INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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Influence of Transformational Leadership on Organizational Performance of Commercial Banks in Kenya

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DECLARATION

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

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DEDICATION

This thesis is dedicated to my father, the late Thenya Muchiri and my late mother, Miriam Wagikondi Thenya.

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LIST OF ACRONYMS AND ABBREVIATIONS

BCG	Boston Consulting Group
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
EAC	East African Community
ICGN	International Corporate Governance Principles
KBA	Kenya Bankers Association
LEAD	Leader Effectiveness and Adaptability Description
M&As	Mergers and Acquisitions
MLQ	Multifactor Leadership Questionnaire
NBFIs	Non- Bank Financial Institutions
OCBs	Organizational Citizenship Behaviours
OECD	Organization for Economic Co-operation and Development
ROA	Return On Assets
SLM	Situational Leadership Model
UNCTAD	United Nations Conference On Trade And Development

DEFINITION OF TERMS

Transformational Leaders: The leader's ability to motivate followers to rise above their own personal goals for the greater good of the organization (Bass, & Avolio, 2004)

Stimulating: Create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results required by the business (Bass & Avolio, 2004).

Coaching: The ability to integrate both internal and external business environments of the organization, and to manage and engage in complex information processing (Johnson, 2006).

Visioning: This is the process through which an organization through its leaders identifies the future it wants. Through public involvement, organizations identify their purpose, core values and visions (Bass, 2007).

Corporate Governance : The process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interest of other stakeholders (Keasey, Thompson & Wright, 1997).

ABSTRACT

The concept of leadership has received considerable public and institution's attention both in developed and developing world. This study examines the crucial role of transformational leadership on organizational performance of commercial banks in Kenya. The study focused on the following variables i.e., visioning managers, inspiring managers, stimulating managers, coaching managers and moderating effect of corporate governance on the relationship between transformational leadership and organizational performance in commercial banks. The study involved all the commercial banks currently in Kenya. The research design adopted in the study was a cross sectional survey design. The study thus reached a total of 384 employees, sampled on a stratified random sampling method, from the two strata: top and middle cadre employees. While the close-ended questions guided the respondents' answers within the choices given, the open-ended ones were useful in obtaining a more detailed response essentially in cases where the researcher has no pre-determined options. Respondents were presented with descriptive statements in a 5-point and 4-point Likert scale on which they were required to rate by scoring the extent to which they perceived a particular statement as descriptive of the force in the corporations. The questionnaires were administered through drop and pick method to the respondents targeted. The questionnaires were coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). Analysis involved descriptive statistics and inferential analysis. Descriptive analysis technique gave simple summaries about the sample data in quantitative descriptions and included, mean, standard deviation, frequencies and percentages. The study concluded that the organization managers usually have a vision to improve the financial performance of the commercial banks and that the organization chooses transformational leaders from internal and external labour markets. The Recommendations of the study were Leadership style behaviors that have a strong positive relationship with organizational performance should be put into practice. It is therefore recommended that managers should: help others develop themselves; guide to be rewarded for their work; be satisfied when others meet agreed-upon standards; provide recognition or rewards; tell others the standards they have to know to carry out their work and ask no more of others than what is absolutely essential Managers should consider acquiring the transformational leadership skills because they are very important in the revolutionizing of the commercial banks in Kenya. There is however still need for future researches to be done to establish the specific areas of employee engagement influenced by transformational leadership behaviours, as well as their contribution to organizational performance. Studies may also be done to establish why idealized influence of supervisor was found to be negatively related to both employee engagement and organizational performance as per this study finding.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Effective leaders and managers are vital to ensuring employees are fully engaged at work. Organizations believe that creating the opportunity for each individual to do his or her work every day will improve business performance and make working life enjoyable. The concept of leadership has received considerable public and institution's attention both in developed and developing world. There is a fundamental assumption in today's business environment that leadership is central to business. This idea is core to the way we structure and manage our organizations. It is of no great surprise that most companies are heavily engaged in a war for leadership talent and that leadership succession has become a major boardroom topic (House & Aditya 2007).

The last few decades have witnessed organizations that have had relatively significant success with various kinds of transformational leadership models. A leading example is the Kouzes & Posner's (2003) model which offered a leadership model with five distinct practices that outstanding leaders use to influence employees' performance. This model consists of some of the key elements of the transformational leadership styles. The five practices of exemplary leadership are: (a) challenging the process: searching and seizing challenging opportunities to change, grow, innovate, and improve, with the willingness to take risks and learn from mistakes; (b) inspiring a shared vision: enlisting followers' support in a shared vision by appealing to the followers' values, interests, and aspirations; (c) enabling others to act: achieving common goals by building mutual trust, empowering followers, developing competence, assigning critical tasks, and providing continuous support; (d) modeling the way: being a role model and being consistent with shared values; and (e) encouraging the heart: providing recognition for success and celebrating accomplishments. Do leaders really make the difference to organizational futures in today’s turbulent environment or is success more to do with favorable circumstances? Where should executives put their money? Is leadership more important than for example, effective brand management or a carefully designed structure for a business or should we just take the value of leadership on trust? (Bass, 2007).

1.1.1 Concept of Transformational Leadership

Transformational leadership is the leader’s ability to motivate followers to rise above their own personal goals for the greater good of the organization (Bass, & Avolio, 2004). Bass (2007) theorized that transformational style of leadership comes from deeply held personal values which cannot be negotiated and appeals to the subordinates’ sense of moral obligation and values (Chan & Suk-Hing, 2005). Transformational leaders go beyond transactional leadership and are characterized as visionary, articulate, assured, and able to engender confidence in others so as to motivate them to surpass their usual performance goals (Schwarzwald *et al,* 2001).

The transformational leaders attempt to stimulate the undeveloped or dormant needs of their subordinates (Chan, 2005). Bass declared there were four types of transformational leadership behavior, namely idealized influence (charisma), inspirational motivation, individualized consideration, and intellectual stimulation (Bennett, 2009).

Idealized influence represents role-modeling behavior where the leader instills pride, faith, and respect, and has a gift for seeing what is really important, and transmits a sense of mission. Inspirational motivation represents the use of images and symbols that enable the leader to raise the expectations and beliefs of their follower concerning the mission and vision. Individualized consideration represents providing experiential learning and occurs when the leader delegates a project, provides coaching and teaching, and treats each follower as an individual.

Intellectual stimulation represents cognitive development of the follower and occurs when the leader arouses followers to think in new ways and emphasizes problem solving and the use of reasoning before taking action (Johnson, 2006).

Transformational leaders encourage their subordinates to bring creative viewpoints to work and stimulate a team vision through positive motivation. With regards to the law enforcement arena, the transformational leader expects their subordinates to be more occupied with problem solving and community-oriented policing which more often than not equate to lower statistics. (Engel, 2003).Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Bass & Avolio, 2004).

Transformational leaders continuously show concern for their subordinates' needs, treat them with respect and utilize a flexible approach towards them. This does not necessarily mean that the transformational leader never resorts to punishment or negative feedback. When Punishment and negative feedback is used, they are perceived or may be interpreted as exceptional and required for completing the present task (Schwarzwald, Koslowsky & Agassi, 2001).

Transformational leadership behaviors alter the higher order needs of followers by changing their attitudes, beliefs, and values. Such behaviors are important to the leaders because they can directly influence followers and any process of change. Transformational leadership involves raising the consciousness of followers by appealing to higher ideals and values, and moving the focus of followers away from their self-interests encouraged by transactional leadership. In other words, the leader encourages their followers to consider their actions beyond simply "what is in it for them." The transformational leader motivates subordinates by focusing them on a greater cause, such as justice.

Burns (2008) argued that transformational leaders have a more significant motivating effect on employees and are preferable to transactional leaders because they motivate employees to perform well even in situations that lack any chance of receiving formal recognition.

1.1.2 Link between Transformational Leadership and Organizational Performance

There is a relationship between transformational leadership and organization's success. The relationship is central to business success and core to the way we structure and manage business organizations. Transformational leaders have been suggested to have an impact on institutions performance across the globe. The trade in services is growing enormously worldwide. World-class service providers like American Express alongside other small service firms are exporting information through advertisements, knowledge, creativity and innovation that the world badly needs. Key elements of Companies are that they are characterized by a dominant role of top management on the firm. Hambrick (2007) argues that the top management of a company has a considerable impact on the company's strategic orientations: "executives' experiences, values, and personalities affect their field of vision (the directions they look and listen), selective perception (what they actually see and hear) and the interpretation (how they attach meaning to what they see and hear)." (Hambrick, 2007).

Despite the theoretical propositions in favor of the climate's direct effect on performance, several other studies reported inconsistent findings. For example, in a recent study conducted in a sample of 110 manufacturing firms in China, Chan & Donna Suk-Hing (2005) could not identify a direct relationship between supportiveness of climate and new product performance. Furthermore, support for performance climate received only limited support as a mediator in the study by Scott and Bruce (2001), where the researchers stated that the role of climate as a mediator may be overstated in the literature, at least as it relates to innovative behavior.

In their interactionism model of organizational creativity, Williams,

(2004) explain organizational creativity as a function of the creative outputs of its component groups and contextual influences. In their approach, contextual influences are explained as enhancers and constraints on the creative accomplishments of individuals and groups and include organizational culture and climate as well as external environmental factors.

1.1.3 Financial Institutions in Kenya

The concept of modern banking can be traced back to the 17th century England, where goldsmiths accepted gold deposits for safe keeping in their secure safes. Deposits of Gold received receipts from goldsmiths certifying that the deposits were made. Upon presentation of the receipts to the gold smiths, they were obliged to deliver the stipulated amount of gold to the owner of receipt. Since the gold was redeemable on demand, the goldsmiths had to ensure that the gold was always available whenever a receipt was demanded (Johnson, 2006). The emergence of banks owned by the local private sector began in the mid-1970s, Bennet (2009). Despite the lack of academic evidence on the relationship between growth strategies and firm performance, the professional literature seems to provide some “mixed‟ answers that relates to the study’s research questions (Williams, 2004).

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests. The KBA serves a forum to address issues affecting members. Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; An industry wide branch network expansion strategy both in Kenya and in the East African community region. The industry has automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional, off-the-shelf' banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

Indeed, consulting firms advising companies seem to emphasize one growth strategy over the other because of their differential impact on firm performance. For example, some institutions are encouraging companies to perform mergers and acquisitions (M&A s), arguing that the more external growth they do, the more their financial and economic performance will increase. Even if it recognizes the merit of both growth strategies, Boston Consulting Group (2004) also emphasizes in external growth report from 2004 that the highly acquisitive companies of their U.S. sample have the highest mean total shareholder returns, and that the most successful acquisitive growers outperformed the most successful organic growers, allowing them to gain market share more rapidly than their counterparts. According to BCG, for experienced acquirers like Pfizer, Cisco and Newell, M&A expertise developed through successive acquisitions has become a competitive advantage in its own right.

On the other hand, others such as General Electric's consultancy department have recently praised the advantages of internal growth and encourage companies to pursue it because of the lower costs, the better return of investment and the incentives that it gives to pursue innovation. Financial markets in Africa in the period since independence have been dominated by foreign and government-owned commercial banks. But deficiencies in financial intermediation provided an opportunity for local private investors to enter financial markets, especially in those countries where the domestic private sector was relatively well developed, such as Kenya and Nigeria. Between the late 1970s and the mid-1980s, 13 local banks were set up in Nigeria (mostly with established foreign banks as minority partners), and four banks and 25 Non- bank financial institutions in Kenya. A few local banks were also set up in Zambia, and banks and finance houses in Uganda, in the mid to late 1980s.The expansion of the local banks and Non- bank financial institutions was temporarily retarded in Kenya by a series of bank failures in the mid-1980s, but rapid growth resumed later in the decade. In Nigeria the growth of local banks accelerated dramatically in the second half of the 1980s, with 70 commercial and merchant banks established between 1986 and 1991 when the Central Bank of Nigeria (CBN) suspended issuing new licenses: almost all of these were wholly owned by local investors. During the 1990s a further nine local banks were established in Zambia.

A few of the local banks have grown strongly to gain a significant share of their domestic banking market. Some of the larger local banks have also established subsidiaries in other African countries. But most of the local banks are small with only a few branches. Very few have shareholder capital of more than $5 million. They are predominantly urban-based. Their lending is mainly short-term and directed to local businesses, mainly small- and medium-scale, and especially traders: most do not have the capital base to lend to larger corporate clients. The growth of local banks was mainly due to a combination of low entry requirements and the perception that banking provides opportunities for profit not available in many other sections of the economy. In all of the countries where local banks were set up in significant numbers, the regulatory barriers to entry were low. Before they were revised (which in most Anglophone African countries was not until the late 1980s or early 1990s) the banking laws did not impose stringent requirements on applicants for bank licenses in terms of relevant expertise, and did not specify grounds for rejection of applications. Political interference subverted prudential criteria in the granting of license, notably in Nigeria, where retired military officers were directors of many banks (Lipman, 2007), and in Kenya where many banks had prominent politicians on their boards.

1.2 Statement of the Problem

Global technological and social alteration has promoted todays' managers to rethink on their leadership styles. Transformational leadership therefore becomes necessary for both private and public agencies, particularly for those in commercial banks where competition for clients and interactions between supervisors and subordinates are more crucial than ever (Ozmen, 2009).

