my individual performance	88	1	5	4.47	0.703
The policies and regulations are regulated by the banking act of Kenya.	88	1	5	4.21	0.714
Top management takes our input in creating and implementing policies and regulations.	88	1	5	2.23	0.917
The government as the majority shareholder interferes with the policies and regulations of the bank	88	1	5	3.99	0.959
Policies and regulations of the bank are thus not effective in enhancing my performance	88	1	5	4.15	0.983
The policies and regulations sometimes conflict with the objectives of the bank	88	1	5	4.18	0.755
Policies and regulations in the bank therefore influence the effective performance of the bank in meeting its objectives	88	1	5	4.02	0.798

Based on a 5-point Likert, the study found out that most of the respondents agreed that policies and regulations set by the bank influenced individual performance (4.47), that the policies and regulations were regulated by the banking act of Kenya (4.21), that the government as the majority shareholder interfered with the policies and regulations of the bank (3.99), that policies and regulations of the bank were thus not effective in enhancing employees' performance (4.15), that the policies and regulations sometimes conflicted with the objectives of the bank (4.18) and that policies and regulations in the bank therefore influenced the effective performance of the bank in meeting its objectives (4.02). Even though, the respondents disagreed that top management took their input in creating and implementing policies and regulations (2.27). The study deduced that generally policies and regulations in the state-owned banks played a role on organizational performance in Kenya.

The findings of this study are in tandem with Tseng and Kang (2008) findings who found that each variable of transformational leadership is significantly and positively related to each variable of job satisfaction (all $p < .001$; between intellectual stimulation and intrinsic job satisfaction, $\gamma = .44$, the highest, between inspirational motivation and extrinsic job satisfaction, $\gamma = .31$, the lowest). The study further noted that one key characteristic of followers who appreciate transformational leaders are their regulatory orientation; that is, the manner in which they pursue goals and value goal attainment. An individual's regulatory orientation that may influence people's preferences for leadership style is their regulatory focus. Regulatory focus theory assumes people are motivated to approach pleasure (promotion focus) and avoid pain (prevention focus), therefore, promotion-focused people are directed toward achieving positive outcomes (by pursuing their ideal goals) and prevention-focused people are concerned with minimizing negative outcomes (by pursuing their "ought" goals). Thus, promotion-focused people may display a liking for transformational leaders because they encourage followers to attain their ideal states.

4.5 The Concept of Organizational Performance

Table 4.10 shows the findings relating to measurement of organizational performance in state-owned Banks in Kenya. Based on a 5-ponit Likert, the results show that majority of the respondents were in agreement that the banks transformational leadership had enhanced its market position (4.37), transformational leadership in the bank had led to increased and sustained profitability (4.21), that the transformational leadership had led to an increase in employee productivity (4.14) and that transformational leadership had enhanced the development and implementation of effective policies (3.97). Therefore, from the findings it can be deduced that transformational leadership in the state-owned banks played a role on organizational performance in Kenya.

Table 4. 16: Organizational Performance in State-owned Banks in Kenya

Description	n	Min	Max	Mean	Std. Dev.
The banks transformational leadership has enhanced its market position.	88	1	5	4.37	0.633
Transformational leadership in the bank led to increased and sustained profitability	88	1	5	4.21	0.658
The transformational leadership has led to an increase in employee productivity	88	1	5	4.14	0.673
Transformational leadership has enhanced the development and implementation of effective policies	88	1	5	3.97	0.986

4.6 Correlation Analysis

According Chatfield (2004), correlation is a statistic that describes the association between two variables. The correlation statistic can be used for continuous variables or binary variables or a combination of continuous and binary variables. In contrast, t-tests examine whether there are significant differences between two group means. With a t-test, we have binary independent variable (two groups, which could be coded 0 and 1) and a continuous dependent variable. If the study is an experiment, then a significant t-test comparing experimental group and control would suggest that the independent variable has a significant impact (and, therefore association with) the dependent variable. Significant group differences then imply a correlation between the independent and dependent variable.

The Pearson product-moment correlation coefficient is probably the single most widely used statistic for summarizing the relationship between two variables. Under certain assumptions, the statistical significance of a correlation coefficient depends on just the sample size, defined as the number of independent observations. If time series are auto-correlated, an "effective" sample size, lower than the actual sample size, should be used when evaluating significance. But if many correlation coefficients are evaluated simultaneously, confidence intervals should be adjusted to compensate for the increased likelihood of observing some high correlations when no relationship exists. Finally, it should be emphasized that the Pearson correlation coefficient measures strength of linear relationship. Scatter plots are therefore useful for checking whether the relationship is linear (Snedecor & Cochran, 1989).

