



EFFECTS OF LEADERSHIP STYLES ON ORGANIZATIONAL PERFORMANCE OF LISTED COMMERCIAL BANKS IN THE NAIROBI SECURITIES EXCHANGE

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Abstract: Over the years, the banking industry has been under constant pressure to develop their structures as a way of improving performance. However, despite the frequent changes of leaders in the banking sector in the last five years, it is not clear how different leadership styles influence organizational performance. This study therefore sought to determine the effects of leadership style on organisational performance of commercial banks listed at the Nairobi Security Exchange. The study also sought to determine the effect of transformational leadership style, transactional leadership style, situational leadership style and participatory leadership style on the organizational performance of the listed commercial banks in the Nairobi Security Exchange. The study adopted a descriptive research design. The target population of this study was the 176 heads of finance/treasury, credit, operations, human resource/administration, customer service, marketing/corporate communication, information and communications technology and internal audit departments and their assistants in the 11 commercial banks listed in Nairobi Security Exchange. The study used stratified random sampling to select 88 heads of departments and their assistants form the target population. This study made use of primary data, which was collected by use of semi-structured questionnaires. Before data collection, a pilot test was conducted to ascertain the validity and reliability of the research instruments. Data collected was both qualitative and quantitative. Qualitative data was analysed using content analysis through coding the responses to be grouped into various categories. Quantitative data was analysed by use of descriptive and inferential statistics through the help of Statistical Package for Social Sciences (SPSS) version 22. Descriptive statistics were given using percentages, mean and standard deviation while inferential statistics were carried out using correlation analysis and multiple regression analysis. Research findings were presented using tables, chart and figures. The study found that there was a positive significant between transformational leadership, transactional leadership, situational leadership, participatory leadership and organizational performance of commercial banks listed at the Nairobi Security Exchange. The study recommends that the leaders in commercial banks listed in Nairobi Security Exchange should improve on creativity and innovation and staff involvement in decision making, motivate and build their confidence in people and more so the employees, to interfere in a problem before it gets worse, engage their followers in the decision making process and consider the employee views and this will be essential in the formulation of goals in the organization.

Key Words: Organization Performance, Leadership Style, Leadership

Introduction

Leadership style is a key determinant of the success or failure of any organization. A leader is person who influences, directs, and motivates others to perform specific tasks and also inspire his subordinates for efficient performance towards the accomplishment of the stated corporate

objectives. Leadership style is the manner and approach of providing direction, implementing plans, and motivating people (Ng'ethe, 2012). According to Polychroniour (2009), leadership is a process of influencing others' commitment towards realizing their full potential in achieving a value-added, shared vision, with passion and integrity. Leadership styles have diverse effects on variables such as flexibility, standards, rewards, clarity and commitment and in some cases on organizational climates as the behaviour of the leader produce motivation mechanisms which have effect on the conduct of individual's performance in the organization. Thus, the essence of leadership is followership. Effective leadership is the extent to which a leader constantly and progressively leads and directs his or her followers, towards organizational performance.

Leadership is a critical management skill, involving the ability to encourage a group of people towards common goal. Leadership focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ali Ismail, 2009). It basically helps followers achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment According to Polychroniour (2009). Leadership has a direct cause and effect relationship upon organizations and their success. Leaders determine values, culture, change tolerance and employee motivation. They shape institutional strategies including their execution and effectiveness. Fry, (2003) explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff's potential for growth and development. Several reasons indicate that there should be a relationship between leadership style and organizational performance.

Leadership is more of establishing direction, aligning people, and motivating and inspiring others. Leaders often put many of these skills and interests to good use but often to better effect because they focus on areas such as discovering solutions (not problems), managing changing's, excelling in spite of organizational structure, and inspiring personnel to achieve their goals. In the view of Polychroniour (2009) cited in Ng'ethe *et al.* (2012), one of the critical roles of management is to create a work environment that will endear the organization to employees. This also includes influencing these employees' decision to be committed and to remain with the organization even when other job opportunities exist outside the organization. It has been argued by Ng'ethe *et al.* (2012) that the role of leaders and their leadership styles are crucial in employee retention. This assertion is on the premise that leadership styles can either motivate or discourage employees, which in turn, causes employees' increase or decrease in their level of performance and propensity for retention in the organization.

Commercial banks in Kenya have been operating in a very dynamic environment both internally and externally. The demand for quick, efficient and secure service delivery to clients as well as other stakeholder expectations requires reforms in the management and governance style of these listed companies at the Nairobi securities exchange. The challenges have forced managers of these companies to adopt new ways of conducting business (Pradeep & Prabhu, 2011). Therefore, the quest for survival and growth means that companies cannot escape the need to change in response to external pressures and funding opportunities. These circumstances underscore the crucial role of leadership and management in maintaining morale, enhancing productivity and helping staff at all institutional levels to cope with the challenges. How a company copes with these challenges depends on a number of key factors: the quality of

leadership in the company, the vision and strategic direction of the company, the existence of appropriate systems and culture to ensure efficiency and effectiveness of service delivery.

Leadership has a great influence on organizational change and successful change management practices are crucial to organizational survival in the present highly competitive and continuously evolving business environments. Effective leaders are known to reduce the effects of uncertainty and change and positively affect a wide range of individual and organizational outcomes in a variety of contexts, including business, the public sector and education (Qin, 2011).

Statement of the Problem

Leadership styles determine the level of subordinate participation in decision making and the way an organization is run administratively (Babbie, 2007). Organizational leaders are expected to carry out tasks with limited resource to the maximum level in order to maintain the competitive edge and sustain profitability position of the organization. Donna (2011) argued that managers using their leadership style to motivate employees and to achieve organizational goals. Team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action.

