

## Influence of Leader's Relational Transparency on Employee Commitment in Agencies Implementing Public Financial Management Reforms in Kenya

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### ABSTRACT

This paper addresses the influence of leader's relational transparency on employee commitment in agencies implementing Public Financial Management Reforms (PFMRs) in Kenya. Methodically, the study was guided by the positivism research philosophy. The study applied descriptive correlational research design because it is the most appropriate as it reveals accurate information that allows for inferences through hypothesis testing. This approach was favored because it explains what is in existence and, in turn, assists in revealing new realities and meanings, thus broadening the scope of the phenomenon under study. The population of the study was 747 managers from the Kenyan PFMRs implementing agencies. This study adopted a simple random sampling technique to select 260 managers for the study. Primary data was collected using a structured questionnaire that was designed based on the research objectives. Both descriptive and inferential analysis were employed for analysis. The Binary logit regression model was significant with Chi-square  $\chi^2(1) = 112.350$ ,  $p < .001$ , and the model summary result shows the Nagelkerke R square of .783. The study accepted the alternative hypothesis, which stated that leaders' relational transparency significantly influenced employee commitment among managers in agencies implementing PFMRs. From the empirical evidence and conclusion, the study recommends that organizations can establish a consistent policy for leaders to be transparent about the task and activities related to the firm. In addition, employees should be encouraged to provide honest feedback, but this can only occur if the leaders are ethical

**Keywords:** Leader's Relational transparency, Employee Commitment, Agencies Implementing Public Financial Management Reforms

## I. INTRODUCTION

The government setting is unique because it is highly politicized, complicating the development of trust relationships between leaders and employees. Bligh (2016) proposed that trust can be a buffer during change implementation and mitigate stress, turnover intention, and lower organizational commitment. This study focused on the agencies under the National Treasury of Kenya tasked with implementing PFMRs. KIPPRA (2018) heralds the efficient public financial management system in the national and county governments as an urgent priority for achieving aggregate fiscal discipline, strategic resource allocation, and efficient use of service delivery resources. These are critical if Kenya is to achieve its sustainable development goals. Similarly, Kenya's Vision 2030 defines public expenditure and financial management reforms as one of the priority structural reforms. Specifically, the vision aims to accelerate public financial management (PFM) to boost transparency and accountability efficiency. These reforms aim at alleviating poverty and sustaining economic growth. However, it is argued that the improvements have been deficient.

Authentic leadership practices such as transparency may help reduce work-related stress, which can otherwise result in increased bouts of sickness, such as headaches and digestive issues and these may result in more sick-day requests and other types of absences, impacting efficiency (Macik-Frey et al., 2019). Relational transparency is a component of authentic leadership whereby the leaders declare their impact by being honest and transparent, thus leading to the identification of followers with their leaders, their idealized influence, and inspirational motivation (Houser et al., (2019). According to Binnewies et al., (2018), relational transparency includes being straightforward and direct in managing others. This requires a leader to be consistent with one's qualities and communicate this to others; this includes sharing data about one's contemplations and emotions. According to Jiang and Men (2017), relational transparency fosters an environment of trust achieved through a leader's transparency in communicating organizational processes and goals, information sharing, self-disclosure, and self-expression. Gunu and Oladepo (2019) revealed that relational transparency has an outward focus and can reflect one's true self to others through honest and open sharing of information and communicating one's true thoughts and feelings. Semedo et al. (2018) referred to relational transparency as a fundamental characteristic of leadership in the global business world, exemplified by the open sharing of thoughts, feelings, and information through interpersonal interactions between the leader and follower. While preserving a degree of dignity in the workplace so that employees can comprehend the leader's behavior, especially when making decisions.

Mutinda (2021) indicates that some of the nation's ugliest corruption scandals continue to involve public funds under the management of institutions responsible for general financial management in Kenya. Similarly, employee morale at the same institutions remains low with constant accusations of tardiness, bureaucracy, lack of professionalism, and a seemingly unending image of a coat hanging on the coat hanger while the employee is out perambulating and carrying on their private businesses. Furthermore, public financial management reforms remain hampered by inefficient management of public resources, wrong prioritization of projects, and managerial inefficiencies (Mutinda, 2021). The sector is in dire need of leadership that could drive the successful implementation of reforms. Beh (2018) surmises that leadership is critical in advancing governance and leading change in government and concludes that effective leadership leads to fundamental reforms in the public sector.

