THE RELATIONSHIP BETWEEN LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS AMONG INDIGENOUS BANKS IN KENYA

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By

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DEDICATION

This work is first and foremost dedicated to God my heavenly Father who gave me the strengthen and the ability to do this task. He says, **"I am the LORD, the God of all mankind. Is anything too hard for me?"** (32:27, NIV). And surely, nothing is too hard to Him. Even this work was possible because of Him.

Secondly, this thesis is dedicated to my loving wife, Pauline Muriithi and children: Muriithi Jr., Wahu and Wangari for their prayers, encouragement and sacrifice as I under took to do the study.

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I hereby acknowledge and declare that this is my original independent work and has not been previously submitted for a degree at any other university or institution of higher learning.

Samuel Muiruri Muriithi

ABSTRACT

Defining leadership effectiveness (LE) remains a controversial subject with scholars and researchers disagreeing on a common definition. Most studies term leadership effectiveness as the leaders' ability to successfully exercise personal influence and abilities in order to accomplish set standards. Such leadership effectiveness was measured using three elements, namely influence, follow commitment and versatility. To be effective, leaders must possess certain competencies and perform specific tasks (*independent variables*). In this study, three leadership competencies, namely strategic thinking, emotional effectiveness and transformational leadership were examined. Similarly, seven leadership tasks (set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change and establish balanced organisational control) were identified as essential for the attainment of leadership effectiveness (*intervening variable*) which, in turn, leads to organisational effectiveness (*dependent variable*). Given the importance of leadership effectiveness to organisational effectiveness, the purpose of this study was to identify, investigate and empirically test the possible relationship between leadership effectiveness and organisational effectiveness within the Kenyan indigenous banks. To achieve the aim of the study, a survey was undertaken using a structured self-administered questionnaire. The respondents were identified using both probability and non-probability techniques with the survey yielding 257 usable questionnaires that were statistically analysed. The proposed hypothetical relationship between leadership effectiveness and organisational effectiveness was assessed using Structural Equation Modelling (SEM), a multivariate statistical technique. The SEM included Cronbach's alpha and confirmatory factor analyses to assess the dicriminant reliability and validity of the measuring instrument, and Goodness-of-fit indices. The study findings demonstrated the existence of a strong relationship between leadership competencies, tasks performed and leadership effectiveness which in turn impacts on organisational effectiveness, in this case the overall effectiveness of the Kenyan indigenous banks.

Key words: strategic thinking, emotional intelligence, transformational leadership, tasks performed, leadership effectiveness, structural equation model, indigenous banks' effectiveness

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CHAPTER 1

INTRODUCTION, PROBLEM STATEMENT AND DEMARCATION OF THE STUDY

1.1 INTRODUCTION AND BACKGOUND TO THE STUDY

The banking industry is one of the greatest agencies of commerce in the world industrial development (Nagar, Masih & Badugu, 2011). Through its primary functions of accepting deposits, advancing loans, clearing cheques, financing foreign trade and creation of money, the industry bridges savers and borrowers in a well-structured process (Nagar et al., 2011; Kashyap, Rajan & Stein, 2002). It is notable that many economists blame banks' behaviour and practices as the main cause of financial crisis (Brunnermeier, 2009). The consequence of such behaviour and practice has been numerous crises in the last six decades. The recent 2008–2009 world financial crises associated with bank practices have seen different countries suffering with only some showing signs of recovery. The United States of America (USA) for instance, has since realised a dismal growth of less than 2%, a situation not expected to improve in 2014 (United Nations, 2013). The Chinese economic growth slowed in 2012 leading to reductions in demand for world products, especially fuel. As a consequence, this slow growth is expected to affect many world countries dependent on the Chinese market (Deloitte, 2012). The Japanese economic growth was expected to be 0.6% in 2013 and 0.8% in 2014 (United Nations, 2013). Similarly, the European economy showed little progress towards a positive direction, with countries like Italy, Greece, Portugal, Spain and Ireland having severe economic crises (Deloitte, 2012). The European economies were expected to deteriorate to an average of 2.0% in 2013 and 2.9% in 2014.

In order to ensure stability and soundness in the banking industry, the world governments have instituted strong regulations within the banking environment meant to ensure strong thriving of the banking industry (Deloitte, 2012). The United Kingdom (UK) Government has rolled out robust plans meant to safeguard the economy from similar crises in the future, with positive results (Gordon & Gera, 2012). In the USA meaningful changes have been instituted specifically in the banking leadership, operation processes

and organisational structures (Deloitte, 2012). The USA banking industry is said to develop a comprehensive set of new regulations not seen in the last 70 years (Deloitte, 2012; Grant Thornton, 2013). An example of a new regulation is the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Grant Thornton, 2013). The impact of the new regulations in the USA was expected to be realised from 2013 onwards since most bank leaderships and managements are keen to implement the regulations (Grant Thornton, 2013). However, in any banking industry, positive changes must be based on well though-out strategies meant to reposition the banks, a process that requires strong leadership (Deloitte, 2012).

Unlike the rest of the world economy which has experienced severe economic recession due to 2008–2009 financial crises, Africa has experienced real economic growth in the same period. The region has attained an average of 5% to 7% growth per year (European Investment Bank, 2013) which is far above world average which was at 2.2% in 2012, 2.4 in 2013 and expected to rise to only 3.2% in 2014 (United Nations, 2013). For instance, in 2012, five sub-Saharan African countries performed better than China while another 22 countries outperformed India (Van Ballekom, 2013). However, besides the improved economic growth in sub-Saharan Africa, the financial and banking systems remain a challenge. The bank systems are highly concentrated, and are characterised by small size national markets, low income levels, weak creditor rights, low deposit ratios, low intermediation, few barriers to entry, dominant foreign banks and weak judicial enforcement mechanisms (Mlachila, Park & Yaraba, 2013; Van Ballekom, 2013). This makes Africa the lowest performer in the world in terms of financial access. The weakness is also associated with short-term lending policies, with most of the loans maturing within a period of one year (Mlachila et al., 2013). Likewise, due to their small size and concentration mostly in urban areas, the banks have high costs of operations, making their interest rates and service fees very expensive for their customers. According to a World Bank Report, sub-Saharan Africa ranks the lowest among world's developing nations in terms of depth and efficiency of financial institutions (Mlachila et al., 2013).

The East African region has a well-established financial system (Njuguna, 2013a). However, the banking industry is mostly dominated by foreign banks that control the

greater share of the total banking assets, deposits and loans (Zajc, 2013). Kenya is the largest economy in the East African region and has the leading market-driven liberalised economy (Njuguna, 2013b; PWC, 2007). Between 2003 and 2013, the banking industry grew tremendously. During this period, the bank assets increased from Ksh. 569,549 billion to Ksh. 2.7 trillion while profit rose from Ksh. 14.4 billion to Ksh. 107.9 billion (CKB Annual reports, 2003-2013) (See Table 1.1).

Table 1.1: Kenyan banking performance, 2003-2013

Kenyan banking performance, 2003-2013											
Institutions	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Public Finance Institutions	3	3	3	3	3	3	3	3	3	3	3
Private/ Indigenous banks	30	31	24	27	29	28	28	27	27	27	26
Foreign banks	10	10	11	11	10	12	13	13	13	13	14
Mortgage Finance institutions	2	2	2	2	2	2	2	1	1	1	
Building societies	4	3	1	1	0	0	0	0	0	0	0
Non-financial institutions	3	2	1	1	1	0	0	0	0	0	0
Total Financial institutions	51	51	45	45	45	45	46	44	44	44	44
Total assets: Local banks (indigenous plus others)	-	-	56% **(52.8% +3.2%)**	51.3%	54.7%	55.2%	55.6%	58%	60%	62.4%	61.4 %
Total assets: Local banks: public	-	-	6.0%	5.7%	5.3%	4.6%	4.9%	4.8%	4.7%	4.2%	4.6%
Total assets: Foreign banks	-	-	38%	43%	40%	40.2%	39.5%	37.2%	35.3%	33.4%	34.0 %
Total assets ('000)	569,549	674,774	636.700	755,306	951,292	1,183,654	1,353,499*	1,678,112*	2,020,818	2,330,336	2,703,394
Profits/ earnings (billion)	14.4	15.1	20.6	27.1	35.6	43.3	48.9	74.3	89.5	107.9	125.8

(Source: CBK: Bank Supervision Annual reports, 2003-2013). *Figure Excludes Charterhouse Bank

The growth was attributed to banks' expansion to new markets, prudent risk management, and stable macroeconomic environment (Njuguna, 2013b). The banking industry in Kenya, which has a total of 44 banks (Central Bank of Kenya, 2012:1) is divided into

four major categories, namely: 1) Foreign-owned commercial banks (not locally-incorporated); 2) Foreign-owned commercial banks (locally-incorporated); 3) Commercial banks with government participation; and 4) Wholly locally-owned commercial banks, also termed "indigenous banks" (Ng'ang'a, 2006:90).

The current growth in the Kenyan banking industry is not a reflection of past successes. Prior to the year 2005, the industry had experienced numerous challenges dating back to Kenya's independence in 1963. The challenges included poor governance, mismanagement, and the collapse of several banks. Consequently, the government instituted drastic changes in the banking industry through the Central Bank of Kenya Acts (Central Bank of Kenya, 1994). But despite the new regulations, 32 banks were liquidated or put under receivership, with 14 of them collapsing in 1993 (Central Bank of Kenya, 2004), while between 1995 and 2005 a substantial number of commercial banks collapsed, among them Trust Bank and Euro Bank. It is notable that all failed banks were locally incorporated/indigenous banks while foreign-owned and government- supported banks excelled (Ambutsi, 2005:4). The banks' failures were blamed on weak internal control, bad governance and poor management practices (Sokpor, 2006:5) which can be summarised as poor leadership.

As discussed above, the problems with the banking industry are associated with bank behaviour and practices. Such behaviour and practices include taking too many risks, diversifying into unrelated areas, leverage increase, poor leadership, extreme inter-banking financing, and security markets (Tobias & Shin, 2007; Beltratti & Stulz, 2009; Brunnermeier, 2009; Fahlenbrach & Stulz, 2010). In a study based on 117 individual banks' problems experienced in mature markets like France, UK and Scandinavian countries, bank crises were attributed to credit problems, operational risks, management, and weak control mechanisms (Bank for International Settlement, 2004). Studies conducted in Kenya and Nigeria showed poor management and leadership as causes of insolvencies and bank failures (Ambutsi, 2005; Sanusi, 2010; Sokpor, 2006).

Although the East Africa banking industry has seen positive growth compared to the rest of the world, there are numerous challenges that still plague the industry. Firstly, the financial intermediation still lags behind and remains very low compared to the rest of the world, thereby posing a major challenge to regional financial stability. As such, access to finance is still termed as a major constraint to private developers (Zajc, 2013). Another major challenge to the region's banking industry is its monopolistic competitive nature (Sanya & Gaertner, 2012). Through specific regulatory barriers to entry to the industry, state-owned banks still control and retain the large market share. This makes it difficult for local banks (or indigenous ones) to compete effectively with their innovative and technological approach to business (Sanya & Gaertner, 2012). Other challenges include poor management, internal control weaknesses, and poor governance. The challenges greatly affect bank operations, making their interest rates and cost of doing business very high (Zajc, 2013).

From the above challenges experienced in the banking industry, the importance of effective leadership comes to the fore. It is evident that effective leadership of the banking industry is important for the banks to play a positive role in economic and social development and remain effective (Liu, 2010). According to Foster and Young (2004), the "right" type of leadership is essential if organisations are to achieve their goals. In support of this argument, Saber, Saber and Bue (2009:1) observe that although economic problems may play a significant role in determining the stability or instability of a bank, the day-to-day management of operations determines a bank's success or failure. Thus, "while capital is king and asset quality, liquidity, and earnings dominate headlines, competent leadership and management are at a premium and imperative to have in place" (Saber et al., 2009:1).

The importance of leadership is evidenced in several studies pertaining to the banking industry (Donnelly, 1994; Dytham-Ward, 2009; Liu, 2010; Sokpor, 2006; Waweru & Kalani, 2009). Kaiser, Hogan and Craig (2008:96) hold that leadership is assumed to provide solutions to the problems of collective effort which implies the ability to enhance the effectiveness and sustainability of organisations. The authors further emphasise the

importance of leadership by explaining that leaders' tasks include coordination, facilitating set goals and ensuring high performance in the midst of intense organisational challenges (Kaise et al., 2008:96). This is in agreement with Risk Management Manual of Examination Policies which emphasises the need for quality management and leadership as the most important element for successful bank operations (Saber et al., 2009:1).

The core to effective management and leadership is competencies (Al-Zoubi, 2012). Such competencies are composed of knowledge, skills, expertise, beliefs, values, motives, and personal and behavioural characteristics expected of effective leaders (Pagon, Banutai & Bizjak, 2008:1). Leadership competencies have become prerequisites for contemporary organisations in an effort grow, expand and improve effectiveness (Al-Zoubi, 2012). Al-Zoubi (2012) further observes that leaders with the right competencies easily integrate various tasks, thereby providing direction towards growth, prosperity and strategic leadership.

In the current study, the concept of leadership was examined based on leadership competencies and leadership tasks or specific activities that leaders perform. The leadership competencies are associated with three main variables, namely strategic thinking, emotional intelligence and transformational leadership (Amos, 2012; Bentz, 1985; Lombardo & Eichinger, 2006; McCall & Lombardo, 1983; McCauley & Lombardo, 1990; Morrison, White & Van Velsor, 1987; Rasch, Shen, Davies & Bono 2008; Reilly & Karounus, 2009). Leadership tasks, on the other hand, focus on specific activities that leaders perform in an effort to attain the required level of success and organisational effectiveness. The tasks include setting organisational direction, developing human capital, building core competencies, creating organisational alignment, sustaining appropriate organisational culture, managing change, emphasising ethical practices, and establishing balanced control (Amos, 2012; Dess, Lumpkin & Eisner., 2008; Hitt, Ireland & Hoskisson, 2007). Given the importance of leadership competencies and tasks, the current study assessed their relationship to leadership effectiveness and organisational effectiveness.

