Achieving High Employee Performance through Transformational Leadership in the Banking Sector

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Abstract: The purpose of this study was to explore whether the adoption of transformational leadership leads to higher employee performance in the banking sector. The study was motivated by the need to enhance the performance of employees in the sector which has been characterised by higher staff turnover. It entails the following: background of the study, methodology, results and discussions and the recommendations.

I. INTRODUCTION

This study explored the influence of transformational leadership on employee performance in the banking sector. This was motivated by the need to enhance the performance of employees in the sector which has been characterised by higher staff turnover. It entails the following: background of the study, literature review, research methodology, results and discussions and the recommendations.

1.1 Background of the study

Management and leadership of organisations in the 21st century is changing due to globalisation, uncertainty, emerging technologies, and the stiff competition that businesses face in the new global economy (Dike, Odowe & Ehujio, 2015). Thus, leaders and managers in today’s organisations are under undue pressure to adopt a practical leadership style that substantially influences and motivates followers to enhance their performance, with a goal to attain set organisational objectives. Views and practical experiences with the role and significance of transformational leadership in improving the performance of employees vary. Some scholars argue that transformational leadership improves performance of employees while others argue that its leads to overburdened workers who may not maximise their potential in organisations (Al-Amin, 2017; Jiang, Zhao & Ni, 2017; Musa, Sani, Alaba, Rajab, Abulwafa, Ludfi & Tutt., 2018 Chen, Ning, Yang, Feng & Yang, 2018). It is therefore critical to examine how transformational leadership has influenced employee performance in the banking sector in Kenya.

Transformational leadership has been adopted by some global companies such as International Business Machines Corporation (IBM); an American multinational Information Technology firm and Virgin Group Limited; a British multinational venture capital conglomerate. According to the IBM 2016 Corporate Responsibility report, transformational leadership at IBM, has seen leaders from all ranks become the organisation’s best champions in shaping a healthy organisational culture. The management has managed to stimulate higher employee motivation, commitment and loyalty which have all led to maximum performance form employees. Niphadkar (2017) argues that Branson’s transformational leadership style has led to happy employees who have a desire to achieve their best performance and are proud to be part of the organisation.

In the Germany hospitality sector, transformational leadership style positively influences employee job satisfaction (Kark, Dijk & Vashdi, 2018). Comparably, though in a different cultural setting, transformational leadership is predominantly applied in Iran’s automobile industry and has a positive bearing on employee job satisfaction (Yaghoubipoor, Tee & Ahmed, 2013). In addition, transformational leadership within United Arab Emirates’ healthcare sector supports and enhances organisational performance (Al-Abrow, 2014).

Within Africa, (Abasilim, 2014; Ejere & Abasilim 2012) reveal that transformational leadership has a positive effect on employee performance and hence organisational performance. Atia, Fahmy & Mohammed (2017) show that transformational leadership positively correlates with organisational commitment. Louw, Muriithi & Radloff (2017) indicate that there is a significant correlation between transformational leadership competencies and the leadership effectiveness of leaders within the Kenyan banking sector. Notably, research findings of (Al-Amin, 2017; Jiang, Zhao & Ni, 2017; Musa,

On the contrary, (Chen, Ning, Yang, Feng & Yang, 2018) argue that transformational leaders may have negative influence on employee commitment, loyalty, and performance since it may lead to overburdened workers. Northouse, (2015) and Chen et al., (2018). Argued that excessive transformational leadership behaviours may lead additional psychological pressure and role burden on workers leading to low motivation, low job satisfaction and low commitment. This implies that it may lead to depressed employee performance. (Chen et al., 2018).

II. LITERATURE REVIEW

2.1 Elements of Transformational leadership

Transformational leadership consists of four unique components which are intellectual stimulation, idealised influence, inspirational motivation, and individualised consideration (Bass & Avolio, 1989; Seltzer & Bass, 1990; Northouse, 2015). Idealised influence is about the leader envisioning a desirable future, articulating ways in which it can be attained and being a role model to his followers (Bass, 1999). These attributes if well executed may lead to higher employee motivation and commitment.

Inspirational motivation entails setting a high standard of performance and motivating followers to accomplish set organisational goals. This generally stimulates workers to put their maximum effort in the attainment of organisational goals and objectives.

On the other hand, intellectual stimulation is characterised by the leader enabling followers to be more creative and innovative (Bass & Avolio, 1989). This attributed lead to job satisfaction, commitment and loyalty which are all attributes of positive employee performance.

