EFFECT OF TRANSFORMATIONAL LEADERSHIP ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA: CASE OF FAMILY BANK LIMITED

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ABSTRACT

Leadership in general has been attributed to play a key role in organizational performance that is measured in various ways from creating shareholders wealth through operational efficiencies to acquisition of business deals that leads to accelerated growth of the organization. Over the years transformational leadership that is associated with a leader who takes over a change process and manages to create a vision that leads the change and ultimately inspires the people to believe in that vision and work towards living up to the same, has gained so much attention. In any transformational process change is inevitable and can make or break an organization. While transformational leadership has been associated with positive results it is key to acknowledge that it can result to dissatisfaction among the members of staff who refuse to acknowledge the change process and depending on the power structures, it can be disastrous to the general performance of the organization. The study looked at Family Bank Limited and specifically the leadership that took over in 2011 and the role their leadership played on the performance of the bank. This study sought to establish the effect that the transformational leadership has on performance while concentrating on variables such as idealized influence, inspirational motivation, individualized consideration and intellectual stimulation. This study employed descriptive research design. The target population of this study was the 1902 staff working at Family Bank Limited. Stratified proportionate random sampling technique was used to select the sample. From each stratum the study used simple random sampling to select 319 respondents arrived at by adopting Kothari (2004) formula. This study collected primary data using self-administered questionnaires. Before the actual data collection, the researcher conducted a pilot study to determine the reliability of research instruments. The data was then analyzed using descriptive statistics with the help of SPSS and a multivariate regression model was employed to study if there is a correlation between transformational leadership and performance. The study concludes that, idealized influence affect performance to a great extent, being a role model to subordinates influences their take on change to a great extent as well as their willingness to work towards the company's and leaders vision. The study also concludes that inspirational motivation and intellectual stimulation affect performance to a great extent. Process improvement should be embedded in the ways of working, Job – rotations, cross - functional relations, creating connection and internal secondments are encouraged, leaders should support subordinates to come up with new ways of doing their jobs, Cross functional relations challenging follower's ideas and values for solving problems are encouraged and leaders do determine the team's climate. The study concludes that individual consideration influences performance to very great extent. The study recommends that sharing and teamwork should be encouraged by line managers, line managers should care about personal life of employees hence encouraging work-life balance, line managers and employees should jointly own employee's development actions and staff should be provided with skills and tools for success.

In addition, team leaders should listen and adopt employees' ideas and inputs, communicate the plan or target numbers clearly and of most importance leaders should keep employees updated on how their actual performance is tracking against the targets. Transformational leaders are therefore necessary in all organizations.

INTRODUCTION

In the recent past, formidable business giants have been unable to sustain their position in this ever changing business environment. While many want to attribute it to various factors such as market forces, globalization and many more, what should be clear is that the leadership of any organization is responsible for steering its team to greater heights even in turbulent times. Organizations such as Nokia despite their market share were unable to maintain their position when smart technology took over because of internal organization issues that could have been handled better a sign of good leadership (Quy & Vuori, 2014). The business environment is very competitive and as such for a business to gain sustainable competitive advantage and stay afloat amidst the numerous challenges and create opportunities to thrive, the leadership of the day has to be both efficient and effective. There are five major styles of leadership; laissez-Faire, Autocratic, participative, transactional and transformational styles all which can be exercised depending on the organization and the people being managed. Currently a lot of focus is being given to the transformational leadership because of its ability to use the most important resource –the human resource – to achieve the organization goals.

Elenkov, Judge and Wright (2005) are of the opinion that today's leaders should be able to respond to constant change and lead their organizations through transforming their structure, functions, funding, and methods of delivery to successfully advance the mission. Environments perceived as highly uncertain will likely be viewed as very risky, as contexts in which a few erroneous decisions could result in severe trouble and possibly put the survival of organizations at risk. There are various types of perceived uncertainty about the environment including technological uncertainty, consumer uncertainty, competitive uncertainty, and resource uncertainty.

Volatility and complexity may make the environment less predictable and may influence the type of leadership emerging within the organization. In a volatile environment, new management styles that enable intangibles to be developed and dynamic capabilities to be practiced are clearly critical. Organizations cannot commence such strategic re-alignment without the presence of a transformational leader. Environmental complexity and scarcity as external factors influence the form of required transformational leadership (Acar, Beugre & Braun, 2006).

Birasnav, Rangneker and Dalpati (2011) observed that in this age of rapidly changing business environment, leadership is more crucial than ever. The present organizational focus on revitalizing and transforming organizations to meet competitive challenges, leadership plays a role in identifying new market opportunities and advancement of appropriate

competencies within organizations hence there is a positive relationship between transformational leadership behaviors and outcomes measured at the individual and organizational level. Transformational leadership facilitates higher performance than transactional leadership. While transactional leadership results in expected outcomes, transformational leadership results in performance that goes well beyond what is expected. Inevitably transformational leaders influence organizations' performance (Michealis et al, 2010).