Several studies have established the relationship between leader's relational transparency and employee commitment. Moreover, Sang (2016) found that as an open and truthful self-disclosure, relational transparency positively influences employee job satisfaction. The empirical study by Salazar (2017) established that relational transparency in an organization is significantly and positively related to organizational justice and positively affects employees' organizational commitment. Furthermore, a study by Velmurugan and Zafar (2020) focusing on emotional intelligence and organizational commitment in hotel managers in Trichy, India, demonstrated a correlation between emotional intelligence and organizational commitment. Feng's (2019) results that the leaders demonstrated transparency in information in the work environment. Regionally, Walumbwa, Avolio, and Aryee (2021) asserted that little empirical research had addressed Africa's unique leadership and management issues. This has denied African nations of tools to create effective leadership critical to driving economic performance.

While exhaustive literature exists for leader's relational transparency and employee commitment, the first problem was for studies overlapping public financial management reform agencies in Kenya. Ouma (2018) focused on the effect of ethical leadership on employee commitment in transport sector parastatals in Kenya and found a positive relationship between the variables, while Matheri (2020) looked at how employee commitment is affected by emotional intelligence in Kenyan Saccos among others. The other research gap was in policies in Kenya regarding agencies implementing PFMR in Kenya. This creates a gap as the study has to rely on other agencies such as KRA and the National Treasury to gather information regarding the revenue performance reports on financial management in Kenya. This indicates slack in implementing the changes envisioned by the PFM Act of 2012. In addition, the demand for the modern-day workplace coupled with globalization has dramatically affected the need for leadership, particularly in the area of sturdier leader's relational transparency and employee commitment.

Improvement of employee commitment to change initiatives may have a profound effect on the success of the Kenyan PFMRs agencies' efforts. The authentic leadership framework is based on the premise that genuine leadership is related to the pattern of leader habits which draws upon and promotes positive emotional capabilities and a favorable ethical environment. It urges more famous relational transparency, growing favorable self-advancement and commitment. This study explored leader's relational transparency to provide an in-depth understanding of how the work environment affects employees' attitudes and the precise leadership traits and styles that enhance employee commitment during their firm tenure. Results of the study may help to explain why authentic leadership style is important or the ultimate attainment of employee commitment goals in firms.

Public Management Financial Reforms implementing agencies in Kenya believe that employee commitment contributes to workforce stability and better service delivery hence improved performance (Mwangi, 2021). The PFM Report (2017) noted several challenges faced by the various agencies involved in implementing the PFM Act. These include a lack of financial management system at the county level; challenges in leadership whereby they are not knowledgeable in financial and people management stoppage of disbursement of funds to guard against misuse, slow implementation of transition issues, and inadequate infrastructure. These challenges have hindered the effectiveness and efficiency of the PFM implementation and public resources management. Beh (2018) posited that in order to overcome the numerous and varying

corporate and governmental crises, we need new leaders that are authentic and influence their employees to be morally upright and work toward the greater good for all and not just reforms and new laws. Authentic leadership is critical in advancing governance and leading successful reforms in government. Hinojosa et al., (2019) encouraged future studies on the congruence between leader's relational transparency and employee commitment. Thus, to close the gaps, this study sought to determine whether leader's relational transparency has any influence on employee commitment among agencies implementing PFMRs in Kenya.

## II. LITERATURE REVIEW

### *Theoretical Review*

Authenticity in the industry involves being tactfully genuine (Sharif & Scandura, 2018). An assumption of authentic leadership theory is when leaders engage in transparency so that they are blatant regarding their ideas and opinions, their followers are more likely to be satisfied with their jobs (Wang & Hsieh, 2019). There are some criticisms of the model of authentic leadership. For example, as authenticity is heavily dependent upon the authentic leader's life story, it will likely be affected by their race, national origin, socio-economic status, and other factors (Zhang, Everett, Elkin & Cone, 2019). Zhang et al. (2019) also suggest that authentic leadership theory lacks validity in non-Western contexts such as China. However, as countries' economic growth occurs outside the United States, the construct can be used to form greater cross-cultural understanding and thus might lead to more applicability in non-Western countries. Authentic leadership theory consists of constructs such as transparency, informed decision-making or balanced processing, high ethics, and self-awareness - all of which may be instrumental in bringing about the type of ethical leader image that many organizations desire (Otken & Cenkcı, 2020). It is in these that internalized moral perspective was chosen and explored further in this study.

