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RESEARCH ARTICLE

DETERMINATION OF THE ROLE OF TRANSFORMATIONAL SHARED INFLUENCE IN BANKING SECTOR PERFORMANCE IN KENYA

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ABSTRACT

Performance in the banking industry has always determined the survival of a given bank. The level of such performance could be determined from different perspectives, but one most frequented test is the type of leadership driving the particular bank or the industry as a whole. It is from the background that this study sought to establish the influence by transformational shared influence on the performance of commercial banks in Kenya. Using a positivist approach, the study adopted a descriptive correlational research design with stratified sampling of managers from all the 3-Tiers of 39 registered commercial banks in Kenya. The main instrument of data collection was a structured questionnaire from which a total of 307 responses were received out of a target 324 managers. Field results were analysed using both descriptive and inferential models with all processes run through the Statistical Package for Social Sciences (SPSS) program. Key findings indicated that the transformational shared influence on performance of commercial banks in Kenya was statistically significant, $R^2 = 0.283$, $F(1, 306) = 23.264$, p-value $<.05$. This shows that 28.3% of the performance of commercial banks in Kenya was attributed to transformational influence while the remaining 71.7% could be attributed to other factors not included in the study and the error term. Additionally, results of regression coefficient indicated the transformational influence significantly predicted the performance of commercial banks in Kenya ($\beta = .594$ $t = 4.823$, $p<.05$). The study concluded that transformational shared influence is an important function of shared leadership for commercial banks in Kenya achieving their effectiveness and efficiency. The study thus recommends full implementation of all the aspects of transformational shared influence including idealized influence, inspirational motivation, intellectual stimulation and individual consideration across all commercial banks in Kenya.

Keywords: transformational influence; idealized influence; inspirational motivation; intellectual stimulation; individual consideration, Kenya

INTRODUCTION

Traditionally the five common leadership styles include autocratic, laissez faire, transformational, transactional and participative behaviours. Modernity has however created several combinations of leadership styles that are new including shared leadership, strategic leadership, servant leadership, situational leadership and the popular charismatic leadership style (Song, Gu & Cooke, 2020). In practice, shared leadership has been defined as a form of organizing without managers and can take the form of a non-chief executive officer or a joint-chief executive officer model, a rule-by-committee system, and even a microenterprise approach where employees have a say in their unit, and each unit has a say in their group decisions (Bouwer, 2023). Shared leadership has been shown to be advantageous as a way to drive performance in commercial organizations.

In the banking sector, traditional banking organizations often follow a vertical leadership structure, with a chief executive officer or top executives making key decisions. However, as the demand for innovation, collaboration, adaptability to navigate complex and dynamic business challenges in commercial settings, the suitability of hierarchical top-down influence structures is being questioned increasingly. As organizations today are relying on teams to drive collaborative efforts towards better organizational performance, innovation, adaptability and team performance are important measures for shared leadership.

Regionally, scholars have explored the transformational leadership specically in banks with Puni, Mohammed and Asamoah (2018) focusing on the Ghanaian banking system to establish how rewarding policy played a role in transformational leadership. In their findings and results, Puni et al., (2018) found that the rewarding regimes that had individual consideration was a practice in the Ghanaian banking industry for some of the top performing banks in both Accra and Kotoko economic zones. This specific study inpired the current study in seeking to estaboish the influence of transformational shared influence on performance of commercial banks in Kenya.

Commercial bank performance is a key ingredient in understanding the true status of any given economy. In particular, commercial banks' performance represents nearly the true status of an economy and thus understanding its leadership is critical to all scholars and policy makers. This study therefore sought to identify the influence of transformational shared influence on performance of commercial banks in Kenya considering all the 3-Tier banks in Kenya.

LITERATURE REVIEW

Theoretical frameworks underpinning shared leadership often draw upon various leadership theories such as transformational leadership, empowering leadership and other vertical leadership theories. Shared leadership posits that leadership is an emergent property of the team, where team members mutually influence each other, and leadership roles are distributed among the team members (Carson, Tesluk & Marrone, 2019). It deviates from the traditional leadership approaches centered around the formal appointed leaders where the focus is on top-down vertical influence. Shared leadership has been theorized in multiple ways. Carson et al. (2019) defined shared leadership as an emergent team property that results from the distribution of leadership influence across multiple team members. From this perspective, shared leadership emphasizes the mutual influence processes that are ingrained in interactions among team members.

