

## **Effects of Leadership Styles on Employees' Performance: Evidence from a Commercial Bank in Kenya**

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**Abstract:** *Success of organisations depends on how leaders mobilize and direct resources towards the achievement of organisational goals. Human resource - being the binder of all other resources - needs direction, which should be provided by leadership. However, there is no "one-fits-all" leadership style. This study investigated the effects of different leadership styles on employees' performance. Eighty usable questionnaires were obtained from a cross-sectional survey of 300 employees of a selected commercial bank in Kenya. Extensively used multi-item scales from previous studies were adapted to assess leadership styles and employees' performance. Inferential statistical techniques were used to test the study's hypotheses. Employees' performance was above average while transformational leadership was the most exhibited style. Respectively, transformational and transactional leadership styles positively and negatively affected employees' performance. Authoritative and laissez-faire leadership styles respectively had insignificant negative and positive effect. More variation in employees' performance was explained by transformational than by transactional leadership style. In the disaggregated results of transformational leadership, the idealized influence dimension had a significant positive effect on employees' performance while the other dimensions had insignificant effects. It is recommended that supervisors should embrace transformational leadership style, especially the idealized influence, to enhance the performance of their followers.*

**Keywords:** Transformational leadership, transactional leadership, self-rated performance, banking

### **Introduction**

In a modern-day society, the success of organisations depends on how leaders mobilize and direct resources towards the achievement of their goals. The main drivers of organisations are humans as they give life to those organisations and provide goals (Shaffie et al., 2013, p.21). Human resource, being the binder of all other resources – physical and financial, needs direction. This direction should be provided by leadership. Leaders are expected (i) to promote unity, harmony, strength, prosperity, and happiness in the organisation; and (ii) to influence other employees to perform towards the attainment of organisational goals. Stiff competition and high uncertainties on the markets today leave many organisations on their

toes fighting for their survival. Thus, it is argued in the literature that leadership is a key factor for improving performance and that success or failure of an organisation depends on the effectiveness of leadership at all levels. Consistent with this position, Paracha et al. (2012) argue that “Leaders play an essential role in the accomplishment of goals and boost employee’s performance by satisfying them with their jobs” (p. 55). Extant literature shows that there is no “one-fits-all” leadership style. There is, therefore, a need to identify the leadership styles that have more impact on organisational outcomes such as employees’ performance.

The investigation into the link between leadership style and employees’ performance has attracted the interest of researchers for decades. Fiedler and House (1988) attributed this attraction to the belief that leadership is: (i) a vital issue in every organisation primarily because the decisions made by leaders could lead to business success or failure; (ii) accepted as the push behind effective organisational and employee’s performance, both of which may suffer in direct proportion to its neglect; and (iii) the drive behind attainment of the followers’ desires, which then results into effective performance.

Many of the previous studies, however, were from Western Economies where individualistic culture dominates. More details, for example, can be found in the meta-analytic works of Lowe et al. (1996) and De Groot et al. (2000). In recent years, research interest on the link has emerged from the Middle East and Asia regions. A sample of such studies are Rasool et al. (2015) in Pakistan health sector; Pradeep and Prabhu (2011) and Raja and Palanichamy (2015) both in India’s public and private sector enterprises; Aboshaiqah et al. (2014) in Saud Arabia – medical field, and Shaffie et al. (2013) in Iran – real estate. Others include Asrar-ul-Hag and Kuchinke (2016), Kalsoom et al. (2018), Basri et al. (2017), Sharma and Nair (2018) and Xhu and Wang (2018). Several studies are available from Africa. Examples include Ejere and Abasilim (2013) and Kehinde and Banjo (2014) both in Nigeria, Tsigu and Rao (2012) in Ethiopia (banking) and Hayward et al. (2003) in South Africa (pharmaceutical company). Others include Mohamed (2016) and Ugwu (2018). There is a dearth of evidence on the link from the East Africa region, except two studies from Uganda – Gimuguni et al. (2012) and Nuhu (2010), both in the local governments.

It is this dearth of empirical evidence from East Africa, especially from Kenya and from the banking industry that motivated this study. Hargis et al. (2011), suggested that the impact of leadership style may differ depending on the context and task performance. Thus, the objective of this study was to investigate the effects of different leadership styles on employees’ performance, focusing on determining (i) the most exhibited leadership style; (ii) the effect of each leadership style on employees’ performance; (iii) the leadership style having the highest impact; and (iv) the dimensions of transformational leadership style having impact on employees’ performance. Understanding the relationships between these different leadership styles and employees’ performance provides organisations with useful insights on the style that enhances performance more than the others. This will provide managers with information about the kind of styles they should embrace in their managerial cores which will enhance employees’ contribution to the attainment of the organisations’ goals. Furthermore, it will influence the content and direction of the organisations’ training programmes. In addition, trainers and career developers will also be informed of the leadership qualities they should develop for their bank clients consistent with the institutional objective. Moreover, the study contributes evidence on the relationship from a frontier market – Kenya; to reduce the paucity of such evidence from developing Africa.

