

Influence of Transactional Leadership Style on Employee Performance at Selected Commercial Banks in Nairobi City County, Kenya

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Abstract: Effective leadership in an organization is very important for continued existence of commercial banks. The banking industry in Kenya has witnessed tremendous changes brought about by globalization, liberalization, intense competition among rivals, changing regulatory guidelines, technology, and more demanding customers. These changes and dynamic business environment requires leadership that can enable both the people and the organization to adapt and be successful. This study aimed at investigating the influence of transactional leadership styles on employee performance in selected commercial banks in Nairobi City County, Kenya. The theories that guided the study were.....- descriptive survey research design was used to conduct the study..The total population was 242 respondents comprising of managers and support staff from the selected commercial banks. The study used proportionate stratified sampling method from Kenya commercial Bank, Cooperative Bank, Equity Bank and Family Bank. The respondents were selected using simple random sampling method. The sample size was 151 respondents. Primary data was collected using questionnaires. Quantitative data was analysed with the use of descriptive statistics such as mean and standard deviations and presented using tables, graphs, charts and figures. In addition, the study conducted a multiple regression analysis. The study established a positive significance influence between transactional leadership style on employee performance. The study concluded that through transactional leadership employees are motivated to become more productive and efficient team members. The study recommends that bank managers should invite staff to engage in objective setting to discuss what the bank wants their staff to accomplish and offer them an chance to share their thoughts.

Keywords: Transactional Leadership Style, Employee Performance

I. INTRODUCTION

Leadership is an important area in management that occupies central position in our everyday life. In this regard, Mwita (2012) state that performance of employee is a major multi-dimensional construct aimed at achieving results and has a strong link to strategic goals of an organization. Gkorezis, Hatzithomas and Petridou (2015) observe that since every organization cannot progress by depending on one or two individuals' effort, there is therefore the need for a manager (leader) to enhance the collective effort of each and every subordinate to adopt organizational goals as their own personal goals.

The job related activities expected of a worker and how well those activities are executed in accordance with the required standard in the achievement of organizational goals. Many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify suggested areas for improvement (Veronica, 2015). Kavanagh and Ashkanasy (2016) note that ideally organizational employees will share your vision of the company's future and the important role they play in its success. Measuring their performance will help you to allocate resources and build your business as employees continue to grow in their careers.

Effective leadership and employee job satisfaction are considered to be the fundamental factors for organizational success (Cetin & Karabay, 2012). The author further argues that a capable leader provides guidance for the organization and lead followers toward achieving desired goals. According to Elkins and Keller (2014) organizations need to have efficient leaders to lead and motivate their employees in their daily operation so that they can achieve the organizational goals. Therefore, it can be argued that in order to enable employees to perform well, effective leadership of leaders plays a pivotal role.

Transactional leadership style is the process by which leaders are able to entice subordinates to perform and thereby achieve desired outcomes by promising rewards and benefits for the accomplishments of task and administering punishments when task are not well accomplished (Bass, 2016). Bono and Judge (2014) indicate that transactional leadership style consists of contingent reward, active management by exception, and passive management by exception. These authors further show that a transactional leader motivates subordinates by giving rewards for successful services provided. This leader clarifies the subordinates' goals and arranges contingent rewards as inducements toward the achievement of the goals.

Frederick and Stephen (2010) stated that employee's performance is measured against the performance standards set by the organization. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures. As noted by Obiageli, Uzochukwu and Ngozi (2015). It is the responsibility of the

company managers to ensure that the organizations strive to and thus achieve high performance levels. This therefore implies that managers have to set the desired levels of performance for any periods in question.

Commercial banks in Kenya have continued to compete for market share using various strategies, all aimed at enhancing service delivery and customer experience in order to expand market share. Kiriimi (2016) pointed out that lenders have been forced to respond to the stiff competition in the banking sub-sector. Banks have been left with limited options other than addressing costs and optimization of use of limited resources to improve performance and maintain profitability. Among the mechanisms to cope with the existing changes in the banks is to ensure that employee work to the best of the bank and achieve targets

II. STATEMENT OF THE PROBLEM

Organizations hire employees from diverse countries, cultures, values and styles. This makes the organizations face diverse challenges in multiple forms such as demographic changes in manpower integrated with global markets and worldwide rivals that should be managed strategically (Kreitz, 2015). Jackson (2016) argue that in order to manage diversity strategically and successfully organizations needs human resources managers with essential skills in developing organizations, enhancing leadership skills, developing positive communication and correspondence tools, besides implementing effective assessment process. Therefore, Effective leadership in a commercial bank is very important for continued better performance.