The promotion of transformational leadership has been shown to improve the financial performance of organizations as well as to increase overall organizational effectiveness. In fact, the construct of transformational leadership is so closely associated with positive outcomes that it has been used to operationalize leadership effectiveness. Krishen & Singh (2010) found that organizations are progressively focusing on developing transformational leadership in their managers as it results to better organizational performance. Kotter (2010) was of the opinion that transformational leadership rarely has a problem with strategy, structure, culture or systems. The core issue with change is about changing the behavior of people which is ultimately achieved by addressing the people's feelings. He purported that assisting people see results into something new impacting people's emotions and creation of emotionally changed behavior and reinforcement of the changed behavior. Furthermore, transformational leadership steers the essential attitudes and assumptions of an organization's members, generating a common mentality to accomplish the firm's goals (Garcia-Morales, Llorens-Montes & Verdu-Jover, 2008).

Transformational leaders motivate teams by transforming the values and priorities of team members and inspiring them to perform beyond expectations. In a study conducted by Parolini, Patterson & Winston (2009), research also supports the fact that many managers subscribe to the view that the ability to create and share vision is a key quality of leaders. This is necessary to enable a transformational leader to think strategically, obtain commitment to a purpose (a company's organizational goal), do right and to be able to communicate the vision and infuse the stakeholders with enthusiasm and dedication.

In today's dynamic information society, the management of knowledge and innovation are key processes that enable us to create, exploit, renew and apply knowledge flows in new ways to create the essential competences for improvement of organizational performance. Today's organizations require new leaders who confront the reality based on knowledge and foster innovation to achieve improvements in organizational performance. Organizations fail to achieve sustainable competitive advantage due to their limited understanding of the relationships between strategic variables (Garcia-Morales, Llorens-Montes & Verdu-Jover, 2008). Transformational leaders encourage followers to challenge assumptions and think about new ways of doing tasks resulting to positive individual and organizational outcomes (Williams et al, 2010).

Family Bank Limited

Family Bank Limited previously known as Family Finance Building Society started off as a building society in 1984.Throughout its inception, it has sought to provide affordable financial services to the low and medium income earners and currently moving to corporates. Family Finance Building Society converted into a fully-fledged bank in May 2007 under the name Family Bank Limited (FBL).It has grown in leap and bounds and currently enjoys a branch network of 93 branches.

Of notable interest is the fact that at one time Equity Bank and Family Bank Limited were at the same level but currently Equity Bank has grown in terms of Balance sheet and its subsequent capabilities. The difference lies in the leadership and how the team is steered to realize the vision. Before the changeover strategic decisions followed the Entrepreneurial mode (Mintzberg, 2001) where strategy is guided by the founder's own vision of direction and is exemplified by large, bold decisions. Leadership changed hands and two CEOs later the Bank experienced tremendous growth. Under the leadership of the former CEO Mr Peter Munyiri the Bank was named the fastest growing bank at 138% in 2014 and for the first time in its history it achieved a PBT of over 1Billion in 2013 by posting 1.7 B which earned all the staff double salary bonus a fulfilled promised that had been made by Mr Munyiri and the incoming Chairman Mr. Wilfred Kiboro at the beginning of the year. In 2014, the Bank had a target of 3B and it posted 2.7B.

It is important to note that the change of leadership was not without controversy as there were staff layoffs owing to redundancy. In 2012, there was unrest among the staff evidenced by a high staff turnover. But during the transition period the CEO kept encouraging and inspiring those willing to work that the change is necessary to take the Bank to the next level in terms of performance and that in the end both parties stand to gain by committing to the journey ahead. Today the culture of the organization has changed and the core values have been embraced by majority, the structure adjusted to ensure efficiency and effectiveness and there is great improvement with regards to staff engagement and commitment that has led to collective ownership of the business. The bank has recently changed leadership once more and stakeholders are looking to see if the improved financial performance will be sustained.

A look at the banks performance through the recent years clearly demonstrates the effect that leadership has on performance. In 2010, the bank reported a PBT of 517,958 and in 2011 it reported 522,565 a slight growth of 0.88%. In 2012 when the current MD took over the bank delivered a profit before tax for the group of Kes 868 million. This represents a 66.2% growth. The total shareholders' funds grew by Kes 1.6 billion from Kes 3.3 billion as at December 2011 to Kes 4.9 billion as at December 2012 owing to an increase in core capital arising from the rights issue that was done and retained earnings. This performance was achieved amidst an ongoing investment in the expansion of the banks geographic footprint, ICT infrastructure and the talent pool that strengthened the key drivers of the bank business model. 2013 continued to be an impressive year for the bank as it Delivered Profit before tax (PBT) Ksh 1.79 billion from Ksh 868 million an increment of 108%. This impressive financial performance placed Family Bank ahead of other banks as the fastest growing bank

and earned the institution entry to the Billionaire Profit rankings league and also outperformed the banking industry by more than doubling the profitability. The remarkable increase in profit before tax was mainly attributed to expansion, growth in the customer base, quality lending and cost efficiency. During that year total assets grew by Ksh 12.5 billion representing a 40% increase from Ksh 31 billion as at 31st December 2012 to Ksh 43.5 billion as at 31st December 2013.