Lastly, individualised consideration transformational leadership involves paying personalised attention to followers' development needs, supporting, and coaching their development. This provides job satisfaction, employee motivation and loyalty to the goals and objectives of the organisation. Additionally, transformational leaders delegate assignments to followers as an opportunity for growth (Northouse, 2015).

This shows that the adoption of the four elements of the transformational leadership will lead to job satisfaction, high staff morale, high motivational levels, loyalty, and organisational commitments. All these attributes will lead to higher employee performance.

2.2 The theory of Transformational leadership

The term ‘transformational leadership’ was firstly coined and introduced by sociologist Downtown, in 1973, Burns (1978) discussed the concept of transformational leadership focusing on political leaders. Bass (1985) officially presented the theory of transformational leadership. According to Fairholm (2001), transformational leadership theory suggests that leadership involves interpersonal relationships, values and motives and focuses on influencing other people. In fact, the goal of transformational leadership is to enhance morality and motivation of the followers such that they prioritise thinking about their contribution to the firm. The theory of transformational leadership argues that the process of leadership must focus on changing the lives of people and organisations significantly by promoting motivation, job satisfaction and loyal to the organisation.

2.3 Transformational leadership and employee performance

Earlier research studies overwhelmingly hold that transformational leadership is positively correlated to individual and organisational results employee job satisfaction emotional intelligence innovation propensity and strategic decision effectiveness (Abuzaid, Al-Ma’a’ith, Al-Haraisa & Al-Tarawneh, 2019(Arif & Akram, 2018) (Gitoho, Muchara & Ngugi, 2016) (Nzizi & Madani, 2013) (Iscan, Ersari & Naktiyok, 2014)), Empirical research has also shown that there is a positive relationship between transformational leadership and employee performance (Al-Amin, 2017; Jiang, Zhao & Ni, 2017; Musa et al., 2018). However other scholars argue that transformational leadership may not be relevant and effective in promoting higher employee performance in some organisations and in some context. This has given research gaps to further examine the relationship between transformational leadership and employee performance in various organisations and context. It is against this gap that this study was constituted.

2.3.1 Transformational leadership and employee productivity

Vatankhah, Alirezai, Khosrevizadeh, Mirbahaeddin, Alikhani & Alipanah (2017) Alhassan, Ibrahim, Fuseini, Issah & Eliasu (2014) argue that transformational leadership tends to yield improved employee productivity and therefore, it is paramount to pay attention to organisational training/educational programs that foster transformational leadership and consequently promote employee productivity. Transformational leadership stimulates employee productivity because employees end up performing exceptionally, surpassing original targets (Nsom, Teih & Sundjo, 2019). While leadership skills are critical, Kapur (2018) argues that enhanced productivity may also be because of improvements in a firm’s decision-making procedures, cross-functional alignments, and better work relationships, a healthier organisational culture, productive confrontation, and continuous learning which are all attributes of transformational leadership.

2.3.2 Transformational leadership and employee motivation

Sajid, Abbas & Adeel (2017); Ahmad, Abbas, Latif, & Rasheed (2014) indicate that there is a positive relationship between all the four components of transformational leadership.
leadership; idealised influence, individual consideration, intellectual stimulation and inspirational motivation and employee motivation. The scholars conclude that the level of employee motivation is reliant on the elements of the transformational leadership. However, Akeel & Subramaniam (2013)’s study findings show that the idealised influence component of transformational leadership may not lead to employee motivation. In addition, besides transformational leadership, employees may be motivated by other factors such as challenges, compliments, feedback, and appreciation (Eriksson, By, & Jonsson, 2016).

2.3.3 Transformational leadership and employee commitment

Transformational leadership has significant effects on employee commitment (Chully & Sandhya, 2014; Amin, Akram, Shahzad & Amir, 2018; Gulluce, Kaygin, Bakadur & Atay, 2016). Thus, leaders and managers should endeavour to utilise their transformational leadership capabilities to achieve maximum output from their employees. On the contrary, Anis, Syasmul & Muzakki (2019)’s findings reveal that transformational leadership style may neither impact employee organisational commitment nor may require other moderating variables.

2.3.4 Transformational leadership and employee loyalty

Transformational leadership has a distinct positive impact on employee loyalty (Anjam & Ali, 2016). However, employee loyalty is dependent on other factors such as relationships amongst employees, the workplace culture, personal growth opportunities and physical benefits (Wiklund & Jansson, 2019).