Leadership effectiveness is defined as a “leader’s ability to successfully exercise personal influence in an attempt to have subordinates accomplishes organisational objectives" (Cooper, Fenimore & Nirenberg, 2012:1). Organisational effectiveness on the other hand is the ability of organisations to successfully attain their mission through proper implementation of core goals. A major controversy among organisations is how to measure organisational effectiveness. However, most scholars and banks, measure organisational effectiveness in terms of productivity, profit, quality, growth, turnover, motivation, morale, control, conflict/cohesion, goal attainment, and stability (Amah & Baridam, 2012; Asiegbu, Awa, Akpotu & Ogbonna, 2011; Liu 2006; Kimberly, 1979; Olufemi, 2009; Robbins & Barnwell, 2006). For such success to be achieved, leadership is vital, and no study on organisational effectiveness can be complete without focusing on leadership (Jones, 2008). Numerous scholars hold that effective leadership leads to organisational effectiveness (Hesselbein, Goldsmith & Beckford, 1996; Jones, 2008; Nyabadza, 2008; Shakespeare, 2004). Consequently, the purpose of the present study is to explore the relationship between leadership effectiveness and organisational effectiveness.

1.2 PROBLEM STATEMENT

For the last ten years, the Kenyan banking industry has experienced tremendously growth both in assets and profitability (CKB Annual reports, 2003-2013). However, prior to 2003 when the Kenyan Government instituted several Banking Acts meant to revolutionise the industry, the indigenous banking sector was plagued with poor performance, liquidations and bank bankruptcies. The cause of failures was attributed to credit problems, operational risks, poor management, poor governance, poor planning, lack of strict laws and regulations, weak control mechanisms, leading to insolvencies. Even though the Kenyan banking industry has reported a positive growth and turn-around in their operations, still numerous indigenous banks continue to have dismal performance (Central Bank of Kenya, 2010; Waweru & Kalani, 2009).

According to several researchers and practitioners, the poor performance of the sector is strongly associated to leadership (Ambutsi, 2005; Mwangi, 2012; Njuguna, 2013; Sokpor, 2006). The argument is well supported by Equity Bank CEO (a leading local bank), when he said that, "I have the greatest concentration of leadership skills in Africa and that is the skill that has enabled Equity to be what it is today" (Kenyan Magazines, 2011). The argument is supported by Kubicek (2011), who notes that the banking industry collapse is associated with leaders who concentrate on short-term goals and neglect long-term responsibilities. Donnelly (1994) and Grant Thornton (2013) further emphasise that leadership poverty has plagued banking industry worldwide as leaders who lack leadership skills operate in a turbulent uncertain environment. The Kenyan banking industry is no different since bank failures are associated with poor management and poor leadership skills (Ambutsi, 2005; Mwangi, 2012; Sokpor, 2006). On his part, Kubicek (2011) blames bank leaders for neglecting the vital role of leadership and pursuing selfish motives, lacking trust, credibility, and openness. Similar leadership behaviour can easily be replicated in the Kenyan banking sector where bank leadership have been accused of lacking the right skills to perform effectively (Ambutsi, 2005; Mwangi, 2012; Sokpor, 2006). The Kenyan Central Bank Governor observes that for the local banks to perform better, then, strong leadership is required (Njuguna, 2013b).

Effective leadership is strongly attributed to leadership competencies and type of tasks performed (Green, 2010; Lee & Lin, 1999; Norma, 1997; Yukl, 2010). This means that effective leadership is based on appropriate competencies, well-spelt-out tasks, and the ability to execute set policies. As such, the bank management need to develop the appropriate leadership competencies in order to ensure overall effectiveness (PWC 2011:85). This is especially critical for the indigenous banking sector given its poor performance over several decades. Such competencies are fundamental to achievement of the desired level of bank effectiveness. McCall and Lombardo (1983:1-2), Dotlich and Cairo (2003), Eichinger and Lombardo (2003:34-44) and Rasch et al. (2008) have linked failures among leaders to lack of appropriate competencies leading to inability to think strategically, inability to manage people, poor team skills, low self-awareness, passive resistance, aloofness, questionable integrity, emotional control and poor leadership styles.

To survive in the future, the banking industry like other industries must re-examine its leadership effectiveness and related competencies and how this affects overall bank effectiveness (Green, 2010; Kubicek, 2011). Based on the aforementioned, the problem that is being investigated in this study is to establish the relationship between leadership effectiveness and banks' overall effectiveness within the Kenyan indigenous banks. The study highlighted the importance of the relationship between leadership effectiveness and organisational effectiveness (bank effectiveness). By investigating the relationship, it is believed that the findings will add value to banking leadership and therefore enhance the growth and performance of the banking industry in Kenya.

1.3 PURPOSE OF THE STUDY

The survival of banks is pegged on leadership effectiveness, and therefore the banking industry must re-examine leadership and its impact on banks' overall effectiveness if it is to survive in the future (Hogan et al., 2009; Kubicek, 2011). Several studies on the relationship between leadership and organisational effectiveness have been conducted, and will be referred to in Chapters 3, 5, and 7. While some scholars support a strong relationship between leadership effectiveness and organisational effectiveness (Raja & Palanichamy, 2012), there are those who see no relationship (Joyce, 2009; Lim & Cromartie, 2001). Others like Cooper, Fenimore and Nirenberg (2012:7) have emphasised that "the purpose of leadership effectiveness is organisational effectiveness." It is notable that the banking industry has a direct impact on the economy and private businesses, and therefore its effectiveness is of paramount importance. However, lack of full agreement on whether there is a relationship between leadership effectiveness and organisational effectiveness means more studies are required in this area.

Based on the problem being investigated, the purpose of this study is threefold: firstly, to establish the relationship between leadership effectiveness and bank effectiveness; secondly to contribute to the body of knowledge in relation to leadership and organisational effectiveness; and thirdly, to recommend to the Kenyan indigenous banks key competencies and tasks required by leadership to enhance bank effectiveness.

1.4 RESEARCH OBJECTIVES

1.4.1 Primary research objective

To achieve the purpose of this study, the primary objective is to identify, investigate and empirically test the possible relationship between leadership effectiveness and Kenyan indigenous banks' effectiveness. The study specifically focuses on the relationship between various variables: *leadership competencies* and *leadership tasks* (independent variables*), leadership effectiveness* (intervening variable) and *organisational effectiveness* (dependent variable) in Kenyan indigenous banks. This study confirms the existence or lack of relationships among these variables and measures the influence on each associated variable. The objective is to identify the leadership competencies and leadership task variables that have a major influence on leadership effectiveness, and how these, in turn, affect organisational effectiveness.

This study also reviews secondary literature on leadership competencies, leadership tasks, leadership effectiveness and organisational effectiveness as well as expert opinions, in order to test a theoretical framework depicting the leadership effectiveness and organisational effectiveness adopted and modified for this study. The theoretical framework is made of a path diagram of relationships between independent, intervening and dependent variables, as shown in Figure 1.1. Based on the framework, a measuring instrument is developed that empirically tests the proposed relationships. The theoretical framework is empirically tested, resulting in a model which will contribute positively to understanding the variables affecting the current leadership effectiveness and the relationship between leadership and organisational effectiveness in Kenyan indigenous banks.

1.4.2 Secondary research objectives

The primary objective of this study is to identify the relationship between various leadership variables, namely leadership competencies, leadership tasks *(independent variables*), and leadership effectiveness (*intervening variable*), and how these variables, influence organisational effectiveness (*dependent variables*). In order to address the

primary objective, five secondary objectives are identified:

(i) To develop a theoretical framework based on a thorough literature review (secondary sources) of leadership, leadership core competencies, leadership tasks, leadership effectiveness and organisational effectiveness.

(ii) To propose hypotheses and construct a path diagram depicting the relationships between the independent variables (*leadership competencies and leadership tasks*), intervening variable (*leadership effectiveness*), and dependent variables (*organisational effectiveness*).

(iii) To develop a measuring instrument to empirically test the proposed relationships between the variables indicated in the theoretical framework.

(iv) To empirically test the theoretical framework and the stated hypotheses' relevance to the indigenous banking industry in Kenya by collecting primary data from indigenous banks in Kenya and statistically analysing the obtained data.

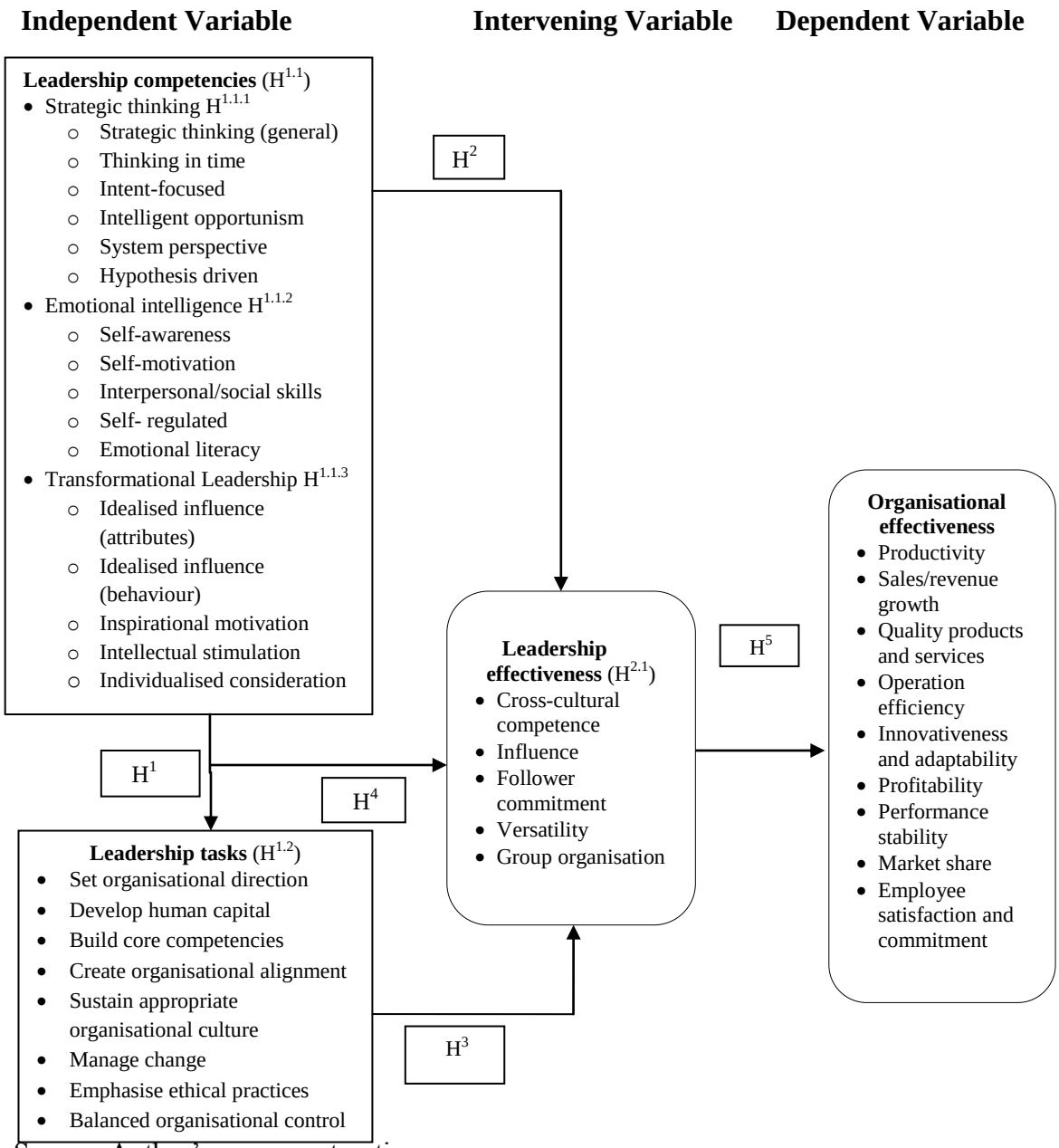
(v) To develop and propose recommendations based on the findings of this study.

1.5 RESEARCH QUESTIONS AND HYPOTHESES

For the purpose of this study, leadership effectiveness is described as "the extent to which an organisation leadership successfully uses personal influence to achieve organisational effectiveness". Organisational effectiveness means the ability to attain set objectives or goals. The factors identified from secondary sources as influencing leadership effectiveness which in turn affects organisational effectiveness have been broadly categorised into two categories, namely *leadership competencies* and *leadership tasks*. In the present study, leadership competencies and leadership tasks form the independent variables, leadership effectiveness is the intervening variable, and organisational effectiveness is the dependent variable. The independent categories are said to be the manipulated variables which cause something to happen (Singleton & Straits, 2005:48). The *leadership competencies* (LC) category is made up of three main variables, namely *strategic thinking* (ST), *emotional intelligence* (EI) and *transformational leadership* (TL).

Each of the variables is associated with sub-variables and measuring items. Leadership tasks (LT) category is comprised of eight variables, namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change,* and *emphasise ethical practices* and *balanced organisational control*. Each of the variables is composed of measuring items. Intervening variables are concepts that are inferred in order to explain "the process between stimulus (independent variables) and response (dependent variables)" (NIOSH, 1999:8). In this study, the stimulus is independent variables (*leadership competencies* and *leadership tasks*) while intervening variable (leadership effectiveness) is inferred to lead to *organisational effectiveness* (dependent variable). Leadership effectiveness (LE) consists of five sub-variables namely *influence, follower commitment, cross cultural competence, versatility,* and *group organisation* and their measuring items. Dependent variables are defined as variables whose results are being predicted or derived from both independent and intervening variables (Singleton & Straits, 2005:45). In the present study, the dependent variable is organisational effectiveness (OE) and is made up of nine items used to measure it. The logic is that *leadership competencies* (LC) and *leadership tasks* (LT) influence *leadership effectiveness* (LE) which in turn influences *organisational effectiveness* (OE). It is also assumed that *leadership competencies* do influence *leadership tasks*. The proposed theoretical framework representing the various relationships of variables depicting the relationship between *leadership effectiveness* and *organisational effectiveness* is shown in Figure 1.1.