This section shows how the researcher came up with relevant inferences in line with the study objectives. The section presents and discusses findings resulting from correlation analysis involving idealized influence, inspirational motivation, intellectual stimulation, individual consideration and government policies and regulations and their influence on organizational performance in state-owned banks in Kenya.

4.6.1 Role of Idealized Influence in Organizational Performance

The study sought to know what the respondents felt on a number of propositions associated with idealized influence and how it influences organizational performance in state-owned commercial banks. The total scores were then used to compute the Pearson's product moment correlation coefficient to establish whether there was a relationship between idealized influence and organizational performance in state-owned banks in Kenya. The findings of the correlation analysis are shown in Table 4.11.

Table 4.17: Idealized Influence and Organizational performance

		Organizational performance	**Idealized Influence**
Organizational performance	Pearson's(r)	1	.361**
	P-Value		.02
	N	88	88
Idealized Influence	Pearson's(r)	.361**	1
	P-Value	.02	
	N	88	88

***. Correlation is significant at the 0.05 level (2-tailed).*

From the correlation analysis, it was established that there was a moderately weak positive relationship between idealized influence and organizational performance in state-owned banks in Kenya (r = 0.361). The correlation was significant at the level of 0.02. Although the correlation was moderate in strength, the positive nature of the relationship implies that high levels of organizational performance in state-owned banks in Kenya can be associated with idealized influence factors displayed by the bank's leadership. Based on these findings, the study inferred that idealized influence had significant and positive influence on organizational performance in state-owned banks in Kenya.

For the purpose of testing the significance of idealized influence, the study used the t-test statistic developed by Snedecor and Cochran (1989). Under this test statistic there are a number of assumptions including: the sample is drawn from a population that follows a bivariate normal distribution, the samples are random samples from the population and that the population correlation coefficient is zero. If these assumptions are satisfied, the statistic follows a t-distribution with N-2 degrees of freedom, where N is the sample size and takes the form:

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

To apply the test, the researcher computed the t-statistic based on the 95% confidence interval, compared the computed values with the corresponding t-distribution critical values, rejected or failed to reject the null hypothesis and then made conclusions based on these inferences. The computed was calculated as follows:

$$t = 0.361\sqrt{\frac{88-2}{1-0.361^2}}$$

$$t = 3.589$$

From the t-distribution critical value at 86 degrees of freedom and with a 95% level of significance was found to be 1.988. Since the calculated value was found to be greater than the critical value, the null hypothesis that stated that idealized influence had no significant influence on organizational performance was rejected and it was therefore concluded that idealized influence played a significant role in organizational performance in state-owned banks in Kenya.

4.6.2 Role of Inspirational Motivation in Organizational performance

The findings in this section are in line with the second study objective. The study first computed scores of the factors associated with inspirational motivation. The total scores were then used to compute the Pearson's Correlation Coefficient to establish whether there was a relationship between inspirational motivation and the role it plays on organizational performance. Table 4.12 shows the correlation analysis related to inspirational motivation and the role it plays on organizational performance. From the correlation analysis it was found that there was a fairly strong positive relationship between inspirational motivation and organizational performance (r = 0.587). The fairly strong positive relationship implies that effective performance of state-owned banks is greatly influenced by the inspirational motivation factors of their leadership in place in the said banks in Kenya.

Table 4.18: Inspirational Motivation and Organizational performance

		Organizational performance	**Inspirational Motivation**
Organizational performance	Pearson's(r)	1	.587**
	P-Value		.01
	N	88	88
Inspirational Motivation	Pearson's(r)	.587**	1
	P-Value	.01	
	N	88	88

***. Correlation is significant at the 0.05 level (2-tailed).*

For the purpose of testing the significance of the individual correlation coefficient, the study used the t-test statistic developed by Snedecor and Cochran (1989). Under this test statistic there are a number of assumptions including: the sample is drawn from a population that follows a bivariate normal distribution, the samples are random samples from the population and that the population correlation coefficient is zero. If these assumptions are satisfied, the statistic follows a t-distribution with N-2 degrees of freedom, where N is the sample size and takes the form:

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

To apply the test, the researcher computed the t-statistic based on the 95% confidence interval, compared the computed values with the corresponding t-distribution critical values, rejected or failed to reject the null hypothesis and then made conclusions based on these inferences. The computed was calculated as follows:

$$t = 0.587\sqrt{\frac{88-2}{1-0.587^2}}$$

$$t = 6.724$$

From the t-distribution critical value at 86 degrees of freedom and with a 95% level of significance was found to be 1.988. Since the calculated value was found to be greater than the critical value, the null hypothesis that stated that inspirational motivation had no significant influence on organizational performance was rejected and it was therefore concluded that inspirational motivation played a significant role in organizational performance in state-owned banks in Kenya.