The importance of transformational leadership as a component of strategic management process toward high performance has been subject of a lot of discussion by scholars and practitioners. Studies quoted from Northouse (2003) concluded in 57 public sectors in the United Kingdom revealed that transformational leaders could influence how followers perceive their work activities and that these perceptions resulted in an increase in the followers' job satisfaction, commitment, and performance. Whether called active, strong indications are that transformational leaders affect their subordinates' behavior and effectiveness more (Johnson, 2006).

The dominant role of transformational leadership, particularly in the context of commercial banks in Kenya is the result of the fact that many Chief Executive Officers have transformational ventures, which gives them visionary decision-making guidelines. Most companies nowadays are characterized by flat hierarchies which imply a large span of control. Additionally, most commercial banks in Kenya tend to be managed in an informal way (Mintzberg, 2004), which again opens up a large degree of discretion to decisions of top management. Ernst and Vitt, 2000; Hogg and Terry, 2000; and Nygaard and Dahlstrom, 2002 maintain that leadership issues can cause an exodus of talent, tardiness, absenteeism, lower productivity, reduced customer satisfaction, less innovation and, ultimately, reduced economic benefits. Therefore, it is vital that managers become transformational leaders because leader effectiveness determines the success levels of organizations.

Whereas corporate governance and success has been widely researched by scholars in Kenya such as Wambugu (2002) and Fourie (2007), they have been done based on the concept of transformational leadership and only on manufacturing industries in Kenya. The above studies did not indicate a clear link between the impact of transformational leadership on organizational performance of commercial banks in Kenya. As commercial banks in Kenya struggle to convert their future leadership needs into tangible business results, there is minimal information that clearly identifies exactly how valuable leadership is a source of organizational success. For any commercial bank, corporate governance is an essential tool for bank performance, posits the SBUL Strategic Plan (2014). The management of the Stanbic Bank has made attempts to improve bank performance through system and procedure integration of the governance structures.

Again Kenya has Vision 2030 which is a long-term development blueprint for the country. It is motivated by a collective aspiration for a better society by the year 2030. One of the sectors which has strategic role to materialize this vision is financial institutions specifically commercial banks. Transforming Kenya to a financial hegemony in the region for the realization of the development blueprint requires transformational leadership, an area that is not explored by researchers. It is in this light that this study seeks to fill in this study gap by establishing the impact of transformational leadership on organizational performance of commercial banks in Kenya or else Vision 2030 will remain a pipe dream. Based on these studies and the varying gaps in literature, there is need to conduct similar studies in Africa and more so in Kenya where commercial bank's leadership styles have been varying in the past decade (Lipman, 2007).

1.3 Objectives of the Study

1.3.1General Objective

The general objective of the study was to investigate the influence of transformational leadership on organizational performance of commercial banks in Kenya.

1.3.2 Objectives

1. To establish visioning managers influences organizational performance of commercial banks in Kenya.

2. To determine inspiring managers influences organizational performance of commercial banks in Kenya.

3. To establish stimulating managers influences organizational performance of commercial banks in Kenya.

4. To examine coaching managers influences organizational performance of commercial banks in Kenya.

5. To determine the moderating effect of corporate governance on the relationship between transformational leadership and organizational performance of commercial banks in Kenya.

1.4 Hypotheses of the Study

H_1 : There is a positive influence of visioning managers on organizational performance of commercial banks in Kenya.

H_2 : There is a positive influence of inspiring managers on organizational performance of commercial banks in Kenya.

H_3 : There is a positive influence of stimulating managers on organizational performance of commercial banks in Kenya.

H_4 : There is a positive influence of coaching managers on organizational performance of commercial banks in Kenya.

H_5 : There is a positive moderating effect of corporate governance on the relationship between transformational leadership and organizational performance of commercial banks in Kenya.

1.5 Significance of the Study

Managing a business can be a great challenge and a strong team enhances the success of the business. The research will benefit scholars as literature review in areas of transformational leadership and management. With so much potential investment, effort and wealth generation at stake, the researcher will initiate a long overdue and highly pragmatic research project to enable organisations identify how critical transformational leadership is to sustain business performance. In doing so the study will enable organisations make well informed investment decisions about business success drivers and particularly transformational leadership selection and development.

Similarly, the study will be of great help to managers, corporate leaders and organisations committees in mission conceptualization, formulations, implementation and recruitments of appropriate leaders for maximum business output. The researcher cannot forget the paramount importance of the study to key decision makers. The researcher will have in mind the high level administrators, (for example, Government Officers, Cabinet Secretaries) who by virtue of their position have the responsibility of appointing boards of directors of various public investments institutions and parastatals. From this study will have the key idea of the relationship between the transformational leadership and organizational performance.

The policy relevance of this study rests on its empirical basis for identifying policy options to enhance the growth of commercial banks. It is therefore of value to those who seek to target commercial banks (such as the Government and other service providers) who can benefit from a greater insight into their growth.

Apart from academic credits, the researcher will benefit from the study having a broader and more holistic understanding in the field of transformational leadership. However, apart from filling the gap in the body of knowledge, the study will be a documented resource not only for scholars but also any other person who would be interested in broadening his knowledge base in transformational leadership, management and business success determinants.

1.6 Scope of the Study

The scope of this study extends to the managers in all the 43 commercial banks in Kenya. The study will seek to establish the influence of only five dimensions of transformational leadership styles such as visioning, inspiring, stimulating, coaching and the moderating effect of corporate governance on the relationship between transformational leadership and organizational performance of commercial banks in Kenya.

1.7 Limitations of the Study

One of the limitations that were encountered while conducting the research was getting the respondents to be interviewed during working hours as many of them were out for field work or in closed door meetings. To overcome this, the researcher administered questionnaires through a drop and pick method. The study also acknowledges that not all information sought for this research was in the public domain and to overcome this challenge permission was sought to access the organizations documentation which captured the required information.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the theories pertaining to transformational leadership. Specifically, the theories are: contingency theory of leadership, transactional theory of leadership and transformational theory of leadership. The chapter also reviewed the empirical literature concerned with the study topic. The chapter develops the conceptual framework and the independent variables which include visioning managers, inspiring managers, stimulating managers, coaching managers and corporate governance as a moderating factor. The chapter goes ahead to critique the existing literature and also review the existing gaps in the existing literature.

2.2 Theoretical Framework

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

Organization followers always attempt to draw inferences about their leader's characteristics such as integrity, dependability, fairness, and ability because these inferences have consequences for work behavior and attitudes (Dirks & Ferrin, 2002). If employees feel their leader cannot be trusted, they will spend energy on protecting themselves and this will detract from their performance. Individuals who feel their leader will demonstrate care and consideration may go above and beyond their job role which will result in higher performance and possibly in extra-role behaviors (Dirks & Ferrin, 2002).

Extra-role behaviors such as helping a co-worker who has been absent or being courteous are called organizational citizenship behaviors (OCBs) and are not part of the employees' formal job description (Jex, 2002).

2.2.1 Contingency Theory of Leadership

The Contingency Theory of Leadership suggests that the leader's ability to lead is dependent upon various situational factors, including the leader's preferred style, the capabilities and behaviors of followers and various other situational factors. There is no one best way of leading and effective leadership styles vary from situation to situation. The theory assumes leadership behaviors affect outcomes, such as group performance and achieving goals, by the influencing the subordinates' behavior (Butler & Reese, 1991).

There have been several models utilizing the contingency theory concepts – the Contingency Leadership Theory (Fiedler & Garcia, 2000), Normative Decision Theory (Vroom & Yetton, 2008) and Path-Goal Theory (Butler & Reese, 1991). The Situational Leadership Model (SLM) by Hersey and Blanchard (2007) stands out in terms of its popularity with practitioners (Blank, Weitzel & Green, 2012). The SLM depicts four leadership styles grouped by "task behavior" and "relationship behavior". The four styles are labeled (1) telling a high risk/low relationship, (2) selling a high risk/high relationship, (3) delegating a low task/low relationship, and (4) participating a low task/high relationship. The SLM recommends the appropriate leadership style based on the "maturity" of the subordinates. Maturity is the subordinates' willingness and ability based on education and/or experience to focus their behavior on a task or objective. A manager's adaptability is measured by a tool called the "Leader Effectiveness and Adaptability Description (LEAD) (Butler & Reese, 1991).

SLM was used extensively in the training of police managers in the United States although it was widely acknowledged that most of the police supervisors did not receive any formal management training. In a study of 211 police supervisors, those who were rated the most effective utilized the SLM, (Standing *et al.*, 2006). It should be noted that most of these contingency theory models and associated papers were written over 20 years, well before the development of the transactional and transformational theories.

Despite some studies offering limited and provisional support of the SLM, most studies have been critical for various reasons. This is particularly surprising due to the extensive use of the SLM and its widely accepted managerial philosophy throughout the world. The researchers note the SLM has little verifiable support. Only a few studies have been conducted to test its validity and most were not comprehensive in nature. For example, several studies in the 1980s were conducted in which the managers who utilized the SLM rated their subordinates' job performance significantly higher than managers who did not utilize the SLM. Unfortunately no objective measures of performance were employed. In addition, the SLM has been criticized for multiple reasons on theoretical grounds for the reason that there is little academic justification for the SLM's style classifications as well as multiple arguments against the validity of the LEAD (Butler & Reese, 1991).

Basic assumptions the SLM makes also added to the critical views of the model. According to Graeff (1983), multiple features of the SLM such as assumptions of the job maturity aspects of the model appear to question its theoretical soundness and restrict its practical use. The author concedes that the SLM makes minor contributions to the leadership arena as the model does correctly focus on the truly situational nature of leadership and the need for flexibility on the leader's behalf. Blank, Weitzel and Green (2012) supported Graeff's findings and reported the SLM focuses on only one situational variable (subordinate maturity) as a moderator of two leader behaviors (task and relationship) and leader effectiveness. The authors' research raises more questions than answers about SLM and indicates the need for more empirical studies.

Butler and Reese (1991) conducted a study in which they examined the relationship between 675 insurance salespersons' performance and their 41 branch managers who employed SLM leadership styles. The researchers reported that the data did not support the hypothesis the SLM leadership styles were associated with superior sales performance. In fact, the SLM leadership styles were associated with inferior performance. Another facet of the study tested the four styles of the SLM which are directing, coaching, supporting and delegating. Insurance agents who preferred the telling (high task/low relationship) had a higher job performance than the agent who preferred other styles. The researchers suggest these findings defy the logic on which the SLM is founded. The findings also suggest the SLM is incomplete in its description of leadership styles and the situations facing the leader. But the simplicity of SLM is one reason for its popularity.

2.2.2 Transactional Theory of Leadership

Transactional theory, as its name implies, involves a "transaction" or quid pro quo between a supervisor and a subordinate. The type of the transaction, whether a reward or discipline, depends on the employee's performance. Bass (1985) theorized that the transactional leaders appeal to the subordinates' self-interests (as cited by Chan, 2005). Transactional leaders attempt to meet the current needs of their subordinates through bargaining and exchanging. Transactional leaders expect their followers to attain agreed-upon goals without encouraging them to take on greater responsibilities for self-development or leading others. There is no attempt to change followers' attitudes, values, growth, and development on a long-term basis. Both leaders and followers focus on achieving the negotiated performance level (Chan, 2005). A transactional leader motivates subordinates by giving rewards for services provided. This leader clarifies the subordinates' goals and arranges contingent rewards as inducements toward the achievement of the goals (Singer & Singer, 2001).

Transactional leadership is a reinforcement technique requiring constant application. There are two main components of transactional leadership - contingent reward and management-by-exception. Contingent reward is when the leader provides rewards if the subordinate performs in accordance with the performance expectations or expends the necessary effort (Densten, 1999). The contingent reward aspect of transactional leadership should also relate positively to performance in that these leaders clarify expectations and recognize achievements that positively contribute to higher levels of effort and performance (Bass, Avolio, Jung & Berson, 2004). Management-by-exception represents the taking of action by the leader when the follower does not meet the performance expectations (Densten, 1999). In the management-by-exception approach, transactional leaders clarify expectations, specify standards for compliance, define what constitutes ineffective performance and monitor closely to ensure that deviances and errors are corrected promptly (Bass, Avolio, Jung & Berson, 2003 cited by Chan, 2005).

Through extensive work with patrol officers and patrol sergeants in a large urban police department, Van Maanen (2005) identified two distinct types of patrol sergeants - the “station house sergeant” and the “street sergeant.” The first type, identified as the “station house sergeant,” personified the characteristics common to the transactional leadership style. Station house sergeants spent the majority of their time in the station, dealing with administrative issues such as processing paperwork. Rarely did they directly supervise their subordinates in the field. They preferred to control officer behavior through their authority to grant favors such as days off, choice assignments, and the ability to earn overtime pay. Van Maanen (2005) found that if given a choice, patrol officers preferred to work for the station house type of sergeant. This was because they had less direct supervision, more opportunities to conduct personal business on duty, and less pressure to be proactive.