The banking industry is under constant pressure to meet change, develop their structures, and improve performance. Organizations today are moving towards more democratic structures, which allow employees to influence the decisions made because of concern for quality and the requirement of a high degree of commitment by employees to their work. Despite all the advances in leadership styles, appointments lack merit and organizations eventually have leaders who lack the abilities or capacities to use the appropriate leadership style to lead the members to attain set goals or objectives. Once this situation arises, there will be utterances in the way such leaders behave or administers the organization and these will in-turn affect the goals of the organization (Johari, 2008)

Even though commercial banks in Kenya have over the years reported an increase in profitability, in the last five years some banks have reported losses while others reported profit warnings. For instance, in the years 2016, the National bank of Kenya reported a 1.2 billion loss for the financial year 2015. In the year 2016, Family bank of Kenya made a profit warning announcement indicating that its profit for this 2016 was likely to fall by at least 25 per cent. In addition, the Standard Chartered bank also issued profit warnings for the year 2017 as a result of poor performance attributed to an increase in Non-Performing Loans (NPL) portfolio in the institution (Capital Markets Authority, 2017). In addition, over the years, non-performing loans in commercial banks in Kenya have been increasing. In the year 2013, the ratio of non-performing loans in commercial banks in Kenya increased to 5.2 per cent from 4.7 per cent in the year 2012 (Bank Supervision Report, 2015). In the year 2014, the ratio of non-performing loans increased to 5.6 per cent, which later increased to 11.57% in the year 2015 from Ksh. 1,940.78 billion in December 2014 to Ksh. 2,165.3 billion in December 2015.

Previous studies have examined the impact of leadership styles on organizational performance in various settings such as healthcare, military, education and business organizations (Armstrong, 2012; Kendra, 2013; Bass, 2011). Kuria, Namusonge and Iravo (2016) carried out a study on the effect of leadership on organizational performance in the health sector in Kenya; Koech and Namusonge (2012) conducted a study on the effect of leadership styles on organizational performance among State Corporations in Kenya. These studies generally indicate the impact of leadership style on organizational performance in the context of their sectors. In view of this gap,

there is need to establish study about the effects of leadership style on organizational performance in the context of banking industry in Kenya. Therefore, the study sought to fill the gap through examining the effect of leadership style on organizational performance of the listed companies in the Nairobi securities exchange.

Specifically, the study sought to:

1. To determine the effect of transformational leadership style on the organizational performance of the listed commercial banks in the NSE.
2. To assess the effect of transactional leadership style on the organizational performance of the listed commercial banks in the NSE.
3. To determine the effect of Situational leadership style on the organizational performance of the listed commercial banks in the NSE.
4. To ascertain the effect of Participatory leadership style on the organizational performance of the listed commercial banks in the NSE.

Theoretical Literature Review

The study is anchored on three theories, which include the transformational-transactional theory of leadership, Hersey and Blanchard's situational leadership theory and the democratic theory.

The transformational-transactional theory of leadership

The transformational-transactional theory of leadership is one of the most comprehensive theories of organizational transformation. This is a comparatively new leadership paradigm that was proposed in the late 1970s by Stephen (2013) in his analysis of political leaders. It was further expounded in the 1980s by Bass (2000) who formulated the formal transformational-transactional leadership theory that among other things includes the model and characteristics of a transformational leader. The transformational-transactional theory of leadership postulates that transactional leadership and transformational leadership are distinct dimensions rather than opposite ends of one continuum and that, while transactional leadership and transformational leadership are closely related parts of leadership, they remain distinct. Bass (2000) however posits that transformational leadership is an augmentation and extension of transactional leadership and that transformational leaders pick from where transactional leaders reach. The transactional leadership style develops from the exchange process between leaders and followers wherein the leader provides rewards in exchange of follower performance.

Transactional leaders accept the goals, structure and culture of the existing organization and are said to be ineffective in bringing significant change. These leaders can be effective to the extent that they clarify expectations and goals, but they generally neglect to focus on developing the long-term potential of followers. Bass, (2000) posits that transactional leaders could be identified through leadership behaviours such as contingent reward, active management-by exception and passive management-by exception. Contingent reward is behaviour whereby followers are rewarded on contractual basis, told what to do to gain rewards, punished for undesired actions, given extra feedback and promoted for good work. According to Bass and Avolio, (1994) and Hater and Bass, (1988), through the passive management-by-exception behaviour transactional leaders intervene only after the set standards are not met while the active management-by-exception behaviour transactional leaders will try to anticipate mistakes or problems. Transactional leadership is therefore a style of leadership based on the provision to subordinates of resources they need to complete their tasks.

The leader's vision provides the framework for followers to see how they connect to the leader, the organization, each other and the goal; in other words, they get the bigger picture. Individualized consideration is behaviour of transformational leaders that enable them to deal with others as individuals and understand that each person has different needs, abilities, requires personal attention and has the need to feel valued. Transformational leaders do this through spending time teaching, coaching and developing their followers by listening attentively, recognizing and valuing each individual's contributions (Umer, Adnan, Anam, Inam-ul & Hamid, 2012)

Hersey and Blanchard's situational leadership theory

The Situational Leadership theory is a theory by Paul Hersey and Ken Blanchard, while working on Management of Organizational Behaviour. The theory was first introduced as "Life Cycle Theory of Leadership". During the mid-1970s, "Life Cycle Theory of Leadership" was renamed "Situational Leadership Model." Hersey and Blanchard's situational leadership theory focuses on follower's readiness. Situational Leadership Theory uses the same two leadership dimensions that Fiedler identified: task and relationship behaviours. Hersey and Blanchard went a step further by considering each as either high or low and then combining them into four specific leadership styles namely: telling, selling, participating and delegating styles. According to the theory, the telling style is suitable for unable and unwilling followers. The leader defines roles and tells people what, how, when and where to do various tasks. The selling style is effective for unable and willing followers where the leader provides both directive and supportive behaviour. The participating style is useful for able and unwilling followers whereby the leader and followers share in decision making. The delegating style is adequate for able and willing followers with the leader providing little direction or support (Wang, Chich-Jen & Mei-Ling, 2010).

The situational approach recognizes that for different development levels and different types of situations, different leadership styles are more effective. Leadership styles hence can be defined as the behaviour of an organization's leader as influenced by the situation surrounding that leader (Puni, Ofei & Okoe, 2014). The situational approach has a conceptual weakness in that it is difficult to derive specific testable propositions from the approach because it does not permit strong inferences about the direction of causality.