4.6.3 Role of Intellectual Stimulation in Organizational Performance

In this section the researcher presents various aspects touching on intellectual stimulation and the role it plays on organizational performance in state-owned banks in Kenya. The study first computed scored based on factors associated with intellectual stimulation. The total scores were then used to compute the Pearson's Product Correlation Coefficient to establish whether there was a relationship between intellectual stimulation and organizational performance. The findings of the correlation analysis were as shown in Table 4.13.From the correlation analysis, it was established that there was a strong positive relationship between intellectual stimulation and organizational performance(r = 0.688). The strong positive relationship implies that high levels of organizational performance of state-owned banks in Kenya can be associated with the level of intellectual stimulation practices provided by the bank's leadership. Based on these findings, the study inferred that intellectual stimulation plays a significant role on organizational performance of state-owned banks in Kenya.

Table 4.19: Intellectual Stimulation and Organizational performance

		Organizational performance	**Intellectual Stimulation**
Organizational performance	Pearson's(r)	1	.688**
	P-Value		.01
	N	88	88
Intellectual Stimulation	Pearson's(r)	.688**	1
	P-Value	.01	
	N	88	88

***. Correlation is significant at the 0.05 level (2-tailed).*

For the purpose of testing the significance of the individual correlation coefficient, the study used the t-test statistic developed by Snedecor and Cochran (1989). Under this test statistic there are a number of assumptions including: the sample is drawn from a population that follows a bivariate normal distribution, the samples are random samples from the population and that the population correlation coefficient is zero. If these assumptions are satisfied, the statistic follows a t-distribution with N-2 degrees of freedom, where N is the sample size and takes the form:

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

To apply the test, the researcher computed the t-statistic based on the 95% confidence interval, compared the computed values with the corresponding t-distribution critical values, rejected or failed to reject the null hypothesis and then made conclusions based on these inferences. The computed was calculated as follows:

$$t = 0.688\sqrt{\frac{88-2}{1-0.688^2}}$$

$$t = 8.792$$

From the t-distribution critical value at 86 degrees of freedom and with a 95% level of significance was found to be 1.988. Since the calculated value was found to be greater than the critical value, the null hypothesis that stated that intellectual stimulation had no significant influence on organizational performance was rejected and it was therefore concluded that intellectual stimulation played a significant role in organizational performance in state-owned banks in Kenya.

4.6.4 Role of Individual Consideration on Organizational performance

In this section the researcher presents various aspects touching on individual consideration and the role it plays on organizational performance in state-owned banks. Initially, the study computed the scores of factors associated with individual consideration. The total scores were then used to compute the Pearson's Product Correlation Coefficient to establish whether there was a relationship between individual consideration and organizational performance in state-owned banks in Kenya. The findings of the correlation analysis were as shown in Table 4.14.There was a fairly strong positive relationship between individual consideration and organizational performance(r = 0.542). The positive relationship implies that high levels of organizational performance of state-owned banks can be associated with the level of individual consideration factors provided by the bank's leadership. Based on these findings, the study concluded that individual consideration has significant influence on organizational performance of state-owned banks in Kenya.

Table 4.20: Individual Consideration and Organizational performance

		Organizational performance	Individual Consideration
Organizational performance	Pearson's(r)	1	.542**
	P-Value		.01
	N	88	88
Individual Consideration	Pearson's(r)	.542**	1
	P-Value	.01	
	N	88	88

***. Correlation is significant at the 0.05 level (2-tailed).*

For the purpose of testing the significance of the individual correlation coefficient, the study used the t-test statistic developed by Snedecor and Cochran (1989). Under this test statistic there are a number of assumptions including: the sample is drawn from a population that follows a bivariate normal distribution, the samples are random samples from the population and that the population correlation coefficient is zero. If these assumptions are satisfied, the statistic follows a t-distribution with N-2 degrees of freedom, where N is the sample size and takes the form:

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

To apply the test, the researcher computed the t-statistic based on the 95% confidence interval, compared the computed values with the corresponding t-distribution critical values, rejected or failed to reject the null hypothesis and then made conclusions based on these inferences. The computed was calculated as follows:

$$t = 0.542\sqrt{\frac{88-2}{1-0.542^2}}$$

$$t = 5.981$$

From the t-distribution critical value at 86 degrees of freedom and with a 95% level of significance was found to be 1.988. Since the calculated value was found to be greater than the critical value, the null hypothesis that stated that individual consideration had no significant influence on organizational performance was rejected and it was therefore concluded that individual consideration played a significant role in organizational performance in state-owned banks in Kenya.