Figure 1.1: The proposed theoretical framework of the relationship between leadership effectiveness and organisational effectiveness



Source: Author's own construction

From the theoretical framework, it is implied that *leadership competencies* influence *leadership tasks* (independent variables). Similarly, both *leadership competencies* and *leadership tasks* influence *leadership effectiveness* (intervening variables) which in turn leads to *organisational effectiveness* (dependent variable). Based on the above theoretical

framework, the purpose of the study and the research objectives, a number of research questions and hypotheses were formulated as outlined below.

1.5.1 Research questions

To achieve the purpose and primary objective of this study, the following questions were addressed:

1. What is the relationship between leadership competencies and leadership tasks?
2. What is the relationship between leadership competencies and leadership effectiveness?
3. What is the relationship between leadership tasks and leadership effectiveness?
4. What is the relationship between leadership effectiveness and organisational effectiveness?
5. How do leadership competencies and leadership tasks influence leadership effectiveness?
6. Is there a relationship between leadership competencies, leadership tasks and leadership effectiveness?

Collectively, the above research questions contributed towards establishing whether there are any significant relationships between leadership competencies, leadership tasks, leadership effectiveness and organisational effectiveness.

1.5.2 Research hypotheses

To represent all the relationships shown in the theoretical framework (See Figure 1.1), the following set of hypotheses were formulated and tested:

First set of hypotheses: Leadership competencies influences Leadership tasks

Sub hypotheses $H^{1.1}$

$H^{1.1}$: There is a relationship between *Leadership competencies* and its associated variables
$H^{1.1.1}$: Strategic thinking
$H^{1.1.2}$: Emotional intelligence
$H^{1.1.3}$: Transformational leadership

Sub sub-hypotheses $H^{1.1.1}$

$H^{1.1.1}$: There is a relationship between *Strategic thinking* (variable) and the measured or observed sub variables:
$H^{1.1.1a}$: Strategic thinking (general)
$H^{1.1.1b}$: Thinking in time
$H^{1.1.1c}$: Intent focused
$H^{1.1.1d}$: Intelligent opportunism
$H^{1.1.1e}$: System perspective
$H^{1.1.1f}$: Hypothesis driven

Sub sub-hypotheses $H^{1.1.2}$

$H^{1.1.2}$: There is a relationship between *Emotional intelligence* (variable) and the measured or observed sub variables:
$H^{1.1.2a}$: Self-awareness
$H^{1.1.2b}$: Self-motivation
$H^{1.1.2c}$: Interpersonal/social skills
$H^{1.1.2d}$: Self-regulated
$H^{1.1.2e}$: Emotional literacy

Sub sub-hypotheses $H^{1.1.3}$

$H^{1.1.3}$: There is a relationship between *Transformational leadership* (variable) and the measured or observed variables:
$H^{1.1.3a}$: Idealised influence (attributes)
$H^{1.1.3b}$: Idealised influence (behaviour)
$H^{1.1.3c}$: Inspirational motivation
$H^{1.1.3d}$: Intellectual stimulation
$H^{1.1.3e}$: Individualised consideration

Sub-hypotheses $H^{1.2}$

$H^{1.2}$: There is a relationship between *Leadership tasks* and its associated variables:
$H^{1.2.1}$: Set organisational direction
$H^{1.2.2}$: Develop human capital
$H^{1.2.3}$: Build core competencies
$H^{1.2.4}$: Create organisational alignment
$H^{1.2.5}$: Sustain appropriate organisational culture
$H^{1.2.6}$: Managing change
$H^{1.2.7}$: Emphasise ethical practices
$H^{1.2.8}$: Balanced organisational control

H^{1}: *Leadership competencies* influences *Leadership tasks*

Second set of hypotheses:

Leadership competencies influences Leadership effectiveness

Sub-hypotheses $H^{2.1}$

$H^{2.1}$: There is a relationship between *Leadership effectiveness* (variable) and its sub-variables
$H^{2.1.1}$: Influence
$H^{2.1.2}$: Follower commitment
$H^{2.1.3}$: Versatility

H^{2}: *Leadership competencies* influences *Leadership effectiveness*

Third hypothesis:

Leadership tasks influences Leadership effectiveness

H^{3}: *Leadership tasks* influences *Leadership effectiveness*

Fourth hypothesis:

Leadership competencies and Leadership tasks influence Leadership effectiveness where Leadership competencies influence Leadership tasks.

H^{4}: Leadership competencies and Leadership tasks influences Leadership effectiveness where Leadership competencies influences Leadership tasks.

Fifth set of hypothesis:

Leadership effectiveness influences Organisational effectiveness

H^{5}: *Leadership effectiveness* influences *Organisational effectiveness*

Sixth hypothesis:

Leadership competencies and Leadership tasks influences Leadership effectiveness which influences Organisational effectiveness.

H^{6}: *Leadership competencies* and *Leadership tasks* influences *Leadership effectiveness* which influences *Organisational effectiveness*

In addition to the above hypotheses and sub-hypotheses, there are several sub-sub-hypotheses proposed for this study. The sub-sub-hypotheses are stated and discussed in Chapter 6 and Chapter 8.

1.6 RESEARCH METHODOLOGY

In order to address the objectives of this study, the research questions are answered and the stated hypotheses tested. This research study has adopted two main approaches, namely a primary and secondary study. Although the main contents of the two approaches are discussed in Chapter 6, a brief description of each approach is give below.

1.6.1 Primary study

The primary approach of this study includes justifying the appropriate research paradigm for the study, discussing the population and sampling methods of the study, the data collection instrument and procedure, the validity and reliability tests of the research instrument used, and data analysis. A brief discussion of these sub-topics is given below while a full discussion is provided in Chapter 7.

1.6.1.1 Research paradigm

To determine the relationship between leadership competencies, leadership tasks, leadership effectiveness and organisational effectiveness in the Kenyan indigenous banking industry, a positivistic research paradigm was applied (Remenyi, 1996). The positivistic paradigm, which is quantitative in nature, is also known as an objectivist, scientific or traditionalist paradigm (Collis & Hussey, 2003:53). This paradigm is an enquiry into social or human problems characterised by hypothesis testing and generalisation from the population (Collis & Hussey, 2003:55). Accordingly, this paradigm tests theories made of variables, measured with numbers, and analysed with statistical procedures as a means to establish whether the theory holds true (Remenyi, 1996; Yu, 2004). The use of a positivistic paradigm was deemed the most appropriate for this study as it enabled the researcher to gauge the respondents' views in relation to the research questions, the problem statement, and the overall purpose of the study. As demonstrated in the theoretical framework, Figure 1.1, this paradigm allows for the relationships between the independent, intervening and dependent variables to be assessed. In addition, this paradigm was most appropriate for the study as it allows enough primary data to be collected through use of a structured questionnaire, and then to statistically analyse the data to ensure reliability and validity (Remenyi, 1996).

1.6.1.2 Population, sampling unit and data collection

In terms of the population relevant to this study, a positivistic paradigm calls for large samples in order to ensure that the entire population is represented and "so that the envisioned statistical analysis may be undertaken" (Farrington, 2009:19). To this end, the population for this study involved bank employees (managers and non-managers) from 30 indigenous banks in Kenya (See Section 2.4). For the purpose of this study the unit of analysis was indigenous banks in Kenya.

Data collection is the process of gathering required information in order to fulfil both primary and secondary objectives of a study (Mugenda & Mugenda, 2003). For the purpose of this study, a self-administered questionnaire (refer to Annexure A) was used to collect data from the selected banks' employees, referred to as the unit of observation. For data to be collected effectively, sampling is essential. In this study, both probability and non-probability sampling methods were utilised. Since the study was conducted at the indigenous banks' headquarters, the researchers purposefully targeted 12 managers in the banks departments and randomly selected 26 non-managerial employees. The questionnaires were thus distributed to a total of 494 respondents, comprised of 156 managers and 338 non-managerial employees.

The managers and non-managers completed the questionnaires within a week and put them in sealed boxes placed in accessible areas of the banks to be collected later by the researcher. To ensure objectivity among respondents, the questionnaires were anonymous, thus the respondents were not required to sign their names.

Any research instrument used must be valid and reliable. For the present study, each variable was well defined and operationalised based on secondary literature. Besides the literature that helped identify the credibility of the variables, it was necessary to test the validity and reliability of each variable. To this end, the questionnaire was comprised of items that were previously validated and considered reliable from other research instruments, as discussed in Chapter 7. The resultant questionnaire was subjected to a pilot study and necessary modifications carried out, based on Cronbach's Alpha

Coefficient reliability results. This ensured that the questionnaire used in this study was reliable and adequate to measure the independent, intervening and dependent variables. The questionnaire comprised well-developed 5-point Likert-type scale items to ensure uniformity and consistency.

1.6.1.3 Data analysis

After data collection, the process of analysis was followed based on 257 usable questionnaires. Data analysis was done using a software programme entitled Statistical Package for the Social Sciences IBM SPSS Statistics, (SPSS Version 21, 2013) and AMOS (See Chapter 7, Section 7.7.2.1). The data analysis process involved data coding, data entry, analysis in terms of descriptive statistics, confirmatory factor analysis, assessment of reliability, and use of structure equation model (SEM) for model development and testing, hypothesis testing and establishing relationships between analysing independent, intervening and dependent variables. A comprehensive explanation of the data analysis is given in Chapter 8.

1.7 SECONDARY STUDY

In order to establish the need for this study on the relationship between leadership effectiveness and organisational effectiveness, a comprehensive search of literature was conducted. Based on the proposed theoretical framework, a critical review of relevant literature was undertaken. The literature review focused specifically on leadership core competencies, leadership tasks, leadership effectiveness and organisational effectiveness. According to Collis and Hussey (2003:122), a positivistic research paradigm requires a thorough exploration of the literature in order to establish the relevant theory of the proposed study and hypothesis. As such, the present study focuses on leadership effectiveness and its impact on organisational effectiveness. To achieve its purpose, various research theories and research instruments were assessed to establish their relevancy to the study (Collis & Hussey 2003:78). The previous research findings and documented theories were then incorporated into the proposed theoretical framework (Figure 1.1) which was tested for applicability to the indigenous banking industry in Kenya.

For the secondary literature analysis, sources from related subject areas such as management, strategic management, organisational studies, leadership theories, communication and psychology, were consulted. The information was accessed through search engines from both national and international databases. To this effect, SABINET online search was employed to establish completed research studies on leadership effectiveness and factors influencing LE and organisational effectiveness. The specific sources consulted included libraries of Rhodes University, Nelson Mandela Metropolitan University, University of Johannesburg, North-West University, University of South Africa (UNISA) and Rand Afrikaans University (South Africa). Other libraries consulted included Daystar University, Nairobi University, Australian Study Institute (East Africa) and Edith Cowan University (Australia). Other online search engines used to gather information for this study included UCTD, ETD (Electronic Thesis and Dissertation Collection), Networked Digital Library of Thesis and Dissertations (NDLTD), Emerald, Jstor, Dissertation Abstracts and Business Link. The popular internet search engine, Google Scholar assisted in gaining access to universities such as Unversiti Utala Malaysia, University of North Texas, Unitec Institute of Technology, St. Clement University, Turks and Caicos Island, British West Indies, Edith Cowan University and The University of Guelph. From the many sources contacted, it is evident that leadership and organisational effectiveness are two subjects that continue to gain attention from researchers, scholars and practitioners alike. It is important to acknowledge that the sources mentioned are not exhaustive in relation to leadership effectiveness or organisational effectiveness. However, from the sources consulted it is evident that there are no known studies that have been carried out on the relationship between leadership effectiveness and organisational effectiveness in the indigenous banks in Kenya. Further clarification in this regard is provided in the next section.

Some key words used as guides in a search for information were "leadership", "organisational effectiveness" and "bank leadership" as derived from literature. A literature search of South African and international databases was made, leading to various PhD theses, master's dissertations and MBA dissertations, as shown below:

1.7.1 Leadership in an organisation

A search on leadership in organisations revealed several studies, among them the following: Alexander (2005*);* Araes (2012); Baicher (2005); Bell (2007); Botha (2001); Canole (1999); Casida (2007); Cox (2007); Drake (2008); Franck (2005); Frost (2013); Gershenoff (2003); Gryn (2010); Hayward (2005); Hebert (2011); Jean-Louis (2005); Jelenc (2008); Knott-Craig (2008); Krapohl (2007); Lombo (2008); Mamdoo (2012); Mathura, (2009); Mayer (2008); Mosia (2003); Mthembu (2012); Mwingi (2000); Ngubane (2006); Nyamuda (2000); Sinvula (2009); Fairholm (2009), and Uerivangera (2007).

1.7.1 Leadership and organisational effectiveness

A search on leadership and organisational effectiveness revealed the following sources: Calori and Sarnin (1991:71); Choi (2013); Clack (2012); Fisher (1997); Flamholtz (2001); Fourie, (2007); Green (2010); Hancott (2005); Ipangelwa (2003); Ipinge (2004); Jaftha (2003); Joyce (2009); Laan (2010); Matchaba-Hove (2012); Martz (2008); Petrus (2004); Sandy-Lee (2011); van der Lee (2010), Udjombala (2002) and Udjombala (2007).

1.7.2 Banking leadership

The search revealed several theses in relation to the banking industry leadership at a Masters level. These were: Ambutsi (2005); Chege (2012); Gordon (2007); Kilonzi (2012); Kinyua (2006); Kiiru (2011); Liu (2006); Raigama (2010); Singh (2010); Sokpor (2006), and Wanjau (2008).

Based on the above searches, it seemed evident that there were no previous research studies in Kenya addressing the relationship between leadership effectiveness and organisational effectiveness in the banking industry. The present study would therefore contribute to the body of knowledge on leadership and organisational effectiveness within the banking industry.