The Democratic Theory

Though this theory has been largely associated with government, it has become inevitable to relate it to organizations for proper conduct and effectiveness. As Besse puts it, the theory is informed two thousand years ago, participation in the religion which has come to dominate the World. Two hundred years ago we put this essential element in our political and social structure. We are just beginning to realize that we ought to put participation in business as well. The theory is informed by the works of classical and neo-classical theorists such as Aristotle, Plato, Thomas Hobbes, John Locke, Jean Jacques, Rousseau, Edmund Burke, James Madison, John C. Calhoun to mention a few (Khan & Adnan, 2014).

The core issue about democracy is the importance it attaches to human personality. It assumes civic capacity on the part of individuals. This capacity involves intelligence, self-control and conscience. Its essence is the right of every man bound by the decision of a government (organization) to contribute (whatever is in him to contribute) to the making and remaking of those decisions (Uchenwamgbe, 2013). This right is integral to democracy because it makes

possible free discussion and the continuous participation of the people (individuals) in the government (organization). This implies the obligation to respect the other man, to listen to his arguments and to take into account his point of view. It is through participation that individuals (subordinates) contribute ideas towards the solution of problems affecting their organization and jobs. Participation can create an asset in morale so that when necessary orders are given, people will respond more co-operatively because they are participating in the affairs of the organization (Iscana, Ersarib & Naktiyok, 2014).

Participation is ego-and task involvement of an individual in his group. It includes not only the physical contribution of the person but also his intellectual and emotional involvement in the affairs of the organization (Koech & Namusonge, 2012). When leaders establish means for obtaining help from subordinates in the making of plans and decisions, they are making them to know that their contributions are sought and appreciated and this creates great benefits and harmony in the organization.

Conceptual Frame work

The independent variables relate to organization performance which is the dependent variable in this study and leadership styles (Transformational leadership, participative leadership, transactional leadership and situational leadership) which are the independent variables. A conceptual framework has been drawn to show the link between the dependent and the independent variables.

Independent Variables

Dependent Variable

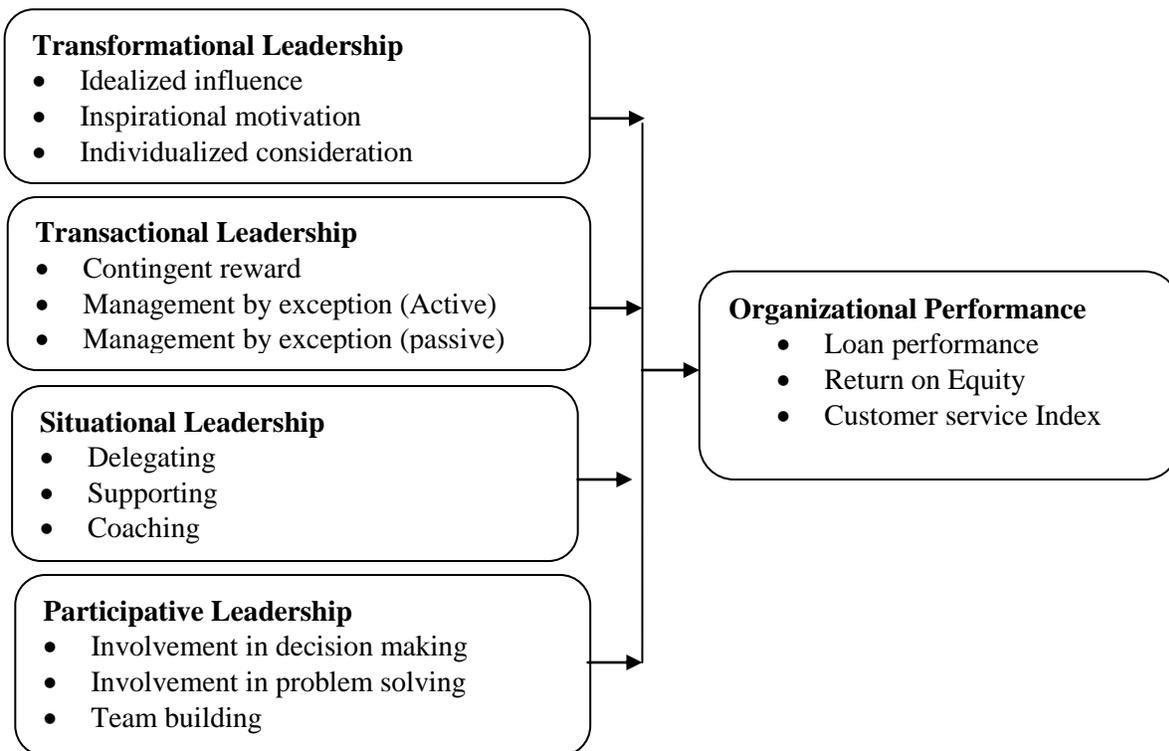


Figure 1: Conceptual framework

Empirical Review

This section provides an empirical review on studies previously conducted in relation to the variables under study.

Transformational Leadership and organizational performance

McGrath and MacMillan, (2000) argued that there is significant relationship between transformational leadership styles and organizational performance. Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Mwangi, Mukulu and Kabare, (2011) did a study on the role of transformational leadership on performance of universities in Kenya. They used a Quantitative descriptive survey design. Use of employee perceptions of their supervisors; context was the same. They tried to establish the significance of emotional intelligence in transformational leadership in Kenyan public universities. Umer, Adnan, Anam, Inam-ul and Hamid (2012) takes a distinct stand and argues that effective team leaders are social architects who recognize the interaction of organizational and behavioural variables and can cultivate a climate of active participation, accountability and result-orientation. Leadership in organizations requires sophisticated skills in leadership, administration, organization, and technical expertise

Transactional leadership and Organizational performance

Transactional leadership involves an exchange process that results in follower compliance with leader request but not likely to generate enthusiasm and commitment to a task objective. The leader focuses on having internal actors to perform the tasks required for the organization to reach its desired goals (Boehnke, Bontis, Distefano, & Distefano, 2003; Obiwuru *et al.*, 2011). Jung (2001); Umer, Adnan, Anam, Inam-ul, & Hamid (2012) defined transactional leadership as the leader's attitude towards identification of followers' needs and aspirations, and clearly demonstrates the ways to fulfil these needs in exchange of performance of followers.