4.6.5 Role of Policies and Regulations on Organizational performance

In this section the researcher presents various aspects touching on policies and regulations and the role they play on organizational performance in state-owned banks. The study first compute the scores of factors associated with policies and regulations. The total scores were then used to compute the Pearson's Product Correlation Coefficient to establish whether there was a relationship between policies and regulations and organizational performance. The findings of the correlation analysis were as shown in Table 4.15.From the analysis it was found that there was a moderate but negative relationship between policies and regulations and organizational performance (r = - 0.473). The negative relationship implies the more the organizations operate within a regime of policies and regulation the more there is reduced organizational performance. Based on these findings, the study inferred policies and regulations have significant influence on organizational performance.

Table 4.21: Policies and Regulations on Organizational performance

		Organizational performance	**Policies and Regulations**
Organizational performance	Pearson's(r)	1	-0.473**
	P-Value		0.02
	N	88	88
Policies and Regulations	Pearson's(r)	-0.473**	1
	P-Value	0.02	
	N	88	88

***. Correlation is significant at the 0.05 level (2-tailed).*

For the purpose of testing the significance of the individual correlation coefficient, the study used the t-test statistic developed by Snedecor and Cochran (1989). Under this test statistic there are a number of assumptions including: the sample is drawn from a population that follows a bivariate normal distribution, the samples are random samples from the population and that the population correlation coefficient is zero. If these assumptions are satisfied, the statistic follows a t-distribution with N-2 degrees of freedom, where N is the sample size and takes the form:

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

To apply the test, the researcher computed the t-statistic based on the 95% confidence interval, compared the computed values with the corresponding t-distribution critical values, rejected or failed to reject the null hypothesis and then made conclusions based on these inferences. The computed was calculated as follows:

$$t = 0.473\sqrt{\frac{88-2}{1-0.473^2}}$$

$$t = 4.979$$

From the t-distribution critical value at 86 degrees of freedom and with a 95% level of significance was found to be 1.988. Since the calculated value was found to be greater than the critical value, the null hypothesis that stated that policies and regulations had no significant influence on organizational performance was rejected and it was therefore concluded that policies and regulations played a significant role in organizational performance in state-owned Banks in Kenya.

Table 4.22: Summary of Hypothesis Testing

Hypothesis	df (n-2)	*r*	Calculated *t*-values	Critical *t*-values
Idealized Influence	86	0.361	3.589	1.988
Intellectual Stimulation	86	0.688	8.792	1.988
Inspirational Motivation	86	0.587	6.724	1.988
Individual Consideration	86	0.542	5.981	1.988
Policies and Regulations	86	-0.473	4.979	1.988

Previous research findings had generally reported statistically significant relationships between leader effectiveness and the transformational scales of idealized influence, individualized consideration, and intellectual stimulation. While there appears to be some consistency in the direction and significance of the scale associations, the strength of the association is less consistent. The scale of idealized influence correlates strongly and positively (r = 0.91) with effectiveness in a military study by Atwater and Yammarino (1989) which used the MLQ measure of effectiveness. Hater and Bass (1988) report a correlation of r = 0.36 using the same measure in a Fortune 500 organization. Bass (1985) reports an even lower r = 0.19 in a Fortune 500 organization when effectiveness is measured by performance appraisal instruments. Bass and Avolio (1989) report a correlation of r = 0.77 between individualized consideration and effectiveness in a sample of MBA students employed full-time, while Bass and Yammarino (1991) report a correlation of r = 0.21 in a military sample for this scale when effectiveness was operationalized as supervisory ratings of contribution to the mission.

Furthermore other studies have shown that intellectual stimulation correlates positively and strongly (r = 0.74) with effectiveness in a sample of resident assistants rating hall directors (Komives, 1991), while Spangler and Braiotta (1990) found a correlation of r = 0.25 between the leadership style of board audit committee chairmen and effectiveness. As evidenced by the above, the array of settings, sample characteristics, and methods for operationalizing measures of effectiveness has yielded a wide range of observed validity coefficients and various measures of effectiveness. Though the results provide very general support for the construct of transformational leadership, much less is known about how the separate scales relate to effectiveness, how the choice of criterion measures might affect research outcomes, or how sample characteristics such as organization type or level of the leader may moderate the relationship between leadership style and effectiveness.