This high growth in assets was primarily attributable to the growth in the number of customers, the loan book and the branch expansion. Net loans and advances stood at Ksh 27.9 billion as at 31st December 2013 compared to Ksh 17.9 billion as at 31st December 2012, representing a 56% growth. In addition the customer base increased by 175,932, being 15% growth to stand at 1.33 Million as at 31st December 2013 up from 1.15 Million customers as at 31st December 2012. Consequently, the customer Deposits grew by 41% from Ksh. 24.6 Billion as at 31st December 2012 to Ksh 34.6 billion as at 31st December 2013. This was as a result of an aggressive customer growth campaign, enhanced product offering, a strong presence in the institutional banking sector and expansion of the branch network. In 2014, the bank continued to grow and although the 2014 results have not been posted as at September 2014, the bank had made a profit before tax of 2.006B. In 2013 the bank received an award for being the Best Employer (Deloitte & Touch, 2013).

STATEMENT OF THE PROBLEM

Research on leadership has dedicated a lot of effort in demonstrating the superiority of transformational leadership over other leadership styles in predicting organizational performance (Hancott, 2005). However, bad leadership and leadership decisions have brought companies who were once formidable to its knees (Northouse, 2010). Organizations fail to achieve sustainable competitive advantage due to their limited understanding of the relationships between strategic variables including the role of leadership (Garcia-Morales, Llorens-Montes, & Verdu-Jover, 2008).

In the case of Family Bank Limited, before the change of leadership in 2012, the founder still had immense control exercised through the choice of board directors, managing director and to some extent the top level leadership. This resulted in subjective decisions and minimal risk appetite. With the infusion of a youthful leader who wanted to be associated with immense growth, a campaign he dubbed "The Big Bank", the financials changed drastically. In addition in 2013, the founder of the bank relinquished the chairmanship of the Bank to a new chairman who has immensely contributed to the improved standing of the bank in terms of corporate image. A comparative analysis of the financials of Family Bank shows the difference in performance before the change of leadership and the subsequent year (Family bank, 2011).

In the recent past, FBL has undergone tremendous expansion coupled with an economic as well as social demand for quality financial services which has brought about a number of challenges. Increased access, the flood of customers in search of market-driven products, staff retention and increased competition for customers from local commercial banks and

other financial institutions and overseas are some of the challenges (Nyaigotti-Chacha, 2004; Mwangi et al, 2011). Of notable interest is the fact that in this first half of 2016 net profit has declined to 711.52 million from 1.18 Billion netted in a similar period 2015.

A period of crisis require sound leadership in order to be successful and effective. The transformational-transactional leadership theory postulates that a transformational leader emerges more strongly and effectively in situations of crisis or uncertainty. To be competitive in this environment, therefore, FBL need to reform in terms of their programs, leadership, and infrastructure both physical and technological. Such reform requires a determined leader whose vision and support make possible the success of the reform strategies and transformational leaders fit the description (Mwangi et al, 2011).

Studies conducted the world over seem to support the relationship between transformational leadership and performance (Quy & Vuori, 2014; Brand *et al*., 2009; Mbithi, 2014). However, although the positive effects of transformational leadership are relatively well researched in the American context, very little is known about its effect in developing countries and more so in the banking sector. With this in mind, there is need for a study to be conducted in order to determine whether the transformational leadership practices exist in the company and whether they deliver improved performance for FBL. Furthermore, very few studies have examined the variables within banks or in the Kenyan context (Njehu, 2012; Ndiritu, 2012; Awuor, 2015; Deigha, 2016). This study therefore sought to establish the effect of transformational leadership on performance of commercial banks in Kenya with reference to Family bank Limited.

GENERAL OBJECTIVE

The general objective of the study was to establish the effect of transformational leadership on performance of commercial banks in Kenya with reference to Family bank Limited.

SPECIFIC OBJECTIVES

1. To establish the effect of idealized influence on performance of FBL in Kenya
2. To determine the effect of inspirational motivation on performance of FBL in Kenya
3. To assess the effect of individualized consideration on performance of FBL in Kenya
4. To establish the effect of intellectual stimulation on performance of FBL in Kenya

THEORETICAL REVIEW

This study was mainly informed by the transformational-transactional theory of leadership, the behavioral theory, contingency theories of leadership and the social learning theory are introduced and referred to as they all support the transformational-transactional theory of leadership in its application and success in organizations.

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 Burns (2003) in his analysis of political leaders. It was further expounded in the 1980s by Bass (1985) 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 (Doherty and Danylchuk, 1996). Bass (1985) however posits that transformational leadership is an augmentation and extension of transactional leadership and that transformational leaders pick from where transactional leaders reach.

According to Burns (2003), the difference between transformational and transactional leadership is what leaders and followers offer one another. He is of the view that transformational leadership is more effective than transactional leadership. Transformational leaders go beyond transactional leaders and motivate followers to identify with a leader's vision and sacrifice their self-interest for that of the organization (Howell and Avolio, 1993; Yammarino, Spangler, and Bass, 1993). Burns (2003) posits that transformational leadership involves transforming individuals, groups and organisations as well also create real and substantive change in profits direction, the attitude of employees and moral elevation. Bass (1985) refined the transformational leadership theory by Burns and held that leaders have the ability to inspire and activate subordinates to perform beyond all expectations and achieve goals that are beyond those originally set.

Despite the popularity of transformational-transactional theory of leadership (1985), it has been criticized for its conceptual weaknesses. Yulk (2009) argued that although transformational leadership is expected to improve organizational performance, it does not address the effect a transformational leader has on organizational processes that are key to organizational performance. He argues that past studies have not sufficiently discussed the causal effect of transformational leadership on the processes that lead to the effectiveness of organizations such as structure, culture, strategy and technology. Another weakness of the transformational theory is its tendency to address only the effect of a transformational leader on individual behaviour and not on the group or organization (Yulk, 2009). He posits that the high inter-correlation of the transformational leader behaviours raise questions on the construct validity of the measurement instrument as well as the omission of other leadership behaviours which contribute to leadership efficiency like delegating, coordinating, networking with peers and promoting organizational learning.