Bass (2000) explained that in transactional leadership, effective leaders accommodate the interest of their subordinates by giving contingent incentives, honour and promises for those who auspiciously succeeded in fulfilling the commitments of the leaders or the organization. They concur that the transactional leaders' main focus is on setting goals and clarifying the relationship between performance and rewards. Alan, (2013) sees transactional leadership as involving the organization paying team members in return for their efforts and compliance. He posits that in this leadership style, the leader possesses the right to "punish" team members if their works do not meet an appropriate standard. Hellregel and Slocum, (2006) in his study organizational knowledge leadership and employee productivity were contended that transactional leadership is based on three components: Contingent reward, active management by exception, and passive management by exception. In contingent reward, the transactional leader provides reward to the subordinates in exchange of achieving targets, and these targets are set on the basis of short term and also measurable.

Situational leadership style and organizational Performance

Garg and Krishna, (2003) conducted a study to establish the relationship between values-based leadership, situational leadership and two dimensions of organizational structure formalization and decentralization. They used a sample of 100 employees of a leading software consulting firm

in India. The results showed that situational leadership was positively related to the two dimensions of organizational structure contrary to the proposition that situational leadership is negatively related to the degree of formalization in an organization. A study by Neufeld et al (2007) integrating the unified theory of acceptance and use of technology with charismatic leadership theory. The study examined the role of project champions influencing user adoption. The results showed that charisma was positively related to behavioural intention and use with charisma accounting for 44 per cent of behavioural intention and for 52 per cent of use. Scholars have argued that leadership is an important key factor in the effective use of technology in education.

In another study on leadership styles and organizational performance, Swarup (2013) Von 151 companies from IT industries underlined that situational leadership relates positively and significantly to organizational performance. The study used a Multifactor Leadership Questionnaire (5X) and it revealed that situational leadership is a stronger predictor for the performance, satisfaction and commitment within organizations by building commitment, empowerment and demanding a higher degree of respect and trust for the leader. Intellectual stimulation and inspirational motivation were found to improve the organizational performance

Participatory Leadership and Organizational Performance

A participative leadership style encourages members to partake in decision-making and exercise discretion on how to perform their tasks. An autocratic leadership provides for specific directions to subordinates by organizing the necessary functions to be performed, specifying rules, regulations and procedures to be followed, classifying expectations, scheduling work activities, establishing communication network and evaluating the work group performance. Leadership style has its concomitants such as power, authority, line of command, span of control and delegation of authority.

A study by Afshari (2012) examined the relationship between computer competence, computer use and participatory leadership role of principals in implementing Information Communication Technology (ICT) in schools. The respondents in the study were principals from 320 schools in Iran. The findings showed that computer competence was significantly linked to participatory transformational leadership and that there was a strong and positive correlation between computer use and participatory leadership. Based on these results, Afshari concluded that principals who use computers frequently in their administrative and instructional tasks and have higher levels of skill and knowledge in ICT use will exhibit more participatory leadership behaviours. Leng, (2008) conducted a study to field-test a questionnaire designed to investigate teachers' perceptions of positive influence of participatory leadership practices on the integration of ICT in teaching. Data for this study was collected from 80 randomly selected serving secondary school teachers in Singapore. From the results of the study, secondary school teachers agreed that participatory leadership practices have positive influence on the integration of ICT in teaching.

Research Methodology

Descriptive research design was selected in this study as it allows the incorporation of both quantitative and qualitative approaches in a study. The target population of this study was the heads of finance/treasury, credit, operations, human resource/administration, customer service, marketing/corporate communication, information and communications technology and internal audit departments and their assistants. The seven (7) departments were used in this study because

different heads of departments (leaders) use different leadership styles. The target population of this study was therefore 176 heads of departments and their assistants in the 11 commercial banks listed in Nairobi Security Exchange.

The study selected 50% of the target population as the sample size. According to Greener (2008), for a population of between 100 and 500 ($100 < N < 500$) a 50% sample size should be selected. The sample size of this study was therefore 88 heads of departments and their assistants. This study used stratified random sampling in the selection of the sample size from the target population.

Table 1: Sample Size

Departments	Target Population	Sample Size
Finance/Treasury	22	11
Credit	22	11
Operations	22	11
Human resource/Administration	22	11
Customer service	22	11
Marketing/corporate communication	22	11
Information and Communications Technology	22	11
Internal Audit	22	11
Total	176	88

This study made use of primary data, which was collected by use of semi-structured questionnaires. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form. On the other hand, the unstructured questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. A pilot test was conducted to assess the validity and reliability of the research instrument.

Data collected was both qualitative and quantitative. Qualitative data was analysed using content analysis through coding the responses to be grouped into various categories. Quantitative data will be analysed by use of descriptive and inferential statistics through the help of Statistical Package for Social Sciences (SPSS) version 22. Descriptive statistics were given using percentages, mean and standard deviation while inferential statistics were carried out using correlation analysis and multiple regression analysis. Research findings were presented using tables, chart and figures.

The study used a 95% confidence interval. A 95% confidence interval indicates a significance level of 0.05. This implies that for an independent variable to have a significant consequence on the dependent variable, the p-value ought to be below the significance level (0.05). The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = Organizational performance; β_0 = Constant Term; β_1 , β_2 , β_3 and β_4 = Beta coefficients; Are constants regression coefficients representing the condition of the independent variables to the dependent variables; X_1 = Transformational leadership; X_2 = Transactional leadership; X_3 = Situational leadership; X_4 = Participatory leadership; ε = Error term Error term

explaining the variability of organizational Performance as a result of other factors not accounted for.

Research Findings and Discussion

Out of the 88 questionnaires distributed among study participants, 85 responded. This was a response rate of 96.59% which according to Mugenda and Mugenda (2003), is considered excellent for conclusive data analysis and interpretation. This high response rate was achieved through an introductory letter that accompanied the research questionnaire.

Transformational leadership

The first objective of this study was to determine the effect of transformational leadership style on the organizational performance of the listed commercial banks in the NSE. The respondents were asked to indicate the extent which they agreed with the following transformational leadership aspects on organization performance of their organization. A Likert scale was used where 1 represented Strongly Disagree; 2 represented Disagree; 3 represented Neutral; 4 represented Agree; 5 represented Strongly Agree.