4.7 Multiple Regression Model Development

Regression analysis consists of the determination of the statistical relationship between two or more variables (Kothari, 2004). Such analysis is a technique whereby the value of the dependent variable is predicted, using one or more independent variables. Regression analysis can either be simple or multiple. In a simple regression, only two variables, the independent and the dependent variables, are considered for analysis. In multiple regression analysis more than one independent variable is considered, which enables the magnitude of the direction to be determined, as well as the relationship between a number of variables, with the independent and the dependent variable under consideration. The current study, whose main objective was to determine the role of transformative leadership on organizational performance, applied the multiple regression analysis procedure to ascertain the degree to which such variables were interdependent on each other. This section shows how the researcher came up with relevant inferences in line with the study objectives. The section presents and discusses findings resulting from regression analysis of the study variables.

4.7.1 Summary of the Multiple Regression Model

The study developed a multiple regression model by testing the significance of the role of the independent variables (viz., idealized influence; inspirational motivation; intellectual stimulation; individual consideration; and policies and regulations) on organizational performance. The summary of the results is depicted in Table 4.11.The coefficient of determination (R^2) shows how the variability in dependent variable can be explained by the variability in independent variables. This value tells us how organizational performance in state-owned banks can be explained by idealized influence, inspirational motivation, intellectual stimulation, individual consideration and policies and regulations. The R^2 value of 0.6374 implies that 63.7% of the variations in the organizational performance in state-owned banks can be attributed to the variations in independent variables. This therefore means that other factors not studied in this research contribute to 37.3% of the performance of state-owned banks.

According to Gujarati (2003), the coefficient of determination measures how well the regression line actually fits the data. A high R^2 value means that the regression line closely fits the data. However, if R^2 is low, the regression line does not fit the data, and any calculations based on regression line analysis, including alpha and beta, become less meaningful as the R^2 value drops. The usefulness of R^2 is its ability to find the likelihood of future events falling within the predicted outcomes. The idea is that if more samples are added, the coefficient would show the probability of a new point falling on the line. It is important to note that a high coefficient of determination does not guarantee that a cause-and-effect relationship exists. However, a cause-and-effect relationship between the independent variable and the dependent variable will result in a high coefficient of determination. Therefore the value obtained of R^2= 0.6374 was deemed fair high and can therefore be used for prediction of future outcomes and in policy making decisions.

Table 4.23: Summary of the multiple regression model

Model	R	R^2	AdjustedR^2	Std error of the estimate
1	0.7984	0.6374	0.6298	0.1247

4.7.2 Multiple Regression Analysis

The researcher further conducted a multiple regression analysis and the findings of the multiple regression model are depicted in Table 4.18.From the multiple regression model, holding all the other factors kept constant a unit increase in idealized influence would contribute to organizational performance by 8.4 %. It was also established that a unit increase in inspirational motivation can increase organizational performance by 29.8 % when all the other factors are kept constant. Further, a unit increase in intellectual stimulation would increase organizational performance by 43.2 % when all other factors are kept constant. Further, when all the other factors are kept constant a unit increase in policies and regulations would contribute to an increase of organizational performance by 14. 6%. Lastly, a unit increase of individual consideration is likely to contribute to an increase in organizational performance by 13.9 % when all the other factors are kept constant.

This shows that there is a positive relationship between organizational performance of state-owned banks and the independent variables in the study. Equation (4.1) was established as a representative model relating the transformational leadership factors and organizational performance in state owned banks in Kenya.

Table 4. 24: Multiple Regression Analysis

Model		**Unstandardized coefficients**		**Standardized coefficients**		
1		**B**	**SE**	**B**	**t**	**p-value**
	Constant	1.842	1.311		1.773	0.271
	Idealized Influence	0.114	0.064	0.084	1.432	0.05
	Inspirational Motivation	0.312	0.148	0.298	3.220	0.01
	Intellectual Stimulation	0.374	0.157	0.432	3.541	0.01
	Individual Consideration	0.283	0.111	0.139	2.542	0.02
	Policies and Regulations	-0.298	0.144	0.146	2.732	0.04

The standardized beta coefficients in Table 4.18 were then used to obtain the overall relationship of the independent variables (idealized influence, inspirational motivation, intellectual stimulation, individual consideration and policies and regulations) and the dependent variable (organizational performance of state-owned banks) as depicted in equation (4.1).In the equation, Y is organizational performance of state-owned banks; $X_{1;}$ is idealized influence; X_2 is inspirational motivation; X_3 is intellectual stimulation; $X_{4;}$ is individual consideration; and, X_5 is policies and regulations.