1.8 SCOPE AND DEMARCATION OF THE STUDY

Though much has been written on the subject of leadership, there is a gap in knowledge about the effectiveness of leadership and its impact on overall organisational effectiveness. In addition, no known research has been conducted on leadership effectiveness and organisational effectiveness among indigenous banks in the Kenyan context. The study was confined to the indigenous banks in Kenya since most of the failed banks in the past have been in this category. The research was conducted amongst the participating indigenous banks' headquarters in Nairobi. The foreign banks and government-controlled banks were not included in the study.

1.9 DEFINITION OF CONCEPTS

This study focused on the relationship between leadership effectiveness and organisational effectiveness among indigenous banks in Kenya. To facilitate further understanding of the concepts used in the study, the following selected concepts need to be well defined to ensure a clear understanding of their use and application in this study.

1.9.1 Leadership

The term "leadership" means the ability to influence others in order to achieve a common purpose or goal (Bass, 1981; Kaiser et al., 2008; Samson & Daft, 2012). In summary, Limsila and Ogunlana (2008:165) state that leadership focuses on "the position, personality, responsibility, influence process, an instrument to achieve a goal, behaviours" and results from interaction. Since this study aims at assessing the relationship between leadership effectiveness and organisational effectiveness in indigenous banks in Kenya, the leadership definition that fits in this study is that of Stogdill (1950:14). Stogdill (1950:14) describes leadership as "the process (act) of influencing the activities of an organised group in its efforts toward goal setting and goal achievement."

1.9.2 Core competencies

A "competency" is generally understood as the application of knowledge, skills, experience and application of the right behaviours and attitudes for leaders and their

employees (Poorkiani, Beheshtifar & Moghadam, 2010: 507). Similarly, Gruban (2003) refers to competencies as individual abilities to use knowledge, skills, values and other capabilities to successful accomplish set tasks, realise set goals or perform assigned role in an organisation. In the present study, competency refers to the ability to think strategically, apply emotional intelligence and implement transformational leadership in order to achieve effectiveness, which in turn influences organisational effectiveness (Amos, 2012).

1.9.3 Leadership tasks

"Leadership tasks" are defined as "various behaviours a leader displays while functioning within an organisation" (Shahmandi, Silong, Ismail, Samah & Othman, 2011). In this study, leadership tasks include: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change,* and *emphasise ethical practices* and *balanced organisational control* (Amos, 2012; Hitt, Ireland & Hoskisson, 1997; Ireland, Hoskisson & Hitt, 2011; Noe, Hollenbeck, Gerhart & Wright, 2000).

1.9.4 Leadership effectiveness

"Leadership effectiveness" is seen as the ability to use and apply varied leadership styles, skills, abilities and knowledge in order perform certain tasks (Shahmandi, Silong, Ismail, Samah & Othman, 2011:44-45). An effective leader is said to influence followers to be able to switch behaviour from task-orientated to relationship orientated as desired, and depending on the prevailing situations (Fiedler, 1967; Goleman, Boyatzis & McKee, 2002). In this study, leadership effectiveness is defined as the ability of a leader to successfully exercise personal influence resulting in accomplishing organisational set objectives (Cooper at el., 2012). The leadership effectiveness variables include *cross-cultural competence, influence, follower commitment, versatility and group organisation*.

1.9.5 Organisational effectiveness

According to Rodsutti and Swierczek (2002: 250), organisational effectiveness is defined as the ability to attain a bargaining position or exploit environmental scarce and valuable resources. This argument is supported by Goodman and Pennings (1977: 176) who assert that an organisation gains highest level of effectiveness when it maximises its bargaining position and optimises resource procurement. This is often measured by the organisation's outputs, such as return on investment, increased market share and revenues (Ireland & Hitt, 1999). This study adopted a definition of effectiveness by Robbins and Barnwell (2006:76) and supported by Thibodeaux and Favilla (1996:21). That is: organisation effectiveness is the degree to which an organisation achieves short-term and long-term goals through fulfilling its objectives, controlling resource depletion and avoiding placing undue strain on its stakeholders. The study has nine variables relating to organisational effectiveness, namely *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment*.

1.9.6 Indigenous banks

"Indigenous banks" are Kenyan locally-owned banks (commonly known as local banks) that are not associated with either the government or foreign ownership. For a bank to be included, it must have been started by a Kenyan citizen and have no government or foreign partner ownership. Currently there are 30 indigenous banks in Kenya.

1.10 STRUCTURE OF THE STUDY

Chapter 1 serves as an introduction to the study. It also provides background to the study before discussing the problem statement, purpose of the study and research objectives. In this chapter, a theoretical framework is proposed based on prevailing secondary and primary findings. In addition, the scope and demarcation of the study are discussed. The chapter ends with a definition of concepts and an overview of the study structure.

Chapter 2 focuses on the nature, importance and challenges of the banking industry. After first examining the worldwide banking industry, the chapter then addresses specific regions with an emphasis on Africa and Kenya in particular. Further, the relationship between leadership and bank effectiveness is addressed.

Chapter 3 examines leadership competencies in relation to leadership effectiveness. After focusing on various competencies essentials for leadership effectiveness, the chapter then focuses on specific competencies. The three main competencies discussed, thereby forming the foundation of this study, are strategic thinking, emotional intelligence and transformational leadership. The chapter discusses the application of the competencies to the Kenyan banking industry.

Chapter 4 focuses on leadership tasks necessary for leadership effectiveness. First exploring the concept of leadership tasks, the chapter also examines the various approaches to leadership tasks before finally discussing leadership tasks. The eight main tasks are identified, namely, setting organisational direction, developing human capital, building core competencies, creating organisational alignment, sustaining appropriate organisational culture, managing change, and significantly ethical practices and establishing balanced organisational control. The application of leadership tasks in the banking industry, especially in the Kenyan industry, is discussed.

Chapter 5 addresses leadership effectiveness and organisational effectiveness. For leadership effectiveness, five measures of effectiveness are discussed. They are: influence, follower commitment, cross-cultural competence, versatility, and group organisation. Organisational effectiveness is also assessed, used different indicators, namely, *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment*. By discussing the various theories relating to leadership effectiveness and organisational effectiveness, the chapter uses both theories and previous research to indicate the importance and challenges of organisational leaders and scholars.

Chapter 6 discusses the adopted theoretical framework and how it fits into the context of this study. The theoretical framework specifically singles out independent variables (in this case *leadership competencies* and *leadership tasks*), intervening variables (*leadership effectiveness*) and the dependent variable (*organisational effectiveness*). The various variables in the theoretical framework are discussed and analysed.

Chapter 7 presents the methodology, designs, population, sampling framework, and data collection procedure. The selected paradigm is also discussed in detail as this provides the direction that shapes the study. Finally, data analytical tools are also explained and justified.

Chapter 8 is a critical chapter as it reports the empirical results of this study. To arrive at the findings, different analytical tools have been used, among them Cronbach alpha coefficient, confirmatory factor analysis, Principal Component Analysis with a Varimax Rotation, Kaiser-Meyer-Olkin (KMO), Bartlett's Test, Oblimin (Oblique) Rotation and Eigenvalues. From the results of these tests, the chapter then presents different findings derived from various analyses performed, and gives appropriate interpretations as required based on the study purpose and objectives.

Chapter 9 is the final chapter of this study and presents the summary, conclusions and recommendations. The main contributions and short-comings are also highlighted. Finally, the areas of further research and way forward for indigenous banking in Kenya are given.

CHAPTER 2

AN OVERVIEW OF THE BANKING INDUSTRY

2.1 INTRODUCTION

Banks are part of a wide category of institutions commonly known as financial institutions. Financial institutions include commercial banks, insurance companies, consumer financial agencies and many others institutes involved in the business of borrowing and lending (Kumbirai & Webb, 2010). The current study focuses on the commercial banks, herein referred to as the banking industry.

The banking industry plays a critical role in an economy. As a result, the banking industry is termed the engine that drives economic development both for developed and developing nations (Adeyemi, 2007). Through the types of products and services it provides, the banking industry is uniquely placed to influence a country's economic development and long-term sustainability (UNEP-FI, 2007:6). The industry not only facilitates money transfers between countries but also ensures that savers and borrowers are brought together in well-organised structures (Kashyap, Rajan, & Stein, 2002). Though important, the banking industry has faced numerous financial challenges which have threatened to cripple the industry and bring world economies to a standstill. For instance, the 2007–2009 financial crises started in the banking industry. It was a crisis that brought the world economies almost to a standstill, and nations still continue to record negative growth related to it, a situation that may continue for several years (Grant Thornton, 2013). The challenges experienced in the banking industry and recent numerous crises experienced in the past are associated with a lack of strong leadership. It is also evident that poor management and leadership have continued to negatively affect banks' performance world-wide, especially among African countries (Waweru & Kalani, 2009).

This chapter discusses the growth of the banking industry in the last six decades, the importance of the industry, associated challenges, and the role of leadership. The chapter also describes the banking industry in Africa before concentrating on Kenya.

2.1.1 The growth of the banking industry in the last six decades

The growth of the banking industry in the last six decades has been characterised by both negative and positive performances. The period has been characterised by numerous crises which can be classified as 1940s–50s; 1980s–1990s, and 2007s–2009s crises. The next section examines how the industry fared, giving way to modern banking.

2.1.2 The 1940s–1950s banking growth and challenges

The period 1940s–1950s was associated with increased growth in the banking industry as demand for banking services steadily increased. However, the positive growth led to numerous challenges which resulted in a crisis that affected all players. First, the increase in business transactions led to the accumulation of a number of cheques that needed to be cleared but the banks found it impossible to clear them (Fisher & McKenney, 1993:44). Between 1943 and 1952, cheque usage in the USA doubled from 4 billion to 8 billion per year. With the estimated number of written cheques being estimated at 1 billion per year by 1955, it was feared this number would rise to 14 billion cheques by 1960 (Fisher & McKenney, 1993:44). The snail manual clearing process could not cope with the increasing number of cheques which had risen to a staggering 69 million cheques requiring clearing on an average day (Fisher & McKenney, 1993:44). This led to two main problems for the banking industry: firstly, there was too much paper work compared to the available resources; and secondly, the banks were unable to retain bookkeeping staff. "This situation had banks at a standstill; they were neither able to expand, nor, in some cases, even to keep pace with the increasing flow of paper" (Fisher & McKenney, 1993:44).

It should be noted that cheque clearing was not the only task the banks were involved in. Besides cheque clearing, the banks had to process consumer loans (home loans and auto loans) and other lines of credits. The stability of the economy after World War II had led banks' saving accounts to increase by 33%, commercial loans increased by 113%, mortgage increased by 290% and consumer instalment credit increased by 850%. The development and eventual introduction of Electronic Recording Machine Accounting (ERMA) not only solved the cheque clearing crisis but also revolutionised the banking

industry. To cite the excitement of the new discovery, Fisher and McKenney (1993:56) observed:

> The development of the ERMA system came as a huge surprise to the manufacturing and banking communities. Journalists, bankers, and manufacturers all rushed to find out more about this revolutionary machine that was rumoured to have fundamentally changed banking. Most surprising was that the newest technology was not coming from a supplier of equipment, but from a user – Bank of America. Bank of America's leadership was crucial in forcing bankers and manufacturers to consider electronic options. In the fall of 1955, after the announcement, Beise was able to sit back and enjoy the rush of companies queuing up for the chance to manufacture his machine.

The discovery of ERMA solved the banking cheque clearing problem and ensured smooth operations for years to come (Fisher & McKenney, 1993). However, the revolutionary machine did not solve all banking challenges as more crises kept cropping up due to economic, social, political and technological changes. This is true of the 1980s and 1990s banking crisis.

2.1.3 The 1980s–1990s financial period

Like the 1940s and 1950s, the 1980s and 1990s were characterised by positive banking growth arising as result of the real estate business becoming too promising and attractive for banks to invest in the United States (Seidman, 1996:59). The crisis started when most banks started to divert their attention to real estate. Prior to 1980, banking loans to real estate amounted only to 10% but by mid-1980s, the investment ranged between 50% and 60% (Seidman, 1996:59). The move by banks in the United States to invest in real estate ventures soon spread to other countries like Finland, Sweden, Japan, Australia and England. By paying too much attention to real estate, the banks diverted their resources in form of loans to outside the industry. What the banks did not anticipate was the challenge of loan repayment by borrowers (Seidman, 1996:59). In the USA, the problem was made even worse when *Savings and Loan* (S&L) were allowed to offer real estate loans in areas in which they had very little or no experience (Seidman, 1996:59). This problem was also experienced elsewhere in other countries, a situation that was summarised as follows: "… the biggest danger for financial institutions is lending based on excessive optimism generated about by certain kinds of lending that are the fashion of the day" (Seidman, 1996:59). This practice seemed common in the banking industry and could be

associated with major banking crises all over the world. Summing up the 1980s and 1990s bank crisis, White (1996) observes that compared to the 1930s financial crisis, the 1980s–990s was a period when both commercial banks and savings institutions experienced even a higher rate of failure. However, the 1980s–1990s periods did not mark the end of the banking problems.

2.1.4 The 2007–2009 financial crises

The period between 2007 and 2009 can be described as a turbulent period in relation to world economy (Deloitte, 2012; United Nations, 2013). As in the 1940s and 1950s, the financial problems started in the USA. The financial crisis was triggered by mortgage uncertainty resulting from a fall in housing prices. This led to poor value for securities which quickly spread to other countries, causing panic and distress to most industries. The shocking and unexpected turn of events in the mortgage snowballed to other credit businesses, leading to a liquidity crunch in key financial markets around the world (Lazarov, 2009). As a result of panic, consumers lost confidence in the financial sector and quickly rushed to secure what could be salvaged. As a result, a state of desperation and confusion arose in the developed world economies. The consequence of the crisis was that the world economy expanded by only 2.7% in 2008 compared to 3.7% and 3.9% in 2007 and 2006 respectively (Kenya Airways, 2011).