Table 2: Transformational Leadership Aspects

	Mean	Std. Deviation
Idealized Influence		
Leaders motivate confidence and team spirit among the staff	3.717	1.259
Leaders in our organization are responsive to employee ideas and thoughts	3.458	1.393
Leaders have articulated a clear vision for the future	3.635	1.437
Inspirational Motivation		
There are incentive programs to motivate the staff	3.388	1.145
The leaders provide an appropriate environment to enhance creativity and innovation	3.447	1.267
The staff are involved in the decision making process	3.247	1.223
Individualized consideration:		
Leaders pay close attention and address the needs of staff	3.647	.959
Leaders support a flexible work schedule	3.352	1.241
There are coaching and mentorship programs in our organization to enhance personal skills	2.388	1.423

In relation to idealized influence, the respondents agreed that Leaders motivate confidence and team spirit among the staff as indicated by a mean of 3.717. They also agreed that leaders have articulated a clear vision for the future as indicated by a mean of 3.635. They were however neutral that leader in their organization is responsive to employee ideas and thoughts as shown by a mean of 3.458.

In regard to inspirational motivation, the respondents were neutral that the leaders provide an appropriate environment to enhance creativity and innovation as shown by a mean of 3.447. They were also neutral that there are incentive programs to motivate the staff as shown by a mean of 3.388. In addition, they were neutral that the staff are involved in the decision making process as indicated by a mean of 3.247. These findings agree with McCleskey, (2014) who indicated that inspirational managers align individual and organizational objectives, thus making

the achievement of organizational objectives an attractive means of achieving personal objectives. Inspirational motivation makes use of behaviour to motivate and inspire employees by offering a shared meaning and a challenge to the followers.

In relation to individualized consideration, the respondents agreed that Leaders pay close attention and address the needs of staff as shown by a mean of 3.647. They were however neutral as indicated by a mean of 3.352 that Leaders support a flexible work schedule. In addition, by a mean of 2.388 they disagreed that there are coaching and mentorship programs in their organization to enhance personal skills. These research findings concur with Judge and Piccolo (2004) who noted that individualized consideration is the degree to which the leader attends to the needs of each employee, mentors them and listens to their concerns and this affects how an organization performs.

Transactional leadership

The second objective of this study was to assess the effect of transactional leadership style on the organizational performance of the listed commercial banks in the NSE. The respondents were asked to indicate the extent which they agreed with the following transactional leadership aspects on organization performance of their organization. The results were as shown in Table 3.

Table 3: Transactional Leadership Aspects

	Mean	Std. Deviation
Contingent reward		
Leaders tell the staff what to do if they want to be rewarded for their work	3.752	1.317
Leaders provide recognition/rewards when the staff reaches their goals.	3.494	1.108
Leaders clarify their expectations and offer recognition when goals are achieved.	3.564	1.267
Management by exception (Active)		
Leader specifies the standards for compliance and what constitutes ineffective performance	3.470	1.170
Leaders punish subordinates for being out of compliance with the set standards	3.352	1.202
There is close monitoring for mistakes and errors and then taking corrective action as quickly as needed	3.470	1.170
Management by exception (passive)		
Leaders in our organization avoid specifying agreements	2.764	1.350
Leaders avoid clarifying expectations and standards to be achieved by subordinates	3.094	1.385
Unless the problem gets worse, leaders do not interfere	3.882	1.039

In relation to contingent reward, the respondents agreed that leaders tell the staff what to do if they want to be rewarded for their work as indicated by a mean of 3.752. They also agreed that leaders clarify their expectations and offer recognition when goals are achieved as indicated by a mean of 3.564. However, they were neutral that leaders provide recognition/rewards when the staff reaches their goals as shown by a mean of 3.494. The study concurs with Bass (2000) who explained that in transactional leadership, effective leaders accommodate the interest of their subordinates by giving contingent incentives, honour and promises for those who auspiciously

succeeded in fulfilling the commitments of the leaders or the organization. This leads to performance in the organization.

In relation to Management by exception (Active), the respondents were neutral that Leader specifies the standards for compliance and what constitutes ineffective performance as shown by a mean of 3.470. With a similar mean of 3.470 the respondents were neutral that there was close monitoring for mistakes and errors and then taking corrective action as quickly as needed. Further, they were neutral that Leaders punish subordinates for being out of compliance with the set standards as shown by a mean of 3.352. In relation to management by exception (passive), the respondents agreed that unless the problem gets worse, leaders do not interfere as indicated by a mean of 3.882. They were neutral that leaders avoid clarifying expectations and standards to be achieved by subordinates as shown by a mean of 3.094. They also disagreed that Leaders in their organization avoid specifying agreements as shown by a mean of 2.764. These research findings concur with Suleiman et al. (2011) who noted that the passive management by exception provides then transactional leader to interface in the matter of the employee when the subordinate gives unacceptable performance.

Situational leadership

The third objective of this study was to determine the effect of Situational leadership style on the organizational performance of the listed commercial banks in the NSE. The respondents were asked to indicate the extent which they agreed with the following situational leadership aspects on organization performance of their organization. The results were as presented in Table 4.

Table 4: Situational Leadership Aspects

	Mean	Std. Deviation
Delegation		
Leaders rely on delegating when the follower can do the job and are motivated to do it.	3.870	1.325
There is a high amount of trust that the followers will do well, and the follower require little supervision or support.	3.647	1.054
Delegating keeps the leader involved in the decisions and problem-solving, but execution is mostly in the hands of the employees	3.729	1.106
Supporting		
Leaders guide the employees on what to do and how to do it	3.717	1.042
Leaders in our organization motivate and build confidence in people	2.576	1.321
Leaders in our organization listen give praise and make the followers feel good when they show the necessary commitments for success.	3.329	1.348
Coaching		
Leaders spends time listening, advising, and helping the follower gain necessary skills	3.611	1.036
Leaders provide specific guidance and close supervision to followers	3.470	1.150
Leaders make decisions and communicate them to the followers	2.882	1.392

In relation to delegation, the findings indicated that the respondents agreed that Leaders rely on delegating when the follower can do the job and are motivated to do it as shown by a mean of 3.870. In addition the they agreed that delegating keeps the leader involved in the decisions and problem-solving, but execution is mostly in the hands of the employees as shown by a mean of

3.729. Using a mean of 3.647, they agreed that there is a high amount of trust that the followers will do well, and the follower require little supervision or support. These research findings agree with Rok (2009) that a participative leader ensures openness to new ideas as an essential element in order to encourage participation of followers.