Based on the reviewed literature on the relationship between transformational leadership and employee performance variables, the following hypotheses were developed and tested.

2.4 Hypothesis guiding this study

H1: Transformational leadership has a positive significant effect on employee productivity

H2: Transformational leadership has a positive significant impact on employee motivation

H3: Transformational leadership has a positive significant effect on employee commitment

H4: Transformational leadership has a positive significant influence on employee loyalty

III. RESEARCH METHODOLOGY

- The study was guided by the positivism research philosophy. The positivism research philosophy was selected in this study because it generates quantitative data, it is value free, it can lead to reliable findings which are representative and generalizable. In addition, a positivism research philosophy was adopted because it generates objective data which reduces subjectivity in the findings. This means that the findings of this study are highly reliable and hence it is possible to apply and generalise the findings to other banks that have adopted a transformational leadership.

In terms of research approach a quantitative approach was selected. This is in line with the positivism research philosophy adopted in this study. Quantitative research is the process of gathering observable data to answer a research question using statistical, computational, or mathematical techniques. This study adopted a quantitative research approach because the findings can be replicated and hence making them more reliable. Data gathered based on this approach is objective and more reliable. Analysis of quantitate data is also easy and more accurate. Data interpretation is more accurate and easier to make and hence findings are less open to error and subjectivity. The other justification for adopting a quantitative approach in this study was that larger sample was used and this made findings more representatives on the banks.

The study used a survey data collection method. A survey was deemed more relevant in this study because of the research philosophy adopted as well as the quantitative orientation. The use of a survey was justified that it allowed the collection of large quantitative of data using a structured questionnaire. The data made the findings more representative and objective. Data was collected from Equity Bank Limited (EBL) using a survey method in which a structured questionnaire was used as the data collection tool. The targeted population was all the workers of Equity Bank Limited (EBL). Since the population was too large given the time frame of the study, a sample was selected using a probability sampling approach was used. The probability sampling approach was selected because it generates a more representative sample which makes the findings more valid and reliable. Data analysis was done using the correlation analysis. This data analysis was more appropriate because it allowed the study to determine the nature and scope of relationship between transformational leadership and employee performance of Equity Bank Limited (EBL), In addition correlation analysis is more accurate and more relevant where objective data has been collected.

IV. RESULTS AND DISCUSSIONS

4.1 To investigate the relationship between transformational leadership and employee productivity.

Table 1: Transformational Leadership and Employee Productivity Correlation

<table>
<thead>
<tr>
<th>Transformatio nal Leadership</th>
<th>Transformational Leadershi p</th>
<th>Employee Productivi ty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.868**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Employee</td>
<td>Pearson Correlation</td>
<td>.868**</td>
</tr>
<tr>
<td>N</td>
<td>56</td>
<td>1</td>
</tr>
</tbody>
</table>
According to the correlation table above, the study revealed that transformational leadership style had a strong positive relationship on employee productivity at EBL because the correlation coefficient is 0.868. This means that there is a strong and positive relationship between transformational leadership and employee productivity at EBL. The implication is that the adoption of the transformational leadership at EBL motivated workers to be more productive.

4.2 To ascertain the relationship between transformational leadership and employee loyalty.

According to the correlation table above, there was also a very strong positive link between transformational leadership and employee loyalty. This finding concurs with the conclusion of (Alhassan et al., 2014; Kapur, 2018; Gonnah & Ogollah, 2016; Nsom, Teih & Sundjo, 2019; Vatankhah et al., 2017) who also indicated that transformational leadership would help organisation to make their workers more productive because the model encourages learning, improves organizational communication and is highly motivating on the part of employees. All these attributes will lead to higher employee productivity.

4.3 To establish the relationship that exists between transformational leadership and employee commitment.

According to the correlation table above, the research found that there was also a very strong positive link between transformational leadership and employee commitment because the coefficient correlation = 0.819. Therefore, the adoption of transformational leadership and EBL improved employee commitment significantly.

4.4 To determine the relationship between transformational leadership and employee motivation

According to the correlation table above, the results obtained from this research indicated that there was a very strong positive connection between transformational leadership and employee motivation at EBL because the correlation coefficient = 0.959. This means that the adoption of the transformational leadership and EBL improved employee motivation significantly.