### **The context**

The study involved one commercial bank in Kenya. The bank started its operations in 2004 with only two branches, one in Nairobi and the other in Mombasa. First, as purely a corporate bank but later, following the many changes in the Kenyan economic spectrum, it had to change its strategy in 2012 to incorporate retail banking. By 2015 the bank had grown its branch network in Kenya to 36 branches, competing with the country's retail giants. Its portfolio changed to 80% retail business, 10% cooperate business and 10% concentration in SME banking. The bank's management changed too, but the staff's productivity dropped in 2013 and 2014 making performance management a concern for the bank's human resource department and management. Thus, leadership was put under scrutiny resulting in a leadership development project (YLP) aimed at giving selected managers, and their followers, the required leadership skills to ensure business continuity and survival. The programme started way back in 2013. Since then, little evidence is there to judge how much has been achieved in terms of performance response. This study, therefore, was designed to investigate the effects of leadership styles on employees' performance at the bank, drawing its sample of employees from its branches in the Nairobi, Western, Coast and Mount Kenya operating regions.

### **Literature Review**

#### **Employee performance**

Employees' performance is a multidimensional construct and an extremely vital criterion that determines organisational successes or failures. For example, while El-Saghier (2002) defines it as the effort of an employee to achieve some specific goals, others like Pattanayak (2005) defines the employees' performance as his/her resultant behaviour on a task which can be observed and evaluated, or the contribution made by an individual in the accomplishment of organisational goals. Moreover, Prasetya and Kato (2011) define employees' performance as the attained outcome of actions. From the foregoing examples of definitions, employee performance is simply the result of patterns of action carried out to satisfy an objective according to some standards; it is a behaviour which consists of directly observable actions by an employee, and also the mental actions or products such as answers or decisions, which result in organisational outcomes in the form of goal attainment. In a bibliometric review of 175 articles on job performance published in many management and psychology journals (2006-15) by Fogaça et al. (2018), it is found that an individual employee's performance should be defined in terms of behaviour (what the individual does in the work situation) rather than results (the consequence or results of individual behaviour), and it should include only those behaviours that are relevant to organisational goals. Hence this study adopted the definition that refers to how well one performs his or her work in terms of quality and productivity, close to Campbell's (1990) definition of the effectiveness or employee's efforts in achieving organisational goals.

#### **Leadership and Leadership Style**

"There are almost as many definitions of leadership as there are persons who have attempted to define the concept" (Stogdill, 1974). That notwithstanding, a few are worth citing here. According to Levine and Crom (1994), leadership "is about listening to people, supporting, encouraging, and involving them in the decision-making and problem-solving processes. Leadership is "a process whereby an individual influences a group of other individuals to achieve a common aim" (Akbar, 2013), in a way that makes it more cohesive and coherent" (Sharma and Jain, 2013, p. 310). It is a process of facilitating individual, group, and organisational efforts to learn, and accomplish shared goals in organisations (Anshu and

Arpana, 2012) and in so doing, it calls for authority, responsibility and delegation of power (Islam et al., 2013). Other scholars like Nanjundeswaraswamy and Swamy (2014) see leadership as a social influence process in which the leader seeks the voluntary participation of subordinates. Furthermore, Memon (2014) sees it as the process by which an individual influences the thoughts, attitudes and behaviours of followers by taking responsibility for setting the direction for the firm, where the followers see and visualize what lies ahead of them and figure out how to achieve it. It is about building teams and developing their ability to make skilful decisions". It is argued in the literature that every leader exhibits a different behaviour – leadership style - in leading his followers. Leadership style is, therefore, "a consistent set of behaviours /patterns" a leader exhibits in providing direction, motivating people and implementing plans (Molero et al., 2007; Memon, 2014). The literature also suggests that leaders should search for the most effective combination of leadership styles to exhibit because no one leadership style is best in all situations (Darling and Leffel, 2010).

Several theories inform leadership behaviour, examples of which are behavioural theories and contingency theories. Behavioural theories of leadership state that it is the behaviour of leaders that distinguishes them from their followers. The theories focus on the actions of leaders, rather than on their mental qualities or internal states, with the belief that great leaders are made, not born. Accordingly, people can learn to become leaders through training and observation. Behaviour theories examine whether the leader is task oriented, people oriented, or both. Contingency theory, on the other hand, is an approach to leadership in which leadership effectiveness is determined by the interaction between the leader's personal characteristics and aspects of the situation. It assumes that the relationship between leadership style and organisational outcomes is moderated by situational factors related to the environment, and therefore the outcomes cannot be predicted by leadership style, unless the situational variables are known (Cheng and Chan, 2000). The literature presents different leadership styles (summarized in the next subsections), but it points out that there is no single leadership style which is best in all situations. The success of a given style, depends upon several variables, e.g. the leaders' preferred style, the capabilities and behaviours of the followers, and aspects of the situation.

### ***Transformational leadership style***

Transformational leadership style is defined as leadership that transforms the value, needs, aspirations, followers' priorities, and motivates the followers to exceed expectations (Bass and Avolio, 1994). It creates a conducive climate for the development of innovation and creativity. The leader urges the subordinates to create new ideas and solutions for the problems they have. Thus, subordinates become highly involved and efficient in problem-solving processes. It is this individual attention by a transformational leader which enables him to build trust and respect, and to motivate subordinates to exceed expectations (Thumrin, 2012, p.567).

