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THE ROLE OF TRANSFORMATIONAL LEADERSHIP IN EFFECTIVE ORGANIZATIONAL PERFORMANCE IN STATE-OWNED BANKS IN RIFT VALLEY, KENYA

JOHN KIPLELEI KIRUI[1], MIKE AMUHAYA IRAVO[2] &CHRISTOPHER KANALI[3]

[1]Jomo Kenyatta University of Agriculture and Technology, Nakuru CBD Campus, Nakuru, Kenya

[2]Research Scholar, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya

[3]Professor & Research Scholar, Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya

ABSTRACT

The banking industry has undergone a series of changes in relation to its mode of management as a way of coping with competition. Since the liberalization of the Kenyan banking industry in 1984, many players have joined the industry with very many new incentive packages to clients. State-owned banks are those banks wholly owned by the government of Kenya or those where the government owns majority stake. In today's turbulent environment, change has become synonymous with standard business practices. On the other hand, organizational performance is determined by how well leadership handles changes. The government of Kenya has initiated several programs on reforms and restructuring of public institutions including state owned organization. However, limited research has been conducted regarding Transformative leadership and organizational performance in Public institutions. Therefore the main objective of the study was to establish the role of transformative leadership on effective organizational performance. The study was conducted in all the 22 branches of Post Bank and National Banks within the Rift Valley, Kenya. The study used both primary and secondary means of collecting data by employing both qualitative and quantitative approaches with a target population of 137 employees. A questionnaire was used as instrument for data collection. Analysis involved both descriptive and inferential statistics. A regression analysis was carried out and the r^2 value of 0.6374 implied that 63.7% of the variations in the effective organizational performance in state-owned banks can be explained by the variations in independent variables. Further, by quick standard error tests, the individual coefficients of the regression function were found to be significant in influencing effective organizational performance.

KEYWORDS: Idealized Influence, Inspirational Motivation & Organizational Performance

1. INTRODUCTION

Leadership is about nothing if not about change (Amy, 2008). Effective leaders are masters of the change process; they understand, embrace and lead change. Organizational change typically originates from two primary sources including change resulting from external or internal environmental factors that are outside the adaptive leader's span of control and change resulting from an intentional and planned implementation. However, both types of change require a significant level of knowledge, skills, and abilities by the adaptive leader to effectively deal with the change management process (Taylor-Bianco & Schermerhorn, 2006). Today, many organizations are beginning to shift away from traditional models of management, originally developed for production-oriented firms, and now require a broader range of leadership skills and styles that are adaptive to diversity and to dramatic, often discontinuous changes in the work environment. Transformational leadership has gained academic attention over the last 20 years as a new paradigm for understanding leadership. The notion of transformational leadership was developed under the tutelage of Bernard Bass (Bass, 1997). In its global perspective, Gulledge and Sommer (2003), asserted that public sector organizations need to change the way they manage their non-unique business processes by following private sector initiatives that have led to competitive advantage, better management control, and cost reductions. They further assert that the declining resource base will not support the existing infrastructure but, even if resources were plentiful, there would still be strong incentives to change. According to Craetz (2000), new information technology-enabled process management methodologies have been implemented world-wide, and organizations are achieving enhanced efficiency and effectiveness through the use of these new management approaches., appropriate models and systems have been implemented in the private sector, and the researchers argue that public sector enterprises can learn from these private sector experiences.

According to Srivastava *et al.*, (2006), public sector organizations have been undergoing a very turbulent phase in the past several years. Forces of globalization, liberalization, privatization, and technology are combining to make life harder than ever for public managed organizations. Therefore, competitiveness is the key to survival in such an open and market-driven economy. In most Sub-Saharan Africa, it has been held that political interference, nepotism and over-bureaucracy have made the management control system ineffective in the state sector in developing countries (Udd in & Hopper, 2003). It is believed that public sector reforms and privatization will necessarily lead to cheaper, better services for the citizens, and consequently no services should be immune from these reforms. The policy guideline is underpinned by prescriptions from development Economics, especially neo-classical variants drawing on theories of agency, property rights and allocative efficiency, claiming that a reformed public sector would introduce better controls because it would be accountable to various independent bodies (Cook & Kirkpatrick, 1995) and serve the interests of the public by improving decision making, accountability and performance. However, such policies have been criticized for their failure to take account of local factors (Stiglitz, 2002).