The situation in 2008 further worsened due to escalating world crude oil prices and commodity prices. The result was a world recession mostly affecting developed countries, a situation that did not change much in 2009 and 2010 (Deloitte, 2012). To demonstrate the negative impact of the recession, the European countries had their Gross Domestic Products (GDP) decline to 1% in 2008 from 2.6% in 2007 (United Nations, 2009). Likewise, the USA economy slackened with an estimated growth of only 1.4% in 2008, down from 2% in 2007, a decline blamed on the collapse of leading financial institutions especially those which had invested heavily in mortgage business. Even Asian countries were not spared by the economic melt-down, with Japan only realising 0.6% growth in 2008 compared to 2.1% in 2007 (United Nations, 2009). To salvage the situation, leading European and American central banks reacted by releasing millions of

dollars to the banking industry in order to restore confidence in the financial markets. However, the situation was said to be a temporary solution and was far from being stable (United Nations, 2009). Besides the central banks' effort to revive the banking industry by injecting monetary support to the economy, the 2009 and 2010 years were expected to experience slight economic growth (United Nations, 2009). It is however notable that the African countries were not severely affected by the crisis, with many countries reporting an average growth of 5% to 7% per year (European Investment Bank, 2013; United Nations, 2009). Interestingly, sub-Saharan Africa's fiscal balance improved drastically from a surplus of 1.2% of GDP in 2007 to a deficit of 4.8% in 2009 (International Monetary Fund, 2009). Besides the numerous challenges, the importance of the banking industry to the world economy still remains instrumental as a catalyst development.

2.2 THE IMPORTANCE OF THE BANKING INDUSTRY

Although the banking industry has faced numerous crises over the years (See Section 2.2), the industry's vital importance to the world economy remains. According to Kumbirai and Webb (2010), the banking industry acts as life blood of an economy and the society in general. Given the positive role played by the banks in an economy, it is essential to identify the specific activities performed by the banks in order to engineer development of various economies. In this section, the following identified activities performed by banks will be discussed: borrowing and lending, agency services, facilitating trade, and money control.

2.2.1 Borrowing and lending

The banking industry provides a number of economic activities to its customers. The leading activity is that of borrowing and lending. Through its role of borrowing and lending, the bank industry facilitates borrowing money by taking deposits from customers and then lending it to those who need it (Kumbirai & Webb, 2010:35). This specific role enables banks to render a very valuable service to the society. The service not only increases the production capacity of the community or nation, but also accelerates the pace of economic growth (Russo & Ugolini, 2008).

2.2.2 Agency services

The banking industry provides a range of investment services to its customers. Upon opening various accounts such as current and saving accounts, the banks offer services like settling of indebtedness between customers by facilitating credit transfers, standing orders, cheque clearing, payment of dividends and debt transfers. Added to these important activities there is access to loans and overdraft facilities (Clark, Dick, Hirtle, Stiroh & Williams, 2007:40; Hoyle & Whitehead, 1982:42; Kumbirai & Webb, 2010). By so doing, banks have become the lifeline of businesses and the gatekeepers to capital. The banks provide loans and credit to millions of businesses and individuals throughout the world (UNEP-FI, 2007).

2.2.3 Facilitating trade

In addition, the banking industry plays an important role in facilitating trade within and between countries and in providing logistical support. This role has eased businesses which otherwise would find it difficult or impossible to survive. The specific activities that the banks facilitate include: foreign exchange transactions, executorship and trust services, export trade payment, tax advices, investment management and stock blocking (Hoyle & Whitehead, 1982:42). In an effort to offer overseas trading services, some banks have set up branches in foreign countries. Such branches specialise in foreign trade financing and advising. The branches, for instance, are able to provide a comprehensive network of services for businesses and persons interested in foreign transactions. The banks or their branches have also acted as sources of information on overseas trading, opportunities and challenges. The results are saving of time and money, and smooth business transactions among businesses located in different parts of the world or geographical locations thereby enabling many transactions to be performed (Economic Commission for Africa, 2011:60; Kumbirai & Webb, 2010).

2.2.4 Money control

Banks, through the overseeing of the Central Banks, are able to facilitate money regulation in an economy. This enables commercial banks to control money available in the economy. This is done by gathering small savings from customers and combining

them into larger deposits which are then channelled into the right enterprises where they generate profitable businesses (Kumbirai & Webb, 2010). The banks, through the money control, regulate the level of development in an economy.

2.3 BANKING INDUSTRY CHALLENGES

Although the banking industry has played and continues to play a critical role in facilitating world economic development, the industry still continues to face a number of challenges, namely nonperforming loans, global financial crises and banks' leadership.

2.3.1 Banks' nonperforming loans

The challenge of banks' nonperforming loans continues to plague the banking industry worldwide. The problem is mostly associated with the crises resulting from "rapid accumulation of nonperforming loans in the banking industry and a deterioration of asset quality in the face of increased credit risks" (Fofack, 2005:5). In Africa, for instance, the level of nonperforming loans has reached over 30% of total loans. This was the highest level ever for the developing world. In fact, the Asian financial crisis of 1997 which was said to be the worst did not exceed 25% of total loans (Fofack, 2005:5). The problem of nonperforming loans was not peculiar to Africa alone. According to Kroszner (2002), nonperforming loans are closely linked to banking crises. In Japan, for instance, the banking industry continued to suffer the effect of nonperforming loans that hit the industry in the 1990s, leading to loss of billions of yen resulting from a collapse in asset prices (Sultana, 2000). The Japanese government had to intervene to correct the situation, in an effort to gain market confidence and ensure a stable financial environment (Waweru & Kalani, 2009:13) As will be discussed later (Sections 2.4, 2.5) African countries still continue to suffer from nonperforming problems.

2.3.2 Global financial crisis

The last six decades, as mentioned earlier, have witnessed several financial crises that have greatly hindered smooth operations of the banking industry. Given its critical role in economic development, a crisis in the banking industry has an adverse effect on

economic stability of countries. In the recent financial crisis (2008–2009), many banks collapsed, which led to worsening economic situations in different countries. In spite of the deteriorating global financial situation, some countries' banking industries were able to withstand the pressure and continued to prosper against all odds. For instance, the Canadian banks remained relatively stable, while the neighbouring USA continued to experience major financial shocks (Elliot, 2008).

2.3.3 Banks' leadership

Aside from the positive role of the banking industry, the sector has been in the spotlight due to its undesirable leadership practices. As in other industries, the role of leadership is instrumental in the successful performance of banks. In fact, the crisis that faced the banking industry worldwide during the 1980s and 1990s corresponded with deregulation of the industry in most countries. According to Donnelly (1994:12), for a deregulated industry, "management and leadership issues are critical," a fact that banks in the USA acknowledged and responded to accordingly. It is interesting to note that leadership has received very little attention within the banking industry. This agrees with Donnelly (1994:12) who argues that the poverty of leadership "has been the subject of much discussion but very little debate." Donnelly (1994:12) further points out that those involved in banking management "lack the skills to provide leadership in a deregulated environment," an argument echoed Meechan (1992). According to Waweru and Kalani (2009), the biggest challenge facing the banking industry could easily be summarised as "poor leadership".

2.4 THE BANKING INDUSTRY IN AFRICA

The African continent lags behind other world regions in terms of financial development and regional integration (Brownbridge, 1998b). In fact, the majority of the African banks have a shareholder capital of less than $5 million. Accordingly, there are no significant interbank market activities in terms of capital flows that take place, because of major differences and stages of development in the economic and financial sectors (Russo & Ugolini, 2008:1). To show these differences, Russo and Ugolini (2008:1) point out that

there are three types of financial levels in the continent. Firstly, there are countries with relatively highly sophisticated financial services, for instance, Egypt, Morocco, Tunisia and Republic of South Africa (RSA). Secondly, there are countries that are currently experiencing steady expansion in their financial sector, amongst others, Botswana, Cameroon, Ghana, Kenya, Mauritius, Namibia, Nigeria, Senegal, Tanzania, Uganda and Zambia. Lastly, all the other countries lag behind, a situation associated with social unrest and hostilities.

In terms of development, the African banking industry has germinated from pure oligopolistic foreign-owned and government-owned partnership banks to the current mixture of foreign, government and private financial institutions (Brownbridge, 1998b; Okeahalam, 2001). For most African countries, the development of the locally owned banks was necessitated by the need to break the monopoly of foreign banks. Upon independence in most countries, the governments legislated to nationalise banks in order to influence banking policies and control lending to the production sectors of the economies (Onoh, 1982:97). In most African countries, a number of national banks were established in order to finance and boost the agricultural sector (Russo & Ugolini, 2008:2). In countries like Nigeria, Uganda and Zambia, the economies and financial logistics were relatively well developed, thereby creating room for local banks to supplement the existing banks' effort. The period between the 1970s and mid–1980s saw 13 local banks set up in Nigeria and four in Kenya. Other countries like Uganda and Zambia also established a few local banks (Brownbridge, 1998a:3). This way, the banks were to play a positive role in the economic development (Okeahalam, 2001). The banks that were started came to be known as "the local banks" or "indigenous banks" (Onoh, 1982:97). The next section explores the banking industry within sub-Saharan Africa. The section focuses on the role of the banking industry, associated challenges, and the importance of leadership.

2.4.1 The positive contribution of the banking industry

The banking industry has played a central role in facilitating different countries' development. The important roles played by African banks are discussed below (Section

2.5.1 to Section 2.5.2). The development of the banks was meant to facilitate the following important roles: demand, eradication of poverty, and access to credit.

2.4.1.1 Demand

Upon independence of most African countries, most local people started to seek opportunities to establish their own businesses and industries. This increase in demand for financial services was beyond most foreign banks and government-controlled banks. To meet the increasing demand, more local or indigenous banks were encouraged. It is these banks that have facilitated and boosted economic development of most African countries (Ahumada & Fuentes, 2004).

2.4.1.2 Eradication of poverty

The establishment of banks in Africa was meant to contribute to eradicating poverty through improving the living standards of the poor majority in the continent. This was to be done through providing access to financial credit, improving customer care, encouraging small and medium business establishments, and providing employment (Ahumada & Fuentes, 2004). The severity of poverty in most African countries hampered the operations of banks, which made borrowing and lending difficult (UNEP-FI, 2007:6). Therefore by banks playing a positive role in poverty eradication, they were doing long-term investment in strengthening savers and borrowers.

2.4.1.3 Access to credit

The establishment of local banks in many African countries opened access to credit for many small business people, farmers and other investors in Africa, who had been locked out by foreign banks through their strict borrowing terms and procedures (Onoh, 1982; Thorsten, Asli & Ouarda, 2010). In addition, the local banks were said to offer better customer services. This included long opening hours, short queues, better terms and lower minimum deposits, quick access to loans, and better repayment terms. The local banks also provided space for competition in the banking industry. Previously, the banking industry consisted of a few foreign banks and government-controlled banks that dictated the market trend, the lending and the money supply (Brownbridge, 1998a:22).

Some newly established banks did very well and "by the mid–1990s, the local banks had captured a quarter of the commercial bank market in both Nigeria and Kenya, a fifth in Zambia and about 15 per cent in Uganda" (Brownbridge, 1998a:3). As noted above, North African countries and Republic of South Africa were already ahead in their banking systems and other financial sectors due to their well-developed infrastructures. Other African countries were slower in bank development, especially the Anglophone African countries where the industry still remained small (Brownbridge, 1998b:3).

2.4.2 Challenges facing the banking industry in Africa

Besides the positive contribution of the banking industry in Africa, there are also significant challenges that have constrained banks development and successful operations. These challenges are a subsistence economic base, illiteracy, manpower challenges, the small number of banks, and nonperforming loans.

2.4.2.1 Subsistence economic base

The African economy, with exception of Republic of South Africa, is significantly subsistence in nature. Although most of the countries have agriculture as their main source of revenue, the sector is still not fully commercialised. The manufacturing industries produce only a few products owing to a lack of adequate facilities or the high cost of production. Similarly, engineering industries which are termed the heart of a vibrant economy, are almost absent in most African countries (Onoh, 1982:104). This means that the banking industry lacks good sources of deposits and commercial transactions.

2.4.2.2 Illiteracy

The African countries are characterised by a high level of illiteracy. This situation, which is also associated with substance economies, greatly affects the banking industry since it is difficult for customers to develop banking habits (Onoh, 1982:104). In fact, most people in the rural areas never open a bank account because of illiteracy or because the banks themselves find it difficult to spread their activities in the rural areas since people

may not understand how to operate accounts. By banks concentrating in the cities and other urban areas, they have been accused of serving the rich and neglecting the poor in the rural areas (Onoh, 1982:104).

2.4.2.3 Manpower challenges

The banking industry is a technical and numerical sector that demands specialised skills. However, for most countries in Africa, the level of education is still too low to qualify to work in the banks (Onoh, 1982). To make matters worse, only a few institutes of higher education offer courses in banking. This makes those interested in finance seek help outside their countries by enrolling in foreign colleges. Even for those already qualified, the competition among bankers to recruit them is intense. Some banks have, however, taken it upon themselves to train their own personnel as a way of addressing the deficit, for instance, Kenya, Nigeria and Republic of South Africa (Onoh, 1982:104-107).

2.4.2.3 Small number of banks

Despite the African governments' effort to see banks grow and expand in the sub-Saharan African region, the banking industry is still underdeveloped and characterised by many small banks, few branches, a low capital base, and are mostly located in urban areas. The sizes of the banks are such that they cannot compete with foreign banks and state-owned banks that control a large share of the market (Sanya & Gaertner, 2012). For some countries, only a few banks have big branches in rural areas or outside their countries (Mlachila, Park & Yabara, 2013). Such include countries like Malawi, Democratic Republic of Congo, Southern Sudan and Cameroon. In these countries the major bank customers are local, small and medium business people, farmers and merchants.

2.4.2.4 Nonperforming loans

Like the rest of the world, Africa still suffers from the problem of nonperforming loans. For instance, the level of nonperforming loans has reached over 30% of total loans. This was the highest level ever for the developing world. In fact, the Asian Financial crisis in 1997 which was said to be the worst did not exceed 25% of total loans (Fofack, 2005:5).