According to Bass (1985), a transformational leader can raise subordinates' performance by (1) raising their awareness on how important the expected results are; (2) asking individuals to prioritize others over oneself; and (3) transforming and widening subordinates' level of needs. Bass further suggests that transformational leadership style goes beyond exchanging inducements for desired performance by developing, stimulating, and inspiring followers to transcend their own self-interest for the higher collective purpose, mission or vision. House and Shamir (1993) suggest that transformational and charismatic (or outstanding) leaders influence followers by enhancing their self-efficacy and self-worth. Transformational leadership behaviour is therefore characterized by, among others, role modelling, verbal

persuasion and physiological arousal (Podsakoff et al., 1990). Bass, therefore, identified four dimensions of transformational leadership, namely: (i) Idealized Influence, (ii) Inspirational Motivation (iii) Intellectual Stimulation, and (iv). Individualized Consideration.

Idealized influence (Charisma) is responsible for inducing self-confidence and self-belief to others, motivating respect, admiration and loyalty in them, and emphasizing on a strong commitment to meeting the mission and vision of the organisation. Inspirational motivation is responsible for inspiring, motivating, and developing in followers, high-level standards, clarity of ideas and vision, and task performance above norms. Intellectual stimulation is responsible for encouraging followers to be innovative and creative by doubting assumptions, reforming problems, and shifting from old situations to new methods, results of which may include invention and replacements of old processes. Individualized consideration is responsible for requiring followers to grow, and for providing a coaching style to meet requirements, and for preparing them for higher levels. It may include providing followers with new learning opportunities along with a supportive climate. It manifests through leaders' efforts to consider the needs of their followers. It involves coaching, advising and attending to the needs of others (Soumia et al., 2013). Butler et al. (1999) summarizes the transformational leadership as one that: (i) encourages subordinates to have the vision, mission and organisation goals; (ii) motivates them to show maximum performance; (iii) stimulates subordinates to act critically and to solve problems in new ways; and (iv) treat employees individually. It follows therefore that leaders who practice transformational leadership style are likely to induce higher performance among their followers, leading to a positive relationship between the style and employee's performance.

### ***Transactional leadership***

Transactional leadership is a behaviour in which leader-follower relationships are based on a series of exchanges and/or bargains between them. Bass (1985) theorized that transactional leaders appeal to their followers' self-interest, by attempting to meet their current needs through bargaining and exchanging, for both parties to achieve the negotiated performance targets. Bass identified two components of transactional leadership, differentiated by the activity level of leaders and the nature of the interaction between leaders and followers. These are contingent rewards and management by exception leadership behaviours. The former represents an active and positive exchange between leaders and followers in which followers are rewarded (bonuses, merit increases, etc.) or recognized for accomplishing a set of agreed-upon goals. The latter represents actions where leaders focus on mistakes, delay decisions or avoid intervening until something goes wrong. The transactional leadership style can also be active or passive (Hater and Bass, 1988) distinguished by the timing of the leaders' intervention (Howell and Avolio, 1993). In an active transactional leadership style, the leader constantly monitors followers' performance to anticipate mistake (or deviations from expectation and standards clearly predefined on the outset) before they become problems and takes corrective actions immediately when required. In a passive transactional leadership style, the leader intervenes with criticism and reports only either after mistakes have occurred or after deviations from standards/norms/expectations have occurred. Yulk (2007) added that a transactional leader can affect performance positively or negatively depending on employees' assessment. If employees assess transactional leader positively, positive outcomes will accrue, negative outcomes otherwise. An example is when they perceive their transactional leader as one that cannot be trusted because of his or her failure to keep promises or to maintain honesty and transparency

### ***Authoritative Leadership***

An authoritative (directive, coercive, or “do as I say”) leadership style is a behaviour which (i) places followers as compliant subordinates by relying on command and direction, assigned goals, and punishments (Liu et al., 2003, p.152); (ii) allows followers a little discretion over the job and a rare opportunity to participate in decision-making; (iii) inhibits an organisation’s flexibility and dampens employees’ motivation (Goleman, 2000, p.18). It sets the agenda, assigns tasks to members and makes unilateral decisions without inputs from subordinates (Evans, 2001). This concentration of power may harm employees performance because it forces employees to execute strategies and provide services in a narrow way, based upon a subjective idea of what success looks like to the leader. It also does so because commitment, creativity and innovations are eliminated. These shortcomings notwithstanding, Mandiya et al. (2014) point out that authoritative leadership is useful in some leadership scenarios that demand the use of authority. Furthermore, Iqbal et al. (2015) identify conducive environments for practicing authoritative style to include (i) when new employees are unfamiliar and don’t have sufficient knowledge about their jobs; (ii) when employees constantly misuse their authority; (iii) when company rules are violated by employees; and (iv) when a sole person is responsible for making and implementing a decision.