The banking system in Kenya is increasingly becoming market driven. The banks are finding new ways to go to the customer rather than waiting for the customer to come to the banking halls. Parts of the tools that the banks have used include agency banking, ATMs, M-banking including the use of M-Pesa services, online banking and so on. Brown and Kleiner (1997), observed that financial institutions are in the process of executing an unprecedented reconfiguration of the banking industry. The financial services industry is changing rapidly. Technology, government regulation, and increasing customer sophistication are forcing financial service institutions to re-evaluate their current business practices. Countries with a higher share of government-owned banks have experienced lower GDP per capital growth, less effective resource allocation; lower and more concentrated access to credit and higher interest rate spreads (La Porta *et al*., 2002). While government ownership in banking can impede financial development, poorly designed privatization in a weak institutional environment can make things worse (Hellman *et al.*, 1997). Experience in many developing countries have shown that privatization in an environment where neither market participants nor bank supervisors are able to properly monitor and discipline banks, can result in compromised policies, fraud, looting and even a banking crisis (Stiglitz, 1998). Western countries have shown the importance of coordinating privatization processes in the financial and nonfinancial sector (Caprio, 1995). Other scholars argue that partial privatization is not sufficient to resolve governance problems (Beck *et al.,* 2004). However, there are large differences in productivity across different ownership groups of Kenyan banks. Employees in state-owned banks earn only half of the net interest revenue of employees in foreign-owned banks. State-owned banks have twice as many employees relative to their assets, loans and deposits as foreign-owned banks. This disparity across ownership groups indicates significant potential gains from increased competition and the resulting productivity improvements.

In the current organizational environment, change has become synonymous with standard business practices as long-term organizational ends have to be reformulated on an ongoing basis. The central theme in managing change is the execution of strategic leadership. This relates to leader's ability to: anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization (Taylor-Bianco & Schermerhorn, 2006). Others have expressed the need for organizations to inculcate novelty, quality, flexibility, adaptability, speed, and experimentation in their operations (Graetz, 2000). Compared to other banks where the government has stakes, such as National Bank of Kenya, Cooperative Bank of Kenya, Post Bank is the only bank that has not fully adopted the market-driven practices to compete as commercial bank. While Post Bank's incentives and performance measures may be different from the private sector commercial banks, better management control and cost reductions are certainly public sector enterprise objectives.The Kenya Post Office Savings Bank (Post Bank) was established in 1910 under the defunct East Africa Post and Savings (EAPS), which was subsequently taken over by the Kenya Post and Telecommunication Corporation when the East Africa Community was dissolved in 1977. The bank is wholly owned by the Government of Kenya and was established primarily to encourage thrift and mobilize savings. It has endeavored to carry out this mandate through expansion of its outreach and development of products and services that are aimed at meeting the expectations of its customers. Besides savings services, Post Bank has expanded its service offerings to include local and international credit cards under the sponsorship of a commercial bank, money transfer services (MTS), collections and disbursement services.