Another criticism is by Pettigrew (1987) and Pawar and Eastman (2007) who are of the view that past studies on the transformational-transactional theory have not sufficiently included the situational variables that may enhance or moderate the transformational leadership effect on followers. They acknowledge the fact that transformational leaders do not operate in a vacuum and therefore situations like unfavourable environmental conditions, different organizational structures, and organizational culture may impact the effectiveness of a

transformational leader. It has also been pointed out that the theory does not identify situations when transformational leadership is detrimental.

According to Harrison (1987) followers of transformational leaders can be so motivated such that they experience "burn out". The transformational-transactional theory is said to have a bias towards heroic conceptions of leadership by not giving room for shared responsibility or the followers' individual capacity to perform (Yulk, 2009). Despite the stated conceptual weaknesses of the transformational-transactional theory, many writers have described the positive aspects of the theory in testing for leadership effectiveness and that there is considerable evidence that transformational leadership is effective. The theory points at the aspects of inspirational motivation which is anchored on the leader's ability to define, articulate and communicate a vision is just as important as the nature of the vision as well as motive others by providing meaning and challenge to their work.

Contingency Theory

This theory holds the view that the problem which brings a person into leadership position may be different from those that make him effective on the job. In 1960s' when researchers such as Kotter (1988) and Jones (2011) in their Ohio State and Michigan University studies began to believe that environmental variables played some role in organization leadership effectiveness, the contingency theory era evolved. According to Orly (2005), the focus of the contingency theory era was on the observed behavior of leaders and their followers in various situations, not on any inborn or developed ability or potential for leadership. Thus the contingency theory of leadership proposed that leadership effectiveness depended on the fit between personality, task, power, attitude, and perceptions. This is in line with the individual consideration which focus on leaders' attention to the individual needs of their followers for achievement and growth.

Situational Leadership is composed of four leaderships in accordance with the degree of task and relationship behaviors that a leader exhibit towards his followers or subordinates: high task and high relationship, high task and low relationship, low task and high relationship, and low task and low relationship (Hersey, 2009). The realization that there is no one correct type of leader led to theories that the best leadership depends on the situation. These theories try to predict which style is best in which circumstance. For instance, when you need to make quick decisions, which style is best? When you need the full support of your team, is there a more effective way to lead? Should a leader be more people-oriented or task-oriented? These are all questions that contingency leadership theories try to address which point to the aspects of idealized influence a major cornerstone of the transformational leadership.

Behavioral Theory

After the trait theory, the researchers started exploring the behavior of the leaders and made assumptions that the traits and the leadership qualities are not inherited; they can be learned and mastered by any person. The behavior era according to Hemphill and Cacioppe (2009), began in the late 1940s when researchers began to explore the idea that how a person acts

determines that person's leadership effectiveness because simply analyzing the leaders' traits cannot provide enough information about leadership effectiveness. Hersey and Blanchard (2005) examined behaviors and their impact on measures of effectiveness such as production and the satisfaction of followers in an organization. In the behavioral theory, leadership behavior can be studied by analyzing what leaders do in relation to accomplishing tasks and maintaining the efforts of people performing the tasks. This means that leaders are not born but made.

The behavioural theory of change posits that behaviour in a leader will evoke some sort of expected, specific or measurable behaviour in the follower (Hancott, 2005). The subsequent behavior by the follower as a result of the leader's action will cause the leader to review the action either by repeating it or by abandoning it all together. Studies indicate that behavioral theories have had minimal success in improving organizational performance. Robbins (2009) argues that researchers have not been able to fully explain leadership through either traits or behavioural theories and hence the consideration of the situations or contingency factors of the leader. Scholars have shown that a leadership may work in one and not in another situation.

Behavioral theories focus on how leaders behave. For instance, do leaders dictate what needs to be done and expect cooperation? Or do they involve their teams in decision-making to encourage acceptance and support? In the 1930s, Kurt Lewin developed a framework based on a leader's behavior. He argued that there are three types of leaders: Autocratic leaders whereby the leader makes a decision without consulting the team.Democratic style where the leader allows the team's input in decision making. This style is important when team agreement matters, but it can be difficult to manage when there are lots of different perspectives and ideas. Laissez-faire leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable, is motivated, and doesn't need close supervision.

Researchers have realized, though, that many of these leadership behaviors are appropriate at different times depending on the subject too which is an aspect of individualized consideration. The best leaders are those who can use many different behavioral styles, and choose the right style for each situation (Hemphill & Cacioppe, 2009). Thus, transformational leaders influence behaviour and generate different ways of thinking, seeking new opportunities or solutions to problems and adopting generative, exploratory thought processes. Transformational leaders have individualized consideration that encourage followers to question assumptions and think about new ways of doing tasks.

Social Learning Theory of Leadership

The social learning theory of leadership states that people can learn through observation and direct experience (Bandura, 1977). It assumes that behaviour is a function of consequences and the perceptions that people have on the consequences (Luthans, 2007). Bandura (1977) posits that most of the behaviour that people display is learned, either deliberately or

inadvertently through the influence of models. He further states that a good example is much better than a consequence of unguided actions.