### ***Laissez-faire leadership***

Laissez-faire (“hands-off”) leadership style is a behaviour in which the leader provides the followers not only with little or no direction but also with as much freedom as possible. The leader practices a “no interference policy” by refusing to make decisions/take actions. It allows followers a complete freedom to determine goals, make decisions, and resolve challenges on their own, and the leader takes no responsibility for his or her lack of leadership ability. Bodla and Nawaz (2010) view this leadership style as passive and ineffective. It favours a relaxed working atmosphere which in most instances brings down morale and reduces the efficiency of followers (Raus and Haita, 2011). Consequently, the leader evaluates and criticizes very little (less threatening), avoids making decisions, and delays responding to urgent issues (Avolio and Bass, 2004).

## **Empirical Studies Analysis**

Studies on the link between transformational leadership style and employee performance can be grouped into three major groups: (i) those that investigated the effect of the transformational leadership style and its four dimensions on employees’ performance; (ii) those that evaluated the relative importance of transformational and transactional leadership styles in affecting employees’ performance; and (iii) those that compared performance of employees who had been exposed to training on transformational leadership style against those who had not. In the first group, Kheirandish (2014) investigated the relationship between transformational leadership style as well as its four dimensions, and performance improvements of 148 educators from boys’ secondary schools in Iran. Using the standard 24-item scale of transformational leadership style and performance charts to measure transformational leadership style and performance improvements respectively, bivariate correlations revealed a significant positive correlation between both the overall transformational leadership style, and each of its dimensions, and performance improvements. Thamrin (2012) reported transformational leadership style having a significant positive influence on the performance of a sample of 105 permanent employees of a shipping company in Jakarta, Indonesia. Furthermore, a significant positive linear relationship is reported between transformational leadership style and employees’ performance by Raja and Palamichamy (2015) on a sample of 199 employees of both public

and the private sector in India. A more recent study on librarians from universities in Nigeria by Ugwu (2018) found that transformational leadership significantly positively affected their job performance and so were the components of idealized influence, inspirational motivation, and idealized consideration. The effect of intellectual stimulation was positive but insignificant. See also Basri et al. (2017).

Studies reporting relative importance of transformational leadership and transactional leadership styles in explaining the variance in employees' performance include Bass (1985), Hater and Bass (1985), Howell and Avolio (1993), Meyer and Botha (2000), Rasool et al. (2015), Hayward et al. (2003), Tsigu and Rao (2015), Kalsoom et al. (2018), and Sharma and Nair (2018). Hayward et al. (2003) using a sample of employees of a South African pharmaceutical company reports a significant positive linear relationship between transformational leadership style and employee performance, and a negative but insignificant relationship between transactional leadership style and employee performance, where transformational leadership style was more effective than the transactional leadership style. Meyer and Botha (2000) found that transformational leadership style was relatively more strongly related to higher employee satisfaction and individual performance than the transactional leadership style. Rasool et al. (2015) found that the impact of transformational leadership style on the performance of health sector employees in Pakistan was higher than that of transactional leadership style. Tsigu and Rao (2015) found that transformational leadership style explained more of the variation in the performance of employees in the Ethiopian banking industry than did the transactional leadership style. From a sample of FMCG employees in Pakistan, Kalsoom et al. (2018) reported a positive and significant relationship between both transformational and transactional leadership styles with employee performance but transactional leadership style was stronger. Furthermore, Sharma and Nair (2018) reported transactional leadership, rather than transformational leadership style, having a positive and significant relationship with workforce performance. Comparing the performance of employees based on training in transformational leadership, Barling et al. (1996) found evidence showing that managers who attended the training recorded higher unit performance than those who did not.

While there seems to be a consensus in the evidence on the effects of transformational leadership style, mixed evidence exists on the link between transactional leadership style and employee performance. A study by Podsakoff et al. (1984), showed a significant positive relationship between contingent reward behaviour and all five facets of employee satisfaction. Furthermore, Podsakoff et al. (2006) and Pradeep and Prabhu (2011) reported evidence showing a significant positive relationship between contingent rewards and employees' performance. Subsequent studies, for example, Aboshaiqah et al. (2014), reported a significant positive correlation between transactional leadership style and outcomes of effectiveness, extra efforts and satisfaction, while Rasool et al. (2015) show evidence of a significant positive linear relationship between the transactional leadership style and employee performance. See also Basri (2017). Conversely, evidence of an insignificant relationship between transactional leadership and employees' performance was reported in Hayward et al. (2003) from a South African pharmaceutical company and in Shahhosseini et al. (2013) from a sample of public and private bank employees in Iran. See also Asrar-ul-Hag and Kuchenke (2016). Quintana et al. (2015) reported separate results for the components of transactional leadership style. While contingent reward was positive and significantly related to employee performance (satisfaction, extra effort and effectiveness), management by exception was negative and significantly related to satisfaction but insignificant for extra efforts and effectiveness.