According to Central Bank of Kenya (2013), the bank has over 1.2 million customers and is working towards having its legal framework changed to pave way for a level playing field in the sector. Some of the notable achievements of the bank include being able to accelerate growth in customer deposits by adopting a new service delivery technology platform, paperless banking services through the use of the point of sale terminals and the use of the bank's automated teller machines and those of partner institutions. In order to keep pace with the competitive environment, Post Bank has had to transform itself in a fundamentally different Kenyan financial sector, and it has survived unaided not only by its adoption of new technology, but also by a fundamental cultural change within. The most notable change within the bank has to do with transformational leadership. However, unlike commercial banks and deposit taking microfinance institutions, Post Bank is prohibited by law from offering lending services to its customers with the goal of providing mass-market accessible banking for Kenyans. The National Bank on the other hand was incorporated in 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence. The Bank is listed on the Nairobi Securities Exchange (NSE). In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in 1996, it further reduced its Shareholding by 40 million Shares to the public. Throughout the 1990s the bank has posted losses annually and some of the rebranding schemes are meant to turnaround its fortunes. The current shareholding now stands at government and its agencies own 70.56% and the general public owns 29.44%. In 2013, the bank rebranded and changed its logo as part of the bank's 5 year transformation strategy to become a top tier bank by 2017. The Bank is also set to increase coverage through branch network from current 75 to 120 and to boost the Agency Banking network to 2,000 agents by 2017. The operations of the entire Bank branch network are centralized with a real-time, online accounting system.

According to Central Bank of Kenya (2013), the ever changing consumer needs, innovative financial products, deregulation, information technology upgrades, and the onset of multiple delivery channels are reshaping the financial services industry. To remain competitive in the new landscape, banks have continued to expand their product lines and add new delivery channels to develop more effective marketing systems and techniques, and enhance the service quality levels. Use of alternative channels such as e-banking and m-banking continue to be the frontiers upon which banks seek to enhance access to customers as well as differentiating their products. All the mentioned strategic changes calls for innovative and well-informed group of leaders under the etiquette of transformational leadership. The effects of transformation changes that have been undertaken by Post Bank have included the instant card issuance system to replace the passbook system, increased staff capacity to implement change projects and the rollout of a new retail channel based on agents. The New Business Model (NBM) has made it possible for Post Bank to start to drive down its costs. Changes in the law have made it illegal for commercial banks to charge customers with savings accounts, has put pressure on Post Bank to do likewise. Consequently, it stopped levying ledger/maintenance fees to remain competitive; this had an immediate impact on its income, so the full cost-reduction effects of the NBM were dampened. Despite the various benefits Post Bank has since it is state-supported, it has not performed well to the expectations of the Kenyan people. Other competitors in the banking sector have capitalized on these weaknesses and have steadily undertaken transformational leadership interventions within their organizations. It is therefore important to investigate the relationship between transformational leadership and organizational change with specific focus on state-owned banks.

2. STATEMENT OF THE PROBLEM

The banking system in Kenya has been undergoing a lot of changes since independence. There has been virtually a variation of transformation in all dimensions in terms of: directed and undirected, proactive and reactive, emanating from internal and external environment. Change thus has become part of the business process, requiring ability of the managers to initiate, embrace and lead change in their organizations. Studies have refuted the old model of change process that sought to unfreeze, change and refreeze by suggesting that a state of continuous change can become a routine in its own right. Other studies have perceived change as a normal and natural response to internal and environmental conditions. According to Mwangi *et al*., (2011) transformational leadership is positively correlated with organizational performance and therefore its effect must be clearly understood. Despite the public and government support Post Bank has been receiving for the last couple of years minimum, transformational leadership hasn't been felt at the state corporation. Routine operations of customer service, service delivery of deposit and withdrawals have not changed much. Since its inception, the organizational structure is still the same. Attempts to enhance its business approaches have been undertaken by various government committees.

A number of report from these committees suggested that serious re-engineering had to be carried out at a cost in excess of Ksh. 2 Billion and which has not been implemented to date. According to Koech and Namusonge (2012), transformational leadership styles have a strong positive relationship with organizational performance. The study recommended that managers should strive to become role models to their subordinates; inspire subordinates by providing meaning and challenge to work; stimulate subordinate efforts to become innovative & creative; and pay attention to each individual's need for achievement and growth.