### *Empirical Review*

Ayiro and Sang (2019) established that emotional intelligence enhanced the quality of the service offered by managers. While research done by Sy et al. (2016) found a relationship between a manager's emotional intelligence and job satisfaction in that managers with high emotional intelligence can manage emotions to cushion against events that may result in lower job satisfaction. Houser et al., (2019) found that leaders' proposals energize collaboration in all mediations; however, leaders and their group members are bound to pursue leaders' suggestions when organizations are transparent. Transparency prompts more participation, higher gathering income, and decreased variety in commitments among the group altogether. Leroy, Palanski, and Simons (2019) found that authentic leadership and leader conduct honesty are identified with devotee work worker commitment, ultimately intervened through supporter emotional authoritative duty while Gilbert, Myrtle and Sohi (2018) revealed that open communication is very important in fostering transparency in the firms.

## III. METHODOLOGY

The study was guided by the positivism research philosophy guides this study as it allowed the researcher to observe social reality objectively. Furthermore, positivism allows for a causal explanation and predicts the relationship between variables using empirical methods. The study applied descriptive correlational research design because it was the most appropriate as it reveals accurate information that allows for inferences through hypothesis testing. The population of the

study was 747 managers from the Kenyan PFMR implementing agencies. This study adopted a simple random sampling technique to select 260 managers for the study using the Yamane (1967) formulae for sample size calculation. Primary data was collected using a structured questionnaire that was designed based on the research objectives as it was easier to administer during Coronavirus Disease (COVID) met the set government restrictions. The study employed descriptive statistics such as frequency distribution, mean standard deviation, and coefficient of variation to comprehend the data. Inferential statistics namely correlation analysis and binary logit regression analysis were used. A significance level of  $p \leq .05$  was used by the study to depict a significant association between the dependent and independent variables. Diagnostic tests were conducted for normality, linearity, multicollinearity and heteroskedasticity. The data was presented in tables and figures.

#### IV. RESULTS

##### Correlation Analysis

**Table 1:**

*Correlation Analysis for Relational Transparency and Employee Commitment*

		Employee commitment	
Pearson	Relational transparency	Correlation Coefficient	.778**
		Sig. (2-tailed)	.000
		N	223

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

As shown in Table 1, the relationship between the two was statistically significant;  $r(223) = .778, p < .05$ . This shows that the relation was strong ( $>.5$ ) but not with a higher level of multi-correlation ( $<.8$ ).

##### Hypothesis Testing

The hypothesis for the study was:

$H_{01}$ : *There is no significant influence of leaders' relational transparency on employee commitment among managers in agencies implementing public financial management reforms in Kenya*

The diagnostic tests were conducted before hypothesis testing was done. The diagnostic results showed that data was linearly distributed along the best line of fit, the variables were not multicollinerated, they were no outliers, and the correlation between the independent and dependent variables was strong but not highly correlated. Further, the binary regression model fitted since the Omnibus test of the model coefficient was significant ( $p < .001$ ) and the Hosmer and Lemeshow Test were not significant ( $p > .001$ ).

**Table 2:**

*Classification of influence of Leaders' Relational Transparency on Employee Commitment*

Classification Table <sup>a,b</sup>						Classification Table <sup>a</sup>							
Observed			Predicted			Observed			Predicted				
			Employee	Percentage					Employee	Percentage			
			commitment	Correct					commitment	Correct			
			Disagree	Agree						Disagree	Agree		
Step	Employee	1	0	80	.0	Step	Employee	1	75	13	85.2		
0	commitment	2	0	143	100.0	1	commitment	2	12	144	92.3		
					Overall						Overall		
					Percentage						Percentage		
					64.1						89.8		
a. Constant is included in the model.						a. The cut value is .500							
b. The cut value is .500													

The Table shows that the classification outcome at the beginning of the model shows that 64.1% of individuals were classified using the null model (leaders' relational transparency had no significant effect on employee commitment). In comparison, 89.8% were correctly classified on the full model, which greatly improved.

**Table 3:**

*Model Summary and HL Test on Influence of Leaders' Relational transparency on Employee Commitment*

Model Summary					Hosmer and Lemeshow Test			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square		Step	Chi-square	df	Sig.
1	112.350 <sup>a</sup>	.571	.783		1	16.839	8	.082
a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.								

The Omnibus test of the model coefficient in Table 6 shows Binary logit regression model was significant with Chi-square  $\chi^2 (1) = 112.350, p < .001$ , and the model summary result show the Nagelkerke R square of .783 (equivalent to  $R^2$  on the linear regression model). This shows on the full model; 78.3% of employee commitment among managers in agencies implementing public financial management reforms in Kenya is attributed to leaders' self-esteem, while the remaining 21.7% can be attributed to other factors not included in the study and the error term. The Hosmer and Lemeshow (HL) Test indicated a good fit ( $\chi^2 (8) = 16.839, p > .001$ ) which shows the binary regression model was fit to test the model.