This automatically made Africa the worst financial performer. Specifically, the most affected by the crisis were Benin, Cameroon, Guinea-Bissau, Kenya, Nigeria, Senegal and Swaziland. The level of financial crisis in these countries was so dramatic that it led to the erosion of both equity and capital in the banks and related financial institutions (Fofack, 2005). Individual countries recorded the following level of nonperforming loans in 1995 compared to total loan portfolios: Cameroon (30%), Guinea-Bissau (45%) and Kenya (30%, between 1993 and 1995) (Fofack, 2005:7). A worst-case scenario was Senegal, where during the 1980s and 1990s, about 50% of banking system loans was nonperforming (Husain & Faruqee, 1994). This led Senegal to close six commercial banks and one development bank, all accounting for 30% of banking assets (Fofack, 2005:7). It is also notable that the above countries also exhibited the lowest ratio of equity to liquid assets, a sign of a fragile banking industry.

The impacts of the above challenges have adversely affected African banks' performance and in effect their countries' economies. This has led to many bank failures as discussed in Chapter 1. It is notable that bank failures have resulted in large losses to both individuals and governments. However, it is difficult to estimate the actual costs since most of the financial figures are not available to the general public. It is also hard to estimate how much the tax payers lost in these financial ventures. Some estimates available revealed that a substantial amount of money and assets was lost through bank failures (Brownbridge, 1998a:13). For instance, in Nigeria, the loss from failing banks was $43 million, while for Uganda it stood at $12 million. In terms of lost assets and deposits, the Nigerian banks lost $51 million from liquidated banks and $425 million from 13 banks that were taken over by the government in 1995. In other countries, the costs incurred are compared to the countries' GDP. For instance, the cost of restructuring and recapitalising failure banks were: Benin (17% of GDP); Côte dIvoire (25% of GDP), Senegal (17% of GDP), and Tanzania (approximately 10% of GDP) (Caprio & Klingebiel, 2000).

The above losses show a real impact on the economy and its negative effect on the countries' growth. In Zambia, three banks closed in 1995 with assets worth $170 million

or 23% of total bank assets. For Uganda, the two banks that failed had assets worth $40 million which represented 6% of the total bank assets (Brownbridge, 1998a:15). Both Ghana and Mauritani reported smaller losses though they were significant in absolute terms, amounting to 6% of the GDP for Ghana and 15% for Mauritania in the 1980s and 1990s respectively (Caprio & Klingebiel, 1999).

From these losses, the negative impact on the economy was obvious. The immediate repercussions were losses of money by shareholders who were greatly frustrated, having invested huge resources in the banks and other financial institutions (Brownbridge, 1998a; Dullien, Kotte, & Marquez, 2010). Inflation was another negative effect which spilled over to the entire economy, forcing governments to institute new measures to curb the situation. Unfortunately, the trend continued till the early years of the 2000s (Brownbridge, 1998b; Dullien et al., 2010). Besides the losses of money and other bank assets, the bank failures could also have been attributed to unethical behaviour among bank leadership. This took the form of "adverse incentives on bank owners to adopt imprudent lending strategies, in particular insiders lending at high interest rates to borrowers in the most risky segments on the credit markets" (Brownbride, 1998b:16). It is also argued that most of the bank losses could have come from nonperforming loans. The next section addresses nonperforming in detail.

2.5 THE KENYAN BANKING INDUSTRY

In Kenya, the economy's performance was adversely affected by the overall world economic crisis, the 2007–2008 post-election violence (resulting from election disputes between the government and the main opposition party) and adverse weather. These factors led to an economic growth slump from 7.1% in 2007 to about 1.7% in 2008 (Central Bank of Kenya, 2008:23). In 2009, the economic growth was not expected to improve to more than 2% owing to worsening financial crises (KIPPRA, 2009). Likewise, the country's balance of payment declined from a surplus of Ksh. 63,250 million in 2007 to a deficit of Ksh. 33,161 million in 2008 (KIPPRA, 2009). At the same time, the capital and financial sector recorded a surplus of only Ksh. 81,055 million in

2008 compared to Ksh. 150,090 million recorded in 2007, a decline associated with deteriorating world economic performance, little inflow of foreign direct investment (FDI) and reduced short-term capital inflows (KIPPRA, 2009). However, Kenya has fully recovered from 2007–2008 violence, and is slowly recovering from the global financial impact. The country remains a leader in the East African Region in terms of economic development (Njuguna, 2013a). By African standards, the Kenya banking industry is credited for its diversification and (Thorsten et al., 2010:2).

2.5.1 The establishment of the Kenyan banking industry

The Kenyan banking industry is governed by the Companies Act, the Banking Act, The Central Bank of Kenya Act and various prudential guidelines and instructions issued by Central Banks of Kenya (CBK) as contained in The Laws of Kenya: Banking Act, 2010, Chapter 488 incorporating all the Acts from 1985 to 2009 (Central Bank of Kenya, 2010b). The Kenyan banking industry is currently composed of 44 financial institutions, namely, 43 commercial institutions and two (1) mortgage finance company (Microfinance corporation). Of the 44 banking institutions, 31 are locally-owned while 13 are foreign owned. A further breakdown of the banks shows that of the locally-owned banks, 3 are public shareholding (co-owned with the government) and 28 are privately owned (Central Bank of Kenya, 2013). The 28 privately owned are also referred to as indigenous financial institutions (include one mortage finance institution). In terms of asset holding, the 13 foreign banks control about 33.4% while 66.6% is under domestic banks. By the end of 2012, there were 6 large banks that dominated the industry with 53.7% of total market share. Another 15 medium banks accounted for 36.8% market share while another 22 small banks only accounted for 9.5% market share owned (Central Bank of Kenya, 2013). In terms of market share, three (3) local- public commercial banks account for 4.2% of total banking assets, the 27 local private commercial banks account for 62.4% while 13 foreign commercial banks account for 33.4% of the bank assets (Central Bank of Kenya, 2013) (See Table 2.1).

Table 2.1: Ownership and asset base of commercial banks (Ksh. Million)

Ownership	No. of banks	% of total	Total net assets	%
Local public commercial banks.	3	7%	98,573	4.2%
Local Private commercial banks.	27	62.8%	1,453,718	62.4%
Foreign commercial banks	13	30.2%	778,045	33.4%
Total*	43	100.0%	2,330,336	100.00%
*Charterhouse Bank excluded				

(Source: Central Bank of Kenya, 2013).

The above table 2.1 shows that the local public commercial banks hold a very small share of banks total assets while the local private commercial banks (indigenous banks) controls the largest share of 62.4%. It is notable that although the local private commercial banks appear to have a large total assets (Ksh. 1,453,718 million), it is spread among the 27 different banks compared to the 13 foreign banks which control Ksh. 778,045million which is slightly higher than 50% of private commercial ownership.

In terms of the branch network expansion, the country's banking industry registered a growth of 20% making the branches to grow from 740 in 2007 to 887 in 2008. The country's capital, Nairobi, had the highest branch network growth accounting for 41% of all branches or 60 out of the total 147 branches opened. This means that Nairobi branches grew from 293 in 2007 to 353 in 2008. Similarly, Nairobi had the highest number of Forex Bureaus (98) or 82% of the total 120 bureaus in the country (Central Bank of Kenya, 2008:5-6). By the end of September 2012, the Kenyan Banking industry registered improved performance both in assets and customer deposits. The industry assets stood at Ksh. 2.3 trillion up from 2.02 trillion in 2011, an increase of 15.3%, customer deposits grew to Ksh.1.49 trillion from Ksh. 1.71 trillion in 2011, an increase of 14.8%. During the same period, profit before tax rose from Ksh. 89.5 billion in 2011 to Ksh. 107.9 billion in December 2012, a growth of 20.6%. The number of bank branches also increased to reach 1,272 which is an increase of 75 from the 1,197 branches reported in June 2011 (Central Bank of Kenya, 2012). It is also notable that Nairobi has all banks headquarters making it the hub of business and the busiest financial centre in Kenya. This study is centred on the headquarters of the locally owned banks or indigenous banks as are commonly known.

Overall, the banking industry seemed to have fared quite well compared to other world markets (Central Bank of Kenya, 2008:28). By 2011, the banking industry growth was even more encouraging. The industry registered an impressive growth of 20.4% increase in total assets, which amounted to Ksh. 2.02 trillion up from Ksh. 1.68 trillion realised in 2010. There was also a reduction of gross nonperforming loans of 8% from Ksh. 57.6 billion in 2010 to Ksh. 53 billion in 2011 (Central Bank of Kenya, 2011). This growth explains the positive projected growth in the industry as noted in Chapter 1 of this study. However, the banks should not be too confident, given the volatility of similar industries. Seidman (1994:56) has noted that "There is no magic bullet system that will ensure banking safety and soundness." Seidman (1994:56) further points out that besides the USA having a well-established banking network, countries with small banking institutions like Canada, England, Sweden, Norway and Japan, have had similar problems (Seidman, 1996:2). Seidman (1994:56) further maintains that no country should boast of being free from banking crises since no country can escape banking problems.

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From the prevailing discussion about the Kenyan banks, it might be wrongly assumed that the banking industry has had a smooth ride since its inception. However, the industry

has experienced challenges since Kenya's independence in 1963. Between the years 1963 and 1982, the Kenyan economy was very prosperous compared to its neighbouring countries. The prosperity of the industry was attributed to good monetary and fiscal policies instituted by the government. This made the financial industry very industrious, resulting in sound economic growth (Central Bank of Kenya, 1994).

In the 1980s and 1990s, several countries, both developed and developing, experienced severe banking crises which affected their financial, social and economic performances. To overcome the challenge, the countries were required to overhaul their banking systems (International Monetary Fund, 1998). Like its counterparts in other parts of the world, Kenya had its share of banking crises. They started in 1982 after the government relaxed financial control measures, making way for an increase in the number of numerous financial institutions. Unfortunately, the action of the government opened the professional and disciplined career to non-professional business people whose interest was profit and self-gratification (Ambutsi, 2005). As a result, professional management was replaced by poor governance, mismanagement and political interference, which led to the collapse of a number of banks (Ambutsi, 2005). To remedy the situation, the Central Bank of Kenya introduced strict measures in the industry in 1994 and 2002. One such measure was the establishment of a reserve and deposit protection fund, insurance schemes and an increase in minimal capital requirement for bank starters (Central Bank of Kenya, 1994). However, despite the new Acts, 32 banks were liquidated or put under receivership, with 14 of them collapsing in 1993 (Central Bank of Kenya, 2004). The situation deteriorated further, and by 1998, 37 banks had collapsed despite Central Bank efforts to salvage them (Kithinji & Waweru, 2007; Ngugi, 2001). In that year alone, the loss from nonperforming loans stood at Ksh. 80 billion or 30% of advances, an increase from Ksh. 58.4 billion in 1997 (Central Bank of Kenya, 1999). By world standards, the Kenyan nonperforming loans were too high (30%) in 1999, putting the banks at even higher risks of recovering them.

2.5.2 The Kenyan banking performance

The banks' overall performance has been blamed on poor management, lack of strong

internal control measures and poor governance. This is especially true given the fact that banks' lending exposed them to borrowers' risks of defaulting, and unless there were effective measures of control, the potential for losses were very high. The poor performance trend continued to worsen, and between 1998 and 2005 a substantial number of commercial banks collapsed, among them Trust Bank and Euro Bank (Sokpor, 2006:5). In an effort to bring the situation under control, the government introduced new ways to deal with the worsening situation. Accordingly:

> The Banking Act was amended to give the Central Bank more power to enforce bank laws and regulations. The Act now restricts insider lending, places strict requirements on lending and provisioning for nonperforming assets, and strengthens the Central Bank's supervision department. The Central Bank has also been empowered with cease and desist provisions and can impose financial penalties for failure to comply with the law. In addition, the minimum capital of banks and non-banks financial institutions has been raised. Capital requirements were initially raised to 200 million shillings for banks and 150 million shillings for non-bank financial institutions, then raised to 500 million and 375 million shillings (Economic Report on Africa, 2002:143).

The new law was expected to ease the situation and bring the banking industry under control. By 2001, there were 48 commercial banks, but only eight banks (two foreign-owned and six state-owned) dominating the industry with 71% of market share. The other 40 were small local banks which were considered unstable and with low market share (39%). The major challenge within the banking industry was nonperforming loans, which accounted for 42% of banks' loan portfolio. According to the Kenyan Central Bank, nonperforming loans were loans not serviced as per the contract with the borrower thus subjecting the financial institution to potential losses (Central Bank of Kenya, 2001). In an effort to address this challenge, the Central Bank of Kenya demanded to be a partner in controlling such bad debts to a manageable level (Economic Report on Africa, 2002:143).

The Kenyan Central Bank's action to assist banks in reducing nonperforming loans was just one way to react to the worsening banks' performance over the years. Unfortunately, more banks in Kenya did not perform well and eventually closed down. Between the years 2000 and 2001, five banks were put under statutory management while one

building society was placed under investigation. Three of the banks were able to re-open; one was liquidated, while one still remained under statutory management (Economic Report on Africa, 2002:143). For the two years, the nonperforming loans stood at Ksh. 73.6 billion (2000) and Ksh. 76.1 billion (2001) respectively. A summary of the Kenyan banking industry nonperforming loans during the worst financial crisis is represented below in Table 2.2.

Table 2.2: Kenyan banking industry non-performing loans 1995-2003

Year	Nonperforming loans (in Kshs. Billion)	Total Loans (in Kshs. Billions)	Percentage (%)
1995	31.8	180.2	17.6
1996	37.9	213.7	17.7
1997	69.0	248.2	27.8
1998	83.5	268.6	31.1
1999	97.2	284.2	34.2
2000	90.2	272.9	33.1
2001	73.6	245.0	30.0
2002	76.1	255.0	29.8
2003	74.6	270.1	27.6

(Source: Waweru & Kalani, 2009:14).