Shared Leadership Theory

Leadership is generally theorized as a top-down influence. Consequently, success or failure of organizations has been attributed to chief executive officers and managing directors, yet there is growing recognition that leadership is a more complex concept, that evolves from multiple individuals especially in the age of knowledge work. Martin, Cormican and Sampaio (2018) noted that the concept of leadership being distributed beyond a single leader goes back 50 years ago and a structure of shared leadership proposes to leverage the formal leader role, in addition to the leadership that emerges from within the team itself. Shared leadership theory is attributed to a seminal paper by Pearce and Sims (2001) who popularized the theoretical construct as a group level phenomenon which entails shared influence between and among team that influences group level outcomes such as group effectiveness.

A practical case from China by Shao, Fu, Ge, Jai, Li and Wang (2022) demonstrated how interrelationships between leadership and follower commitment continue to be central for job security and performance outcomes across the service sector, manufacturing, technology, education industries and state organs in multiple cities in China. Specifically, the study looked at transformational leadership, affective commitment, job insecurity and job performance. Data was collected from 294 respondents identified through random sampling techniques and questionnaires were distributed online through a job site. Findings revealed a positive relationship between transformational leadership and job performance, and this relationship is partially mediated by affective commitment. Further, the study findings indicate that when followers experience high levels of job insecurity, the positive influence of transformational leadership on affective commitment is lower than when followers feel secure in their jobs. The implications for job performance is that establishment of organizational vision by transformational leaders encouraged followers to participate more, and in addition to completing tasks allocated to them, they also executed tasks outside their role, which contributed to better task and job performance.

Locally, Equity Group Holdings Plc in conjunction with Commercial International bank of Egypt as well as Premier Bank Limited of Somalia have demonstrated the capability of raising performance through increased branch mergers that emphasize team leadership (CBK, 2022). This has also been replicated with the KCB Group Plc taking on Trust Merchant Bank for increased performance following from the team leadership. However, there was negative effect of shared leadership in banking as well with specific ones being leaders taking advantage of hard-working subordinates to overburden them with their roles in the pretense of empowerment. Such cases in shared leadership have motivated the current study to identify why transformational shared leadership is mostly adopted among other leadership influences.

METHODOLOGY

Population and Study Site

The current study adopted a positivist philosophy. The positivist philosophy also enabled testing of results that could spur further research (Dougherty et al., 2019). The target population for this study was 10,956 mangers from 39 commercial banks registered and licensed in Kenya (CBK, 2023). Commercial banks in Kenya are classified into three broad bank tiers: Tier 1, Tier 2 and

Tier 3. There are 9 Tier 1 banks classified as large banks, 8 Tier 2 banks comprising medium sized banks while Tier 3 comprises 22 banks which are classified as small banks (CBK, 2023).

Sample and Data Collection

This study outlined employees serving in management levels of commercial banks from the 9 banks in Tier 1, 8 banks in Tier 2 and 22 banks in Tier 3. Testing for a normal distribution with 95% confidence level and 5% margin of error for the population sampled, the study adopted sample size of 324 managers using Cochran formula (1963) improved as adopted in Yamane formula (1967). The key reason for choosing managers in this study was their continuous involvement in the leadership and performance operations of the banks. This also touches on the responsibility as these leaders within their banking sector were directly responsible for shared leadership. This study employed data collection via a survey questionnaire through the drop and pick method to access respondents. Emails and physical contacts for respondents were used to follow-up with mini interviews conducted to introduce the purpose of the study to most respondents at the commercial banks.

RESULTS

The study used SPSS version 26 to produce all results. The key statistical analysis involved a model summary and correlation with regression to test the null hypothesis:

> H_0*: Transformational shared influence does not significantly influence performance in commercial banks in Kenya.*

Model Summary of Transformational Shared Influence on Performance

Table 1 shows the model summary results. The output indicates that the influence of Transformational Shared Influence on Performance of commercial banks in Kenya is statistically significant, R^2 = 0.287, F (1, 306) =23.264, p-value <.05. This shows that 28.7% of the performance of commercial banks in Kenya is attributed to transformational influence while the remaining 71.3% can be attributed to other factors not included in the study and the error term.