**Table 4:**

*Binary Regression Model on Influence of Leaders' Relational transparency on Employee Commitment*

Variables in the Equation									
							95% C.I. for EXP(B)		
							Lower	Upper	
		B	SE.	Wald	df	Sig.	Exp(B)		
Step 1 <sup>a</sup>	Relational transparency	3.263	.429	57.880	1	.000	26.123	11.271	60.545
	Constant	-10.125	1.388	53.233	1	.000	.000		
a. Variable(s) entered on step 1: Relational transparency.									

Further, as shown in Table 4, the variables in the equation shows that the interaction of the Leader's relational transparency as an independent variable was significant ( $\beta = 3.263, Wald = 57.880, p < .05$ ). This shows a unit increase in the Leader's relational transparency in agencies implementing public financial management reforms in Kenya increased likelihood of employee commitment by 3.263 (Exp 11.123)

Results from the analysis show that Nagelkerke R-squared ( $R^2$ ) for model one was 783, implying that 78.3% of employee commitment among managers in agencies implementing public financial management reforms in Kenya is attributed to leaders' self-esteem. Further, the variables in the equation show that the interaction of leaders' self-esteem ( $p < .05$ ) was significant.

From this, the null hypothesis of the study was rejected and the alternate hypothesis accepted;  $H_{11}$ : There is a significant influence of leaders' relational transparency on employee commitment among managers in agencies implementing public financial management reforms in Kenya.

## V. DISCUSSION

The study found that leader's relational transparency influences employee commitment in agencies implementing PFMRs in Kenya. These findings support Peus et al., (2018) who found that relational transparency was most strongly correlated with predictability about supervisors' attitudes and behaviors as they communicate clearly and openly. Matheri (2020) revealed a strong relationship between emotional intelligence and commitment by employees. The study also found that the leader openly shares their feelings with others and these findings are concurred by Gill and Caza (2018). They added that an authentic leader is more likely to express his or her values to employees and encourage them to develop their capacities. Jiang and Men (2017) noted that relational transparency fosters an environment of trust achieved through a leader's transparency in communicating organizational processes and goals, information sharing, self-disclosure, and self-expression. Agote, Arambu, and Lines (2016) tested the hypothesis that authentic leadership was positively related to and influenced employees' trust and emotions during organizational change. Moreover, they found that authentic leadership is directly and positively related to employees' trust in the leader and the experience of positive emotions. A study by Velmurugan and Zafar (2020) focusing on the emotional intelligence and organizational commitment of hotel managers in Trichy, India, demonstrated a correlation between emotional intelligence and organizational commitment. Ayiro and Sang (2019) established that emotional intelligence enhanced the quality of the service offered by managers.

### **Conclusion**

The study concluded that leader's relational transparency influences employee commitment in agencies implementing PFMRs in Kenya. The Binary logit regression model results shows the Nagelkerke R square of .783 (equivalent to  $R^2$  on the linear regression model) indicating 78.3% of employee commitment among managers in agencies implementing PFMRs in Kenya is attributed to leaders' relational transparency and thus the null hypothesis was rejected. The findings further reveal that transparent leadership, open communication, and emotional intelligence are important elements of relational transparency. Thus, the employees perceived relational transparency when leaders are accessible to all employees despite cadre and maintain an open-door policy, provide access to information, and involve employees in decision-making, thus making the employee's commitment easier to adopt in the agencies.

### **Recommendations**

Based on the findings, it is recommended that there is a need for transparency to have employee commitment. There is a need to include employees in decision-making and sharing good or bad ideas to welcome honest feedback. Transparency in leaders leads to openness to the employees, which means that an organization will be built on trust and honesty. There is need to

ensure that organizations can establish a consistent policy for leaders to be transparent about the task and activities related to the firm. The decision in public finance management is empathetic, which may cause the breaking down of the agencies. In addition, any leader should know and talk with the employees to understand their stand and see the type of leadership. This is because different people behave differently, and transparency can only occur if the two parties know each other and are comfortable.

The study examined the influence of authentic leadership on the employee commitment of select agencies implementing public financial management reforms in Kenya. The study recommends extending the study to other government agencies to understand better the influence of authentic leadership on employee commitment of agencies and clustering the 19 agencies represented in the secretariat. Accordingly, the study recommends the inclusion of other moderating variables, such as job satisfaction and work environment, in future authentic leadership research.



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