$$Y = 1.842 + 0.084X_1 + 0.298X_2 + 0.432X_3 + 0.139X_4 + 0.146X_5$$

The results show the unique contribution of each independent variable on the dependent variable. The standardized coefficients assess the contribution of each independent variable towards the prediction of the dependent variable, since they have been converted in the same scale to show comparison. The result indicates that intellectual stimulation which has the highest beta value of 0.432 had the greatest influence on organizational performance of state-owned banks in Kenya Region by 43.2 % when all the other factors are kept constant. This was followed by inspirational motivation with a beta value of 0.298 having its unit increase while other factors are constant causing organizational performance by 29.8 % ; A unit increase of policies and regulations with a beta value of 0.146 influence organization performance by 14.6 % when all other factors are kept constant ; A unit increase of individual consideration with a beta value of 0.139 would influence organizational performance when all the other factors are kept constant by 13.9% .Finally, the least important predictor of these five variables was idealized influence with a beta value of 0.084 with its unit increase contributing to organizational performance by 8.4 %. The t-test statistic shows that all the beta coefficients are significant, since $p<0.05$.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the findings of the study are summarized and conclusions are drawn from the summary. The purpose of the study was to establish the role of transformational leadership in organizational performance in state-owned banks in Kenya region Kenya. Resulting from data analysis and presentation, some significant conclusions were drawn. The conclusions enabled the researcher to put across a number of key recommendations. The summary, conclusions and recommendations are in line with both the study variables and objectives of the study.

5.2 Summary

The researcher summarized the results in the order of study objectives. The aim of summarizing was to enable the researcher to come up with key findings from which conclusions would be drawn.

5.2.1 Role of Idealized Influence in Organizational performance

The study established that top management in state-owned banks invested in gaining employee trust, confidence and respect , had charismatic attributes in dealing with employees and showed conviction when dealing with employee issues . It was further established that top management emphasized group identity when dealing with employees , challenged tradition and motivated employees and that due to their attributes, employee performance had increased.

5.2.2 Role of Inspirational Motivation in Organizational performance

It was established that top managers had not enabled employees to translate vision to practicalities , had not energized employees thereby increasing employee optimism , had not communicated easily with employees on tasks ahead and that due to the lack of inspirational motivation, employee performance had not increased.

5.2.3 Role of Intellectual Stimulation in Organizational performance

The study established that top management continuously had not challenged old assumptions and ways of doing things , had not invested in knowledge creation and continuous improvement of employee issues , had not encouraged new perspectives and contribution from subordinates and had not continually coached employees on self-efficacy . The study further established that top managers stressed the use of intelligence and encouraged expression of new ideas .

5.2.4 Role of Individual Consideration in Organizational performance

It was established that managers deal with each employee individually since each have different abilities and needs , they listen, develop, advise and coach individual contribution , they encourage one-to-one interactions which increases employee motivation , individual consideration was widely practiced in the organization and that arising from individual consideration, and employee productivity had increased thus increasing organizational performance

5.2.5 Role of Policies and Regulations in Organizational performance

The study established that policies and regulations set by the bank influenced individual performance , policies and regulations were regulated by the banking act of Kenya (, the government as the majority shareholder interfered with the policies and regulations of the bank , policies and regulations of the bank were thus not effective in enhancing my performance (, the policies and regulations sometimes conflicted with the objectives of the bank and policies and regulations in the bank influenced the effective performance of the bank in meeting its objectives .

5.3 Conclusions

Specific objective 1. To establish the role of idealized influence in organizational performance of state-owned banks in Kenya.

The study concluded that idealized influence played a key role in organizational performance of the banks. A charismatic personality who is a role model contribute positively to improving organizational performance in state-owned banks. The transformational leader's concern for others motivates the employees to maximize their productivity by being willing to sacrifice their own gain for the sake of team members thus encouraging the employees to optimize their output.

Specific objective 2. To analyze the role of inspirational motivation strategies in organizational performance of state-owned banks in Kenya.

It was concluded from the study that inspirational motivation had a significant role in the organizational performance of state-owned banks in Kenya. Leadership with such influence motivates the employees to maximize their performance because they are able to harmonize their vision with that of the banks .By being able to communicate vision with confidence and fluency the leadership should be able to psychic the followers to own the banks hence increase productivity through mastery of the banks mission ,vision and rallying call . This resultant from the leadership has injected confidence, optimism, ethusiasism and commitment.

Specific objective 3. To examine the role of intellectual stimulation in organizational performance of state-owned banks in Kenya.

The study concluded that intellectual stimulation played an important role in organizational performance of state-owned banks in Kenya. By challenging the employees to come up with new ideas of solving problems, the leadership of the banks will be encouraging creativity and teamwork which will improve performance.