Through observing others, one forms an idea of how new behaviours are performed, and on later occasions this information serves as a guide for action (Bandura, 1977) an aspect of intellectual stimulation. The social learning theory encompasses motivation, emotion, cognitions and social re-enforcers. According to Harrison (2011), social learning theory ties to transformational leadership behaviours in the form of motivation (idealized influence), observation (individualized consideration, mentoring and coaching), and modeling (inspirational motivation and modeling appropriate behaviors). These points to the intellectual stimulation where focus is on leaders' socialized charisma such as confidence, beyond self-interest, ethical standing, and to make decisions without consulting their teams. This style of leadership is considered appropriate when decisions need to be made quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.

EMPIRICAL REVIEW

Factors of transformational leadership can be proposed under the four common I's that are idealized influence, inspirational motivation, intellectual stimulation & individual consideration and later on other theorists included a fifth dimension of active contingent management to the common four I's (Schneider and George, 2011). Research into organizational behavior in different environments found that transformational leadership had a positive influence on employee performance and therefore organizational productivity (Northouse, 2010). An understanding of the interplay between transformational leadership and organizational performance is an important factor for developing effective organizations. Finding ways to optimize the performance of people and consequently that of organizations has been and continue to be a major concern for organizational leaders. This section reviews literature on the influence of transformational leadership and performance.

A study by Hancott (2005) examined the relationship between transformational leadership and organizational performance in the top 100 public companies in Canada as measured by total revenue. Among the findings were that transformational leadership is a common style practiced by leaders of the best performing public companies in Canada. The results of the study, however, did not conclusively show a relationship between transformational leadership and performance contrary to the researcher's original predictions that had been based on the Bass (1985) model of transformational leadership.

Ross and Offermann (2007) in a study to demonstrate performance effects of transformational leaders on their work groups, used interval-level measures of performance fully independent of subordinate ratings over 11 months using the same institutional performance criteria for all groups. They posited that these measures significantly extended the types of performance measures tested in previous studies and were less biased. However, the results did not reveal any significant relationships between transformational leadership and performance. Given that the performance measure had substantial content validity as well

as reason and opportunity to influence their followers, they concluded that leaders could affect their subordinates' performance through direct and indirect means.

Walumbwa, Avolio and Zhu (2008) conducted a study on transformational leadership,organizational commitment and job satisfaction:a comparative study of Kenyan and U.S Financial Firms. Data was collected using a questionnaire administered to the management of manufacturing firms. Data was analyzed using a descriptive statistics and correlation analysis. The findings iindicated that, transformational leadership correlated with subordinate skills with work worth to assess employees' performance. They trained their workers, arranged meeting with their subordinates and took feedback from their subordinates. The findings indicated employee productivity had increased. It was clear that satisfied employees had increased their work performance. Furthermore, they didn't think of leaving the organization.

Mwangi et al (2011) conducted a survey on the significance of emotional intelligence on transformational leadership in public universities in Kenya; the results established that there is a relationship between emotional intelligence and transformational leadership. However, trust and respect for the leader as well as openness to change and new ideas that are elements of transformational leaders did not show significant relationships.

Ndiritu (2012) conducted a study to explore the relationship between transformational leadership characteristics of secondary school principals and students' performance in the Nairobi County, Kenya. Students' performance was measured using past Kenya Certificate of Secondary Examination (KCSE) results. The sample population of this study was 40 principals and 207 teachers from all the secondary schools in the Nairobi County. The results of the study showed a statistically significant relationship between the total leadership characteristics and students' performance.

Njehu (2012) assessed the impact of transformational leadership on East African Breweries Limited competitive edge. The research design was a descriptive study of EABL. The employees at EABL (Kenya) will compose the population of interest in the study. A representation of 231 people from a population of 922 people was adequate. The study used primary (interviews) data collection method. The collected data was analyzed using measures of dispersion, coefficient of variation and correlation co-efficient. The study found that the respondents agreed that the six major practices of transformational practices exist. Articulating and identifying the company's vision, enhancing team-work, engaging in charismatic leadership, setting of high standards, inspiration motivation and intellectual stimulation. Further, a conducive organization culture, changing company policies, investing in a company's resources and capabilities and current leadership respectively are strategies that EABL can implement to give it a sustainable advantage.

Mbithi (2014) examined the relationship between transformational leadership, organizational characteristics, employee outcomes, leader-member relations and performance of Universities in Kenya. The study employed a positivist approach to research and used a descriptive survey research design. Data was collected in April 2014 from the top leadership of the 52 fully-

fledged universities in Kenya using a questionnaire. A response rate of 73% was realized. Descriptive statistics were used to obtain a general understanding of the universities while different statistical techniques such as regression analysis, correlation analysis and multiple regression analysis were used to analyse the data and test the hypotheses. In summary, it emerged, that transformational leadership behaviour of the top leadership of universities in Kenya led to high employee and organizational performance and that the top leadership of these universities is able to match their strategy with the correct structure, systems and technology to achieve organizational effectiveness.