In relation to supporting, the findings indicated that the respondents agreed that Leaders guide the employees on what to do and how to do it as shown by a mean of 3.717. Using a mean of 3.329 they were neutral that leaders in their organization listen give praise and make the followers feel good when they show the necessary commitments for success. In addition, they were neutral that leaders in their organization motivate and build confidence in people as shown by a mean of 2.576. In relation to coaching, the findings indicate that the respondents agreed that leaders spends time listening, advising, and helping the follower gain necessary skills as shown by a mean of 3.611. They were however neutral that leader provides specific guidance and close supervision to followers and that leaders make decisions and communicate them to the followers as shown by a mean of 3.470 and 2.882 respectively.

Participatory leadership

The fourth objective of this study was to ascertain the effect of Participatory leadership style on the organizational performance of the listed commercial banks in the NSE. The respondents were asked to indicate the extent which they agreed with the following situational leadership aspects on organization performance of their organization.

Table 5: Participatory Leadership Aspects

	Mean	Std. Deviation
Involvement in Decision making		
Leaders involve employees in goals setting	3.094	1.201
Before making major decisions employees in various departments are consulted for opinions	3.400	1.245
The opinions and views of the employees are put into consideration during decision making	3.141	1.114
Involvement in problem solving		
Leaders in the organization involve staff in problem solving	3.541	1.296
Leaders in the organization create an appropriate environment for creativity and innovation	3.517	1.287
Employees in the organization are free to give their suggestions and recommendations	3.552	1.418
Team Building		
Leaders in the organization have serious consideration for teamwork	3.847	1.159
Leaders in the organization provide an appropriate environment for team building	3.635	1.111
Leaders enhance team building by providing training opportunities	3.552	1.149

In relation to involvement in decision making, the findings indicated that the respondents were neutral that before making major decisions employees in various departments are consulted for opinions as shown by a mean of 3.400. In addition, they were neutral that the opinions and views of the employees are put into consideration during decision making as shown by a mean of 3.141. By a mean of 3.094 they were neutral that leaders involve employees in goals setting. The

research findings concur with Robinson (2004), who stated that employees collaborate with colleagues to improve their job performance within the job for the benefit of the organization.

In relation to involvement in problem solving, the respondents agree with a mean of 3.552 that Employees in the organization are free to give their suggestions and recommendations. In addition, they agreed that Leaders in the organization involve staff in problem solving and leaders in the organization create an appropriate environment for creativity and innovation as shown by a mean of 3.541 and 3.517 respectively. These research findings are in agreement with Quirin (2017) who indicated that a leader needs to create an environment that encourages employees to help solve problems. A key element is to focus your energies on improving the areas that are important to you and to them. In relation to team building, the respondents agreed that Leaders in the organization have serious consideration for teamwork as shown by a mean of 3.847. In addition, they agreed that leaders in the organization provide an appropriate environment for team building and that leaders enhance team building by providing training opportunities as shown by a mean of 3.635 and 3.552 respectively.

Organizational performance

The performance of commercial banks was measured in terms of non-performing loans rate, return on equity and customer service index.

Leadership Styles and Organizational Performance

The respondents were asked to indicate the extent to which various leadership styles influence the organizational performance of their organizations. The results were as presented in Table 6.

Table 6: Leadership Styles and Organizational Performance

Leadership styles	Mean	Std Deviation
Transformational leadership	3.989	0.872
Transactional leadership	3.232	0.782
Situational leadership	2.233	0.923
Participatory leadership	4.512	0.872

From the findings, the respondents indicated with a mean of 4.512 that participatory leadership influences organizational performance in their organization to a very great extent. In addition, they indicated with a mean of 3.989 that transformational leadership influences organizational performance in their organization to a great extent. Further, the respondents indicated with a mean of 3.232 that transactional leadership influences organizational performance in their organization to a moderate extent. Also, the respondents indicated with a mean of 2.233 that situational leadership influences organizational performance to a low extent. These results show that participatory leadership influences organizational performance most, followed by transformational leadership, transactional leadership and situational leadership. These findings agree with Ali, Mohamed and Davoud (2011) findings that participatory leadership and transformational leadership are the most commonly used in the most successful organizations.

Non-performing loans Rate

The respondents were asked to indicate what has been the rate of nonperforming loans in their bank for the last five years. The findings are as presented in figure 2.