The second type of sergeant, the “street sergeant,” personified the characteristics common to the transformational leadership style (Maanen, 2005 as cited by Johnson, 2006). Street sergeants held characteristics similar to the transformational leadership style through their direct support of officers in the field and their leading by example. Officers who worked under the street sergeant types of supervisors experienced more direct supervision, fewer opportunities to conduct personal business or engage in loafing, and were under constant pressure to produce outputs through proactive stops and patrols (Van Maanen 1983 & 1985 as cited by Johnson, 2006).

The traditional supervisors expect aggressive enforcement from their officers, but expect little relative to quality of life issues or community policing-related issues. Their main concern is to control subordinate behavior. The innovative supervisor expects their subordinates to engage in community oriented policing. They are less concerned with enforcing rules, report writing or other tasks deemed important by the traditional supervisors. They excel as mentoring and coaching their subordinates. The supportive supervisors encourage and praise their officers more and maintain good relations with them. They may provide a buffer between their officers and management to protect them from criticism and discipline. They are more likely to praise their subordinates and are not task oriented (Engel, 2003). Johnson (2006) also classifies these three styles as variations of the transactional style of leadership. Transactional leaders achieve compliance from subordinates through an exchange of rewards for services. For example, transactional leaders will offer raises or promotions for higher work productivity. The weakness of this leadership style is that employees are not invested in their work and once rewards become unavailable, it is difficult to continue to motivate them (Johnson, 2006).

According to Bass (1985) and House (2007), a transactional approach is deficient for long-term development, which normally entails significant individual and organizational change. While many leaders utilize transactional leadership, they fail to constantly apply this behavior because of lack of time, inadequate opportunities to observe, ineffective appraisal systems, doubts about positive reinforcement effectiveness, and lack of skills. The negative aspects of leadership behaviors are associated with transactional leadership. One of the most interesting findings of a study of 480 senior Australian law enforcement officers was the prevalence of the transactional theory's management-by-exception over other leadership behaviors. The significantly higher level of management-by-exception indicates that leaders of senior officers are mainly passive and focus on correcting deviations from the status quo. Several previous perceptions of police leadership support this finding, such as police leaders being "after the fact supervisors." It is suggested that high levels of transactional leadership indicate only basic leadership competency among leaders. Therefore, in the Australian law enforcement study, it appears that leaders only demonstrate basic leadership capabilities, which may reflect the lack of formal leadership training. Despite the shortcomings of transactional leadership which prevailed in this law enforcement environment, the findings amazingly indicated a relatively high level of follower satisfaction with this leadership behavior. As the author noted, the relatively high follower satisfaction level with such a negative form of leadership behavior was surprising and requires further investigation (Densten, 1999).

Under Van Maanen's "Station House Sergeant vs. Street Sergeant" theory, the patrol officers of the "Station House Sergeant" (i.e., the transactional leader) were significantly less productive and less compliant with rules and directives than employees of the "Street Sergeant" (i.e., the transformational leader) (Van Maanen, 2005 as cited by Johnson, 2005). Under Engel's (2003) four supervisory styles theory, all of Engel's leadership styles influenced subordinates to some degree. In fact, Engel (2003) suggests the active supervisor (the transformational style of leadership) has the most influence over their subordinates' behavior.

2.2.3 Transformational Theory of Leadership

Transformational leadership is the leader's ability to motivate followers to rise above their own personal goals for the greater good of the organization (Bass, 2007 as cited by Murphy & Drodge, 2004). Bass (2005) theorized that transformational style of leadership comes from deeply held personal values which cannot be negotiated and appeals to the subordinates' sense of moral obligation and values (as cited by Chan, 2005). Transformational leaders go beyond transactional leadership and are characterized as visionary, articulate, assured, and able to engender confidence in others so as to motivate them to surpass their usual performance goals (Schwarzwald, Koslowsky & Agassi, 2001). The transformational leaders attempt to stimulate the undeveloped or dormant needs of their subordinates (Chan, 2005). Bass declared there were four types of transformational leadership behavior, namely idealized influence (charisma), inspirational motivation, individualized consideration, and intellectual stimulation (Densten, 1999).

Idealized influence represents role modeling behavior where the leader instills pride, faith, and respect, and has a gift for seeing what is really important, and transmits a sense of mission. In quintessence the idealized influence factor describes people who are special and make others want to follow the vision they put forward. Idealized leaders usually have very high moral standard and ethical conduct and a can be counted on to do the right thing. they provide followers with a vision and sense of mission. (Northhouse, 2010)

Inspirational motivation represents the use of images and symbols that enable the leader to raise the expectations and beliefs of their follower concerning the mission and vision. They also inspire through motivation so that the workers become motivated and committed to the organization. Team spirit is enhanced by this type of leadership. Above all leaders communicate high expectations to followers.

Individualized consideration represents providing experiential learning and occurs when the leader delegates a project, provides coaching and teaching, and treats each follower as an individual. Individualized consideration ranks among the major characteristics of transformational leadership. The transformational leader treats each follower as a "whole" individual rather than as an employee, and considers the individual's talents and levels of knowledge to decide what suits him or her to reach higher levels of attainment.

Intellectual stimulation represents cognitive development of the follower and occurs when the leader arouses followers to think in new ways and emphasizes problem solving and the use of reasoning before taking action (Johnson, 2006). This type of leadership supports followers as they try new approaches and develop innovative ways of dealing with organizational issues. This leadership challenges not only their own beliefs and values, but also those of the organization they lead (Northhouse, 2010).

A transformational leader applies such individual considerations by: listening to each follower's needs and concerns, expressing words of thanks or praise as a means of motivation, making public recognition of achievements and initiatives, making private notes of congratulations to boost self confidence, ensuring fair workload distribution and undertaking individualized career counseling and mentoring.

Transformational leaders encourage their subordinates to bring creative viewpoints to work and stimulate a team vision through positive motivation. With regard to the law enforcement arena, the transformational leader expects their subordinates to be more occupied with problem solving and community-oriented policing which more often than not equate to lower statistics. (Engel, 2003). Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Bass and Avolio, 2007). Transformational leaders continuously show concern for their subordinates' needs, treat them with respect and utilize a flexible approach towards them.

This does not necessarily mean that the transformational leader never resorts to punishment or negative feedback. When these behaviors are used, they are perceived or may be interpreted as exceptional and required for completing the present task (Schwarzwald, Koslowsky, Agassi, 2001).

Transformational leadership behaviors alter the higher order needs of followers by changing their attitudes, beliefs, and values. Such behaviors are important to the leaders of organizations because they can directly influence workers and any process of change. Transformational leadership involves raising the consciousness of followers by appealing to higher ideals and values, and moving the focus of followers away from their self-interests encouraged by transactional leadership. In other words, the leader encourages their followers to consider their actions beyond simply “what is in it for them.” The transformational leader motivates subordinates by focusing them on a greater cause, such as justice. Burns (2008) argued that transformational leaders have a more significant motivating effect on employees and are preferable to transactional leaders because they motivate employees to perform well even in situations that lack any chance of receiving formal recognition.

2.2.4 Goal Setting Theory

Goal setting theory provides that performance in organizations is enhanced when goals are set. The goals act to direct both leaders and employees in organizations towards certain performance targets. Organizational goals also provide performance standards and are what is measured to establish achievement of objectives. Leaders in organizations should not only set goals, but the said goals should be specific and challenging if they are to provide meaning and stimulation to employees. According to House (2007) more challenging goals can be used by organizational leaders to motivate employees towards performance in both their individual tasks and hence organizational performance. Specific goals should be set at individual, team and organization at large.

Using the goal setting theories leaders can enhance their followers engagement and performance by setting clear, challenging and meaningful goals. Such goals will not only stimulate the subordinates' thinking but will also provide opportunities for creativity and learning. Goal setting theory therefore posits that conscious and well defined goals are important if mangers are to attain a particular standard for their employees and organizations (Bass, 1985)

2.2.5 Principal Agency Theory.

According to Graeff (1983), an agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. It has been argued that the agency theory has been the most dominant issue in corporate governance and the principal-agent theory is generally considered the starting point of this debate. Agency theory hypothesizes that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns, reveal Bass (2005). The assumption is that if the principal and agent have a common understanding in this case, the agency is obliged to provide quality financial reports to the Board of Directors. These relationships are not necessarily harmonious, indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals. This has implications for, among other things, corporate governance and business ethics.

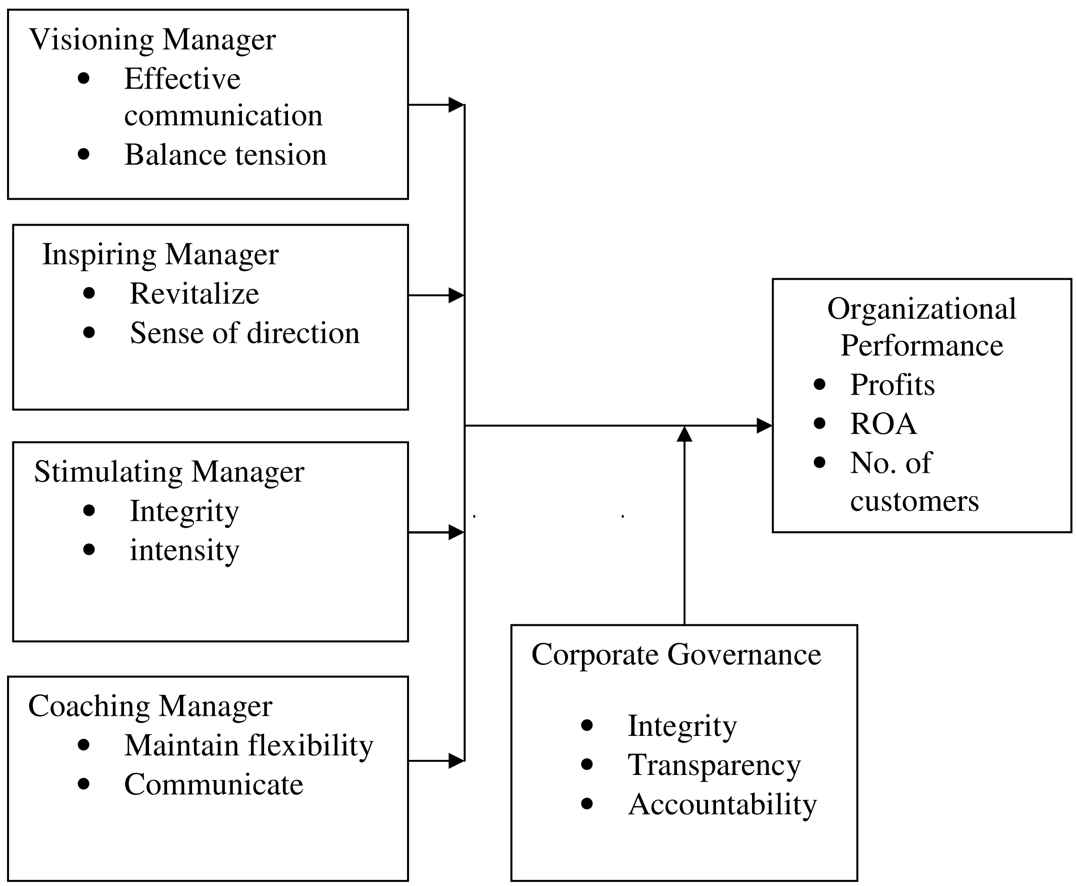
Densten (1985) suggest that when agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship. Agency theory raises a fundamental problem in organizations' self-interested behaviour. A corporation's managers may have personal goals that compete with the owner's goal of maximization of shareholder wealth. Since the shareholders authorize managers to administer the firm's assets, a potential conflict of interest exists between the two groups. This theory guided the study by analyzing whether the corporate governance systems used by commercial banks, always act according to their principal's interests of delivering services effectively, efficiently and economically. Time, effort, and skills contributed by customers are often critical to the provision, production, and delivery of services. Indeed, some financial services can be produced only when directors, management and customers jointly contribute to their production.

The study was also be guided by the Stakeholder Theory. According to Burns (2008), stakeholder theory basically aims at striking a balance between the interests of a corporation's stakeholders and their satisfaction. It tries to identify the purpose of the firm. Identification of the firm's purpose, therefore, becomes the driving force underlying its activities, posits Burns (2008). By highlighting the firm's responsibility to its stakeholders, the author states that it pushes the management to design and employ appropriate methodologies to determine the nature of the relationship between interested parties and the management in order to deliver on their purpose. Freeman further says that there is a realization that economic value is created by people who voluntarily come together, cooperate and hence improve everyone's circumstances, reveal Singer and Singer (2001). The theories may help explain the poor bank performance, when they emphasize the need for organizations to ensure proper organizational internal management so as to remain sustainable. This implies that if Stanbic Bank does not comply to what is suggested by the theories, then its performance could remain low despite management's effort to implement corporate governance reforms.

2.3 Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions among the variables and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply.

The conceptual framework illustrates the relationship between the dependent and independent variables. The dependent variable in this study is organizational performance. The independent variables include the various principles of transformational leadership i.e. visioning managers, inspiring managers, stimulating managers and coaching managers. The moderating variable in this study is corporate governance.