Specific objective 4. To determine the role of individual consideration in organizational performance of state-owned banks in Kenya.

It was concluded from the study that individual consideration affected performance of state-owned banks in Kenya. The mentorship, coaching and delegation given by leadership to the employees depending of their individual talents will lead to improved performance

Specific objective 5. To examine the role of policies and regulations in organizational performance of state-owned banks in Kenya.

The study finally found out that the bank’s policies and regulations had some negative influences on the performance of state-owned banks in Kenya.

5.4 Recommendations

From the conclusions drawn, the researcher made a number of recommendations which are briefly discussed below;

Firstly, based on idealized influence and organizational performance, the study established that top management in state-owned banks should invest more in gaining employee trust, confidence and respect, should have charismatic attributes in dealing with employees and should show conviction when dealing with employee issues. Further, top management should emphasize group identity when dealing with employees and should challenge tradition and motivate employees. From the study these managerial attributes would certainly increase employee performance.

In general, state-owned banks’ leadership should enhance idealized influence on their employees by being both role model and real model through setting exemplary standards that can be emulated by the subordinates.

On inspirational motivation and organizational performance, it was found that top managers should enable employees to translate vision to practicalities, should energize employees thereby increasing employee optimism, they should communicate easily with employees on tasks ahead and that they should enhance inspirational motivation which would increase employee performance and thus ensure organizational performance in state-owned banks.

Concerning intellectual stimulation and organizational performance, the study concluded that top management should continuously challenge old assumptions and ways of doing things, should invest in knowledge creation and continuous improvement of employee issues, should encourage new perspectives and contribution from subordinates and should continually coach employees on self-efficacy. It was further concluded that top managers should stress the use of intelligence and encourage expression of new ideas all of which would ensure organizational performance in state-owned banks.

Last but not least, based on individual consideration and organizational performance, it was revealed that managers should deal with each employee individually since each have different abilities and needs, should listen, develop, advise and coach individual contribution, should encourage one-to-one interactions which increases employee motivation, should widely practice individual consideration which would then increase employee productivity and thus organizational performance in state-owned banks. Finally, as for policies and regulations, and organizational performance, the study established that policies and regulations set by the bank influenced individual performance. Though they were regulated by the banking act of Kenya, the government shareholding interfered with the policies and regulations and the policies were not effective in enhancing employee performance and sometimes conflicted with the objectives of the bank. Setting of policies and regulations without the input of employees tend to have negative impact on organizational performance due lack of ownership.

5.5 Areas for Further Research

Further research should be carried out on other topics in order to contribute to the knowledge in this field. The probable areas of research include the investigation of how transformational leadership influences individual employee performance. This would help clarify the specific individual performance which can thus be linked to organizational performance.

Further studies can also be done on comparative analysis of the performance between private banks and state owned banks in relation to transformational leadership. Further research can also be done focusing on the entire banking sector and not just state owned banks in Kenya which would enhance generalization of the findings.

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APPENDICES

Appendix I: Letter of Introduction

To The Branch Manager,

Post Bank/ National Bank

Dear Sir / Madam,

RE: PERMISSION TO CARRY OUT ACADEMIC RESEARCH

I am a Doctor of Philosophy (Human Resource Management) student of JKUAT conducting a research study entitled *"The Role of Transformational Leadership in ORGANIZATIONAL PERFORMANCE OF STATE-OWNED BANKS IN KENYA"*. Your organization has been identified and selected for the study. The purpose of this letter is to request you for permission to interview your employees using the Questionnaire copies attached. The information obtained is strictly for academic purpose and shall be treated with utmost confidentiality. For any clarifications kindly call John on 0710 821 980.

Thank you.

Yours Faithfully,

John Kiplelei Kirui

Appendix II: Questionnaire

Instructions

Kindly answer all the questions honestly and exhaustively. All the information provided will be used strictly for academic purposes and will be treated with utmost confidentiality**.**

Section A: Demographical Information

Using the rankings below and to the best of you knowledge, please rate your views on the demographics and other specifics within your branch.