Table 1: Model Summary of Transformational Influence on Performance

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	.524[a]	.287	.283	.40895	.087	23.264	1	306	.000

a. Predictors: (Constant), Transformational

b. Dependent Variable: Performance

Regression ANOVA of Transformational Shared Influence on Performance

Table 2 shows the Regression ANOVA. The output indicates that transformational influence had a significant effect on performance *F* (1, 306) = 23.264, *p*<.05). This shows the regression model used was suitable for predicting the outcome variable of the influence of Transformational Influence on Performance of commercial banks in Kenya.

Table 2: ANOVA of Transformational Influence on Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.891	1	3.891	23.264	.000[b]
	Residual	40.973	306	.167		
	Total	44.864	307			

a. Dependent Variable: Performance

b. Predictors: (Constant), Transformational

Regression Coefficient of Transformational Shared Influence on Performance

Table 3 shows the results of the regression coefficient of the transformational influence constructs. The output shows each of the transformational influence constructs had a significant effect on the performance of commercial banks in Kenya ($p<.05$). Idealized Influence (β = .143 t = 2.334, $p<.05$), Inspirational motivation (β = .213 t = 3.481, $p<.05$), Intellectual stimulation (β = .134 t = 2.187, $p<.05$), and Individual consideration (β = .172 t = 2.312, p<.05)., This shows on the transformational influence constructs, the inspirational motivation had a greater influence on the performance with beta of 0.213 followed by the individual consideration with beta of 0.172, idealized influence with and beta of .143 and least was intellectual stimulation with beta of 0.134. A unit increase in inspirational motivation increases performance of commercial banks in Kenya by 0.213. A unit increase in individual consideration increases performance of commercial banks in Kenya by 0.172, A unit increase in idealized influence increases performance of commercial banks in Kenya by 0.143 and lastly, a unit increase in intellectual stimulation increases performance of commercial banks in Kenya by 0.134.

Table 3: Coefficients of Transformational Influence on Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.343	.245		9.573	.000
	Idealized	.097	.041	.143	2.334	.020
	Inspirational	.112	.032	.213	3.481	.001
	Intellectual	.086	.039	.134	2.187	.030
	Individual	.115	.022	.172	2.312	.000

a. Dependent Variable: Performance
b. Predictors: (Constant), Transformational (Idealized, Inspirational, Intellectual and Individual)

Table 4 shows the results of the combined regression coefficient. This shows that transformational influence statistically affects the performance of commercial banks in Kenya (β = .594 t = 4.823, $p<.05$). A beta of 0.594 shows that a unit of increase in transformational influence increases performance of commercial banks in Kenya by 0.594.

Table 4: Coefficients of Transformational Influence on Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.322	.239		9.722	.000
	Transformational	.300	.062	.594	4.823	.000

a. Dependent Variable: Performance
b. Predictors: (Constant), Transformational Influence

As indicated in Table 4, the transformational influence significantly predicted the performance of commercial banks in Kenya (β = .594 t = 4.823, p<.05). From the results, the study rejected the null hypothesis and accepted the alternative hypothesis that:
H_1: *Transformational shared influence significantly influences performance of commercial banks in Kenya*.

The study derived the model for transformational shared influence on performance of commercial banks in Kenya based on simple regression model:
Y= 2.322 + .594X + .062

This had the implication that if there was no influence the banking industry would perform at 2.322 units. Otherwise, for every unit of performance of the commercial banks in Kenya, there was an input of .594 of transformational shared influence and a sector noise of .062 units.

DISCUSSION

Results of correlation analysis showed that the influence of transformational influence on performance of commercial banks in Kenya is statistically significant, R^2 = 0.287, F (1, 306) =23.264, p-value <.05. This shows that 28.7% of the performance of commercial banks in Kenya is attributed to transformational influence while the remaining 71.3% can be attributed to other factors not included in the study and the error term. Accordingly, this high significance for transformational shared influence was supported across other studies indicating that the transformational style of leadership received the highest agreement across many industries. One study that is in congruent with the current study findings is that by Khan et al., (2022). Correlation results for the study indicated that idealized influence of transformational leaders generally had a significant positive effect with individualized consideration (β = 0.560, p = 0.000), inspirational motivation (β = 0.737, p= 0.000) and intellectual stimulation (β = 0.815, p = 0.000). Consequently, Khan et al., (2022) leadership role modelling, together with individualized consideration, and inspirational motivation are all vital features in the quest for transformational leaders to improve performance of persons towards organizational performance.