RESEARCH METHODOLOGY

The researcher used descriptive research design. The design was considered appropriate due to its robust effect on relationship studies and because of the comparative analysis implied by several research objectives. Data collection was cross-sectional as the elements of the study are measured at a single point in time. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. The target population of this study was the 1902 staff working at Family Bank Limited. From the population frame the required number of subjects, respondents, elements or firms was selected in order to make a sample. A sample population of 319 was arrived at by calculating the target population of 1902 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004).

$$n = \frac{z^2 . N . \partial_p^2}{(N-1)e^2 + z^2 \partial_p^2}$$

Where; n = Size of the sample,

N = Size of the population and given as 1902,

e = Acceptable error and given as 0.05,

∂p = The standard deviation of the population and given as 0.5 where not known,

Z = Standard variate at a confidence level given as 1.96 at 95% confidence level.

Stratified proportionate random sampling technique was used to select the sample. Stratified random sampling is unbiased sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness. According to Babbie (2010), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. The method also involves dividing the population into a series of relevant strata which implies that the sample is likely to be more representative (Saunders et al., 2009).

The sampling ratio of 17% was representative since Churchill and Iacobucci (2010) argue that if well chosen, samples of about 10% of a population can often give good reliability. Further, Jankowicz (2012) indicated that, statistically, in order for generalization to take place, a sample of at least 10% - 30% of the whole population must exist.

This study utilized a questionnaire for primary data collection. The researcher carried out a pilot study to pretest the validity and reliability of data collected using the questionnaire. The questionnaires were administered using a drop and pick later method and also through emails.

Quantitative data collected was analyzed by descriptive analysis comprising of percentages, frequency distributions mean score and standard deviations. The descriptive statistical tools such as SPSS V 21.0 and MS Excel helped the researcher to describe the data and determine the extent used. The qualitative data was analyzed using content analysis and presented in prose form. In addition, a multivariate regression model was applied to determine the relative importance of each of the four variables with respect to organizational performance. 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 (coefficient of intercept), $B_1 \ldots B_4$ = regression coefficient of four variables, X_1= Idealized influence, X_2= Inspirational motivation, X_3= Individualized consideration, X_4= Intellectual stimulation, ε = Error term. Non parametric test which include analysis of variance (ANOVA) was used to test the significance of the overall model at 95% level of significance. The coefficient of determination (R2) was used to measure the extent to which the variation in organizational performance is explained by the variations in various aspects of transformational leadership.

RESEARCH RESULTS

Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (V. 21.0) to code, enter and compute the measurements of the multiple regressions.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891[a]	.793	.782	1.46113

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R^2, also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 78.2% of the performance in Family bank Limited could be attributed to the combined effect of the predictor variables. This therefore shows that the variables under study explain 78.2% of the dependent variable and the remaining 21.8% is explained by other variables that were not considered in this study.

Table 2: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	638.176	4	159.544	202.158	.000[b]
	Residual	166.522	211	0.789		
	Total	**804.698**	**215**			

The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how idealized influences, inspirational motivation, intellectual stimulation and individual consideration influenced performance at Family bank Limited. The F calculated at 5% level of significance was 202.158 since F calculated is greater than the F critical (value = 2.48), this shows that the overall model was significant. The ANOVA results indicate the model was significant at P = 0.00 and therefore this meets the threshold since P is less than 0.05.

Table 3: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.468	3.693		.127	.040
	Idealized influence	.638	.239	.419	2.671	.009
	Inspirational motivation	.790	.121	.515	3.232	.002
	Intellectual stimulation	.506	.157	.116	.865	.013
	Individual consideration	.556	.191	.823	6.065	.000

As per the SPSS generated able above, the equation

$(Y = \beta_0 + \beta_1 X_1 + \ + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon)$ become:

$$Y = .468 + 0.638 X_1 + 0.790 X_2 + 0.506 X_3 + 0.556 X_4$$

The regression equation above has established that taking all factors into account (Idealized influence, Inspirational motivation, Intellectual stimulation and Individual consideration) constant at zero performance was 0.468. The findings presented also show that taking all other independent variables at zero, a unit increase in the idealized influence would lead to a 0.638 increase in performance and a unit increase in inspirational motivation factors would lead to a 0.790 increase in performance. Further, the findings shows that a unit increases in intellectual stimulation would lead to a 0.506 increase in performance. The study also found that a unit increase in individual consideration would lead to a 0.556 increase in performance.

All the variables were significant (p<0.05) with intellectual stimulation being the most significant (p =0.013), Idealized influence (p=0.009) followed by Inspirational motivation (p = 0.002) while individual consideration was the least significant (p = 0.000). Overall, inspirational motivation had the greatest effect on performance at Family bank Limited,

followed by idealized influence factors then individual consideration while Intellectual stimulation had the least effect on performance at Family bank Limited.

Idealized Influence and Performance

The study found that idealized influence affect performance to great extent. Zopiatis and Constanti (2010) also observed that idealized Influence involves inspiring visions, sharing risks and hardships, and earning trust and confidence from subordinates. They concluded that, transformational leaders work to bring about human and economic transformation. Within the organization, transformational leaders generate visions, missions, goals, and a culture that contributes to the ability of individuals, groups, and the organization to practice its values and serve its purpose. The study further found that, being a role model to subordinates influences their take on change to a great extent. Manning and Robertson, (2011) also found that, at the organizational level the leaders build support networks, involve staff and develop teams, promoting a culture of excellence. Yukl (2010) found that Followers repose a lot of trust in leaders, and have confidence in achievement of the vision set by these leaders. This would lead to a collective belief in the achievement potential of the group as a whole. Similar observations were made by Sarros and Santora (2011) who concluded that leaders who are high in idealized influence also have a strong sense of emotional stability and control. These leaders rise above inner conflicts and believe strongly in their capacities to be masters of their own destinies. The followers admire the leader as a role model and respect the decisions made by him or her (Sullivan and Decker 2001).

