



**INFLUENCE OF VISIONING MANAGERS ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

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**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 visioning managers on organizational performance of commercial banks in Kenya. The study involved all the commercial banks currently in Kenya. The study thus reached a total of 384 employees, sampled on a stratified random sampling method. The questionnaires were administered through drop and pick method to the respondents targeted. They were then coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). The response rate was 273 respondents which was 71% of the respondents. 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, captivate extraordinary performance of the employees and lastly communicate effectively. The study concluded that there was need for future researches to be done to establish other areas of employee engagement influenced by transformational leadership behaviors, as well as their contribution to organizational performance. Studies may also be done to establish why idealized influence of supervisor was found to be negatively related to both employee engagement and organizational performance as per this study finding. Since majority of empirical studies reveal that there is an enormous return on investment for organizations and even Governments when employees are fully engaged, there's need to establish other factors that may influence employee engagement levels which will further boost organizational performance.*

**Key Words:** *Effective Communication, Balance Tension, Visioning Managers, Organizational Performance, Commercial Banks in Kenya*

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## Introduction

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. 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).

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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 (1) field of vision (the directions they look and listen), (2) selective perception (what they actually see and hear) and (3) interpretation (how they attach meaning to what they see and hear)." (Hambrick, 2007).

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. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's .The KBA serves a forum to address issues affecting members.

## Statement of the Problem

Global technological and social alteration has promoted today's 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).

Whereas corporate leadership 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. 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).

### **Study objective**

To establish whether visioning managers influence organizational performance of commercial banks in Kenya.

### **Hypotheses of the Study**

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

### **Theoretical background and literature review**

The study examined theoretical and empirical literature relating to the influence of visioning managers on the performance of commercial banks. The link between visioning managers and performance of commercial banks was established and a research question developed to help in the understanding of the concepts under study.

### **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, 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).

### **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 and 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

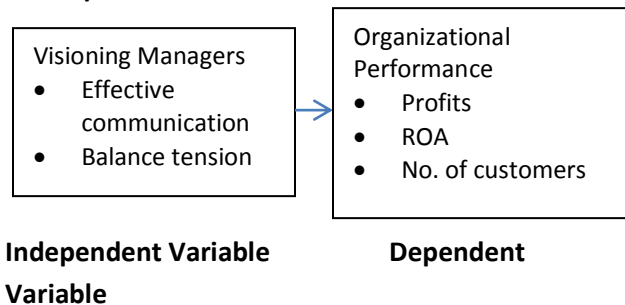
subordinate performs in accordance with the performance expectations or expends the necessary effort (Densten, 2010). The contingent reward aspect of transactional leadership should also relate positively to performance in that these leaders clarify expectations and recognize achievements that positively contribute to higher levels of effort and performance (Bass, Avolio, Jung, and Berson, 2003). 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, and Berson, 2003 cited by Chan, 2005).

### **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, 2005, 2006 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 and 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, 2010). 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 (Northouse, 2010).

### Conceptual Framework



**Figure 1: Conceptual Framework**

### Literature Review

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.

### 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 & 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.

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. 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.

## **RESEARCH METHODOLOGY**

The methodology presents a description of how the study was approached. This study adopted a cross sectional survey design. The study was done as a census. According to Kothari (2008) a census is where practical was preferred to give a clearer outcome in a research. The population of this study included all the 43 commercial banks in Kenya's banking industry. 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 management levels. The study reached a total of 384 employees, sampled on a stratified random sampling method, from the middle cadre employees.

Data was collected using questionnaires which were semi-structured in nature, with both open and close-ended questions, employing the MLQ approach as proposed by Bass and Avolio (2004). The study used both primary and secondary data which were largely quantitative and descriptive in nature. The pilot study involved pre-testing the

questionnaire on 10 respondents of management in different commercial banks within Nairobi City County. To establish the validity of the research instrument the researcher had to seek opinions of scholars and experts in leadership field including the supervisor and lecturers. The survey instruments were subjected to overall reliability analysis using the cronbach alpha's formulae. From the semi-structured questionnaires both quantitative and qualitative data was produced. The questionnaires was coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20).

## **RESEARCH AND DISCUSSION**

This chapter covered data presentation and analysis. The targeted sample size was 384 respondents of management in different commercial banks within Nairobi City County. Out of the 384, 273 responded which is 71% of the respondents. 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 demographic information of the respondents included gender, age, number of years as a manager and academic qualification of the respondents. According to the analysis it was evident that majority of the respondents were male which represented 70.0% while 30.0% were female. 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 visioning managers on organizational performance. The findings indicated that the respondents had enough experience to provide valuable responses that pertain to the influence of visioning managers on organizational performance. Regarding the level of education of the respondents the findings indicated that 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.

### **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 that the organization chooses transformational leaders from internal and external labour markets, that Visioning leaders captivate extraordinary performance of the employees and lastly that Visioning leaders communicate effectively. 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).

### **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 that most of the Company's profitability have increased for the last three years due to transformational leadership, that the organizations have audited their financial reports, that the organization is able to achieve objectives within their budgets and that Over the past three years, most of the organizations have shown steady, measurable cost reduction due to transformational leadership. 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).

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presented the summary of the research findings and discussed 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 visioning managers on organizational performance of commercial banks in Kenya.

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.

### **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.

### **Recommendations**

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. Managerial policies formulated should call for greater involvement in guiding subordinates to achieve organizational goals.

#### **Areas for Further Research**

This study focused on the influence of visioning managers on organizational performance of commercial banks in Kenya. There is however still need for future researches to be done to establish other areas of employee engagement influenced by transformational leadership behaviors, as well as their contribution to organizational performance.

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