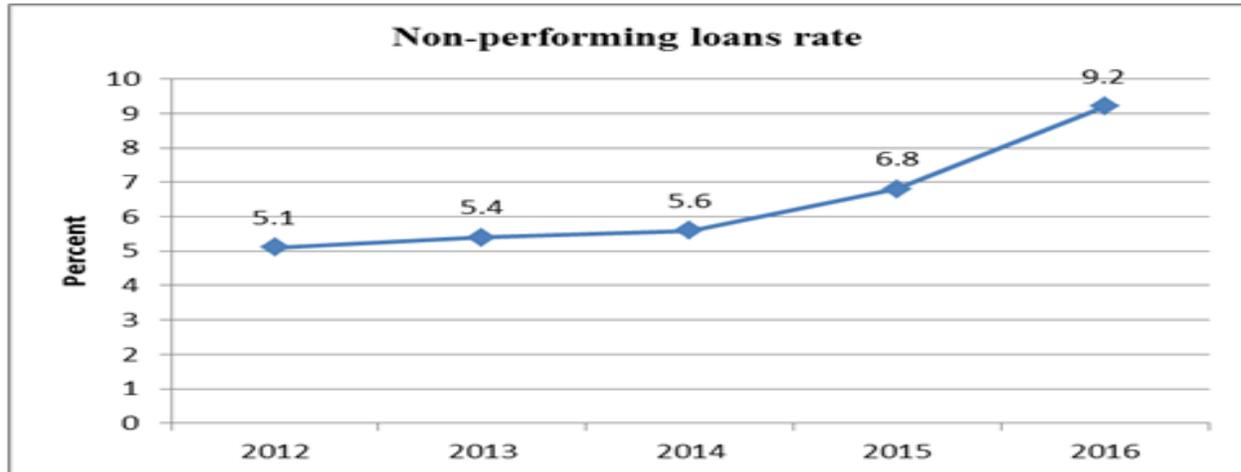


Figure 2: Trend of Non-performing loans Rate

From the findings, the non-performing loans rate was on an increasing trend whereby in 2012, the non-performing loans rate was at 5.1% and increased to 5.4% in 2013. In 2014 the non-performing loans rate increased to 5.6%. There was a steady increase in 2015 where the non-performing loans rate increased to 6.8% and later increased to 9.2% in 2016. These findings concur with Capital Markets Authority (2017) report that non-performing loans in Kenya have been increasing over the years. In the last five years Kenya has been experiencing an increase in inflation due to the high political temperature relation to the 2017 elections. Inflation negatively influences the capability of a community to pay their loans as it also affects performance of businesses.

Return on equity

They were also requested to indicate what has been the return on equity in their bank for the last five years. The findings are as presented in figure 3.

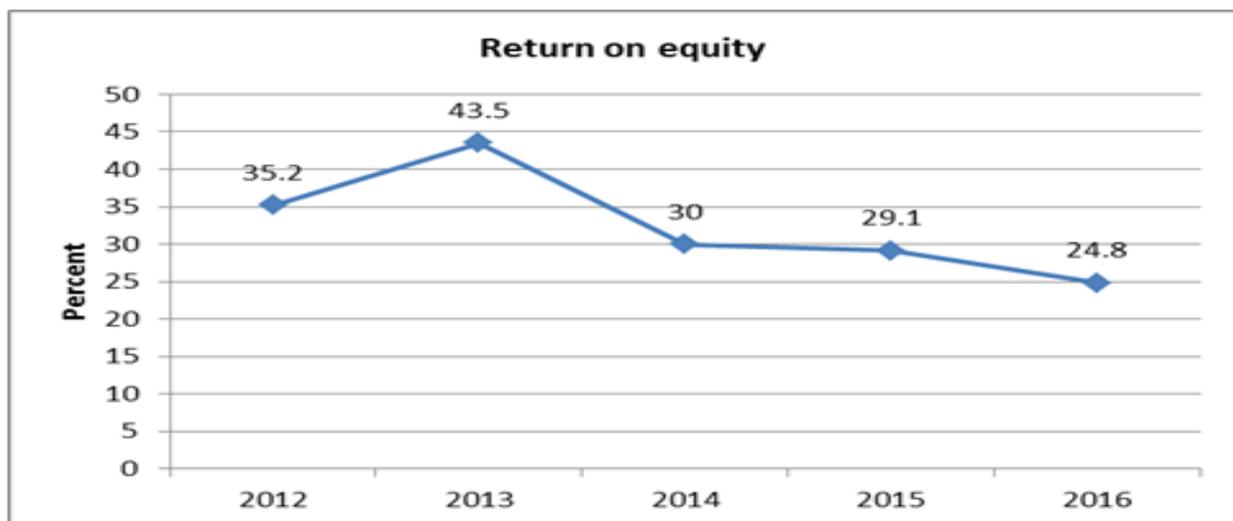


Figure 3: Trend of Return on equity

From the findings, the return on equity has been changing over the years. In 2012, the return on equity was 35.2% which increased to 43.5% in 2013. However there was a decrease to 30% in

2014. In 2015, the return on equity decreased to 29.1%. In 2016, there was a steady decrease in the return on equity which reduced to 24.85. These findings agree with Bank Supervision Report (2015) findings that the profitability of commercial banks has been fluctuating for the last five years. Before interest rate capping in August 2016 profitability was on an upward trend. However, after interest rate capping the profitability of commercial banks in terms of return on equity began to decrease.

Customer service index

Further, the respondents were asked to indicate what has been the customer service index in their bank for the last five years. The findings are as presented in figure 4.

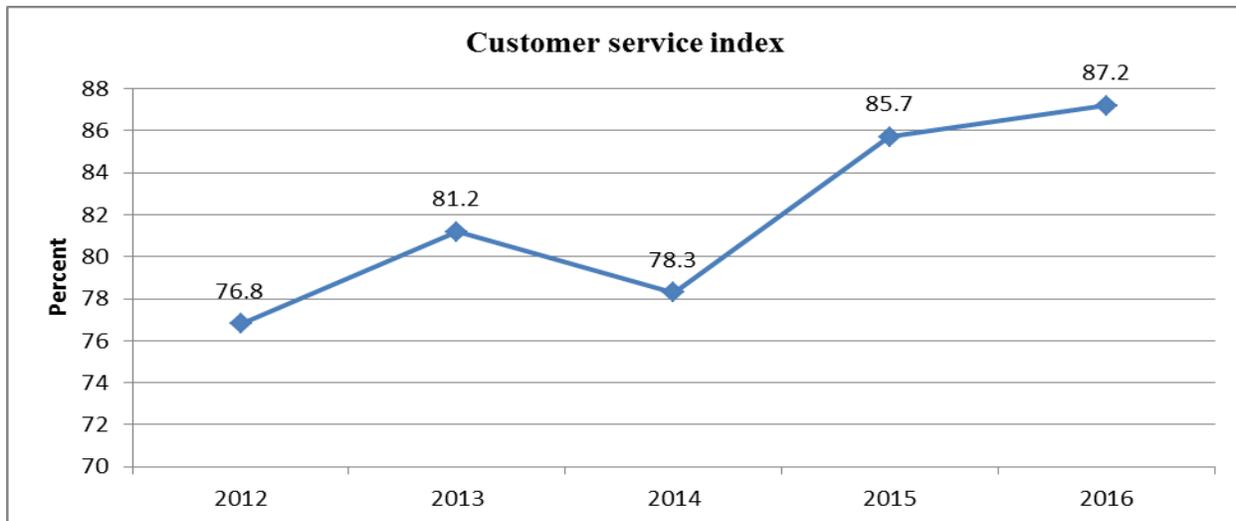


Figure 4: Customer service index

From the findings, the customer price index had been fluctuating over the years. In 2012, the average customer price index was 76.8% which increased to 81.2% in 2013. The average customer price index decreased to 78.3% in 2014 but increased to 85.7% in 2015. In 2016 the average customer price index increased to 87.2%. These findings agree with Koech and Namusonge (2012) findings that customer price index among commercial banks in Kenya has been increasing over the years.