The effectiveness of an organization's management can critically impact upon its viability and there are many reasons why the management process may fail and include failure to think creatively about the likely effects of plans, obtain external/internal participation and commitment, co-ordinate and control resources (Ngware *et al*., 2009). Previous studies have shown that transformational leaders in different settings were evaluated as more effective, higher performers, more promotable and more interpersonally sensitive (Rubin *et al.*, 2005). Empirical evidence also shows that transformational leadership is strongly correlated with employee work outcomes such as lower turnover rates, higher level of productivity, employee satisfaction, creativity, goal attainment and follower well-being (Eisenbeiß & Boerner, 2013). All these outcomes ultimately contribute towards effective organization performance, meeting stakeholder needs and customer satisfaction. The need for routines to be effective and able to improve performance has been challenged as the view that a better approach to change is a situation where organizations and their people continually monitor, sense and respond to the external and internal environment in small steps as an ongoing process. Past studies have suggested that failed organizational change initiatives range from one-third to as high as 80% of attempted change efforts. However, regarding state-owned banks which enjoy state support, few empirical studies have been carried out to determine how they are managed to negotiate their survival through sustainable organizational performance given its public nature and the sea of changes that have swept not only the banking sector in Kenya, but also the entire economy. The study therefore sought to determine the role of transformational leadership on organizational performance in state-owned banks.

3. RESEARCH OBJECTIVES

The general objective of the study was to investigate the role played by transformational leadership on effective organizational performance in state-owned banks in Rift Valley, Kenya. The study was guided by the following specific objectives:

- To establish how idealized influence affects on effective organizational performance in state-owned banks in Rift Valley, Kenya.
- To analyze the effect of inspirational motivation strategies on effective organizational performance in state-owned banks in Rift Valley, Kenya.

4. LITERATURE REVIEW

Transformational leadership is suitable for this study for a number of reasons. Firstly, However much the contingency and path-goal theories have a degree of acceptance, leadership studies turned to the study of situations and the belief that leaders are the products of given situations. Tannenbaum and Schmidt (1958) saw leadership as involving a variety of style ranging from boss-centered to subordinate-centered. Their approach suggests a range of styles without preference for any. This study will assess the transformational leadership theory and how this affects organizational performance. Unlike other modern theoretical processes of leadership, transformational leadership theory elevates the goals of subordinates and enhances their self confidence to strive for higher goals. Secondly, transformational leaders emphasize on learning, empowerment and teamwork. The characteristics of transformational leadership as described by Taborda (2000) are given as, the goals of the organization must be communicated and embodied in the culture of the organization, communication is especially important and should be performed through leaders who are instrumental in permeating the vision through the various levels of organizational hierachy. The decisions and actions of leaders must reinforce the need to transform. Changes must be made in the organization's structure and processes. These changes must be consistent with the values and objectives contained in the vision. Leaders must demonstrate a commitment to these values by their own behaviour and by the way they reinforce the behaviour of others.

4.1 Idealized Influence and Effective Organizational Performance

Idealized influence is the behaviour that is reflected by leaders showing charismatic personality. According to Yammarino and Dubnisky (1994), idealized influence and charismatic influence is used interchangeably, and it is the key component of the transformational leadership. Using idealized influence, transformational leaders act in a way that allows them to serve as role models to their subordinates. Bass and Riggio (2006), noted that transformational leaders are admired, respected, and trusted. Their subordinates identify them with charismatic personality and attracted to emulate them. Besides, these leaders are endowed by their followers as having extraordinary capabilities, persistence, and determination. Idealized leadership, at its core represents the highest levels of moral reasoning and perspective-taking capacity.

These leaders are willing to sacrifice their own gain for the good of their work group and organization. They set high standards for work conduct and are a role model for those standards. They build trust in people because those who work for them know they are working toward the common good, and their sacrifices along the way are evidence of their consistency for their actions and values. They also are people who see the good in others first and when it is not obvious they work to build it out with concern for people. Leaders with idealized characteristics can walk first on the way they talk about (Avolio, 2005). In an organization such as Post Bank, such leaders would therefore improve organizational performance through its employees by creating trust, admiration and respect of their subordinates. Such leaders are also likely to act as role models and thus enhance a sustainable work culture within the organizations workforce.