Even though the study by Khan et al., (2022) in Pakistan was from various leaders across several economic sectors, the same characteristics could be related to the banking sector in the country as individualized consideration, and inspirational motivation both play a key role in banking industry performance. In Scandinavian state of Norway, Bakker et al., (2023) seeking to establish the leadership and cadet inspiration in the Naval sector established positive significance between the two aspects. Specifically, Bakker et al., (2023) found that transformational leadership behaviours used by naval officers had significant associations with cadets' increased use of strengths ($\beta = 0.11$, $p < 0.01$) and personal initiatives ($\beta = 0.17$, $p < 0.01$). Bakker et al., (2023) therefore concluded that the Naval senior officers motivated the cadets to lead themselves with their inspirational leadership thus increasing the chances of improved performance from the cadets. In another study by Masta and Riyanto (2020) across the Indonesian sharia banking system, transformational leadership was tested on both workload and turnover in the banks.

The study affirmed that while transformational leadership has a partial significance on turnover intention ($\beta = 0.207$, $t(99) = 2.167$, $p < 0.05$), the greatest correlation among the dimensions of transformational leadership with quitting intentions was idealized influence ($r = 0.478$) compared to inspirational motivation which showed a weak relationship ($r=0.295$). Bakker et al., (2023) demonstrated that administering daily briefings to provide directions, engaging employees on targets monitoring results and providing leadership trainings for leaders to ensure active role modelling will have a positive impact because it lower employee's intentions to leave the company. These conditions as described in the Sharia banking for Indonesian banks fittingly mirrors the Kenyan banking environment. Regionally, Storm and Scheepers (2019) in their study of South African IT sector established through correlation results that there was a positive relationship between shared transformational leadership and team performance. Specifically, Storm and Scheepers (2019) concluded that when employees perceive work to be complex and promote mutual knowledge sharing, they are likely to experience increased learning which enhances team performance as derived from transformational shared influence.

However, the study by Jensen et al., (2020) noted that not all dimensions of transformational leadership significantly predict firm performance, as some dimensions showed marginally significant relationships. This had the implication that some dimensions of the shared transformational influence might not be ideal for positive performance in the companies with Jensen et al., (2020) citing individual consideration as having negative influence that could make other employees of a company feel alienated thus leading to poor performance.

Elsewhere Khan et al., (2022) established that unless there was a careful mix of the four constructs of transformational shared influence, organizations would be stuck with suspicions of bias and preferential treatment which eventually would lead to negative influence on performance. Bakker et al., (2023) also established that transformational shared influence failed to work where individuals did not get an opportunity to express themselves or failed to be recognised uniformly on achieving goals or targets. This might be the explanation for the current study results producing different beta values across the four constructs of transformation shared leadership.
fostering an environment for employee engagement and intellectual discussions, while facilitating commitment to shared goals.

CONCLUSIONS

Correlation results on model summary output indicates that the influence of transformational influence on performance of commercial banks in Kenya was statistically significant, $R^2 = 0.287$, F (1, 306) =23.264, p-value <.05. Furthermore, regression beta coefficient results show that transformational influence statistically affects the performance of commercial banks in Kenya ($\beta = .594$ t = 4.823, p<.05), thus resulting into the rejecting of null hypothesis of the study. This led to the conclusion that transformational shared influence is an important function of shared leadership for commercial banks in Kenya achieving their effectiveness and efficiency. Additionally, from the discussions, it is clear that indeed transformational shared influence was playing a big role in the performance of commercial banks in Kenya.

RECOMMENDATIONS AND AREAS FOR FURTHER STUDY

The study would recommend full implementation of all the aspects of transformational shared influence including idealized influence, inspirational motivation, intellectual stimulation and individual consideration. Transformational shared influence is thus recommended by this study to be the key leadership approach for commercial banks of Kenya. Transformational leadership training through purposeful development programs may be essential for promoting shared vision, fostering an environment for employee engagement and intellectual discussions, while facilitating commitment to shared goals.

Further, comparative study of shared transformational influence on performance is recommended. This would entail a survey across the three tiers to identify what shared transformational practices best suits specific tier. Conversely the study would also identify what specific transformational shared style does not fit specific tiers as well as specific banks in a specific tier.

DISCLOSURE

This paper is written in free view of the transformational shared influence with no specific persons or bodies opposed to the write up. In particular, the authors wish to confirm that there is no conflict of interest in the production of this academic manuscript from the site location as well as the parent university from where the scholar commenced the write up of the paper

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