

# Effect of Transformational Leadership Style on Performance of Savings and Credit Cooperative Society: A Case of Imarisha Savings and Credit Cooperative Society in Kericho County, Kenya

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**Abstract:** Leadership is known globally for the most productive performance. Performances of organisations are directly affected by leadership styles. In Kenya the use of leadership is a major challenge in the management of Savings and Credit Cooperative Societies and thus affecting performance. The study was aimed at assessing effect of leadership on performance of savings and credit cooperative society: a case of Imarisha savings and credit cooperative society in Kericho County, Kenya. The objective of the study was to establish the effect of transformational leadership style on performance. The study was important to provide knowledge on the effect of leadership on performance of savings and credit cooperative society and provide a solution to mismanagement and thus improved performance. The main theory of the study was transformational theory. The study covered the effect of leadership on performance. The study used descriptive research design. The population comprised of all staff of Imarisha savings and credit cooperative society. Simple random sampling was used. A sample of 27 management staff and 36 support staff was drawn from the purposively selected savings and credit cooperative society and used in the study. The study used two sets of questionnaires one for management staff and another for support staff. The questionnaires were piloted to validate and test its reliability before the actual data collection. Data was collected through administration of two sets of self administered questionnaires to the selected respondents. The data was processed and analyzed using descriptive statistics with the aid of Statistical Package for Social Sciences (SPSS) Version 20 and presented using frequency distribution tables and charts. An analysis of the major findings in study indicated that coefficient of determination ( $R^2$ ) is 0.790 therefore about 79.0% of the variation in effect of leadership styles on performance is explained by transformational leadership style. The study recommended that management staff should be trained on new methods of leadership so as to keep up with current leadership styles. It was hoped that the findings would be of significance to organisational leadership of Imarisha Savings and Credit Cooperative Society, World Council of Credit Unions (WOCCU), KUSCCO, SACCO Society Regulation Authority-Kenya (SASRA), Ministry of co-operative development, Non-Governmental organizations, policy makers, researchers, and managers of financial institutions.

**Key Words:-** Transformational leadership style and performance

## I. INTRODUCTION

Phillips (2005) argues that one of the importance of leadership is for the leader to influence the performance of an organization. Michael (2011) explains that leadership has a direct cause and effect relationship on the success of organisations. Leaders determine performance and employee motivation. They mould organisational strategies with emphasis on their execution and effectiveness. According to Armstrong (2006), performance is the achievement of quantified objectives. Performance is not what people achieve but how they achieve it. Richard *et al* (2009) explains that organizational performance has three areas of organisational outcomes: financial performance, product market performance and shareholder return. House and Aditya (1997) as cited by Serfontein (2009), assert that the best-performing organizations are strategic in their leadership planning. Amos (2007) contends that, to be successful in the tasks and role of strategic leadership, leaders need to think strategically and to be emotionally intelligent; they must have certain behaviours and wisdom to use the right combination of behaviours at the right time. According to Mwaura (2005), lack of credit analysis, credit follow-ups as well as hostile lending are the key factors that contribute to poor performance in loan lending by SACCO societies in Kenya. To be a true high performer, an organization must survive and thrive across economic and market disruptions. Measurement of performance of organizations should be multidimensional. Breene and Nunes (2006) proposed that growth, profitability, positioning for the future and longevity should be used to measure performance.

Burns (1978) says that transformational leadership is a process in which managers and subordinates assist each other to work towards better level of performance. Burns explains that the transformational approach creates significant change in the life of people and organizations. Leaders' especially transformational leaders motivate and inspire employees to see the importance of the tasks they do. Employees worked to accomplish these tasks and this led to organizational performance. Northouse (2007), points out that transformational leadership needs to have the leader motivate

the follower to achieve more than was expected of him. This study focused on the effect of Transformational leadership style on performance of Imarisha Sacco Society Limited Kericho County, Kenya. This was as a mirror of the situation in Sacco's in the country. The study was confined to Imarisha Sacco Society Limited which is in Kericho County, Kenya. The study specifically targeted the top management and the support staff of the Sacco because of their direct involvement in leadership and performance. The study only addressed the use of transformational leadership styles.

## II. RESEARCH METHODOLOGY

This study used the descriptive survey design in which opinions of management and support staff were collected. Questionnaires were used to solicit the desired information related to effect of transformational leadership styles on performance of savings and credit cooperative society: a case of Imarisha savings and credit cooperative society in Kericho County, Kenya. The population comprised of all staff of Imarisha savings and credit cooperative society. Simple random sampling was used. A sample of 27 management staff and 36 support staff was drawn from the purposively selected savings and credit cooperative society and used in the study.

The study adopted the formula

$$n = \frac{N}{1 + N(e)^2}$$

To obtain sample size where  $n$  is the sample size  $N$  is the population size, and  $e$  the desired precision. The sample

value for management staff was 27 and 36 for support staff. Sampling was done using stratified sampling to ensure that the sample was distributed among the two centres according to the population of each centre.

This study used questionnaires which had questions for the management and support staff. They had items on effect of transformational leadership styles on the performance of SACCOS. The items were closed ended with 5 options on the Likert scale. The options were SA: Strongly agree; A: Agree; U: Undecided; D: Disagree; SD: Strongly disagree. Each option was assigned a value for scoring ranging from SA=5 to SD=1. Items with no response was scored zero. The statistical package for social sciences (SPSS) was used to analyse the data obtained from respondents.