Independent Variables **Moderating Variable** **Dependent Variable**

Figure 2.1: Conceptual Framework

2.4 Review of Variables under Study

2.4.1 Visioning Managers

The relationship between visioning leaders and organizational performance has become an important consideration in organizations. Bass (2007) noted that the turnover of CEOs in the United States increased by 53% between the years 1995 and 2001. The average tenure of CEOs declined from 9.5 to 7.3 years. The primary reason provided for this discharge or resignations was poor financial performance. The choice of transformational leaders is a critical decision with important implications for corporate performance. Firms can select transformational leaders from the internal or external labour markets (Hitt *et al.*, 2007).

This vision must then be communicated effectively to the workforce for better results (Boal, & Bryson, 1988). The paradox of extraordinary performance is not achieved by simply focusing on measurable results which matters a lot. However, just as great athletes report that they do not think about their measurable states in the moment of performance, so it is with great transformational leaders (Hambrick, 2007). The focus of successful transformational leaders is on the capabilities and leadership practices that they apply each day to balance these tensions and generate extraordinary performance.

2.4.2 Inspiring Managers

When a leader discovers the need for major revitalization of the organization, it becomes necessary to find ways to inspire people with a vision of a better future that is sufficiently attractive to justify the costs of changing familiar ways of doing things. There is no more powerful force in driving an organization toward excellence and success than attractive, worthwhile and achievable vision, widely shared (Bass & Avolio, 2004).

An organization driven by accelerating technological change, staffed by a dense, multicultural mix of highly intelligent knowledgeable workers, facing global complexity and multiple mission demands would self-destruct without a common sense of direction.

The International labour market gives firms the ability to draw people for positions from qualified employees within the organization. This gives rise to various benefits such as familiarity with the firm's products, markets, technologies and operating procedures as a result of their experience with the firm; ensuring there is lower turnover among existing employees; and it is favorable when the firm is performing well. The external labour market on the other hand gives the organization the ability to choose people for positions from qualified people who are external to the organization. The advantages of this approach include increasing ability to innovate or to create conditions that stimulate innovation; and initiating major strategic change which is less likely to be initiated by a CEO with a long tenure, or by an internal successor.

2.4.3 Stimulating Managers

The transformational leader's personal integrity and intensity is a powerful driver of organizational energy and direction. However, left unchecked the leader's personality and drive can overwhelm or suppress input and engagement more widely in the organization. The strategic leader needs to create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results required by the business (Bass & Avolio, 2004).

Even though a distinctive leadership competency is considered to be a corporation's key strength, a key strength may not always be a distinctive competency. As competitors attempt to initiate another company's competency, what was once a distinctive competency becomes a minimum requirement in the industry. Thus, organizations must continue to innovate as well as improve activities in their value chain in order that they can be able to get a sustainable competitive edge over their competitors.

To manage the dynamic balance between the organization, its people and the demands of a complex unstable environment, the strategic leader needs to enable the organization to engage in a relevant and dynamic way with its environment. This requires leaders capable of building an organization designed to attract develop and retain the best talent (House, 2007). It also demands leaders who are capable of aligning people across the organization with an uncompromising customer focus which informs the organizational systems, structure and strategic decisions.

The primary responsibility for effective transformational leadership rests at the top of the organization, in particular with the CEO. Other recognized transformational leaders include the board of directors, top management team and divisional general managers. The board of directors plays an important role as a governance mechanism for monitoring the strategic direction of the organization as well as representing the interest of internal and external stakeholders. The board of directors should develop an effective relationship with the organization top management team in order to best serve the interest of all stakeholders (Hitt *et al.*, 2007). The code of corporate governance requires boards of directors to provide transformational leadership, and specifically be responsible for providing strategic direction to the organization, appointing the CEO, retaining control over the organization, monitoring management in implementing formulated strategies and plans, complying with all relevant laws, regulations and codes of good practice, identifying and monitoring non-financial aspect relevant to the organization, communication with internal and external stakeholders and identifying and monitoring key risk areas (Code of Corporate Governance, 2002).

2.4.4 Coaching Managers

Transformational leadership requires the ability to integrate both internal and external business environments of the organization, and to manage and engage in complex information processing.

Transformational leadership is therefore the leader's ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary (Hitt 2007). Transformational leadership demands leaders to develop and communicate the organization purpose (vision); tactfully organize the human resource capabilities and competencies with the task at hand; exercise high intensity of integrity and ethical standards; deliver extraordinary performance; and sustain a competitive advantage. These elements exist in dynamic tension, each demanding the leader's time and energy. The importance of top management becomes evident in a complex, rapidly changing environment that places many external demands on the CEO and in an organization with highly diverse but highly interdependent functional or business units, because a single leader may not possess all the expertise required to direct and integrate the activities of these units (Yukl, 2006).

2.4.5 Corporate Governance

Corporate governance is the process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interest of other stakeholders (Hitt et al)

Indrianawati (2010) defines corporate governance practices as those rules that apply to specific financial markets and organizational forms and establish the rights of owners, and the information and mechanisms at their disposal, to control management and employees. These practices for the firm include the determination of the board of directors and its powers and voting rules, protection of minority investors, the publication of audited accounts, covenants restricting managerial actions such as the sale of assets, and the distribution of profits.

According to the, United Nations conference on Trade and development, 2006, one of the main concerns in relation to the board size ,composition and its disclosure is that, apart from of which structure exists in the company, independent leadership within the board must be assured. In terms of the separation of role of the CEO and chairman of the board Some countries would give more emphasis to the need for a clear division of responsibilities between the chairman and the chief executive officer (CEO) Increasingly, codes mention that while a combined CEO/Chair is tolerable the separation of the two is desirable and considered best practice, as it helps to promote a balance of power within the leadership structure.

Another main responsibility of the board of directors is to make sure that shareholders and other stakeholders are provided with high-quality disclosures on the financial and operating results of the company that the board of directors have been assigned with governing it. Almost all corporate governance codes around the world, including the OECD and the ICGN Principles, the CACG Guidelines, the Cadbury Report, and the King II, specifically require the board of directors to provide shareholders and other stakeholders with information on the financial and operating results of a company to enable them to properly understand the nature of its business, its current state of affairs and how it is being developed for the future (UNCTAD, 2006).

2.4.6 Transformational Leadership and Corporate Governance

A study by Indrianawati (2010) has examined the impact of leadership on corporate governance at the University in East Jawa, Indonesia. The study employed leadership characteristics that related to transformational leadership and found that it significantly influences good governance at the university. Interestingly, the study measured the single construct of good governance based on the items developed by different characteristics. They are fairness, transparency, accountability, openness and participation which relate to the perspective of organization. However, these characteristics are applicable as well for employee perspective since they are the characters and behaviors of employees in fighting the misconducts mainly corruption (Myint, 2000). Thus, result of the study (Indrianawati, 2010) is meaningful to support another study such as in Malaysian Local Government Authorities which leadership is possible to influence good governance and solve the issue of employee corruption in Malaysian Local Government Authorities. Hence, this review reveals that transformational leadership is an important variable for enhancing good governance through the leader behaviors that are more cooperative, humanistic and charismatic that leads to valuable characteristics performed by the employees.

Organizations with transformational leadership are likely to have proper practice of corporate governance characteristics than those which pay less emphasis to this variable. In order to make transformational leadership more effective, it is essential to ensure the leaders embedded themselves with these characteristics that could be a role model to influence the employees towards the practice of these characteristics. This would enhance the competency of every individual employee in delivering more quality services besides, fighting or reducing misconducts at work place especially when they are answerable and not for self- interest of their jobs.

2.5 Empirical Review

According to Yukl (2006), leadership has been defined in terms of traits, behaviours, influence, interaction patterns, role relationships and occupation of administrative positions. Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it; and the process of facilitating individual and collective efforts to accomplish shared objectives. House and Aditya, (2007) defined leadership as the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organization.

In the context of strategic management, Warrick (2011) described leadership as the art and process of influencing people so that they will strive willingly and enthusiastically to achieve the mission of the organization. Leadership can, therefore, be regarded as an important determinant of organizational success. Leadership can exist at all levels of an organization. According to Dent (2005), three levels of leadership can be distinguished: team leadership operates at team level and its prime responsibility is the people who work with it and the achievement of the goals for which they are jointly responsible; operational leadership is responsible for a functional area in the organization, all the human capital in that functional area, and for contributing to decisions in their own specialist areas; and transformational leadership is at the top level of the organization and is responsible for a range of organizational functions and for contributing to major decisions (Dent, 2005).

Transformational leadership, therefore, represent a relatively small group of leaders who control the organization and with whom the final authority and accountability for formulating, implementing and controlling the performance strategy of the organization rest. Transformational leaders have substantial decision-making responsibilities that cannot be delegated. Transformational leadership responsibility rests at the top of the organization, generally with the board of directors, and in particular with the Chief Executive Officer (CEO). The CEO cannot delegate this responsibility to the manager of any other functional area of the organization, regardless of how important that function might be (UNCTAD, 2006).

Transformational leadership and corporate performance represent two sides of the same coin. Transformational leadership is critical in ensuring that the planned goals of the organization are effectively realized. Companies need competent leaders who are able to translate planned initiatives into actions and then results. According to Hsieh and Yik (2005), the best conceptualized vision is worthless if it cannot be translated from concept to reality, and even the best vision can fail if a corporation does not have a cadre of leaders with the right capabilities at the right levels of the organization. The major reason for the failure of efforts to achieve the firm's planned profitability and growth levels is that many firms do not recognize the leadership capacity that new goals will require, let alone treat leadership as the departure point of success. While most CEOs agree that leadership is important, few correctly assess leadership capacity systematically. The gap between the number of available leaders and those required in the organization can have significant negative consequences in the organization.

Ultimately, the successful implementation of performance strategies is viewed as the prime responsibility of the transformational leaders of the organization. These leaders should therefore be personally and deeply engaged in the organization and must have an understanding of the business, the people and the environment (Bossidy & Charan, 2002). Dent (2005) emphasizes that for overall organizational success, transformational leadership should play key roles such as exerting the internal leadership needed to drive the implementation of performance goals forward and keep on improving on how the process is being executed; and managing transformational change through mobilization and sustaining of organizational resources toward the shared vision.

There is continuing controversy on the differences between leadership and management and that the degree of overlap between these two concepts is a point of disagreement (Yukl, 2006). According to Warrick (2011), leadership and management are qualitatively different and are mutually exclusive. Other scholars (Bass & Avolio, 2004) view leadership and management as different types of processes but do not assume that leaders and managers must necessarily be different types of people. Kotter (2001) argues that management is about coping with complexity. Good managers facilitate order and consistency by formulating plans, designing organizational structures to support these plans, and controlling or monitoring results against these plans. Managers tend to be more analytical, structured and controlled, and view their work from a quantitative perspective. In contrast, leadership is about coping with change.

Leaders establish the strategic direction of an organization by developing a vision for the perfect future of the organization as well as a mission statement that serves as a means to accomplish the vision. Leaders then communicate this vision and mission in clear and concise terms and motivate and inspire employees on all levels of the organization to achieve this vision. Leaders tend to be more experimental, visionary, flexible and creative, and they value the intuitive aspect of their work. Mintzberg (2004) however insisted that the dysfunctional separation of leadership and management should be stopped and that instead of isolating leadership, it should be diffused throughout the organization. Leadership is no better than management, neither is it a replacement for it. They complement each other, and expertise in both is required in order for organizations to achieve their planned goals.

2.6 Critique of Existing Literature

The importance of transformational leadership and its effect on performance of organizations is a controversial issue (Yukl, 2006). According to Yukl (2006), some authors argue that leadership has a major impact on organizational performance (Warrick, 2011), whereas others contend that leaders have very little impact on organizational performance (Hannan & Freeman, 2001). The argument for this doubt is that an individual strategic leader, such as the CEO, has little influence on organizational performance due to many internal and external constraints in an organization, including powerful stakeholders, internal coalitions, strong organizational culture, scarce resources, strong competitors and unfavourable economic conditions.

Yukl (2006) stated that research does demonstrate that leaders have less influence over organizational events than is often assumed but emphasized that the research in no way supports the conclusion that leadership is unimportant to organizational success. Thus, despite all the internal and external constraints, individual transformational leaders and top teams still have substantial influence on organizational performance and effectiveness. The decisions and actions of transformational leaders have a strong influence on organizational success (Bass, 2007). According to Bass, transformational leadership actions have an effect on employee commitment and satisfaction. In addition, the profitability of an organization depends on the actions of the CEO. CEOs whose organizations are consistently profitable maintain their focus on the "bottom-line".

Freedman and Tregoe (2003) were of the opinion that transformational leadership ensures the effective implementation of strategies. Rapid and discontinuous change and increased levels of volatility, uncertainty and competitive intensity in the business environment have increased the need for strong transformational leadership at all levels of the organization. Virtually no organization can create a competitive advantage, maximize wealth, and survive in the long term if there is no strong transformational leadership team in place and a clear strategic management process that allows effective formulation, implementation and control of strategy.

An organization's chances of creating a competitive advantage, maximizing wealth, and surviving in the long term increase when the transformational leaders of the organization continuously align the internal organizational environment with changes taking place in the complex external environment. Failure of CEOs is assured when they are not able to respond to the changes in the external environment or to identify the need for change (Hitt *et al*, 2007). The transformational leadership of an organization can become a source of competitive advantage when transformational leadership actions are effectively practiced. Hitt *et al.* (2007) asserted that effective transformational leadership practices can assist organizations to improve performance, while competing in a turbulent and unpredictable business environment. This competitive advantage can, in turn, lead to survival in the long-term as well as above-average returns.