Inspiring visions influence performance in Family bank Limited to a moderate extent. According to Tucker and Russell (2014), transformational leaders emphasize new possibilities and promote a compelling vision of the future. A strong sense of purpose guides their vision. Transforming organizations led by transforming leaders appeal to human characteristics that lift their sights above the routine, everyday elements of a mechanistic, power-oriented system. Earning trust and confidence from subordinates influences performance while motivation and stimulation of employee intelligence has influenced performance. Similar findings were observed by Zopiatis and Constanti (2010) who observed that idealized Influence involves inspiring visions, sharing risks and hardships, and earning trust and confidence from subordinates. Further Fink (2010) noted that transformational leaders create an extraordinary motivation by confirming the employees' ideas and values and inspiring them to think about various problems by utilizing modern methods. Transformational leaders change the society by their own words and behaviors. Their followers have a feeling of respect, dignity and loyalty toward them. Boss (2010) believes that transformational leadership model is applicable in a universality manner, which encourages the followers to neglect individual interests for group or organizational interests and stimulates them to work more than usual. Transformational leaders create an extraordinary motivation by confirming the employees' ideas and values and inspiring them to think about various problems by utilizing modern methods

Inspirational Motivation and Performance

The study further found that, in Family bank Limited, leaders treat everybody with respect and dignity including third parties. Zopiatis and Constanti (2010) also concluded that transformational leadership is comprised of behaviors consistent with communal traits, which are primarily, characteristics that enhance personal respect, teamwork, development of subordinates' skills and supporting others towards achieving goals. These attributes are imperative for an authentic transformational leader because they help in obtaining the commitment and productivity of organizational members. The study found that, leaders are ambassadors of the organization leaders are available for consultations as they practice open door policy and leaders sacrifice for the common good of the organization. Camps and Rodriguez (2011) were of the view that authentic transformational leaders were those who sacrificed for the common good. Self-sacrifice builds trust, earns followers' acceptance as a role model, and helps in making a leader transformational. Display of exemplary acts was positively related to followers' sense of reverence for the leader. Self-sacrifice by the leader leads to the development of a culture of giving and selfless service in the organization.

In addition, employees feel motivated by their leaders and leaders recognize others and celebrate their success. This was also noted by Jogulu (2010) who concluded that a team collaborates in their professional work in an enterprise or on some assignment, sharing accountability and responsibility for obtaining results. In addition, Manning and Robertson (2011) concluded that team members possess essential skills and abilities, a strong desire to contribute, collaborate effectively and have a sense of responsible idealism. Transformational leaders recognize the teams' diverse strengths and talent in turn transforming the vision into action. At the organizational level, the leaders build support networks, involve staff and develop teams, promoting a culture of excellence. On how inspirational motivation influenced performance in Family bank Limited, the study found that, consultation with supervisors, recognition from the management as well as subordinating of personal interest for the good of the organization were major contributors to performance. Krishnan (2014) also noted that, transformational leaders elevate people from low levels of need focused on survival by appealing toward their inborn desire to attain higher levels related to love, learning, leaving a legacy, and the like. The ways adopted to do so are many, and include making vivid descriptions of a good future that raises one's imagination, motivational speeches and conversations, public display of optimism and enthusiasm, highlighting positive outcomes stimulating teamwork. While attempting to motivate followers toward a higher level of needs, transformational leaders appeal to their followers' own interests as far as possible.

Intellectual Stimulation and Performance

The study found that intellectual stimulation affect performance great extent. This was consistent with Block (2013) who observed that, stimulating higher order needs engender creativity. Knowledge slack and absorption capacity are essential to facilitating personal and professional growth. As the importance of knowledge assets and absorptive capacity grow, firms will increasingly expect transformational management of these valuable assets from

their leaders. The study further found that, Process improvement at Family bank Limited is embedded in the ways of working, Job – rotations, cross - functional relations, creating connection and internal secondments are encouraged and leaders support subordinates to come up with new ways of doing their jobs. Hancott (2005) concluded that, through intellectual stimulation, leaders encourage subordinates to question the universality of previous cognitive frames, opening the door for new frames to develop.

Transformational leaders know that creativity, knowledge creation and continuous improvement are the only real ways to achieve a sustainable competitive advantage. Hence, they continually challenge old assumptions and ways of doing things, foster creativity, stress the use of intelligence, and stimulate in others new perspectives and ways of doing things. 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. Tabassi and Bakar (2010) also observed that a transformational leader pays attention to the concerns and development needs of individual team members. Leaders influence their members' attitude by helping them to look at previous problems in new ways, and they are able to excite, arouse and inspire members to inject extra effort to achieve the goals of the group.