## III. RESULTS AND DISCUSSIONS

In order to determine the effect of transformational leadership styles on performance of Imarisha Sacco Society Limited Kericho County, Kenya. Four factors were considered; (i) management staff have charisma and led by behaving in an admirable way (ii) management motivate the staff by articulating vision that appeals to and inspire the staff (iii) management staff stimulates and encourage creativity in our staff (iv) management staff stimulates and encourage creativity in our staff. The views of both the management staff and support staff were collected. This study examined the effect of each of these factors separately and cumulatively. The research questions aimed at determining the effect of transformational leadership styles on performance of Imarisha Sacco Society Limited Kericho County, Kenya

Table 1: Descriptive Statistics of Mean, Median and Mode derived from Statistical Package for Social Sciences

	management staff have charisma and led by behaving in an admirable way	management motivate the staff by articulating vision that appeals to and inspire the staff	management staff stimulates and encourage creativity in our staff	management staff stimulates and encourage creativity in our staff
N Valid	63	63	63	63
N Missing	0	0	0	0
Mean	1.71	1.92	1.87	2.13
Median	2.00	2.00	2.00	2.00
Mode	2	2	2	2
Std. Deviation	.521	.414	.381	.707
Variance	.272	.171	.145	.500

Source: Research data (2015)

Table 2: Management Staff have Charisma and Lead by Behaving in an Admirable Way

Rating	Frequency	Percent%
Strongly agree	20	31.7
Agree	41	65.1
uncertain	2	3.2
Disagree	0	0
Strongly disagree	0	0
<b>Total</b>	<b>63</b>	<b>100</b>

Source: Research data (2015)

Table 2 shows that 20(31.7%) respondents strongly agreed, 41(65.1%) agreed, 2(3.2%) uncertain, 0(0%) disagreed and 0(0%) strongly disagreed. Data on charisma and leading by behaving in admirable way was obtained because it has a direct influence on better leadership and hence performance. The computed median (descriptive statistic) is 2.00(Table1) which is equivalent to the highest frequency of 41(Table 2). Therefore the number of respondents' whose percentage value

is 65.1 agreed. This means that most management staffs have charisma and lead by behaving in an admirable way.

Table 3: Management Motivate the Staff by Articulating Vision that Appeals to and Inspire the Staff

Rating	Frequency	Percent%
Strongly agree	8	12.7
Agree	52	82.5
Uncertain	3	4.8
Disagree	0	0
Strongly disagree	0	0
<b>Total</b>	<b>63</b>	<b>100</b>

Source: Research data (2015)

Table 3 shows that 8(12.7%) respondents strongly agreed 52(82.5%) agreed, 3(4.8%), 0(0%) disagreed and 0(0%) strongly disagreed. The reason for asking the question related to management articulating vision that appeals to and inspires the staff is because vision is very important in leadership of any organisation which directly affect performance. The computed mode (descriptive statistic) is 2 (Table 1) is equivalent to the highest frequency of 52 (Table 3). Therefore the number of employees with highest percentage (82.5%) agreed. This means that most employees agreed management motivate the staff by articulating vision that appeals to and inspire the staff.

Table 4: Management Staff Stimulates and Encourage Creativity in our Staff

Rating	Frequency	Percent%
Strongly agree	9	14.3
Agree	53	84.1
Uncertain	1	1.6
Disagree	0	0
Strongly disagree	0	0
<b>Total</b>	<b>63</b>	<b>100</b>

Source: Research data (2015)

Table 4 indicates that 9(14.3%) employees strongly agreed, 53(84.1%) agreed, 1(1.6%) uncertain, 0(0%) disagreed and 0(0%) strongly disagreed. Data related Management staff stimulating and encouraging creativity was sought in the study because it directly contributes to performance. The computed median (descriptive statistic) is 2.00 (Table 1 with a percentage of 84.1 which is above the median. This means that management is striking a balance in stimulating and encouraging creativity amongst the staff.

Table 5: Management Staff gives Personal Individual Attention to our Staff

Level of agreement	Frequency	Percent%
Strongly agree	8	12.7
Agree	43	68.3
uncertain	8	12.7
Disagree	4	6.3
Strongly disagree	0	0
<b>Total</b>	<b>63</b>	<b>100</b>

Source: Research data (2015)

Table 5 indicates that 9(12.7%) employees strongly agreed, 43(68.3%) agreed, 8(12.7%) uncertain, 4 (6.3%) disagreed and 0(0%) strongly disagreed. Data related to management staff giving personal attention was obtained because of its direct contribution to performance. The computed mode (descriptive statistic) is 2 (Table 1) is equivalent to the highest frequency of 43 (Table 5). This means that most employees agree that management staff gives personal individual attention to our staff.

#### IV. CONCLUSIONS AND RECOMENDATION

Based on the analysis of data presented in chapter four, the following conclusions have been reached:

Most of the respondents indicated that stimulating and encouraging creativity in the staff affects performance. The next transformational leadership styles that affects performance is management staff having charisma and leading by behaving in an admirable way followed by management motivating the staff by articulating vision that appeals to and inspires the staff stood and finally giving personal individual attention to the staff.

Management staff should be trained on new methods of leadership so as to keep up with current leadership styles. The support staff should be stimulated and encouraged to be creative by facilitating team building activities that make them free to associate and express their ideas to management staff.

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