1. What is your gender?

Male [ ]

Female [ ]

2. What is your age group?

Less than 30 years [ ]

Between 30 – 50 years [ ]

More than 50 years [ ]

3. How many people are employed in your branch?

Less than 10 [ ]

Between 10 – 20 [ ]

More than 20 [ ]

4. How long have you worked for the Bank?

Less than 5 years [ ]

Between 5 – 10 years [ ]

More than 10 years [ ]

Section B: Idealized Influence and Organizational Performance

Using the scale below, please indicate your level of agreement to the following propositions on idealized influence and organizational performance in your organization. 5 –Strongly Agree; 4 - Agree; 3 - Neutral; 2 –Disagree; 1 –Strongly Disagree

	1	**2**	**3**	**4**	**5**
6. Top management invests in gaining your trust, confidence and respect					
7. Top management has charismatic attributes in dealing with employees					
8. Top managers show conviction when dealing with employee issues					
9. Top management emphasizes group identity when dealing with employees					

10. They also consider or think of others when addressing employee issues
11. Top managers challenge tradition and motivates employees

12. Due to top management attributes, employee performance has increased

Section C: Inspirational motivation and organizational performance

Using the scale below, please indicate your level of agreement to the following propositions on inspirational motivation and organizational performance in your organization.

5 –Strongly Agree; 4 - Agree; 3 - Neutral; 2 –Disagree; 1 –Strongly Disagree

	1	2	3	4	5
13. Top management have fluently Communicated organization vision					
14. Top managers have enabled employees to translate vision to practicalities					
15. They also have energized employees thereby increasing employee optimism					

16. Top management communicate easily with employees on tasks ahead

17. Top managers have inspired employees thereby bringing values and encouragement

18. Due to management's inspirational motivation, employee performance has increased

Section D: Intellectual stimulation and organizational performance

Please use the scale below to indicate your level of agreement on the following issues of intellectual stimulation and organizational performance in your organization.

5 - Strongly agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 – Strongly disagree

	1	2	3	4	5
19. Top management continuously challenge old assumptions and ways of doing things					
20. Top managers foster creativity and innovation amongst employees					

21. They also invest in knowledge creation and continuous improvement of employee issues

22. Top managers stress the use of intelligence and encourage expression of new ideas

23. They also encourage new perspectives and contribution from subordinates

24. Top managers continually coach employees on self-efficacy

25. Arising from management's intellectual stimulation, costs are reduced thus leading increased organizational performance

Section E: Individual consideration and organizational performance

Please use the scale below to indicate your level of agreement on the following propositions on individual consideration and organizational performance in your organization.

5 - Strongly agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 – Strongly disagree

	1	2	3	4	5
26. Managers deal with each employee individually since each have different abilities and needs					
27. Top management give personal attention to employee issues and thus they feel valued					
28. Top managers are thus able to align organizational vision with individual vision					
29. Management listens, develops, advises and coaches individual contribution					
30. They also encourage one-to-one interactions which increases employee motivation					
31. Individual consideration is widely practiced in the organization					

32. Arising from individual consideration, employee productivity has increased thus increasing organizational performance

Section F: Policies and Regulations and organizational performance

Please use the scale below to indicate your level of agreement on the following propositions on policies and regulations and organizational performance.

5 - Strongly agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 – Strongly disagree

	1	2	3	4	5
33. Policies and regulations set by the bank influences my individual performance					
34. The policies and regulations are regulated by the banking act of Kenya.					
35. Top management takes our input in creating and implementing policies and regulations.					
36. The government as the majority shareholder interferes with the policies and regulations of the bank					

37. Policies and regulations of the bank are thus not effective in enhancing my performance

38. The policies and regulations sometimes conflict with the objectives of the bank

39. Policies and regulations in the bank therefore influence the effective performance of the bank in meeting its objectives

Section G: Organizational performance

Please use the scale below to indicate your level of agreement on the following propositions on organizational performance.

5 - Strongly agree; 4 - Agree; 3 - Neutral; 2 - Disagree; 1 –Strongly disagree

	1	2	3	4	5
40. The banks transformational leadership has enhanced its market position.					
41. Transformational leadership in the bank led to increased and sustained profitability					
42. The transformational leadership has led to an increase in employee productivity					
43. Transformational leadership has enhanced the development and implementation of effective policies					

Thank you and God bless you

Appendix III: List of Banks Under Research

LIST OF BANKS

NATIONAL BANK BRANCHES

1. Nakuru Branch
2. Kericho Branch
3. Bomet Branch
4. Molo Branch
5. Eldoret Branch
6. Narok Branch
7. Nandi Hills Branch

POST BANK BRANCHES

1. Nakuru Branch
2. Naivasha Branch
3. Gilgil Branch
4. Narok Branch
5. Molo Branch
6. Bomet Branch
7. Kericho Branch
8. Eldoret Branch

9. Kabarnet Branch
10. Nandi Hills Branch
11. Kitale Branch
12. Kapenguria Branch
13. Iten Branch
14. Lodwar Branch
15. Maralal Branch

Source : list of brances of banks (CBK) 2013

Appendix IV: Map of area under study –Rift Valley region