Cross-functional relations Challenging Followers' Ideas and Values for Solving Problems and leaders are perfect at determining team climate. According to Tabassi and Bakar (2010) Leaders are motivated to act in ways consistent with their values. Similarly, followers are not particularly motivated to work on activities that are inconsistent with their values. Hogan and Curphy (2014) observe that there is often a significant gap between a company's stated values and the way it truly operates. Knowing the values of top leadership can sometimes tell someone more about how an organization actually operates than the organization has stated values will.

Similar observations were made by Block (2013) who stated that transformational leaders generate different ways of thinking, seeking new opportunities or solutions to problems and adopting generative, exploratory thought processes. He further noted that, transformational leaders encourage followers to question assumptions and think about new ways of doing tasks. Transformational leadership then leads to positive individual and organizational outcomes. Stimulating higher order needs that engender creativity. Knowledge slack and absorption capacity are essential to facilitating personal and professional growth (Hancott, 2005).

Individual Consideration and Performance

The study found that individual consideration influence performance to very great extent. According to Sarros and Santora (2011), individualized consideration, which is behavior 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. In addition, According to Bass (2009), individualized consideration makes employees feel that their organizations value them and their need to understand and resolve

their personal uncertainties. The study also found that Sharing and teamwork is encouraged by line managers, line managers care about personal life hence encourages work-life balance.

The study further found that, line managers and employees jointly own employees development actions and Family bank Limited staff are provided with skills and tools for success. In addition, team leaders listens and adopts employees ideas and inputs, leaders communicate the plan/target numbers clearly and finally, leaders keep employees updated on how their actual performance is tracking against plan and targets. Sarros and Santora (2011) also concluded that Leaders who use individual consideration show consideration for their workers' needs, and are prepared to encourage and coach the development of appropriate work place behavior. Thang and Buyens (2011) stated that valuing employee's contribution may be achieved through participation. Employee involvement is often viewed as an integral part of High Commitment Work Systems. Involvement in decisions provides a sense of ownership of and commitment to both those decisions and the organization. Clearly, employee involvement processes should engender the perception that the organization values employee contributions. Thus, we predict that involvement increases commitment. Additionally, employee involvement might be perceived by workers as a discretionary positive benefit.

Transformational leaders do this through spending time teaching, coaching and developing their followers by listening attentively, recognizing and valuing each individual's contributions (Hogan and Curphy, 2014). On how individual consideration influenced performance in Family bank Limited, the study found that, cooperation between team leaders, line managers and employees has stimulated performance in the organization. However, some respondents indicated that Family bank Limited staff are hardly provided with skills and tools for success. Instead, there is competition among employees and no teamwork in their departments.

CONCLUSIONS

From the discussions above, the study concludes that, idealized influence affect performance to great extent. The study further concludes that, being a role model to subordinates influences their take on change to a great extent, inspiring visions influence performance in Family bank Limited to a moderate extent, earning trust and confidence from subordinates influences performance while motivation and stimulation of employee intelligence has influenced performance. The study also concludes that, inspirational motivation affects performance to great extent. In addition, leaders should treat everybody with respect and dignity including third parties, leaders should be ambassadors of their organization, leaders should be available for consultations and leaders should sacrifice for the common good of the organization. In addition, employees feel motivated by their leaders and leaders recognize others and celebrate their success.

The study also concludes that, intellectual stimulation affect performance to a great extent. Process improvement should be embedded in the ways of working , Job – rotations, cross - functional relations, creating connection and internal secondments are encouraged, leaders should support subordinates to come up with new ways of doing their jobs, Cross functional

relations Challenging Followers' Ideas and Values for Solving Problems are encouraged and leaders should determining team climate.

The study concludes that individual consideration influences performance to very great extent. The study also concludes that Sharing and teamwork should be encouraged by line managers, line managers should care about personal life of employees hence encouraging work-life balance, line managers and employees should jointly own employee's development actions and staff should be provided with skills and tools for success. In addition, team leaders should listen and adopts employees' ideas and inputs, leaders communicate the plan/target numbers clearly and finally, leaders should keep employees updated on how their actual performance is tracking against plan and targets. Transformational leaders are therefore necessary in all organizations.

RECOMMENDATIONS

The study found that idealized influence affect performance to great extent. The study therefore, recommends that the management of the Family bank Limited should be a role model to subordinates, inspire visions, treat everybody with respect and dignity including third parties and leaders should be ambassadors of their organization. Finally, leaders should be available for consultations by employees at all the time. This is because these factors have been found to influence performance to a very great extent. The study also found that inspirational motivation affects performance to great extent. This study recommends that the management should ensure that they support subordinates to come up with new ways of doing their jobs, encourage cross-functional relations, challenge followers' ideas and encourage values for problems solving. In addition, leaders should be good in determining team climate. This study further concluded that intellectual stimulation affect performance to a great extent. This study therefore recommends that the management of Family Bank should ensure that process improvement should be embedded in the ways of working Job – rotations, cross - functional relations, creating connection and internal secondments are encouraged. Leaders should support subordinates to come up with new ways of doing their jobs, Cross functional relations. Challenging Followers' Ideas and Values for Solving Problems are encouraged and leaders should determining team climate. Further, the study recommends that line managers should care about personal life of employees hence encouraging work-life balance, line managers and employees should jointly own employee's development actions and staff should be provided with skills and tools for success as well as encourage sharing and teamwork by line managers. Since they influence performance to a great extent.

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