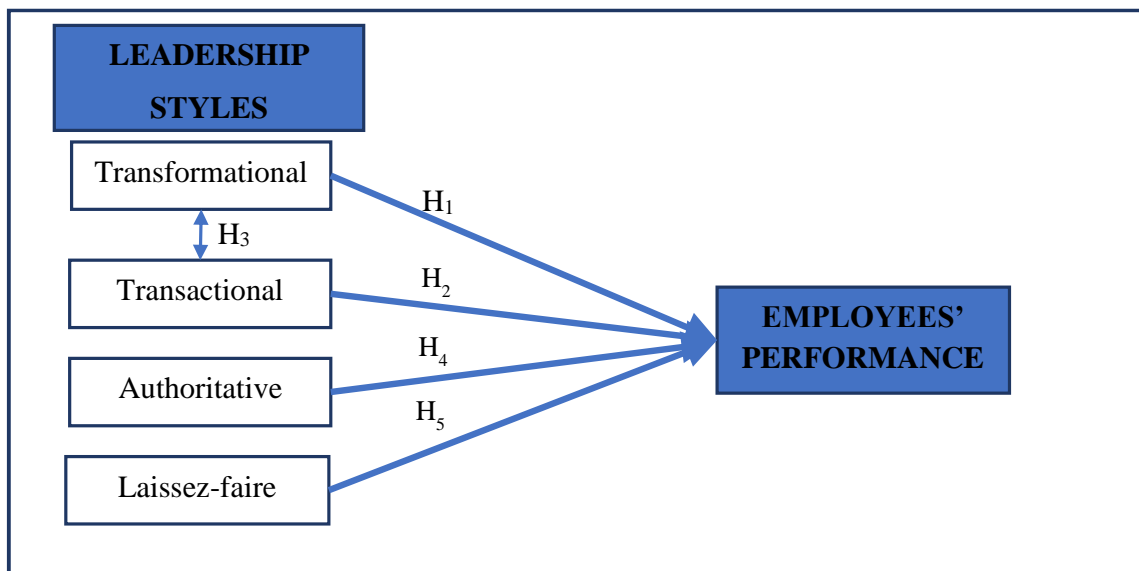
The relationship between authoritative leadership style and employees' performance has also been investigated. For example, Nuhu (2010) and Gimuguni et al., 2014 both from Uganda, indicate that the authoritative leadership style is significantly positively related to the performance of the employees of Kampala City and Mbale District Councils, respectively.

Contradictory evidence is also reported on the relationship between laissez-faire leadership style and employee performance. Aboshaiqah et al. (2014) reported a significant negative relationship between laissez-faire leadership style and outcome factors of effectiveness, extra efforts and satisfaction for a sample of staff nurses. Similar results are found in Asrar-ul-Hag et al. (2016) showing a negative and significant relationship with satisfaction and effectiveness. A negative but insignificant relationship is also reported in Quintana et al. (2015) for satisfaction, extra effort and effectiveness. Conversely, Nuhu (2010) and Gimuguni et al. (2014) found a positive relationship between laissez-faire leadership style and performance of employees of Kampala City and Mbale District Councils in Uganda.

A new body of literature is emerging now linking leadership styles to employees' performance. In this literature, performance is measured in terms of employees' creativity (Mohamed, 2016) and innovation (Zhu and Wang, 2018). Evidence so far shows that transactional leadership style is positive and significantly related to employees' creativity (Mohamed, 2016) and to employees' innovation (Mohamed, 2016; Zhu and Wang, 2018).

#### **Conceptual framework and hypotheses**

From the literature review, transformational leadership consistently has a positive effect. However, evidence on the other three leadership styles is far from being consistent. Thus, the proposed conceptual framework with the hypothesis of the study is shown in Figure 1.



*Figure 1* Conceptual framework

- H1. The transformational leadership style positively affects employees' performance
- H2. The transactional leadership style positively affects employees' performance
- H3. The effect of transformational leadership style on employees' performance is relatively higher than that of transactional leadership style
- H4. The Authoritative leadership style positively affects employees' performance



H<sub>5</sub>. The laissez-faire leadership style does not affect employee performance.

## **Methodology**

### **Study designs**

This was a quantitative descriptive cross-sectional survey based on a survey population of 600 employees in the bank's operating regions of Nairobi 1, Nairobi 2, Western, Mt. Kenya and Coast. These regions were chosen due to their proximity to the researchers and also because a larger focus had been laid by the bank on these regions in terms of branches, employees and client base. Three hundred (300) permanent employees were randomly selected from employees in the study regions, who had worked for the bank for at least two years, to form the study's sample. Included in the sample were 25 branch managers and 275 employees who were tellers, banking officers, retail officers, back office staff, credit officer, relationship officers, team leaders, and supervisors. Their names and telephone extension numbers were obtained from the Human Resource Management Department. These were then targeted with questionnaires, 80 of which were returned and found to be usable, a response rate of 26.7 percent. Although Cummings et al. (2001) suggest the absence of a gold standard for an acceptable response rate, Carley-Baxter et al. (2013) cited in Mellahi and Harris (2015) suggests 16 – 91 as some practical rates by many editors in deciding on whether to publish a manuscript. Mellahi and Harris (2015, p.9) suggest 35-55 percent for marketing and general management researches. The present study's response rate is within the suggested ranges.