4.2 Inspirational Motivation and Effective Organizational Performance

The second component of transformational leadership is inspirational motivation. Transformational leaders using inspirational motivation attracts people toward the vision of the organization with their effective communicating personality. Yammarino and Dubnisky (1994), noted that inspirational leadership is communicating a vision with fluency and confidence, increasing optimism and enthusiasm, and giving interesting talks that energize others. According to Bass and Riggio (2006), transformational leaders get followers involved in envisioning attractive future states; they create clearly communicated expectations that followers want to meet and also demonstrate commitment to goals and the shared vision. Inspirational motivation is about encouragement to raise the consciousness of workers about the organization's mission, vision, and committing to the vision is a key theme of this factor. Sarros and Santora (2001), described the key indicators of inspirational motivation to be organizational vision, communication, challenging to workers encouragement, working with workers, and giving autonomy are the core values of inspirational motivation. Post Bank's management must therefore aspire have leadership that clearly articulates and fluently disseminates its vision, encourages its employees and gives greater autonomy to enhance employee commitment, a key ingredient for organizational performance.

5. RESEARCH METHODOLOGY

The study adopted a descriptive research design. According to Churchill (1991), a descriptive research approach is used when the purpose is to; describe the characteristics of certain groups, estimate the proportion of people specified in a certain way, and to make specific predictions. Descriptive approach is most suitable for social sciences since it gives the respondents an opportunity to express their views about issues under study. A structured questionnaire was developed with close ended questions. The term population means the total number of individuals, objects, or any other subject of concern which by virtue of a common characteristic is of interest to the researcher and may lead to the obtaining relevant information regarding a phenomenon under study. The study's target population included employees of state-owned banks in Kenya. Specifically, the population was made up of employees of Post Bank and National Banks working in the 22 branches in Rift Valley region. The questionnaires were used to collect views from all the 137 employees. The study employed a mixture of sampling techniques. Firstly, the study used purposive sampling to target all the 22 branch managers. Secondly, the study used simple random sampling to target all other employees whose sample were statistically derived using Yamane (1992) and found to be 102. According to Kothari (2006), a questionnaire is the best tool for the researcher who wishes to acquire the original data for describing a population. Questionnaires enabled the researcher to reach a large sample within a short time. The questionnaires were piloted to determine their usefulness, clarity in terminology, focus of questions, relevance and applicability, time required and methods for analysis. Kathuri and Pals (1993), defines data processing and analysis as categorizing, manipulating and summarizing data in order to obtain answers to research questions. The Statistical Package for Social Sciences Version 21 was used as a tool for analyzing data. The study used descriptive statistics specifically employing measures of central tendency and measures of dispersion to analyze data and the results were presented in form of tables. Regression analysis was then used to provide insight into the nature of relationship between transformational leadership and organizational performance. Out of 102 questionnaires that were issued to the sampled respondents, 96 of them were filled and returned. Of the returned questionnaires, 8 were incorrectly filled and thus were not used in the final analysis. Therefore, 88 questionnaires were correctly filled and hence were used for analysis representing a response rate of 86.3%.

6. RESEARCH FINDINGS AND DISCUSSIONS

Following the processing and analyzing of the collected data, the findings are presented and discussed in this chapter and are in line with the objectives of the study. The responses on all the variables are on a 5-point scale while the statements in the view of the same are on a Likert scale. In the 5-point scale 1, 2, 3, 4 and 5 represent strongly disagree, disagree, neutral, agree, and strongly agree respectively. The profile of respondents identifies the main information about the employees who participated in the research process depending on the relevance of the information sought. The researcher sought to find out the distribution of the respondents according to their gender, age bracket, education level and working experience. The aim was to deduce any trend from the respondent's profile that was directly linked to the variables of the study. According to the findings, majority of employees are male (52.3%) while female were 47.7%. The researcher attributed trend to the existing gender gap in employment in most sectors in Kenya today. The findings further indicate that a majority of employees in the commercial banks are of the age group 31 – 40 years (40.9%) while the least age group is above 51 years (11.3%). The researcher attributed this to the absorption of younger employees probably due to the increase use of technology in banks and the changing customer demographics. The study deduced that more than