Transformational leadership also plays a critical role in corporate governance. Transformational leaders must be openly and unequivocally committed to the principles of corporate governance in order for it to become ingrained in all the activities of the organization. It is the responsibility of strategic leaders to ensure that all managers and employees understand the organization's corporate governance and ethical codes, to observe them and to report ethical and corporate governance violations. Transformational leaders must always set an example of ethical behaviour in their own actions. This results in establishing a tradition of integrity both inside and outside the organization (Karimi & Minja, 2011).

Bass (2007) noted that transformational leaders have to free themselves from short-term goal orientations to focus more attention on long-term threats and opportunities, and provide leadership on long-term strategic issues. One of the major differences in organizational performance is the effectiveness of the leadership exhibited throughout the organization. Rowe (2001) noted that transformational leadership involves a synergistic combination of managerial and visionary leadership. It therefore enhances the long term viability of the organization, while simultaneously maintaining its short-term stability. Transformational leadership is thus critical for maintaining current levels of performance and for ensuring superior performance in the long-term.

Hitt *et al* (2007) argued that transformational leadership that positively contributes to overall performance should have components such as determining strategic direction, effectively managing the organization's resource portfolio, sustaining and effective organizational culture, emphasizing ethical practices and establishing balanced organizational controls. Many of these components interact with each other. For example developing human capital through executive training contributes to establishing strategic direction which, in turn, fosters an effective organizational culture, a means to exploit core competencies, the use of effective organizational control systems and the establishment of ethical practices.

2.7 Research Gaps

Transformational leadership-organizational performance relationship is subsequently, supported by internal climate which was found to moderate the relationship. It was suggested that transformational leaders promote higher performance in organizational units which are open to change and flexible, in other words, in an innovative climate (Bass, 2007). Howell and Avolio (2008) found that the level of support for performance climate moderated the relationship between transformational leadership and consolidated business unit performance of 78 managers in a Canadian financial institution. The degree of innovativeness in the work climate is expected in this study to become an even more crucial contextual factor when the measure of performance under investigation is specifically creativity and performance. Such internal support might strengthen the influence of transformational leadership on performance for at least two reasons.

The first is that when employees perceive an innovative climate, they will be encouraged to take initiative and risks, and will be challenged to seek innovative approaches in their work. Secondly, they might respond better to transformational leadership when they perceive that they are provided with adequate resources and support. In other words, within such a supportive context the effect of transformational leadership on performance will be stronger.

Another study conducted by Bass, Avolio, Jung, and Berson (2004) was to examine how transactional and transformational leadership predicted performance in U.S Army units operating under conditions of high levels of uncertainty, challenge, and stress. Leadership ratings were compiled from 72 U.S. Army platoons during normal operational assignments. These leadership ratings were then used to predict the performance of the platoon units operating in a 2-week simulation that was designed to test the unit's performance effectiveness under high levels of stress and uncertainty in order to evaluate platoon performance in near-combat conditions. Results show that the platoon leaders' transformational and transactional leadership each had positive and direct relationships with platoon performance. The researchers reported it seemed fair to say that it took both active transactional and transformational leadership to be successful in this performance context.

Bass, (2007) studied the determinants of the success of the financial institutions in America, United Kingdom and the Caribbean nations. He contends that although the right policy documents, good governance procedures, and legal frameworks may contribute to ensuring that the social mission is safeguarded, it is here argued that leadership will be decisive in the future performance of financial institutions, significantly impacting their "double bottom line".

In recent years, a growing number of developing countries including Kenya have embarked on reforming and deregulating their financial systems, transforming their institutions into effective intermediaries and extending viable financial services on a sustainable basis to all segments of the population (Yukll, 2006). By gradually increasing the outreach of their financial institutions, some developing countries have substantially alleviated poverty by initiating a framework and infrastructure to encourage lending through public and private credit reference bureaus, institutional strategies to spur economic development such as the Vision 2030 in Kenya and financial systems approaches which include alternatives to collaterals in order to access credit (Pagano & Jappelli, 2008). In the process, a new world of finance has emerged which is demand-led and savings driven and conforms to sound criteria of effective financial intermediation. There is now incipient experience with the successful integration of microfinance strategies into micro policies, which makes banking the micro economy (Dentr, 2005).

However, given the complex organizational environment, internal tensions, and rather unique organizational traits, financial institutions in the developing world requires a specific kind of leadership particularly well suited, or even desirable, for the financial organizations. Leadership is about enabling people achieve results in a world that is increasingly complex and constantly changing. There is need for leaders who are globally responsible, taking in to account people, the planet and prosperity, but leadership is not necessarily linked to authority. Transformational Leadership is embedded in every one of us and the key is creating leaderful organizations where people's passion can be expressed in their work (Bass, 2007).

2.8 Summary

This chapter reviewed the theoretical literature related to the themes in the study. Theories of leadership such as contingency, transactional, transformational leadership are discussed. The interactions of these theories help to explain issues within the concepts to simplify the interrelatedness. The conceptual framework is also illustrated in this section with transformational leadership dimensions as given by Bass (1985) as idealized influence (charisma), inspirational motivation, intellectual stimulation and individualized consideration adopted by the study to form the independent variables. Past studies related to the variables were analyzed and research gaps identified. The framework tries to understand the mechanisms with which organizational leaders may influence their organizational performance through their subordinates. Majority of empirical literature reveal that transformational leader articulates vision in a clear and appealing manner, explain how to attain the visions, act confidently and optimistically, express confidence in the followers, emphasize values with symbolic actions, leads by example, and empowers followers to achieve the vision of the organization (Storey, 2005) causing their followers commitment to their jobs and organization. This in turn will lead to organizational performance.

Studies done in Kenya in the past have tended to focus on the idea of the leader either as a builder of effective teams or as the super hero driving change from the top. Preliminary findings on studies done by Wambugu, (2002) on the role of transformational leadership in enhancing organizational performance in Parastatals in

Kenya established that transformational leadership is comprised of idealized influence (also referred to as charisma), inspirational motivation, intellectual stimulation, and individualized consideration behaviors. Moreover, the study found out that leaders are charismatic when they inspire devotion and loyalty, display a strong commitment to ideals, and emphasize the importance of a collective mission. Leaders are inspirational when they appeal to employees' feelings and emotions, transmit an enthusiastic vision of the future, and express confidence about successful completion of goals. Leaders are intellectually stimulating when they question assumptions, challenge their employees intellectually, and encourage re-thinking of ideas. Leaders are individually considerate when they recognize the unique needs and abilities of their employees, treat employees as individuals, and coach and develop their employees.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodology presents a description of how the study was approached. It presents the plan of the research, that is, the research design, how data was collected and from whom, and the data analysis technique that was adopted to analyze the data in order to generate the findings of the study. It therefore comprises of the following sub-sections; research design, methodology, target population, sample design, data collection methods, pilot study and procedures and data analysis techniques and reporting.

3.2 Research Design

A research design is a presentation of the plan, structure, or strategy of investigation, which seeks to obtain or answer various research questions (Shuttleworth, 2008). This study adopted a cross sectional survey design**.** Gall et al (1999) define research design as a detailed plan for how the research was conducted. He further notes that a research design is the structure of the research, it is the 'glue' that holds all the elements in a research project together. According to Gall *et al*. (1999), a research design is a plan for collecting and utilizing data so that desired information can be obtained with sufficient precision or so that a hypothesis can be tested properly. It is a framework that guides the collection and analysis of data. Shuttleworth (2008) describe the research design as a plan and structure of investigation formed to provide answers to research questions. Mugenda and Mugenda (2003), describe a research design as a conceptual structure within which a research is conducted.

This ensured ease in understanding ideas about the problem**.** Kothari (2004) define a survey research as systematic gathering of information from a sample of respondents for the purpose of understanding and/or predicting some aspects of the behaviour of the population of interest. According to Keller (2006), cross sectional survey designs are used in preliminary and exploratory studies, to allow gathering of information, summarize, present data, and interpret it for the purpose of clarity. The study sought to establish the impact of transformational leadership on organizational performance of financial institutions specifically commercial banks in Kenya and the moderating effect of corporate governance.

3.3 Population

The study was done as a census. Kothari (2004) argues that a census, where practical, is preferred to give a clearer outcome in a research. In this research, a census was carried out to give a clearer picture. There was no need of using any sampling technique for the research since the population is relatively small.

The population of this study included all the 43 commercial banks in Kenya's banking industry. (Kenya Bankers Association, 2014) Due to the dynamism and environmental changes as influenced by the government decisions to review, merger or discontinue some financial institutions, the number is likely to keep on changing as new ones are created and others merged or discontinued altogether depending on their purpose, performance and government development agenda.

3.4 Sampling Frame

The study conducted a census survey of all commercial banks in the country. For individual respondents however, owing to the anticipated large number, the study employed Newman (2011) formular for determining sample sizes in large populations which in this case is the management level in the commercial banks. To reach employees across the two management levels, the researcher approached respective study areas' human resource departments from which the organization's structure was acquired. This enabled the researcher determine employees in both the sales and relationship management levels.

3.5 Census

The sampling of respondents involved purposive sampling in order to obtain information from the relevant departments dealing directly with customers. The respondents involved all the sales and relationship managers in each bank.

In this view purposive sampling whose logic lies in selecting a representative sample that permits confident generalizations from the sample to a larger population was done (Storey, 2005).

In determining the sample size, the study employed the formula:

$$n = \frac{Z^2 pq}{d^2}$$

Where n = the required sample size, when the target population is more than 10,000

Z = is standard normal deviation at the required confidence level, 0.05, which gives 1.96

p = is the proportion of the target population estimated to have the characteristics being measured when one is not sure, so one takes p=0.5.

q = 1-p (1 - 0.5 = 0.5)

d is a margin of error, which is a standard set at 0.05

Therefore $n = \frac{1.96^2 x0.5x0.5}{0.05^2} = 384$

The study thus reached a total of 384 employees in the sales and relationship management, sampled on a stratified random sampling method.

3.6 Data Collection Instruments

According to Gall *et al*. (1999) questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The questionnaires were semi-structured in nature, with both open and close-ended questions, employing the MLQ approach as proposed by Bass and Avolio (2004). While the close-ended questions guided the respondents' answers within the choices given, the open-ended ones were useful in obtaining a more detailed response essentially in cases where the researcher had no pre-determined options.

Respondents were presented with descriptive statements in a 5-point Likert scale on which they were required to rate by scoring the extent to which they perceived a particular statement as descriptive of the force in the corporations. The questionnaires were administered through drop and pick method to the respondents targeted.

3.7 Data Collection Procedures

The study used both primary and secondary data which were largely quantitative and descriptive in nature. The questionnaire were designed to solicit data on competitive forces that shape competition in an industry. Leedy and Ormrod, (2001) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals.

The researcher administered the questions to the relevant respondents in an effort to achieve the necessary information. The questionnaires were administered through a drop and pick later method because of the busy schedule of the target respondents. This reduced the level of interference with the daily duties and operations of the organization. Secondary data on the other hand was acquired from the inspectorate of financial institutions.

3.8 Pilot Test study

A pilot study was conducted to determine whether potential respondents would have difficulties in understanding or interpreting the questionnaire (Gall et al, 2005). The pilot study involved pre-testing the questionnaire on 10 respondents of management in different commercial banks within Nairobi City County. Pre-testing of the questionnaire provides the opportunity to refine the questionnaire by revealing errors in the questions, sequence and design and see how the questionnaire performs under actual conditions (Churchill & Iacobucci, 2002). This helped identify potential problem areas and clarify the respondents' interpretation of each question. The questionnaire was then revised based on the results of the pilot study.

The study used both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items are sent to the pilot group to obtain suggestions for modification. Content validity draws an inference from test scores to a large domain of items similar to those on the test (Fraenkel & Warren, 2000).

3.8.1 Validity

According to Oso and Onen (2008) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed by this study as a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (2003) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

To establish the validity of the research instrument the researcher sought opinions of scholars and experts in leadership field including the supervisor and lecturers. This allowed modification of the instrument thereby enhancing validity. Furthermore, the study assessed the responses and non-responses per question to determine if there was any technical dexterity with the questions asked.

3.8.2 Reliability

According to Shanghverzy (2003) reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The survey instruments were subjected to overall reliability analysis using the cronbach alpha's formulae.

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K}\sigma_{Y_i}^2}{\sigma_X^2}\right).$$

To this end, a 0.7 Cronbach alpha level of reliability was deemed reliable (Cronbach, 2002).

3.9 Data Analysis and Presentation

From the semi-structured questionnaires both quantitative and qualitative data was produced. The questionnaires were coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). Analysis involved descriptive statistics and inferential analysis. Descriptive analysis technique gave simple summaries about the sample data in quantitative descriptions and included, mean, standard deviation, frequencies and percentages. Pearson correlation analysis was conducted to establish the moderating effect of the independent variables on the dependent variable. A multiple linear regression analysis was conducted to establish the relationship between the dependent and independent variables. For these tests, ANOVA, t-test and F-test was used. The Ordinary least squares regression analysis was done and interpreted to determine the influence that the independent variables had on the dependent variable; effective implementation of strategic plans. The research questions were tested to determine whether the independent variables affected the organizational performance. Analyses were done involving each independent variable separately to test their individual influence on the dependent variable. The ANOVA F-statistic was used to test the research questions for the regressor coefficients for each variable to be equal to zero. An analysis to determine the combined influence of all the independent variables was done. All the independent variables were combined and involved in the analysis. Finally, the ANOVA F-statistic was used to test the research questions that the regressor coefficients of all the independent variables are jointly equal to zero. Significant levels were measured at 95% confidence level where significant differences were recorded at an alpha level of 0.05 ($p < 0.05$). (Churchill & Iacobucci, 2002).