Table 2.2 shows an increase in nonperforming loans from 1995 (Ksh. 31.8 billion) to 2003 (74.6 billion), a 134.6% increase. Similarly, the loans issued during the same period ranged from Ksh. 180.2 billion in 1995 to Ksh. 270.1 billion in 2003, an increase of 66.7%. This indicates that compared to loans given, nonperforming loans far exceeded what was issued, a very gloomy picture for the banking industry. It is also notable that the period 2001–2003 showed a decrease in nonperforming loans compared to previous years. This decrease was not as a result of good policies, but was attributed to the collapse of some financial institutions including Trust Bank and Euro Bank (Waweru & Kalani, 2009:15). Similarly some banks wrote off some of their loans in order to ensure healthy balance sheets (Central Bank of Kenya, 2003). According to Waweru and Kalani (2009:15), nonperforming loans are attributable to poor decision-making by individual investors, although this could be caused simply by bad luck or poor economic eventualities. Comparing nonperforming loans to those of developed countries like Japan and Spain, Waweru and Kalani (2009) maintain that bank managers may be aware of the

repercussions of their actions but still act wrongly because of competition pressure and the wish to make high profits, especially if the economy is doing well.

As in the past, the poor performance of the Kenyan banking industry has been blamed on weak internal controls, bad governance and poor management practices (Sokpor, 2006:5). According to the Economic Report on Africa (2002:143), poor banking performance was caused by mismanagement. The Report states that although several measures continued to be implemented which seemed to yield positive results through visible improved financial effectiveness, "bank runs remain a significant risk. This risk is compounded by economic stagnation. Thus regulatory authorities need to maintain regulatory vigilance" (Economic Report on Africa, 2002:143). In Kenya, a major cause of almost 50% of the banks' failure was associated with nonperforming loans resulting from insider lending during the 1980s and early 1990s. External forces also played a major role in the Kenya banking industry problems. For instance, the political leaders used their influence to borrow from banks without repaying the loans, a problem that led to increased nonperforming loans (Sokpor, 2006). According to Brownbridge (1998b:16):

> Most of the larger local bank failure in Kenya, such as the Continental Bank, Trade Bank and Pan Africa Bank involved extensive insider lending, often politicians. The threat posed by insider lending to the soundness of the banks was exacerbated because many of the insider loans were invested in speculative projects such as real estate development, breaching large-loan exposure limits, and were extended to projects which could not generate short-term returns (such as hotels and shopping centres), with the result that the maturities of the bank's assets and liabilities were imprudently mismatched.

According to Brownbridge (1998b), three major forces motivated insider lending, namely political pressure, too much concentration on ownership, and under-capitalisation. Another major factor leading to bank failure was the high interest rates charged to borrowers operating in high risk credit markets. Such rates became impossible to repay for most borrowers, resulting in massive defaults across the industry.

The Kenyan banking industry started its financial recovery in the year 2000. After performing numerous amendments by the Central Bank of Kenya in the Banking Acts, the banking industry started slowly to improve in performance. By 2001, the banking

industry recorded a significant level of profitability. In 2000, the pre-tax profit was Ksh. 2.8 billion and rose to Ksh. 8.9 billion in 2001 (Central Bank of Kenya, 2001). This change is also associated with improved leadership within the banking industry. In some local banks, the leaders initiated mergers aimed at increasing capital requirements for bank operations, reducing the number of branches, reducing staff and increasing customer services (Munjuri, 2011:59). This effort of the bank leadership resulted in a turnaround of the banking industry that had been plagued by calamities for over two decades.

Since 2003, many Kenyan banks have reported a positive growth and turn-around in their operations although several banks still continued to perform poorly until 2009. According to the Cooperative Bank of Kenya Chief Executive, good practice made the bank declare dividends in six years (Wahome, 2004). The success was attributed to "aggressive cost management, focus on non-funded income, debt recovery and prudent liquidity management" (Waweru & Kalani, 2009:31).

Despite the increased overall performance, the banking industry in Kenya still faces a new challenge. According to the *Kenya Gazette Supplement No. 90* (2008) a new Financial Act 2008 which took effect in January 2009, required all banks and mortgage institutions to increase their minimum core capital to Ksh. 1 billion ($12 million) by December 2012, up from Ksh. 250 million ($ 4 million) in 2008. The aim of this Act was to make small banks become more stable by ensuring that they have adequate capital. The goal of the new Act was to transform small banks into more stable organisations. The Acts also addressed the financial crisis as it made the banks able to "withstand financial turbulences and therefore increase banking sector stability" (Gudmundsson, Ngoka-Kisinguh, & Odongo, 2013:3). For some banks, the new Act still appears to be a problem because they are not in a position to raise such capital, and may be required either to merge with other financial institutions or sell out. A further challenge to the banking industry was the 2008 global financial crisis, which was expected to affect the industry in regard to deposits mobilisation and reduction in trade volumes (Gudmundsson et al., 2013), a challenge that was hoped to be addressed by the new Act.

From these challenges, it can be seen that strong leadership is vital for the whole banking organisation to produce a healthy industry. Such leadership would have to address the serious problem of nonperforming loans. The problem of bank failures that impacted the banking industry in the 1980s and 1990s most strongly affected the indigenous banks. It is also evident that poor management and leadership were the main challenges facing the banking industry in Kenya (Waweru & Kalani, 2009). The issue of leadership is therefore discussed next.

2.5.3 The role of leadership in the Kenyan banking industry

The role of leadership in the banking industry is instrumental to its success (Kubicek, 2011). However, leaders involved in banking management still lack the skills to provide leadership in a deregulated environment (Donnelly, 1994). Previous research on the banking industry indicates that deregulations, nonperforming loans, lack of internal control mechanism and liquidity problems are strongly associated with bank failures both in Kenya and world over, problems that can be blamed on banks' leadership (Ambutsi, 2005; Donnelly, 2004; Kenyan Magazines, 2011; Saber et al., 2009; Waweru & Kalani, 2009). Similarly, the problems of weak internal control, regulatory frameworks and procedures, lack of professionalism, political interference and bad governance are associated with poor management practices (Sokpor, 2006:5). It has been asserted that poor management among many organisations (including banks) and governments in Africa is an indication of poor leadership (Muriithi, 1996). This means that adopting and implementing the right leadership is critical to achieving organisational effectiveness in the banking industry (Brown, Squire & Blackmon, 2007). With improved performance in the Kenyan banking industry and predicted growth of the industry, the importance of effective leadership comes to the fore (Deloitte, 2012).

A look at Kenya Vision 2030 gives high hope for the financial services which are expected to be vibrant and very competitive through high levels of savings and financing (Ministry of Planning and Development, 2007). Accordingly, savings and investments are expected to grow from 17% to 30% of the country's GNP. To achieve this, the banking industry is expected to play a very important role by increasing deposits from

44% to 80% of the GDP while at the same time cutting the cost of borrowed capital (Ministry of Planning and Development, 2007:10). To realise these financial goals, the government identified several activities by to be performed in 2012, among them transformation of the banking industry by facilitating mergers of the large number of small banks into fewer large and strong banks. The government also aims to streamline all informal finance and saving institutions to ensure alignment with its 2030 goal (Ministry of Planning and Development, 2007:10). This goal cannot be realised without strong and effective leadership in the banking industry. According to Kaplan (2012:1), "Few senior community bankers today would disagree that despite the banking industry's continued consolidation, the need for strong banking leadership is more important than ever." Kaplan further observes that "the reality is that all banks cannot afford not to invest in the future leadership of their institutions." This means that whether in Kenya or elsewhere in the world, bank leadership must become a priority if the banks themselves are to achieve effectiveness and remain competitive. It can therefore be asserted that leadership in the banking industry is a necessity not just for immediate attention but also for the effective operation of the industry in the future. In line with this thinking then, this study aims to assess the relationship between leadership effectiveness and bank effectiveness, with a special focus on the Kenyan indigenous banking industry.

2.6 BASEL III AND BANK REGULATIONS

The 2007-2009 world financial crisis is associated with economic upheaval and recession which impacted negatively on many economies and organisations. The crisis also exposed multiple weaknesses in terms of bank regulations and structures (Agbaeze & Onwuka, 2014:1). The financial crisis also indicated that any disruption to the financial sector can cripple world economics. The crisis further revealed the importance of having strong regulations to hedge against high risks associated with imbalances in banks' financial statements (Gudmundsson, Ngoka-Kisinguh & Odongo, 2013:2). To strengthen the banks operations and policies, the Basel Committee on Banking Supervision (BCBS) agreed to new stringent regulatory measures such as indicating minimum level of capital ratio and composite structure of banks' capital. The new rules which were and improvement on Basel II and lessons learnt from the market crisis came to be known as Basel III. The new rules had two main objectives, namely i) to strengthen global

capital and liquidity regulation thereby making the banking industry more resilient, and ii) to improve the industry's ability to cope with shocks arising from economic stress which negatively affect economic performances of countries (KPMG, 2011:7). The crisis indicated the importance of bank regulators globally to establish financial frameworks that would strengthen global capital and liquidity regulations thereby creating a more resilient and stable bank sector (Naceur & Kandil, 2009). These rules stipulated a minimum total capital ratio of 8% while maintaining reserving more common equity (Capital Conservation Buffer) of 2.5%. The buffer placed the bank total capital ratios at 10.50% (Agbaeze & Onwuka, 2014:1). The Basel III implementation was progressive for eight years, starting in November 2010 and culminating in January 2019. Besides Basel Committee Member countries (12 European, 8 Asia, 3 South American and South Africa), the rules are now accepted as a minimum standards in the banking industry globally (Agbaeze & Onwuka, 2014:2).

The African countries have adopted the Basel III banking regulations. However, for most of these countries, the minimum capital ratio requirements is between 10% and 15% which is higher than 8% set by Basel III, for instance, Botswana (15%), Uganda (12%), Nigeria (10% and South Africa (9.5%) (Agbaeze & Onwuka, 2014:2).

In Kenya, the Central Bank of Kenya (CBK) is in the process of implementing Basel III regulations. In an effort to improve banks' competitiveness and stability and in line with International standards developed by Basel III, CBK instituted a Banking Act (2008) which required all banks to build their core capital to Ksh. 1 billion ($12 million) by December 2012 from Ksh. 250 million ($4 million) in 2008. CBK argues that increased capital base will result in financial stability, cost reduction arising from economy of scale, and ultimate lower lending rates. CBK also aimed at strengthening institutional structure in order to enable the banks to withstand financial turbulences thereby stabilising the economy (Gudmundsson et al., 2013:1). It is also important to note that the Kenyan banking industry had complied with other Basel I and Basel II regulatory requirements thereby resulting to substantial positive performance. The new regulations were therefore expected to further boost the industry to perform better. By 2012, on average most banks had fulfilled the new minimum capital requirements and performed even better (Gudmundsson et al., 2013), a trend that is expected to continue.

2.7 SUMMARY

The banking industry is regarded as a major engine that drives economic development (Adeyemi, 2007). Despite this positive contribution to the world economies, this industry has undergone several decades of financial difficulties, which in turn, have put the world economic order into financial, economic and social imbalance. From the Great Depression of the 1930s, the 1940s and 1950s, the 1980s and 1990s banking crisis (arising from over ambitious investment in the real estate industry and the inability of borrowers to repay loans) to the most recent, 2007-2008 world financial crisis, economic consequences are difficult to estimate although they amount to trillions of dollars. The crises have also destroyed economies both in developed and developing countries.

Despite the economic difficulties, the banking industry has contributed positively to the advancement of developing and developed countries. One of the major contributions of the banking industry is its ability to provide a conducive environment for businesses and individual operations through its credit and loan facilities. The banks also have made it easier for their customers to access funds or investments.

Amidst the recent 2007-2009 world financial crisis, Africa has been able to align itself accordingly with the rest of the world. While the rest of the world experienced negative growth, African countries such as sub-Saharan Africa fared fairly well, with an average of 5% –6% growths until 2012, compared with the slow growth of developed countries which have averaged less than 3% during the same period.

Even though the sub-Sahara African region is doing well in terms of GNP growth compared to the rest of the world, its banking industry remains underdeveloped. This industry is characterised by many small banks, mostly concentrated in the urban areas. The Kenyan banking industry specifically is dominated by foreign banks that control a significant share of the market. During the 1980s and 1990s, the Kenyan banking industry was characterised by a lack of well-established regulatory frameworks and procedures, a lack of professionalism, political interference, and low minimum capital

required to start a bank or non-banking financial institutions. A major blow to the banking industry development and stability was the presence of high nonperforming loans, resulting from heavy borrowing without good mechanisms of repayment or enforcement.

Like the rest of the world, sub-Saharan Africa has experienced the problem of nonperforming loans arising from poor management of loans and credit risks. The region's nonperforming loans have amounted to over 30% of total loans thereby making the region the world's worst performer. Some specific countries in Africa performed even worse, among them Senegal, Guinea-Bissau and Kenya, with nonperforming loans amounting to 50%, 45% and 30% respectively over their total loans.

Despite the poor performance in terms of nonperforming loans, the African banks play very important roles in facilitating development. Firstly the banks have allowed the citizens, business people and farmers, to access credit with ease and with improved customer service. Secondly, they have provided services such as long opening hours, short queues, lower minimum deposits, loan accessibility and affordable repayment terms. These services have not only increased competition; they have also given alternatives to foreign banks that have dominated the industry for many decades and are often expensive to operate.

In Kenya, there are 45 commercial banks, among them 30 indigenous banks. Despite the 1980s and 1990s mismanagement of the banking industry which resulted in several banks closing down or being bailed out by the government, the last ten years have seen tremendous performances of the industry. For instance the number of branches increased to reach 1,209 in 2012 from 740 in 2007 and 887 in 2008. The industry assets have also grown rapidly to stand at Ksh. 2.3 trillion, while profits before tax increased to Ksh. 107.9 (Central Bank of Kenya, 2012). However, the Kenyan banking industry still faces numerous challenges. Like the rest of the world, the Kenyan banking industry faced a major financial crisis in the 1980s and 1990s. The opening of the banking industry to non-bankers led to the establishment of more banks. This resulted in an increase in non-

professionalism in the industry, as investors whose interest was profit and self-gratification invested in the industry. The banking industry in Kenya is said to have been characterised with poor governance, mismanagement and political interference, all amounting to ineffective leadership. Another challenge arising during the period and continuing for a number of years was the increase in nonperformance loans that was blamed on a lack of strong internal mechanism and poor governance. By the year 2000, about 50% of bank failures in Kenya were blamed on nonperforming loans, a situation that led to numerous amendments to the Banking Acts. Since then, the banking industry has been turned around, and by 2012, it had made major strides in profitability, deposit and assets.