*Table 1. Sample description*

	<b>Freq.</b>	<b>%age</b>	<b>Mean</b>	<b>S.D.</b>
<i>Respondents' Age</i>				
Less than 25 years	9	11.25		
25-30	40	50.00		
31-35	15	18.75		
35-40	10	12.50		
41+ years	6	7.50		
<i>Gender</i>				
Male	46	57.50		
Female	34	42.50		
<i>Education level</i>				
Certificate/diplomas	7	8.75		
Higher diploma	11	13.75		
Bachelor	51	63.75		
Master	11	13.75		
<i>Working experience</i>				
Experience – current position			2.62	2.043
Experience - the bank			4.03	4.471
Experience - banking industry			5.46	5.144

Half of the respondents were in the age 25 to 30 years. Youth ( $\leq 35$  years) constituted 79.2 percent of the sample. There were slightly more male (57.3 percent) than female (42.5 percent) respondents. Employees with bachelor's degree or higher constituted more than three-quarters of the sample (77.6 percent). The average experience was 2.62 years on the current position, 4.03 years at the bank, and 5.46 years in the banking industry (Table 1).

### **Measurement instrument**

Leadership styles were assessed by the Multi-Factor Leadership Questionnaire (MLQ) (Avolio and Bass, 1995), adapted through contextual modification. Its 30 items were grouped into four leadership styles; namely, transformational leadership style (12 items,  $\alpha = .92$ ); transactional leadership style (6 items,  $\alpha = .80$ ); authoritative leadership style (6 items,  $\alpha = .83$ ); and laissez-faire leadership style (6 items,  $\alpha = .88$ ). The 12-items in the transformational leadership style scale were subdivided into four dimensions of idealized influence (II), e.g. *"I am proud to be associated with my supervisor"* ( $\alpha = .91$ ); inspirational motivation (IM), e.g. *"My supervisor expresses in a few simple words what we could and should do"* ( $\alpha = .81$ ); intellectual stimulation (IS); *"My supervisor enables others to think about old problems in new ways."* ( $\alpha = .76$ ); and individual consideration (IC), *"My supervisor gives personal attention to others who seem rejected."* ( $\alpha = .82$ ); each with three items.

The six items of the transactional leadership scale were grouped into two subscales - Contingent rewards (CR), e.g. *"My supervisor provides recognition/rewards when others reach their goals."* ( $\alpha = .79$ ); and management by exception (MBE), e.g. *"As long as things are working, my supervisor does not try to change anything."* ( $\alpha = .79$ ). Sample items for the authoritative and laissez-faire leadership styles were respectively, *"My supervisor is the chief judge of the achievements of employees"* and *"In complex situations my supervisor allows me to work my problems out on my own way"*. Respondents rated themselves on a five-point scale ranging from 1 = strongly disagree to 5 = strongly agree to indicate their level of agreement with the items of the scales, each of which captured their perception of the leadership style practised by their immediate supervisors.

Two-items were borrowed from Yousef (2000) to assess employees' performance ( $\alpha = .80$ ). The items were *"how do you rate the quality of your performance?"* and *"how do you rate your productivity on the job"*. Respondents rated themselves on a five-point scale ranging from 1 =very low to 5 = very high to indicate their performance in terms of quality and productivity. The Cronbach's alphas ( $\alpha$ ) from the scale tests for reliability analysis were higher than the conventional cut-off point ( $\alpha = .7$ ), for all scales and subscales (Table 3), indicating acceptable range of internal consistency, and suggesting that each scale or subscale reliably measured what they were designed to measure (Field, 2013; Pallant, 2013).

### **Analysis**

The scores on the items under each scale and subscale were averaged into mean scores for each respondent. Descriptive and inferential statistical techniques were used for data analysis. In inferential statistics, Pearson's correlation and multiple regression analysis techniques were used to assess both the relationships and effects. The model tested was:

$$EP = \beta_0 + \beta_1 TFS + \beta_2 TSS + \beta_3 AS + \beta_4 LFS + \varepsilon$$

Where EP =employees' performance, TFS = transformational leadership style, TSS = transactional leadership style, AS = authoritative leadership style and LFS = laissez-faire leadership style.  $\beta_0$  was the regression intercept (constant) and  $\beta_1 - \beta_4$  were the regression coefficients.

Table 2. Correlation matrix for leadership style and employee performance

Leadership style	1	1(a)	1(b)	1(c)	1(d)	2	2(a)	2(b)	3	4	5
1 Transformational Leadership	1										
1(a) Idealized Influence	<b>.820**</b>	1									
1(b) Inspirational Motivation	<b>.885**</b>	.655**	1								
1(c) Intellectual Stimulation	<b>.870**</b>	.618**	.739**	1							
1(d) Individualized Consideration	<b>.753**</b>	.414**	.561**	.553**	1						
2 Transactional Leadership	.594**	.460**	.425**	.478**	.616**	1					
2(a) Contingent Reward	.500**	.367**	.347**	.394**	.558**	<b>.844**</b>	1				
2(b) Management by Exception	.496**	.402**	.364**	.405**	.475**	<b>.841**</b>	.415**	1			
3 Authoritative Leadership	-.214	-.324**	-.172	-.199	.002	-.235*	-.142	-.251*	1		
4 Laissez-faire Leadership	-.112	-.107	-.114	-.038	-.108	-.268*	-.263*	-.179	.307**	1	
5 Employee Performance	.427**	.501**	.373**	.261*	.266*	.031	-.061	.102	-.117	.046	1

\*\* . p < 0.01 level (2-tailed).