3.9.1 Statistical Model

$$\mathbf{Y = \beta_0 + \beta_1X_1 ++ \beta_2X_2+ \beta_3X_3 + \beta_4X_4 +\varepsilon}$$

Whereby: **Y** = financial institution Performance (UP)

βo = Constant

X1 = Visioning Managers (VM)

X2= Inspiring Managers (IM)

X3= Stimulating Managers (SM)

X4= Coaching Managers (CM)

XiZ= Product term of the moderating variable with each of the independent variables

β_0, β1, β2, β3, β4 =Regression coefficients.

ε = Error Term.

3.9.2 Operationalization of the Study Variable

The independent variable of the study included visioning managers, inspiring managers, Stimulating managers and coaching managers. Organizational Performance was the dependent variable and was influenced by some other variables. Corporate governance was the moderating variable and it had a significant contribution of contingent effect to the independent-dependent relationships (Ismail et al, 2011).

Table 3.1: Operationalization of The Study Variables

VARIABLE	VARIABLE MEASUREMENT
Visioning Managers	• Effective communication • Balance tension • Leader articulates appealing vision (Band, al, 2008) • The focus of leaders is on the capabilities and leadership practices that they apply each day to balance these tensions and generate extraordinary performance (Hambrick, 2007).
Inspiring managers	• Revitalize • Sense of direction • Leader inspires and challenges followers (Awino 2007)
Stimulating managers	• Integrity • Intensity • Leader arouses awareness of problems and followers capacity to solve those problems (Barth, 2011) • Leaders question assumptions and beliefs and encourage followers to be innovative and creative • Leaders Empower follower and encourage them to propose new and controversial ideas without fear of punishment (Keller, 2006)
Coaching managers	• Maintain flexibility • Communicate • Leader's envision, anticipate and maintain flexibility and empower others to create strategic change as necessary (Hitt 2007). • Leaders develop and communicate the organization purpose (vision); tactfully organize the human resource capabilities and competencies with the task at hand; exercise high intensity of integrity and ethical standards; deliver extraordinary performance; and sustain a competitive advantage.
Corporate governance	• Board of governors • Board of directors
Organizational Performance	• Profits • No. of customers

3.9.3 Hypothesis testing

There are two types of statistical hypotheses. Null hypothesis, denoted by Ho and alternative hypothesis denoted by Ha or H1. The null hypothesis is usually the hypothesis that sample observations result purely from chance, while alternative hypothesis indicates that sample observations are influenced by some non- random cause. Symbolically the hypotheses are expressed as;

Ho: > 0.05

Ha: < 0.05

The stated alternative hypotheses were tested at 95% confidence level ($\alpha = 0.05$), whereby; When P - value ≥ 0.5 the observed difference is “not significant” and

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

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

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter covers data presentation and analysis. The main objective of the study was to investigate the influence of transformational leadership on organizational performance of commercial banks in Kenya. In order to simplify the discussions, the researcher provided tables and figures that summarize the collective reactions and views of the respondents.

4.2 Response Rate

After conducting the census survey and identifying the banks to be used in the study, a sample size of 384 respondents of management in different commercial banks within Nairobi City County was sampled. Out of the 384, 273 responded which is 71% of the respondents. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation.

4.3 Reliability and Validity Analysis

To establish validity, the research instrument was given to two experts who were experienced in transformational leadership to evaluate the relevance of each item in the instrument in relation to the objectives. The same were rated on the scale of 1 (very relevant) to 4 (not very relevant). Validity was determined by use of content validity index (CVI). CVI was obtained by adding up the items rated 3 and 4 by the experts and dividing this sum by the total number of items in the questionnaire.

A CVI of 0.747 was obtained. Oso and Onen (2008), state that a validity coefficient of at least 0.70 is acceptable as a valid research hence the adoption of the research instrument as valid for this study.

The questionnaires used had likert scale items that were to be responded to. For reliability analysis Cronbach's alpha was calculated by application of SPSS. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 = excellent).

A higher value shows a more reliable generated scale. Cooper and Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient. The study involved questionnaires from 10 respondents. Since, the alpha coefficients were all greater than 0.7, a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study.

Table 4.1: Reliability Results

Variable	Cronbach's Alpha	Items
Visioning managers	.79	4
Inspiring managers	.77	4
Stimulating managers	.78	4
Coaching managers	.77	4
Corporate governance	.74	7

4.4 Demographic Information

The study sought to establish the demographic information in order to determine whether it had influence on quality transformational leadership and organizational performance of commercial banks in Kenya. The demographic information of the respondents included gender, age, number of years as a manager and academic qualification of the respondents.

4.4.1 Gender of Respondents

The researcher sought to find out the gender of the respondents to determine if it had influence on transformational leadership. The Figure 4.2 below displays demographic information according to gender.

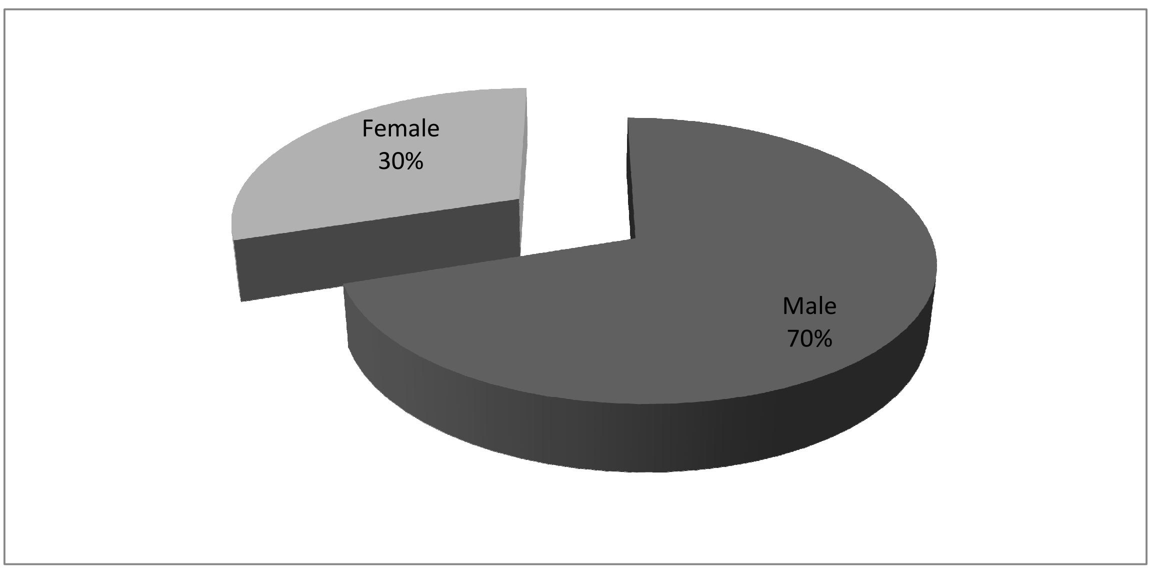


Figure 4.1: Gender of the Respondents

The study found determined the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are as shown in Figure 4.2. According to the analysis it was evident that majority of the respondents were male who represented 70.0% while 30.0% were female. It can therefore be deduced that males were the most dominant gender in management positions in the commercial banks. Since majority of the responses for this study relied on the perceptual measures of the respondents, this gender distribution was expected to accommodate the opinions and views from both sides of the gender divide.

4.4.2 Age Bracket of the Respondents

The researcher sought to determine if the respondents were old enough and knowledgeable to provide valuable responses that pertain to the influence on quality transformational leadership and organizational performance of commercial banks in Kenya.

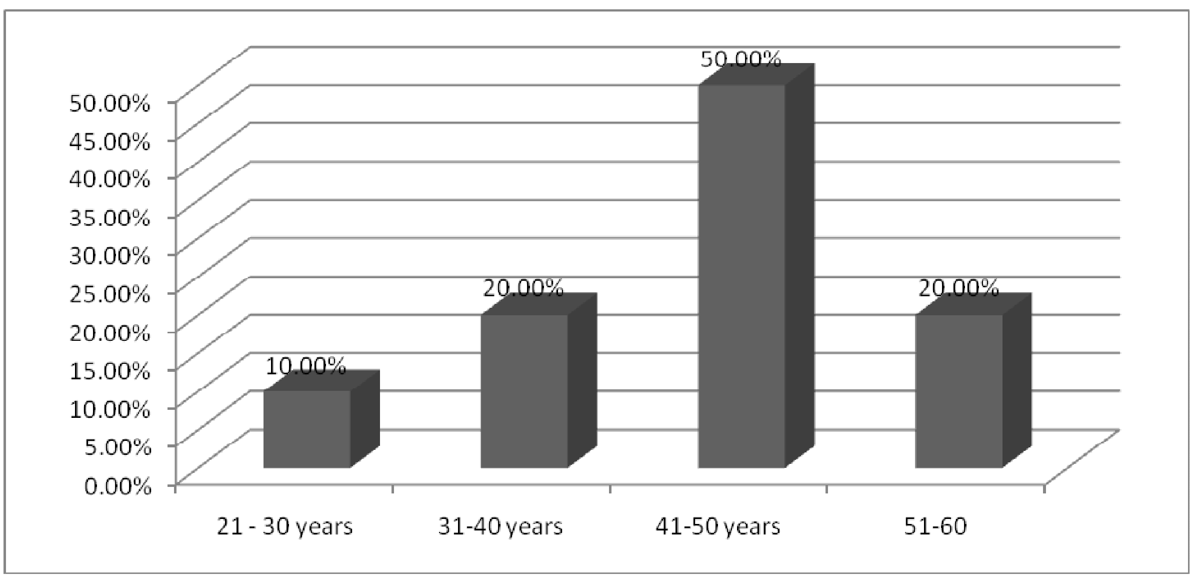


Figure 4.2: Age Bracket of the Respondents

The respondents were required to indicate their age where the study findings indicated that majority (50.0%) indicated that their age bracket was between 41 and 50 years. Analysis of findings also indicated that 20.0 % of the respondents were between 51 and 60 years of age and 31- 40 years respectively. The findings further indicated that 10.0% of the respondents were between 21- 30 years. The finding therefore implies that the respondents were old enough to provide valuable responses that pertain to the influence of transformational leadership on organizational performance.

4.4.3 Duration Served as a Manager

The researcher sought to determine the number of years the managers had served in managerial positions in their entire career.

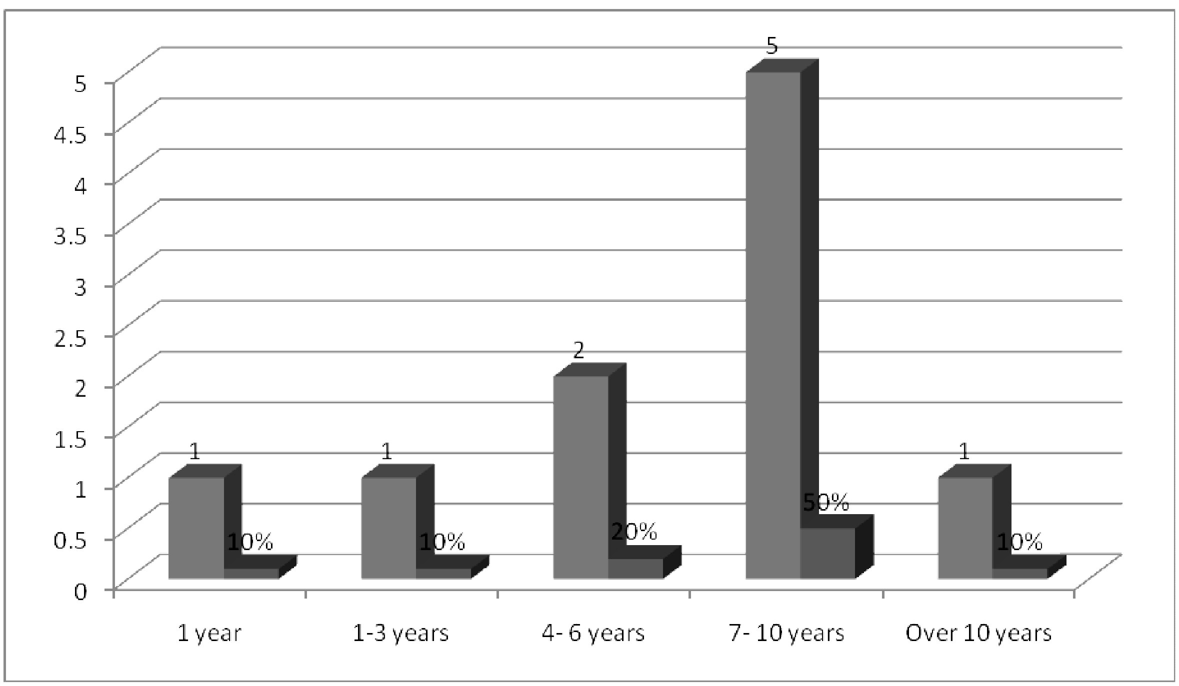


Figure 4.3: Duration Served as Managers

The findings of the study indicated that majority of the respondents as indicated by 50% had experience of between 7-10 years. 20% of the respondents indicated that they had been in managerial positions for between 4-6 years. Lastly 10% of the respondents indicated that they had been in managerial positions for 1 year, 1-3 years and over 10 years respectively. The findings therefore imply that the respondents had enough experience to provide valuable responses that pertain to the influence of transformational leadership on organizational performance.