The banking industry in Kenya has witnessed tremendous changes brought about by globalization, liberalization, intense competition among rivals, changing regulatory guidelines, technology, and more demanding customers. These changes and dynamic business environment requires leadership that can enable both the people and the organization to adapt and be successful (Mokaya & Kipyegon, 2014). However, a critical problem facing the employee performance in commercial banks in Kenya could be linked to the inability of administrators to foster conducive, effective, harmonious and productive working relationships in the banks. Specifically, the problem leading to this study is the rise of inappropriate application of leadership styles been responsible for poor relational working ties between employees and the Banks' management.

Samaitan (2014) study examined the relationship between leadership styles and performance of commercial banks in Kenya and found that leadership style behaviors jointly predict organizational performance. However, the study used correlational research design which cannot give conclusive findings. Rasool, Arfeen, Mothi and Aslam (2015) study examined the effect of leadership styles on employee's performance and found that any style of leadership has a positive effect on the performance of employees. However, the study was carried out in health sector of Pakistan. Muchiri

and Hazel (2019) study investigated the effects of leadership styles on organizational performance of listed Commercial Banks in the Nairobi Securities Exchange and the study established a positive significant relationship between leadership styles and organizational performance. However, the study used exploratory research design. Therefore, this study sought to investigate the influence of transactional leadership styles on employee performance in selected commercial banks in Nairobi City County, Kenya.

III. LITERATURE REVIEW

Theoretical Literature Review

This study was guided by transactional theory. The concept of transactional leadership was first mentioned by Max Weber in his socioeconomic considerations of the organization. Twenty-seven years after his death and publishing a reprint of his book, academic and professional audience accepts his definition of leadership (Weber, 1947). Weber description of transactional leadership style and his basic facts are accepted by Bernard Bass in 1981. In his definition he identified three kinds of leaders, bureaucratic, traditional and charismatic leaders. Transactional leadership is based on classical principles of exchange with followers who are part of interactions and therefore are rewarded for meeting pre-defined standards and performance (Bass, 1985).

According to Bass and Avolio (2009), transactional leadership involves motivating and directing followers, appealing to their own interests. The power of the leader comes from formal authority and responsibility in the organization. Transactional leadership is, in essence, oriented on monitoring organization, processes and outcomes in the market. In transactional leadership, the interpersonal relationships between leaders and followers have a four dimensional approach: The possibility of reward, as a result of well-performed tasks and achieved goals that followers are expected to successfully completed the process (Bass, Avolio, Jung & Berson, 2003).

There are some assumptions in transactional leadership theory: Employees are motivated leader through rewards and punishments; Followers receive a directive from the leader, which must be respected through production process; there is no self-motivation, but the followers are controlled by leader during the manufacturing process (Bass & Steidlmeier, 1999). The transactional theory builds on transformational leadership in that through motivation employees are empowered to achieve organizational goals and objectives and ultimately high employee performance.

Empirical Literature Review

Shah and Hamid (2015) carried out an empirical investigation on the influence of transactional leadership on job performance. The survey method was used to collect data from the middle managers of six large banks of Pakistan. Hence using proportionate random sampling a total of 500 questionnaires were mailed to the bank branches with self-addressed returned envelopes out of which 297 useable

questionnaires were received. The findings of the study reveal that transactional leadership has significant relationship with job performance. However, the study used convenience sampling method which is highly vulnerable to selection bias.

A study carried out by Asimwe and Sikalieh (2016) explored the relationship between transactional leadership style and SMEs Growth in the Top 100 SMEs in Kenya. This was a mixed method study targeting the KPMG top 100 SMEs of 2013. A causal research design was employed. Stratified proportionate random sampling and purposive sampling techniques were used. Data was collected using a closed ended questionnaire and a structured interview guide. Pearson's correlation, multiple regression and Pearson's chi-square techniques were used to analyse the data. The analysis indicated that transactional leadership style and SMEs growth had a strong positive and significant correlation ($r= 0.702$, $p =0.007$), and a positive and significant relationship. However, the study purposive sampling which is subject to sample biasness.

Kaloom, Khan and Zubair (2018) study examined the impact of transactional leadership and transformational leadership on employee performance: A Case of FMCG Industry of Pakistan. Data have been collected from 318 employees and has been concluded that though both leadership styles are having positive relation with employee performance but, transactional leadership style has strongly positive correlation with the performance of the employees. Along with Pearson correlation, Linear Regression Analysis has also been used in order to predict the predictor's contribution towards employees' performance. However, the study was a Case of FMCG Industry of Pakistan.

IV. RESEARCH METHODOLOGY

This study used descriptive survey research design. This study was carried out in selected commercial banks in Nairobi City County, Kenya that included Kenya Commercial Banks, Cooperative Bank, Equity Bank and Family Bank. The total population was 242 respondents comprising of managers and support staff from the selected commercial banks. The study used proportionate stratified sampling method and the respondents were selected using simple random sampling method. The sample size was 151 respondents. Primary data was collected using questionnaires. Quantitative data was analysed with the use of descriptive statistics such as mean and standard deviations and presented using tables, graphs, charts and figures. In addition, the study conducted a multiple regression analysis.