\* . p < 0.05 level (2-tailed).

**Regression assumptions**

Correlation matrix (Table 2) indicated no bivariate correlation coefficients in the pairs of the predictors higher than .8. Hence the assumption of no multicollinearity in the independent variables was not violated. These results were confirmed by the variance inflation factor (VIF) statistics all of which were below 10 (Tables 4 and 5). Bivariate correlations were significant for some pairs of the dependent and independent variables, indicating support for the linearity assumption. Inspection of the normal probability plot (P-P) of the multiple regression’s standardized residuals and the scatter plot, requested as part of the multiple regression analysis, showed that the points plotted reasonably on the straight diagonal line from bottom left to top right, suggesting no major deviations from the normality assumption. The standardized residuals on the scatter plot were roughly rectangularly distributed, with most of the scores concentrated in the centre (around point 0). Cook’s distance statistics was below 1.0. (Tabachnick and Fidell, 2013, p.75). The same revealed all cases having standardized residuals within |3|standard deviations, implying the absence of outliers (Tabachnick and Fidell, 2013, p.125). Breusch-Pagan (BP) and Koenker test statistics were respectively  $\chi^2 = 7.328$  ( $p = .120$ ) and  $\chi^2 = 9.156$  ( $p = .057$ ), indicating support for the assumption that the standardized regression residuals were homoscedastic (Hayes and Cai, 2007).

**Results**

**Descriptive statistics**

Descriptive statistics for the four main types of leadership style and employee performance (Table 3) show that transformational leadership style had the highest mean followed by the transactional leadership style. Authoritarian leadership style had the lowest mean score. Idealized influence had a higher mean score compared to the rest of the components of transformational leadership. The mean score for management by exception was higher than that of contingent reward. Employees’ performance had a mean score of 4.33.

Table 3. Descriptive and reliability statistics

Scale	N(items)	Mean	S.D.	$\alpha$
Transformational Leadership	12	3.92	0.71	0.92
<i>Idealized Influence</i>	3	4.11	0.94	0.91
<i>Inspirational Motivation</i>	3	3.97	0.83	0.81
<i>Intellectual Stimulation</i>	3	3.85	0.83	0.76
<i>Individualized Consideration</i>	3	3.75	0.84	0.82
Transactional Leadership	6	3.74	0.75	0.80
<i>Contingent Reward</i>	3	3.63	0.90	0.79
<i>Management by Exception</i>	3	3.84	0.89	0.79
Authoritative Leadership	6	2.95	0.91	0.83
Laissez-faire Leadership	6	3.66	0.94	0.88
Employees’ Performance	2	4.33	0.61	0.80

These results show that transformational leadership style was the style that was practised most by leaders at the studied bank and that authoritative leadership style was less exhibited. The results also show that the idealized influence dimension of the transformational leadership style was the most exhibited style.

**Multiple regression results**

Results in Table 4 indicate that the four leadership styles jointly accounted for 26.5 percent of the variations in the scores of employees’ performance. The model with the four leadership styles as independent variables was significant, i.e. it had power to predict the dependent variable (employees’ performance),  $F(4, 74) = 6.659, p < .001$ .

*Table 4: Regression results*

	b	S.E. (b)	$\beta$	t	$\rho$	VIF
Constant	3.34	0.53	–	6.36	< .001	–
Transformational Leadership	0.53	0.11	0.62	4.95	< .001	1.57
Transactional Leadership	-0.28	0.10	-0.34	-2.67	.009	1.66
Authoritative leadership	-0.05	0.07	-0.08	-0.75	.457	1.15
Laissez-faire Leadership	0.03	0.07	0.05	0.45	.656	1.17

$R^2 = 26.5\%, F(4,74) = 6.659 (p < .001), \text{Max. Cook's Distance} = 0.129$

Transformational leadership style significantly affected employees’ performance positively while the reverse was the case for transactional leadership style. Between the two, Transformational leadership had a higher impact ( $\beta = .495$ ) on employees’ performance than transactional leadership style ( $\beta = -.267$ ). Authoritative and laissez-faire leadership styles had insignificantly negative and positive effect respectively on employees’ performance. Disaggregated results of the transformational leadership style (Table 5) indicate that the idealized influence was the only dimension with a significant effect on employees’ performance ( $b = .32, t = 3.63, \rho = .001$ ). Inspirational motivation and individualized consideration had an insignificant positive effect while intellectual stimulation had an insignificant negative effect on employees’ performance.