Regression analysis

A multivariate regression analysis was also carried out to determine the relationship between dependent variable and the four independent variables. The regression equation was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y = Organizational performance, β_0 = Constant Term; β_1 , β_2 , β_3 and β_4 = Beta coefficients; Are constants regression coefficients representing the condition of the independent variables to the dependent variables. X_1 = Transformational leadership, X_2 = Transactional leadership, X_3 = Situational leadership, X_4 = Participatory leadership, ε = Error term Error term explaining the variability of organizational Performance as a result of other factors not accounted for.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.839	0.7039	0.6862	0.03859

The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables. From the findings, the R-squared in this study was 0.7039, which shows that the four independent variables (Transformational leadership, participative leadership, transactional leadership and situational leadership) can explain 70.39% of the variation in the dependent variable. This clearly shows that other factors not considered in this study explain 29.61% of the variation in the dependent variable, performance of commercial banks listed at the NSE in Kenya.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.560	4	28.140	18891.610	.000 ^b
	Residual	.119	80	.001		
	Total	112.679	84			

From Table 4.10, the analysis of variance in this study was used to determine whether the model is a good fit for the data. The results indicate that the model was significant since the p-value (0.000) was less than 0.05 thus the model is statistically significance in establishing the influence of Transformational leadership, participative leadership, transactional leadership and situational leadership on the performance of commercial banks listed at the NSE in Kenya. Further, the F-calculated (18891.610) was found to be more than the F-critical (2.46) which shows that the models was fit in establishing the influence of the four independent variables on the dependent variable.

Table 8: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.704	0.144		4.889	0.000
Transformational	0.417	0.118	0.017	3.534	0.000
Transactional	0.203	0.081	0.105	2.506	0.000
Situational	0.132	0.058	0.13	2.276	0.002
Participatory	0.742	0.124	0.751	5.984	0.000

From the findings, transformation leadership has a positive effect on the performance of the commercial banks listed at the NSE in Kenya as shown by a regression coefficient 0.417. This is an indication that a unit increase in transformation leadership would lead to a 0.417 improvement in performance of commercial banks listed at the NSE in Kenya. The p-value (0.000) was less than the significant level (0.05) hence the significant relationship. The results also show that transactional leadership has a positive effect on the performance of the commercial banks listed at the NSE in Kenya as indicated by a regression coefficient 0.203. This is an indication that a

unit increase in transactional leadership would lead to a 0.203 improvement in performance of commercial banks listed at the NSE in Kenya. The p-value (0.000) was less than the significant level (0.05) hence the significant relationship.

In addition, the results show that situational leadership has a positive effect on the performance of the commercial banks listed at the NSE in Kenya as indicated by a regression coefficient 0.132. This is an indication that a unit increase in situational leadership would lead to a 0.132 improvement in performance of commercial banks listed at the NSE in Kenya. The p-value (0.000) was less than the significant level (0.05) hence the significant relationship. Further, the results show that participatory leadership has a positive effect on the performance of the commercial banks listed at the NSE in Kenya as indicated by a regression coefficient 0.742. This is an indication that a unit increase in participatory leadership would lead to a 0.742 improvement in performance of commercial banks listed at the NSE in Kenya. The p-value (0.000) was less than the significant level (0.05) hence the significant relationship.

Conclusion

The study concludes that transformational leadership has a positive and significant effect on the organizational performance of commercial banks listed in Nairobi Security Exchange. The study found that idealized influence, inspirational motivation and individualized consideration have a significant effect of organizational performance.

The study also concludes that transactional leadership has a positive and significant effect on the organizational performance of commercial banks listed in Nairobi Security Exchange. The study found that contingent reward, management by exception (active), management by exception (passive) have a significant effect of organizational performance.

In addition, the study also concludes that situational leadership has a positive and significant effect on the organizational performance of commercial banks listed in Nairobi Security Exchange. The study found that delegation, supporting, coaching have a significant effect of organizational performance.

Further, the study also concludes that participatory leadership has a positive and significant effect on the organizational performance of commercial banks listed in Nairobi Security Exchange. The study found that Involvement in decision making, involvement in problem solving, team building have a significant effect of organizational performance.

Recommendations

This research study recommends that;

- The leaders in commercial banks listed in Nairobi Security Exchange should improve on creativity and innovation and staff involvement in decision making, which will help in reducing resistance to change.
- There is need for the lenders in commercial banks listed in Nairobi Security Exchange to interfere in a problem before it gets worse and this enhances problem solving.
- Leaders in commercial banks listed in Nairobi Security Exchange should motivate and build their confidence in people and more so the employees and this will help improve the performance of the organization through staff motivation.

- Leaders in commercial banks listed in Nairobi Security Exchange should engage their followers in the decision making process. This will enhance decision making in the organization thus improvement on performance.
- Leaders in commercial banks listed in Nairobi Security Exchange should continue with the practice of involving the staff in goal setting and this will enable them work on the goals that they are well aware of.
- Leaders in commercial banks listed in Nairobi Security Exchange should consider the employee views and this will be essential in the formulation of goals in the organization.

Areas for Further Research

This study focus was on effects of leadership style on organisational performance of commercial banks listed at the NSE in Kenya. The findings of this study can therefore not be generalized to other sectors that are listed in the NSE. This study therefore suggests that a similar study to be carried out on effects of leadership style on organisational performance of other sectors listed at the NSE in Kenya apart from commercial banks. These sectors include insurance firms, agricultural sector, construction firms as well as the energy and petroleum firms. In addition, further studies should be carried out on effects of leadership style on organisational performance on public institutions in Kenya. Further, the study found that the four leadership styles could only explain 70.39% of organizational performance of commercial banks listed in NSE. The study suggests further studies on other factors affecting the performance of commercial banks listed in Nairobi Security Exchange. The study recommends that other research studies should be conducted on longitudinal studies that show the relationship between leadership and performance over time.

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