Given the above findings, this study concludes that adoption of the transformational leadership model enhances employee performance by influencing employees to be productive, committed, motivated and loyal.

V. DISCUSSIONS

The findings of this study showed that the adoption of transformational leadership by banks leads to improved employee productivity and this may be attributed to the fact that transformational leadership engages employees in all their decision-making process and is thus able to be sensitive to their needs. When workers feel that they are part and parcel of the organization they become more productive. This finding of this study concurs with the conclusion of (Alhassan et al., 2014; Kapur, 2018; Gonnah & Ogollah, 2016; Nsom, Teih & Sundjo, 2019; Vatankhah et al., 2017) who also indicated that transformational leadership would help organisation to make their workers more productive because the model encourages learning, improves organizational communication and is highly motivating on the part of employees. All these attributes will lead to higher employee productivity.

The study also noted that the adoption of transformational leadership leads to higher levels of employee loyalty to the organisation. This may be attributed to the fact that transformational leadership creates passion, solves problems, and is based on higher employee engagement. These attributes lead to more and higher employee loyalty. This finding supports views by other scholars who also indicated that a transformational leadership model promotes employee loyalty.

<table>
<thead>
<tr>
<th>Productivity</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>56</th>
<th>56</th>
</tr>
</thead>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

<table>
<thead>
<tr>
<th>Transformational Leadership</th>
<th>Pearson Correlation</th>
<th>.730**</th>
<th>Sig. (2-tailed)</th>
<th>.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>56</td>
<td>56</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

<table>
<thead>
<tr>
<th>Employee Loyalty</th>
<th>Pearson Correlation</th>
<th>.730**</th>
<th>Sig. (2-tailed)</th>
<th>.000</th>
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<tbody>
<tr>
<td>N</td>
<td>56</td>
<td>56</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

| Table 2: Correlation between Transformational Leadership and Employee Loyalty |
|--------------------------|--------------------------|--------------------------|
| Transformational Leadership | Pearson Correlation | .730** |
|                           | Sig. (2-tailed) | .000 |
|                           | N | 56 | 56 |

**. Correlation is significant at the 0.01 level (2-tailed).

<table>
<thead>
<tr>
<th>Transformational Leadership</th>
<th>Pearson Correlation</th>
<th>.819**</th>
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<tbody>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>N</td>
<td>56</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

| Table 3: Transformational Leadership and Employee Commitment Correlation |
|--------------------------|--------------------------|--------------------------|
| Transformational Leadership | Pearson Correlation | .819** |
|                           | Sig. (2-tailed) | .000 |
|                           | N | 56 | 56 |

**. Correlation is significant at the 0.01 level (2-tailed).

<p>| Table 4: Correlation between Transformational Leadership and Employee Motivation |
|-----------------------------------------------|--------------------------|--------------------------|</p>
<table>
<thead>
<tr>
<th>Transformational Leadership</th>
<th>Pearson Correlation</th>
<th>.959**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
because it is based on strong engagement between employers and employees (Anjam & Ali, 2016; Murali, Podda & Seema, 2017; Singhal, 2016).

According to the findings of this study that transformational leadership leads to higher levels of employee commitment. This is mainly because the model promotes staff engagement, influences the values and attitudes of employees and inspires employees. The findings of this study also in line with arguments raised by Chully & Sandhya, (2014) who indicate that transformational leadership had a significant effect on employee commitment in 19 different countries and within various sectors of the economy. This finding also resonated with the work of Amin et al., (2018) in the context of Pakistan that resulted to the conclusion that the constructs of transformational leadership and employee commitment are positively related.

This study noted that transformational leadership lead to heightened employee motivation levels. This could be attributed to the fact that transformational leadership model is based on trust, respect, appreciation, and loyalty of employees. This may motivate employees to offer their bets at work. Higher motivation may also be since the model set clear and consistent goals, is based on integrity and fairness. These findings are also in line with views raised by Sajid, Abbass & Adeel, (2017) and Eriksson, By, & Jonsson, (2016) who also indicated that transformational leadership, model leads to intrinsic motivation because employees respect the leader so much, the model creates an inspiring vision of the future that employees feel compelled to follow.

VI. RECOMMENDATION
To attain improved employee performance, banks should adopt transformational leadership model based on setting clear and consistent goals, encouragement, integrity and fairness, inspiring others to rise to challenges, intellectual stimulation, inspirational motivation, and idealized influence.

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REFERENCES