*Table 5: Transformational leadership*

	b	S.E. (b)	$\beta$	t	$\rho$	VIF
Constant	2.92	.34	–	8.73	<.001	–
Idealized Influence	.32	.09	.49	3.63	.001	1.88
Inspirational Motivation	.11	.12	.15	.93	.357	2.73
Intellectual Stimulation	-.15	.11	-.21	-1.31	.193	2.51
Individualized consideration	.07	.09	.09	.75	.454	1.56

$R^2 = 27.3\%, F(4,75) = 7.031 (p < .001), \text{Max. Cook's Distance} = 0.298$

**Discussion**

The objective of the present study was to assess the effect of different leadership styles on employees’ performance. Specifically, it focused on identifying the style most exhibited by supervisors at the bank, and the effects of transformational, transactional, authoritative, and laissez-faire leadership styles on employees’ performance. It also aimed at assessing the relative contribution of transformational and transactional leadership styles in explaining the variation in employees’ performance. The results indicate that transformational leadership style, specifically the idealized influence, was the most exhibited style at the bank. This is a healthy situation given its relative ability to direct followers’ efforts towards the attainment of

the organisational goals, relative to the other leadership styles. Consistent with previous findings, e.g. Thamrin (2002) and Kheirandish (2014), transformational leadership had a positive and significant effect on employee's performance. Unlike Kheirandish (2014) and Ugwu (2018), only the idealized influence dimension had a significant positive effect on employees' performance. The present results in which transformational leadership contributed significantly more than the transactional leadership style in explaining the variation in employees' performance, are consistent with those reported previously in Bass (1985), Hater and Bass (1985), Howell and Avolio (1993), Meyer and Botha (2000), Hayward et al. (2003), and Rasool et al. (2015). These two sets of results offer support to hypotheses one and three of this study. If supervisors exhibit more transformational leadership, the employees will have higher employee performance. The present study found that transactional leadership style significantly negatively affected employees' performance. The results are inconsistent with those that were reported in Rasool et al. (2015). The third hypothesis of a significant positive effect of transactional leadership style on employees' performance was not supported.

Authoritative leadership was found to have a negative but insignificant effect on employees' performance. This suggests that the study's fourth hypothesis that "the authoritative leadership style positively affects employee performance" could not be supported. Furthermore, the study findings are inconsistent with those reported earlier in studies by Gimuguni, et al. (2014) and in Nuhu (2010) both of which reported a positive relationship between authoritative leadership styles and employees' performance. Thus, the results imply that followers would be willing to do more if they are involved in setting targets and in agreeing to the ways to achieve them as opposed to being taken as recipients of one-sided decisions and commands as if they were machines. Lastly, the study found that laissez-faire leadership styles had an insignificantly positive effect on employees' performance. These results lend support to the study's fifth hypothesis which stated that "the laissez-faire leadership style does not affect employees' performance. The results contradict previous results by, for example, Gimuguni et al. (2014), in which a positive relationship between laissez-faire leadership style and employee performance was reported.

The study findings contribute to the expansion of knowledge in the organisational psychology field on how leadership styles can be used to achieve employees' performance. They added to the efforts to reduce the dearth of empirical evidence in the region (a frontier market) and in the banking sector. They also contributed answers to the question posed in Yousef (2000) which queried whether Western business practices and management theories are appropriate for non-Western settings. Indeed, the evidence presented in this study shows that they do. This may also be because of the interconnectedness of the world in terms of culture and education, and also the market linkages, which equalize the basic approaches to managing organisations irrespective of their contextual differences.

## **Conclusion**

From the study findings, it can be concluded that supervisors who are driven by the desire to achieve better performance from their subordinates should try and exhibit more of transformation leadership style and less of the rest. The results suggest that subordinates would value the push for self-confidence and recognition of their self-worth offered by the transformational leadership and put up a good performance in exchange. Thus, it can further be judged that the results of this study also lend support to the social exchange theory of Homans (1958). Information from this study could be used to help managers/supervisors

develop strategies to meet organisational needs through leadership behaviour development. Transformational leadership behaviour would lead to higher employees' performance. The supervisors should have subordinates' own visions and development plans for followers, working in groups and champion teamwork spirit. The supervisors should have a sense of innovation and encourage followers to seek more opportunities and possibilities, not just to achieve performance within expectations. Supervisors should understand the values of the followers and try to build their departmental/unit's business strategies, plans, processes and practices that will likely improve the wellbeing of staff. Respect for individual character and ideas is also very key in building a positive relationship between leaders and employees. Leaders should carefully consider the use of reward in exchange for performance and avoid leaving threatening situations until something goes wrong, as these behaviours have been shown to lower employees' performance at this bank.

The study sample was limited to employees of one commercial bank out of the many such banks operating in Kenya. This threatens the generalizability of the findings not only to the banking sector but also to other companies in the financial industry. Employees' personalities and preferences on supervisor's leadership could affect people's perceptions of leadership styles and their relationships with supervisors. Thus, in future research, a sample more representative of the commercial bank sector is warranted as well as the need to control for people's personalities and preferences for a leadership style. Other key variables could also be brought in to the analysis. For example (i) how diverse organisational cultures influence the relationships between leadership styles and employees' performance; and (ii) how the perceptions of leadership would affect employees' level of commitment to the organisation. Moreover, it is important to note that the recent trends in the literature in which employee performance is measured in different dimensions such as satisfaction, extra effort, effectiveness, creativity and innovation is yet to be explored in Kenya and East Africa. These new measures are useful in assessing employee's performance in the region given the extreme needs for effectiveness, creativity and innovation in business processes.

### ***Acknowledgements***

The researchers thank the bank's management and its employees for accepting to participate in the study by filling in the questionnaires and returning them in a timely manner. Further thanks go to Prof. Jan-Erik Jaensson and the two anonymous reviewers for their constructive comments and suggestions, which have helped improve the manuscript.

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