69% of the respondents had an undergraduate degree or a master degree level of education which was attributed to the technical nature of majority of activities in the banking industry in Kenya. Further, only 18.1% of the respondents had a diploma level of education further indicating higher requirements are needed to join the banking industry in Kenya. Majority of the respondents (35.2%) had worked for over 5 years in their respective banks. Cumulatively, more than 66% had more 3 years of experience while only 12.5% had less than 1 year working experience. This can be attributed to the fact that most private sector institutions have employees on short-term contracts in an attempt to minimize human resource costs, maximize productivity and to enhance firm performance.

6.1 Role of Idealized Influence on Effective Organizational Performance

The results of the analysis on factors associated with idealized influence and how it influences effective organizational performance in state-owned commercial banks are shown in Table 1.

Table 1: Idealized Influence and Effective Organizational Performance

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

Majority of the respondents agreed that top management invests in gaining your trust, confidence and respect (3.87), that top management had charismatic attributes in dealing with employees (3.65) and that top managers showed conviction when dealing with employee issues (4.13). The respondents further agreed that top management emphasized group identity when dealing with employees (3.98), that top managers challenged tradition and motivates employees (3.85) and that due to top management attributes, employee performance had increased (3.72). The respondents however disagreed that they also consider or think of others when addressing employee issues (2.31). It was thus deduced that idealized influence played some role on effective organizational performance.

6.2 Role of Inspirational Motivation on Effective Organizational Performance

The findings in this section are in line with the second study objective. Table 2 shows the findings related to inspirational motivation and the role it plays on effective organizational performance. The respondents, on average, disagreed that top managers had enabled employees to translate vision to practicalities (2.39), that they also had energized employees thereby increasing employee optimism (2.43), that top management communicated easily with employees on tasks ahead (2.17) and that due to management's inspirational motivation, employee performance had increased (2.44). The respondents were however unsure as to whether top management had fluently communicated organization vision (3.13) and whether top managers had inspired employees thereby bringing values and encouragement (3.22). The researcher therefore deduced that inspirational motivation played some role in effective organizational performance in state-owned banks.

Table 2: Inspirational Motivation and Effective Organizational Performance

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

6.3 Regression Analysis

The study carried out a regression analysis to test the significance of the role of the independent variables namely idealized influence and inspirational motivation on effective organizational performance. The model summary is depicted in Table 3.

Table 3: Regression Model Summary

Model	R	R Squared	Adjusted R Squared	Std Error of the Estimate
1	0.7984	0.6374	0.6298	0.1247

The R^2, the coefficient of determination shows variability in dependent variable explained by the variability in independent variables. This value tells us how effective organizational performance in state-owned banks can be explained by idealized influence and inspirational motivation. The R^2 value of 0.6374 implies that 63.7% of the variations in the effective organizational performance in state-owned banks can be explained by the variations in independent variables. This therefore means that other factors not studied in this research contribute 37.3% of the performance of state-owned banks. The researcher further conducted a multiple regression analysis and the findings of the multiple regression model are depicted in Table 4.

Table 4: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
1		B	SE	B	t	p
	Constant	1.842	1.311		1.773	0.271
	Idealized Influence	0.114	0.064	0.084	1.432	0.05
	Inspirational Motivation	0.312	0.148	0.298	3.220	0.01

From the multiple regression model, holding idealized influence, inspirational motivation, intellectual stimulation, individual consideration and policies and regulations constant, effective organizational performance of state-owned banks would increase by 1.842. It was established that a unit increase in idealized influence would cause an increase in effective organizational performance of state-owned banks by a factor of 0.114 and a unit increase in inspirational motivation would cause an increase in effective organizational performance of state-owned banks by a factor of 0.312. This shows that there is a positive relationship between in effective organizational performance of state-owned banks and some of the independent variables in the study. The un-standardized beta coefficients in Table 4 were then used to obtain the overall relationship of the independent variables; idealized influence and inspirational motivation; effective organizational performance of state-owned banks.