4.4.4 Level of Education of the Respondents

The researcher wanted to determine the respondents' level of education to ascertain if they had the right educational qualifications to give information pertaining to transformational leaders. The table shows the respondents level of education.

Table 4.2: Level of Education of the Respondents

Education Level	Frequency	Percentage
Secondary education	0	0%
Diploma	27	10%
Bachelor's degree	82	30%
Master's degree	55	50%
PhD	27	10%

The researcher sought to establish the respondents level of education. The findings of the study are tabulated as in Table 4.2 above. From the findings, majority (50%) had attained master degree followed by 30% who indicated that they had bachelor's degree and 10% indicated that they had attained college diplomas and PhD respectively.

Therefore the findings conclude that most respondents had adequate education give information pertaining to the influence of transformational leadership on organizational performance.

4.5 Transformational Leadership

The researcher sought to determine how the following manager's personal characteristics influence organizational performance of commercial banks in Kenya. From those finding, it was therefore possible to analyze all the questionnaires for the five independent variables and the main dependent variable as recommended by many scholars including Sekaran (2006), Kothari (2004) and Muganda (2010). Similarly, Nachmias and Nachmias (2006) and Awino (2007) recommend that only those responses which correctly respond to the main theme should be analyzed. In this research, the main theme and dependent variable is the organizational performance of commercial banks.

4.5.1 Visioning managers

The researcher sought to establish if visioning managers influence the performance of commercial banks in Kenya. The results of the findings indicated that the organization managers have a vision to improve the financial performance of the commercial banks as indicated by a mean of 4.51, that the organization chooses transformational leaders from internal and external labour markets as indicated by a mean of 3.97, that Visioning leaders captivate extraordinary performance of the employees as indicated by a mean of 4.13 and lastly that Visioning leaders communicate effectively as indicated by a mean of 3.64. This is in line with Hitt *et al.* (2007) who stated that the choice of transformational leaders is a critical decision with important implications for corporate performance. Firms can select transformational leaders from the internal or external labour markets and that the vision must then be communicated effectively to the workforce for better results (Boal, & Bryson, 1988).

Table 4.3: Visioning Managers

Visioning managers	Mean	Standard deviation
The managers in my organization have a vision to improve the financial performance of the organization.	4.51	1.027
The organization chooses transformational leaders from internal and external labour markets.	3.97	0.734
Visioning leaders captivate extraordinary performance of the employees	4.13	0.597
Visioning leaders communicate effectively	3.64	0.802

4.5.2 Inspiring managers

The researcher sought to establish if inspirational managers influence the performance of commercial banks in Kenya. The results of the findings indicated that Managers in most of the organizations inspire employees as indicated by a mean of 3.97, that Worthwhile and achievable visions inspire excellence in an organization as indicated by a mean of 4.42, that Inspiring managers help direct the skill and knowledge of workers in an organization to perform better as indicated by a mean of 4.04 and lastly that Inspiring managers help inspire employees to innovate as indicated by a mean of 3.99. This is in tandem with the statement that There is no more powerful force in driving an organization toward excellence and success than attractive, worthwhile and achievable vision, widely shared (Bass & Avolio, 2004).

Table 4.4: Inspiring Managers

Inspiring managers	Mean	Standard Deviation
Managers in my organization inspire employees	3.97	1.047
Worthwhile and achievable visions inspire excellence in an organization	4.42	0.734
Inspiring managers help direct the skill and knowledge of workers in an organization to perform better.	4.04	1.301
Inspiring managers help inspire employees to innovate	3.99	0.802

4.5.3 Stimulating Managers

The researcher sought to establish if stimulating managers influence the performance of commercial banks in Kenya. The results of the findings as indicated in Table 4.5 above show that Personal integrity and intensity are powerful drivers for organizational performance as indicated by a mean of 4.03, that leaders in many organizations create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results as indicated by a mean of 4.18, that Stimulating leaders inspire employees to get a sustainable competitive edge as indicated by a mean of 3.92 and lastly that strategic leaders enable the organization to engage in a relevant and dynamic way as indicated by a mean of 4.93.

The strategic leader needs to create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results required by the business (Bass & Avolio, 2004).

Table 4.5: Stimulating Managers

Stimulating managers	Mean	Standard Deviation
Personal integrity and intensity are powerful drivers for organizational performance	4.03	0.603
Leader in my organization create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results	4.18	0.734
Stimulating leaders inspire employees to get a sustainable competitive edge.	3.92	0.597
Strategic leaders enable the organization to engage in a relevant and dynamic way	4.93	0.802

4.5.4 Coaching Managers

The reseacher sought to establish if coaching managers influence the performance of commercial banks in Kenya. The results of the findings as indicated in Table 4.6 above shows that empowering other employees improves organizational performance as indicated by a mean of 4.15, that Communicating the organization purpose envisions employees as indicated by a mean of 4.18, that Organizing the human resource capabilities and competencies ensures efficient performance as indicated by a mean of 4.27 and lastly that Changing environment enable top management to train their employees as indicated by a mean of 4.03. This is in line with Hitt (2007) that transformational leadership is therefore the leader’s ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary.

Table 4.6: Coaching Managers

Coaching managers	Mean	Standard Deviation
Empowering other employees improves organizational performance.	4.15	1.003
Communicating the organization purpose envisions employees	4.18	0.734
Organizing the human resource capabilities and competencies ensures efficient performance	4.27	0.597
Changing environment enable top management to train their employees	4.03	0.802

4.6 Organizational Performance

The researcher study sought to establish if transformational leadership influences organizational performance of commercial banks in Kenya. The results of the findings as indicated in Table 4.7 above show that most of the Company's profitability have increased for the last three years due to transfromational leadership as indicated by a mean of 3.83, that the organizations have audited their financial reports as indicated by a mean of 3.94, that the organization is able to achieve objectives within their budgets as indicated by a mean of 3.91 and that Over the past three years, most of the organizations have shown steady, measurable cost reduction due to transformational leadership as indicated by a mean of 3.78. Yukl (2006) stated that research does demonstrate that leaders have less influence over organizational events than is often assumed but emphasized that the research in no way supports the conclusion that leadership is unimportant to organizational success.

Thus, despite all the internal and external constraints, individual transformational leaders and top teams still have substantial influence on organizational performance and effectiveness. Also that the decisions and actions of transformational leaders have a strong influence on organizational success (Bass, 2007).

Table 4.7: Organizational Performance

Organizational performance	**Standard**	**Standard Deviation**
Company's profitability has increased for the last three years	3.83	.928
The organization currently has audited financial reports	3.94	.980
The organization is able to achieve objectives within their budgets	3.91	.949
Over the past three years, the organization has shown steady, measurable cost reduction	3.78	.898

4.7 Corporate Governance

The researcher sought to establish the influence of corporate governance on transformational leadership and the culminating effect on the organizational performance of commercial banks in Kenya. The results in the Table 4.8 above indicate that majority of the respondents indicated that the Boards of directors provides transformational leadership as indicated by a mean of 4.48, that the managers direct the business affairs of the organization towards enhancing business prosperity as indicated by a mean of 4.02, that the board of directors participates in voting, making decisions and electing leaders for the organization as indicated by a mean of 4.19, that the organization has two-third or more of board members as completely independent non-executive directors as indicated by a mean of 3.74, that the company has a predetermined plan secession of each board member and executive director as indicated by a mean of 4.06.

Also the respondents indicated that the responsibilities of the chairman and the CEO are completely independent from one another as indicated by a mean of 4.67 and lastly that the separation of the chairman and CEO creates a control and accountability environment which improves organization performance as indicated by a mean of 4.14. A study by Indrianawati (2010) has examined the impact of leadership on corporate governance at the University in East Jawa, Indonesia. The study employed leadership characteristics that related to transformational leadership and found that it significantly influences good governance at the university. Interestingly, the study measured the single construct of good governance based on the items developed by different characteristics. They are fairness, integrity, transparency, accountability, openness and participation which relate to the perspective of organization. However, these characteristics are applicable as well for employee perspective since they are the characters and behaviors of employees in fighting the misconducts mainly corruption (Myint, 2000). Other than promoting use of cash, they also improve service delivery.

Table 4.8: Corporate Governance

Statements	Mean	Standard Deviation
Boards of directors provides transformational leadership	4.48	1.018
The managers direct the business affairs of the organization towards enhancing business prosperity.	4.02	1.024
The board of directors participates in voting, making decisions and electing leaders for the organization.	4.19	1.025
The organization has two-third or more of board members as completely independent non-executive directors	3.74	.997
The company has a predetermined plan secession of each board member and executive director	4.06	.985
The responsibilities of the chairman and the CEO are completely independent from one another	4.67	.930
The separation of the chairman and CEO creates a control and accountability environment which improves organization performance	4.14	.873

4.8 Inferential Statistics

This section presents a discussion of the results of inferential statistics. Correlation analysis was used to measure the strength of the relationship between the independent variables i.e. the relationship between visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance. Regression analysis established the relative significance of each of the variables on organizational performance.

4.8.1 Correlation Analysis

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by *r*. The Pearson correlation coefficient, *r*, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables.

A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases.

4.8.2 Correlation coefficient

The table below shows the correlation coefficient matrix of the predictor variables.

Table 4.9: Correlation coefficient

		Visioning manager	Inspiring managers	Stimulating managers	Coaching managers
Visioning manager	Pearson Correlation	1	.259	.051	-.021
	Sig. (2-tailed)		.210	.810	.922
	N	25	25	25	25
Inspiring managers	Pearson Correlation	. 835	1	.428*	-.155
	Sig. (2-tailed)	.210		.033	.460
	N	25	25	25	25
Stimulating managers	Pearson Correlation	. 851	.868*	1	.330
	Sig. (2-tailed)	.810	.033		.108
	N	25	25	25	25
Coaching managers	Pearson Correlation	.761	.816	. 757	1
	Sig. (2-tailed)	.922	.460	.108	
	N	25	25	25	25

In Table 4.9, the study show that all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between inspiring managers and stimulating managers (correlation coefficient 0.8679), visioning manager and stimulating managers (correlation coefficient 0.8507), visioning managers and inspiring managers (correlation coefficient 0.8345), coaching managers and inspiring managers (correlation coefficient 0.8163) coaching managers and visioning managers (correlation coefficient 0.7612) and between coaching managres and stimulating managers (correlation coefficient 0.7568).

4.8.3 Regression Analysis

The following are the results of regression analysis.

4.8.4 Model Summary

Analysis in Table 4.10 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R2 equals 0.843, that is, visioning managers, inspiring managers, coaching managers and stimulating managers, explains 84.3% of observed change in organizational performance. The P- value of 0.041 (Less than 0.05) implies that the regression model is significant at 95% significance level.

Table 4.10: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.918[a]	.843	.805	.28254	.041

a. Predictors: (Constant), visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance

4.8.5 Analysis of Variance (ANOVA)

The researcher sought to compare means using analysis of variance.

Table 4.11: Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.852	4	.227	2.847	.041[b]
1	Residual	1.597	20	.080		
	Total	2.449	24			

a. Dependent Variable: organizational Performance

b. Predictors: (Constant), visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance

Predictors variable: (Constant), visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance

Dependent Variable: Organizational performance

ANOVA findings (P- value of 0.041) in table 4.11 shows that there is a correlation between the predictors' variables (visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance) and response variable (organizational performance).

4.8.6 Regression coefficients

The table shows the results of the regression coefficients required to form the multiple regression model.

Table 4.12: Regression Coefficients

Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.903	0.123		7.367	0.000
	Visioning managers	0.056	0.028	0.158	2.027	0.045
	Inspiring managers	0.073	0.034	0.101	2.155	0.030
	Stimulating managers	0.075	0.036	0.105	2.091	0.021
	Coaching managers	0.124	0.047	0.147	2.639	0.037

a. Dependent Variable: organizational Performance

From the Regression results in table below, the multiple linear regression model finally appear as

$$Y = 0.903 + 0.075\ SM + 0.073IM + 0.056\ VM + 0.124CM + 0.123$$

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (organizational performance) and independent variables (visioning managers, inspiring managers, stimulating managers, coaching managers and the moderating effect of corporate governance). From the findings, one unit change in stimulating managers results in 0.036 units increase in organizational performance. One unit change in inspiring managers, visioning managers and coaching managers cause 0.073, 0.056 and 0.124 changes in organizational performance.

The statistics helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was customer focus followed by continual involvement, process approach and employee involvement respectively.