V. FINDINGS

The findings of the influence of transactional leadership style on employee performance in selected commercial banks in Nairobi City County, Kenya are indicated in Table 1.

Table 1: Transactional Leadership Style on Employee Performance (n=56)

Statement	M	SD
Transactional leadership style is effective in motivating employees in becoming productive and efficient members of the team	4.06	1.137
Through transactional leadership style, the management ensures that its visions for the bank will be realized	3.96	0.874
Transactional leadership style ensures a clear and concise structure that enables employees informed before-hand of what the bank expects from them.	4.25	0.601
Rewards promised with transactional leadership style serve as motivators for the employees to do their tasks at the shortest time possible for incentives, whether monetary or psychological.	4.04	0.849
Transactional leadership style address basic needs of an individual thus enabling them to implement a standardized model for motivating people and managing their performances.	4.48	0.618
Aggregate Score	4.16	0.816

Source: Survey Data (2020)

The results in Table 1 show that the respondents agreed that transactional leadership style influence employee performance at selected commercial banks in Nairobi City County, Kenya as indicated by the aggregate mean score of 4.16 with a significance variance of 0.816. These findings concur with the findings of a study by Kaloom, Khan and Zubair (2018) which examined the impact of transactional leadership and transformational leadership on employee performance and found that transactional leadership style has strongly positive correlation with the performance of the employees.

The respondents strongly agreed on the statements that transactional leadership style address basic needs of an individual thus enabling them to implement a standardized model for motivating people and managing their performances and that transactional leadership style ensures a clear and concise structure that enables employees informed before-hand of what the bank expects from them as shown by mean score of 4.48 and 4.25 respectively with standard deviation of 0.618 and 0.601 respectively. These findings agree with the findings of Shah and Hamid (2015) study which explored on the relationship between transactional leadership and job performance and established that transactional leadership has significant relationship with job performance.

The respondents strongly agreed on the statements that transactional leadership style is effective in motivating employees in becoming productive and efficient members of the team, rewards promised with transactional leadership style serve as motivators for the employees to do their tasks at the shortest time possible for incentives, whether monetary or psychological and that through transactional leadership style, the management ensures that its visions for the bank will be realized as shown by mean score of 4.04, 4.06 and 3.96 respectively with respective standard deviation of 0.849, 1.137 and 0.874. These findings agree with Brahim, Ridic and Jukic (2015) study which examined the effect of transactional leadership on employees' performance-case study of 5

Algerian banking institutions and showed that transactional leadership style positively and significantly related to performance.

Model Summary of Regression Analysis

Table 2: Model Summary of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.645 ^a	.719	.713	.788	.119	18.876	1	140	.000

a. Predictors: (Constant), Transactional Leadership Style

Source: Survey Data (2020)

The result in Table 2 show that transactional leadership style explain a factor of 0.713 of employee performance at selected commercial banks in Nairobi City County, Kenya as represented by the adjusted R square. This therefore means that other factors not studied in this research contribute to a factor of 0.287 of the employee performance.

Coefficient of Determination of the Variable

Table 3: Coefficient of Determination of the Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.585	.468		4.454	.000
	Transactional Leadership Style	0.769	.108	2.345	4.345	.000

a. Dependent Variable: Employee performance

Source: Survey Data (2020)

From the above regression model, holding the transactional leadership style at constant, the employee performance at selected commercial banks in Nairobi City County, Kenya would be at a factor of 0.585. The study also revealed that transformational leadership style influenced employee performance to a very great extent at a factor of 0.769. The resulting regression equation was $Y = 0.585 + 0.769X_1$

Where Y = Employee performance

X_1 = Transactional leadership style

The study established that transactional leadership style was positively related to employee job satisfaction as shown by beta-value ($\beta = 2.345$, $p < 0.05$). This is in line with Kalsoom *et al.* (2018) study that examined the impact of transactional leadership and transformational leadership on employee performance and revealed that transactional leadership style has strongly positive correlation with the performance of the employees.

V. CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER STUDIES

The study concluded that transactional leadership is composed of a structure that is clear and concise. Employees of an organization who practice transactional style of leadership are informed before-hand of what the company expects from them. A transactional leadership is effective when it comes to increase in production and cutting down costs. These are due to the fact that this leadership style has short-term goals that make it easy for employees to get things done. Management ensures that its visions for the company or organization will be realized. This is for that reason that goals and objectives only require a shorter time table to materialize. The study recommended that through transactional style of leadership, the managers of the organization should motivate their employees by promising rewards upon goal completion. When employees fail to reach their goals, the managers should respond with punishments like public ridicule, threats of demotions and/or firings, and harsh private conversations

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