$$Y = 1.842 + 0.114X_1 + 0.312X_2$$

Where: Y = Effective organizational performance of state-owned banks,

X_1 = Idealized influence,

X_2 = Inspirational motivation

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The researcher summarized the research findings in the order of study objectives. The aim of summarizing was to enable the researcher to come up with key findings from which conclusions would be drawn. The study established that top management in state-owned banks invested in gaining employee trust, confidence and respect (3.87), had charismatic attributes in dealing with employees (3.65) and showed conviction when dealing with employee issues (4.13). It was further established that top management emphasized group identity when dealing with employees (3.98), challenged tradition and motivated employees (3.85) and that due to their attributes, employee performance had increased (3.72). From the regression analysis, the study deduced that idealized influence played some significant role on effective organizational performance. It was established that top managers had not enabled employees to translate vision to practicalities (2.39), had not energized employees thereby increasing employee optimism (2.43), had not communicated easily with employees on tasks ahead (2.17) and that due to the lack of inspirational motivation, employee performance had not increased (2.44). From the subsequent regression analysis, the study deduced that inspirational motivation played a significant role in effective organizational performance in state-owned banks. Based on the findings of the study, the researcher has drawn several conclusions which are presented in this section following the order of the objectives of the study. The study concluded that top management in state-owned banks should invest more in gaining employee trust, confidence and respect, should have charismatic attributes in dealing with employees and should show conviction when dealing with employee issues. Further, top management should emphasize group identity when dealing with employees, should challenge tradition and motivate employees and that these managerial attributes increases employee performance. It was concluded that top managers should enable employees to translate vision to practicalities, should energize employees thereby increasing employee optimism, they should communicate easily with employees on tasks ahead and that they should enhance inspirational motivation which would increase employee performance and thus ensure effective organizational performance in state-owned banks.

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transformational leadership competency and leadership effectiveness in Kenyan indigenous. banks. Motivation for this study: In spite of the fact that indigenous banks have been performing better. recently, their overall poor performance is cause for concern.Â transformational leadership competencies and leadership effectiveness among the leaders of. the indigenous banks in Kenya. Practical/managerial implication: Based on the ï¬ndings of this study, Kenyan indigenous. banks are able to identify speciï¬c and essential transformational leadership competencies and.Â The banks that failed were all locally and. privately owned (also known as indigenous banks). It has been. asserted that these bank failures were attributable to factors. â€œLeaders play essential role in accomplishment of goals and boost employeeâ€™s performance by satisfying them with their jobsâ€ (p.55) Leadership is perhaps the most thoroughly investigated organizational variable that has a potential impact on employee performance (Cummings and Schwab, 1973). â€œIt is a vital issue in every organization primarily because the decisions made by the leaders could lead to success or business failureâ€.Â (i) To evaluate the effects of transformational leadership on employee performance in Bank of Africa Kenya. (ii) To evaluate the effect of transactional leadership on employee performance in Bank of Africa. (iii) To evaluate the effect of laissez-faire leadership style on employee performance in Bank of Africa Kenya. Transformational Leadership and Job Satisfaction in the Banking Sector: A Review, International Review of Management and Marketing, Vol. 4, No. 3, 2014, pp.187-200. Bell, R.M. (2013). Charismatic Leadership Case Study with Ronald Reagan as Exemplar, Emerging Leadership Journeys, Vol.65 Iss.Â The Effect of Transformational Leadership in Achieving High Performance Workforce That Exceeds Organisational Expectation: A Study from a Global and Islamic Perspective, Global Business and Management Research: An International Journal, Vol. 7, No. 2. Usikalu, O., Ogunleye, A.J. & Effiong, J. (2015).