Based on this correlation results, the study thus rejected the alternative hypothesis that; there is a significant relationship between the independent variables and organizational performance in Commercial Banks in Kenya and fail to reject the null hypothesis.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the research findings and discusses the broader implications of the findings for theory, practice, policy and further research in the commercial banks in Kenya. The study sought to investigate the influence of transformational leadership on organizational performance of commercial banks in Kenya. Specifically, the study looked at visioning managers, inspiring managers, stimulating managers, coaching managers and how they influence the organizational performance of commercial banks in Kenya. This chapter summarizes the findings of the study. The presentation is organized around specific objectives and research questions to assess the results by evaluating and interpreting them. The conclusions are in tandem with the specific objectives and research questions. Based on the conclusions and key implications drawn from the study, recommendations both for policy and practice are given as well as suggestions for further research.

5.2 Summary

5.2.1 Influence of Visioning Managers on Organizational Performance

The major findings indicated that the organization managers usually have a vision to improve the financial performance of the commercial banks and that the organization chooses transformational leaders from internal and external labour markets. Also Visioning leaders captivate extraordinary performance of the employees and lastly that Visioning leaders communicate effectively. The choice of transformational leaders is a critical decision with important implications for corporate performance. Firms can select transformational leaders from the internal or external labour markets and that the vision must then be communicated effectively to the workforce for better results.

The findings also indicated that vision must be communicated effectively to the workforce for better results. The paradox of extraordinary performance is not achieved by simply focusing on measurable results which matters a lot. However, just as great athletes report that they do not think about their measurable states in the moment of performance, so it is with great transformational leaders. The focus of successful transformational leaders is on the capabilities and leadership practices that they apply each day to balance these tensions and generate extraordinary performance.

5.2.2 Influence of Inspiring Managers on Organizational Performance

The study findings indicated that Managers in most of the organizations inspire employees while Worthwhile and achievable visions inspire excellence in an organization. The Inspiring managers help direct the skill and knowledge of workers in an organization to perform better. Lastly, Inspiring managers help inspire employees to innovate. This is in tandem with the statement that there is no more powerful force in driving an organization toward excellence and success than attractive, worthwhile and achievable vision, widely shared.

The correlation analysis results indicated that there was a positive relationship between inspirational leaders and organizational performance. The findings imply that leaders in the commercial banks in Kenya displayed moderate levels of inspirational motivation. The relationships here were also found to be significant. These findings imply that, an increase in inspirational motivation would lead to an increase in organizational performance in commercial banks in Kenya. The findings indicate therefore that while there was a significant relationship between inspirational motivation and organizational performance in commercial banks in Kenya, it had not been fully exploited to influence these outcomes. When a leader discovers the need for major revitalization of the organization, it becomes necessary to find ways to inspire people with a vision of a better future that is sufficiently attractive to justify the costs of changing familiar ways of doing things. There is no more powerful force in driving an organization toward excellence and success than attractive, worthwhile and achievable vision, widely shared. An organization driven by accelerating technological change, staffed by a dense, multicultural mix of highly intelligent knowledgeable workers, facing global complexity and multiple mission demands would self-destruct without a common sense of direction.

5.2.3 Influence of Stimulating Managers on Organizational Performance

The findings of the study show that Personal integrity and intensity are powerful drivers for organizational performance and leaders in many organizations create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results. Stimulating leaders inspire employees to get a sustainable competitive edge and lastly that strategic leaders enable the organization to engage in a relevant and dynamic way. The strategic leader needs to create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results required by the business.

5.2.4 Influence of Coaching Managers on Organizational Performance

The study findings show that empowering other employees improves organizational performance while communicating the organization purpose envisions employees. Organizing the human resource capabilities and competencies ensures efficient performance. Lastly, Changing environment enables top management to train their employees as indicated by a mean of 4.03. Transformational leadership is therefore the leader’s ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary.

Transformational leadership requires the ability to integrate both internal and external business environments of the organization, and to manage and engage in complex information processing.

Transformational leadership is therefore the leader’s ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary. Transformational leadership demands leaders to develop and communicate the organization purpose, tactfully organize the human resource capabilities and competencies with the task at hand; exercise high intensity of integrity and ethical standards; deliver extraordinary performance and sustain a competitive advantage. These elements exist in dynamic tension, each demanding the leader’s time and energy. The importance of top management becomes evident in a complex, rapidly changing environment that places many external demands on the CEO and in an organization with highly diverse but highly interdependent functional or business units, because a single leader may not possess all the expertise required to direct and integrate the activities of these units.

5.2.5 Influence of Corporate Governance on Organizational Performance

The study findings in this section indicated that the Boards of directors provides transformational leadership and that the managers direct the business affairs of the organization towards enhancing business prosperity; board of directors participates in voting, making decisions and electing leaders for the organization; that the organization has two-third or more of board members as completely independent non-executive directors; that the company has a predetermined plan secession of each board member and executive director. Also the respondents indicated that the responsibilities of the chairman and the CEO are completely independent from one another and lastly that the separation of the chairman and CEO creates a control and accountability environment which improves organization performance. A study employed leadership characteristics that related to transformational leadership and found that it significantly influences good governance at the university. Interestingly, the study measured the single construct of good governance based on the items developed by different characteristics. They are fairness, transparency, accountability, openness and participation which relate to the erspective of organization. However, these characteristics are applicable as well for employee perspective since they are the characters and behaviors of employees in fighting the misconducts mainly corruption.

5.3 Conclusions

The study concluded that the organization managers usually have a vision to improve the financial performance of the commercial banks and that the organization chooses transformational leaders from internal and external labour markets. The study also concluded that Visioning leaders captivate extraordinary performance of the employees and lastly that Visioning leaders communicate effectively.

The study also concluded that managers in most of the organizations inspire employees while Worthwhile and achievable visions inspire excellence in an organization. The Inspiring managers help direct the skill and knowledge of workers in an organization to perform better. Lastly that Inspiring managers help inspire employees to innovate.

The study also concluded that personal integrity and intensity are powerful drivers for organizational performance and leaders in many organizations create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results. Stimulating leaders inspire employees to get a sustainable competitive edge and lastly that strategic leaders enable the organization to engage in a relevant and dynamic way.

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5.4 Recommendations

Based on the findings above, the following are the recommendations that can be made for managerial policy and managerial practice

Leadership style behaviors that have a strong positive relationship with organizational performance should be put into practice. It is therefore recommended that managers should help others develop themselves, guide them to be rewarded for their work; be satisfied when others meet agreed-upon standards; provide recognition or rewards; tell others the standards they have to know to carry out their work and ask no more of others than what is absolutely essential

Managers should consider acquiring the transformational leadership skills because they are very important in the revolutionizing of the commercial banks in Kenya. Managerial policies formulated should call for greater involvement in guiding subordinates to achieve organizational goals.

5.5 Areas for Further Research

This study focused on the influence of transformational leadership on organizational performance of commercial banks in Kenya. There is however still need for future researches to be done to establish the specific areas of organizational performance influenced by transformational leadership behaviors, as well as their contribution to organizational performance. Studies may also be done to establish why coaching managers were found to be negatively related to both employee engagement and organizational performance as per this study finding. Since majority of empirical studies reveal that there is an enormous return on investment for organizations and even governments when employees are fully engaged, there's need to establish other factors that may influence employee engagement levels which will further boost organizational performance. The study was also limited to one leadership style, that is, transformational leadership. The banking sector adopts various leadership styles like authoritarian, democratic, laissez-faire and transactional. Therefore, the study suggests further studies on the role of leadership styles on the performance of commercial banks in Kenya.

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APPENDICES

Appendix 1: Introduction Letter

February, 2015
P.O Box,
Nairobi.

INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

I am a student at Jomo Kenyatta University of Agriculture and Technology pursuing a degree of Doctor of Philosophy in Leadership and Governance. Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the influence of transformational leadership on organizational performance of financial institutions in Kenya. The focus of my research will involve interview with members of the management team.

The purpose of this study is to investigate the influence of transformational leadership on organizational performance of financial institutions in Kenya and the moderating effect of corporate governance. The results of the study will be used to improve on manager's leadership style and organizational performance of financial institutions in Kenya. Honest responses to all questions are requested.

I kindly seek your authority to conduct the research at your financial institution through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

CHEGE THENYA MUCHIRI
Researcher

Appendix 2: Questionnaire for Managers

INSTRUCTIONS

i) Please respond to all the items

ii) Please tick (√) the most appropriate response.

PART A: Demographic data

1. What is your gender? Male { } female { }

2. What is your age? 21- 30 years { } 31-40 years { } 41-50 years { }

51-60 years { }

3. How many years have you been a manager in your entire career ?

Less than 1 { } , 1-3 { }, 4-6 { } , 7 – 10 { } over 10 { }

4. What is your highest academic qualification?

i) Secondary education [ ]

ii) Diploma [ ]

iii) Bachelor's degree [ ]

iv) Master's degree [ ]

v) any other , specify ___________________

SECTION B: Transformational leadership

Briefly explain how the following manager's personal characteristics may influence organizational performance of financial institutions in Kenya.

Please indicate your overall evaluation by placing a check (√) mark in the relevant box below using the following scale;

4. Strongly Agree (SA) 3. Agree (A) 2. Disagree (D)

1. Strongly Disagree (SD)

Visioning managers	**SA**	**A**	**D**	**SD**
The organization managers have a vision to improve the financial performance of the organization.				
The organization chooses transformational leaders from internal and external labour markets.				
Visioning leaders captivate extraordinary performance of the employees				
Visioning leaders communicate effectively with their employees				

Inspiring managers	**SA**	**A**	**D**	**SD**
Managers in my organization inspire employees				
Worthwhile and achievable visions inspire excellence in an organization				
Inspiring managers help direct the skill and knowledge of workers in an organization to perform better.				
Inspiring managers help inspire employees to innovate				

Stimulating managers	**SA**	**A**	**D**	**SD**
Personal integrity and intensity are powerful drivers for organizational performance				
Leader in my organization create an environment where people willingly engage their passion, creativity, imagination and unique motivations to generate the financial results				
Stimulating leaders inspire employees to get a sustainable competitive edge.				
Strategic leaders enable the organization to engage in a relevant and dynamic way				

Coaching managers	SA	A	D	SD
Empowering other employees improves organizational performance.				
Communicating the organization purpose envisions employees				
Organizing the human resource capabilities and competencies ensures efficient performance				
Changing environment enable top management to train their employees				

6. How do you rate your leadership style in the institution?

Democratic ☐

Autocratic ☐

Laissez faire ☐

7. (a) In your opinion which is the best leadership style of managing financial institutions in Kenya_______________________________

(b) Please give some reasons for your answer in 11(a) above.

____

8. Below is a list of possible roles you play as the manager to promote performance in your financial institution. Please tick the appropriate answer using the key provided.

(1) Not at all, (2) rarely (3) Often (4) very often or (5) always .

To what extent do you agree with the following statements.	**Not at all**	**Rarely**	**Often**	**Very often**	**Always**
Do you share responsibilities to other members of the institution such as: (i) Subordinate staff (ii) Customers (iii) other managers					
Do you utilize the process of consultation regarding management?					
Do you get directly involved in establishing the staff' rules of behavior, in the penalties to be applied and the process to be used?					

Section C: Organizational Performance

Please indicate your overall evaluation by placing a check (√) mark in the relevant box below using the following scale;

4. Strongly Agree (SA) 3. Agree (A) 2. Disagree (D)

1. Strongly Disagree (SD)

Company's profitability has increased for the last three years	**SA**	**A**	**D**	**SD**
The organization currently has audited financial reports				
The organization is able to achieve objectives within their budgets				
Over the past three years, the organization has shown steady, measurable cost reduction				

SECTION D: Corporate Governance

Please indicate your overall evaluation of all part D sections that applies to your organization by placing a check (√) mark in the relevant box below using the following scale;

4. Strongly Agree (SA) 3. Agree (A) 2. Disagree (D) 1. Strongly Disagree (SD)

statements	SA	A	D	SD
Boards of directors provides transformational leadership				
The managers direct the business affairs of the organization towards enhancing business prosperity.				
The board of directors participates in voting, making decisions and electing leaders for the organization.				
The organization has two-third or more of board members as completely independent non-executive directors				
The company has a predetermined plan secession of each board member and executive director				
The responsibilities of the chairman and the CEO are completely independent from one another				
The separation of the chairman and CEO creates a control and accountability environment which improves organization performance				

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY

END

Appendix 3: List of Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. Brighton Kalekye Bank
7. CFC Stanbic Bank
8. Chase Bank (Kenya)
9. Citibank
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank Kenya
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank Limited
22. Fina Bank
23. First Community Bank
24. Giro Commercial Bank
25. Guardian Bank
26. Gulf African Bank
27. Habib Bank

28. Habib Bank AG Zurich
29. HFCK
30. I&M Bank
31. Imperial Bank Kenya
32. Jamii Bora Bank
33. Kenya Commercial Bank
34. K-Rep Bank
35. Middle East Bank Kenya
36. National Bank of Kenya
37. NIC Bank
38. Oriental Commercial Bank
39. Paramount Universal Bank
40. Prime Bank (Kenya)
41. Standard Chartered Kenya
42. Trans National Bank Kenya
43. United Bank for Africa