A major challenge facing the banking industry is a lack of effective leadership. As indicated by Donnelly (1994), most banking management lacks leadership skills to cope with deregulated environment as witnessed in the Kenyan case during the 1980s and 1990s. The argument is further supported by others studies among them Ambutsi (2005), Kenyan Magazines (2011), Waweru and Kalani (2009) and Kaplan (2012). The challenge of lack effective leadership has greatly affected Kenyan banking industry for years. One major observation in relation to the banking industry indicates that most failed banks were locally incorporated (indigenous banks). Summing up the major reasons for their failures, it can be said to be poor leadership which eventually affected their overall effectiveness.

A further amendment of the banking industry regulations was facilitated through the Central Bank of Kenya Act CAP 491 (2009). The Act which recommended strict measures and operational procedures has led to improved performances of the banking industry in the midst of 2007–2008 financial crisis effects. The banking industry is expected to perform even better in coming years, a prediction that demands strong and confident leadership in bank growth. This growth is also in line with Kenya Vision 2030 where the industry is expected to play a vital role of facilitating development by growing its deposits from 44% to 80%, a real challenge indeed. The Kenya Vision 2030 also recommends coming together of small banks to form large banks able to reduce costs and

operate efficiently. Again, this is a challenge that can only be realised with strong effective leadership that is able lead the banks into continuous overall effectiveness. According to Kaplan (2012), the banking industry must invest in leadership since the demand for strong leadership is high. This means that the Kenya banking industry, for instance, must refocus its attention to leadership if it is to be assured of bank effectiveness and play a positive role in enabling the country to achieve its 2030 Vision. It can therefore be asserted that this study is well timed and relevant to the Kenyan banking needs especially since it addresses leadership effectiveness within the indigenous banks and their effectiveness. The study is also in agreement with BASEL III regulations which the Central Bank of Kenya is in the process of implementing.

In the next chapter, the leadership competencies and tasks are addressed, and how they contribute to leadership effectiveness. The chapter focuses on leadership competencies and leadership tasks considered to be vital for leadership effectiveness, and their application in the banking industry.

CHAPTER 3

AN OVERVIEW OF LEADERSHIP COMPETENCIES

If you are a leader, your people expect you to create their future. They look into your eyes, and they expect to see strength and vision. To be successful, you must inspire and motivate those who are following you. When they look into your eyes, they must see that you are with them (General Gordon R. Sullivan, Hope is Not a Method, 1996).

3.1 INTRODUCTION

Leadership in the contemporary world is instrumental to effective organisational performance and to dealing with very complex business challenges (Jones, O'Leornard & Bersin, 2012). There is increased attention on leadership today resulting from uncertain economic volatility, changing social and technological advancement, and putting the level of leadership under strict scrutiny in terms of organisational effectiveness (Jones et al., 2012). The situation has been worsened by the increased number of failed leaders worldwide as reported in the media. To succeed, leaders must effectively address the challenges and move their organisations forward against all odds in a very competitive environment (Jones et al., 2012).

The need to have the right leadership in organisations, whether banking or otherwise, is a genuine concern. The need for this kind of leadership is based on the fact that every organisation wants to be more effective and achieve superior results (Right Management, 2010). At the core of achieving superior results are the leaders who set up the right structures, systems, human capital and culture, and then align them to the strategies. To emphasise the importance of leadership in determining the direction of organisations, Right Management (2010:8) observes that organisational leadership has the capability to achieve organisational success. However, the required capacity and capability of the leaders can only be attained if they have the right and appropriate competencies.

Given the importance of leadership in organisations, leadership has become one of the most researched, discussed and studied subjects in the world of business. The interest in leadership is associated with the fact that most world organisations underperform due to lack of effective leadership (Buchanan-Smith, 2011). Irrespective of the industry, country

of origin or corporate structures and ownership, leaders are under intense pressure to demonstrate outstanding performance (World Economic Forum, 2003). With big, medium and small organisations suffering from the effects of ineffective leadership, there is widespread concern to understand competencies that drive leaders to be effective (Oracle, 2012:13). Such competencies are still to be agreed upon among scholars and there is need for more research in this area. Pagon, Banutai and Bizjak (2008) observe that the importance of leadership competencies must be identified if leaders are to be effective in their operations, which in turn leads to organisational success.

This chapter focuses on identifying leadership competencies appropriate for leadership effectiveness in the banking industry and especially in Kenya. The chapter will also address an overview of African leadership, African theory of leadership, leadership conceptualisation, leadership versus management, leadership competencies, classifications/models of competencies, distinct competencies (strategic thinking, emotional intelligence, transformational leadership), leadership effectiveness and organisational effectiveness.

3.2 AN OVERVIEW OF AFRICAN LEADERSHIP

An overview of leadership since 1930s indicates a metamorphosis of the concept. From definition to conceptual development, leadership is one of the most discussed and analysed subject. Since the 1950s, the focus of research on leadership has ranged, *inter alia*, from traits associated with successful leadership, styles of leadership, leadership process, ethical leadership, stakeholders' notion of leadership, servant leadership and leadership in governments (Greenleaf, 1977; Hale & Fields, 2007; Hanges, Lord & Dickson, 2000; Price, 2000; Rost 1995; Trottier, van Wart & Wang, 2008).

A focus on Africa indicates that the African continent has traditionally been a source of great leadership with leaders such as Nelson Mandera, Kwame Nkrumah, Julia Nyerere and Jomo Kenyatta being the icons of change and transformation of the continent. The continent has also be a source of leadership ideologies like Ubantu which advocates universal bonding of sharing, hospitality, caring and empathy that characterises humanity

(Bolden & Kirk, 2005; Eckert & Rwenyongoza, 2010:2). Similarly, the rise to Satyagraha which promoted the notion of passive resistance among different societies has its roots in Africa (Eckert & Rwenyongoza, 2010:2). However, while leadership is critical and importance all over the world, there are various was of leading depending on regions.

In Africa, though, there is little research done to understand leadership, its styles, challenges, competencies (Eckert & Rwenyongoza, 2010:4). Few studies have been conducted in Western Africa, Northern Africa and Southern Africa with little research if any focusing on Eastern African region. Bolden and Kirk (2009) have further added that although there is limited research on African leadership, available literature terms the leadership as terribly ineffective and unable to adapt to increasingly complex global demands.

The current research in Africa, especially in the last four decades, have focused on establishing the reasons why the continent especially Sub-Sahara African has had dismal performance compared with other world economies (Kuada, 2010). A number of causes have been attributed to poor performance, ranging from institutional and structural weaknesses; not paying attention to private enterprises; management ineptitude; and limited staff motivation (Kamoche, 1997; Killick, White, Kayizzi-Mugerwa & Savane, 2001; Nwankwo & Richards, 2001; Okpara, 2006; Okpara & Wynn, 2007; Yeats, Amjadi, Reincke & Ng, 1996). However, leadership weakness has been regarded as the major cause of dismal performance (Ochola, 2007). Emphasising on this point, Montgomery (1987) has noted that African leaders pay little attention to the organisations they serve and focus on personal power and privileges and, in most cases, transforming organisations into personal fiefdoms. These types of leaders often use personal policies to run organisations and demonstrate litte commitment to the organisations or employees. On their part Nwankwo and Richards (2001) indicate that African leadership styles are mostly autocratic, dictatorial and lack of competency whether in private or in public sectors. Even employees are taught to be loyal to the organisation which is measured in terms of commitment and service to the leadership. Folarin (2010:1) strongly asserts that "there is lack of leadership in Africa." The author further observes that African leadership

is characterised by "rulership", "managership" or "misleadership" leading to "excess baggage of more innocuous problems" across the continent.

To improve the situation, Edoho (2007) has emphasised that African countries must develop capabilities of their leaders if the continent is to make an impact on itself or elsewhere. It is also notable that although most African leaders have the intellectual capacity to understand Western management principles and practices, there is tendency to revert to their pre-training behaviour in their work thereby pointing to a weakness in the Western management education and training curriculums (Kuada, 1994). As such, there is need for further research among African leaders to understand their behaviour and its implication to performance, both at corporate or at political levels (Kuada, 2010). Such studies have been concluded in Ghana (Puplampu, 2009), Nigeria (Folarin, 2010), and Egypt (Shahin & Wright, 2004). However, there is need to do similar studies in Eastern African countries and therefore justifying the current study further.

3.1.1 African theory of leadership

Much of African leadership is dominated by Western thinking originating from North America and Western Europe (Yukl, 1998). Although it is accepted that some leadership behaviour and perceptions are universally acceptable across cultures and organisations (Den Hartog, House, Hanges & Ruiz-Quintanilla, 1999), there are studies that indicate that there are significance differences in the way leadership is exercised worldwide (House, Wright & Aditya, 1997). According to Hofstede (1993), a theory's relevancy and validity is constrained within its cultural borders. Hofstede (1993) argues that Western management and leadership theories reflect the cultural aspects of the Western cultures and can hardly apply outside Western influence. For instance, while most Western management is individual oriented, African cultures are mostly communal and advocate collective actions (Sidani, 2008). Several authors have argued that the dominancy of the Western management and leadership theories outside North America and Western Europe have deeeply influenced non-western cultures and they enforce new ideologies in the host cultures (Blunt & Jones, 1997; Wheatly, 2001; Jackson, 2004).

In Africa, the Western management and leadership theories are deeply entrenched, a situation which is explained by lack of good theories and research in Africa (Jackson, 2002). The adoption and application of Western theories has tended to play down the importance of indigenous knowledge, beliefs, value systems and behaviour thereby mitigating against development and construction of theories relevant to the continent needs (Jackson, 2002). However, the influence of the Western ideologies should not present a negative perception to non-Western cultures. As Bolden and Kirk (2008) argues, there is much to gain from fresh insights arising from elsewhere leading to new perspectives such as scientific knowledge, education and health. They give an example of Japanese who borrowed Edward Deming's idea of production management and used the knowledge to transform their economy that became to be envied by the West. Similarly, African can still use Western knowledge to its advantage even as it continues to invest in its own theories and research on management and leadership (Harris, 2005). This logic is appropriate given that most African managers are highly skilled in both management and leadership (Jackson, 2004). It is through this knowledge that leaders are they able to apply their skills to the humanistic nature of management which is seen as complex and multiple-layered attributed to centuries of cultural values and historical events.

3.1.2 African corporate leadership

At a corporate level, whether an organisation is able to attract and retain effective leaders depends on its ability to nurture, develop and sustain its leadership talents failure to which will lead to high turnover and ineffectiveness of management (Eckert & Rwenyongoza, 2010:2).

In relation to African leadership effectiveness, Puplampu (2009) argues that corporate leadership in Africa is under-researched. Even where information on corporate leadership is available, the studies lack consistency and connection with the broader theoretical and conceptual discourse of leadership effectiveness (Puplampu, 2009:624). This argument is supported by Eckert and Rwenyongoza (2010:2) who state that, "the need for effective leadership in Africa is high." The authors further observe that "The demand for effective leadership and systematic leadership development in Africa is growing more rapidly than ever before" (Eckert & Rwenyongoza, 2010:3). The reason for high demand of effective

leadership is associated to the fact that African leadership traditionally did not recognise talented leaders nor provided with them with necessary structures to develop their potentials. As a result most African organisations whether local, multinational or international are underperforming and underdeveloped, something that can be changed by equipping leaders with appropriate skills (Eckert & Rwenyongoza, 2010:2). The Center for Creative Leadership (CCL) argues that if organisations are able to discover and develop the untapped potentials of their leaders, then their performance will exceed their current performance levels. The Center believes that with critical skills and capacity development among African corporate leadership, then, the leaders' potential can be unlocked resulting in greater output throughout the continent. This is especially true since the quality of leadership exercised can determine both personal and corporate performances (Eckert & Rwenyongoza, 2010:2-4).

To establish the level of competencies among leaders in Egypt, Western Africa and South African organisations, CLL conducted a study which singled out five competencies vital for leadership effectiveness, namely being people oriented, quick learners, diversity, resourceful and creative (Eckert & Rwenyongoza, 2010:6). These characteristics are similar to those emotional intelligence, strategic thinking and transformational leadership competencies focused on in the current study. The study further identified five key characteristics associated with leadership derailment, namely being functionally too narrow, inability to build and lead teams, objective achievement failures, poor interpersonal skills and difficulty in accepting and adapting to changes (Eckert & Rwenyongoza, 2010:6). The characteristics were similar to those derailing managers globally.

The need for more research in leadership effectiveness both at public or private organisations is evident. According to Kuada and Ernest (2010) much of African leadership and management empirical studies are over 20 years old. The authors argue that if the current African leadership is to address and tackle leadership challenges, then, there is need for more studies to establish how leadership addresses organisational effectiveness. Bolden and Kirk (2009) emphasised the need for further studies as this

would give insights into conceptualisation of Africa leadership. Such studies should also focus on style of leadership, leaders' behaviour, leaders' competencies and how to improve organisational performance (Blunt & Jones, 1997; Kuada, 2009; Nwankwo & Richards, 2001; Montgomery, 1987). More recently the focus, especially by authors like Svensson and Wood (2006), has been on what contributes to leadership effectiveness and how leaders can remain effective. Kuada and Ernest (2010) emphasis that leadership issues discussed demand more investigative research in Africa and thereby agreeing with the current study that aims to examine the relationship between leadership effectiveness and organisational effectiveness. The next section therefore explores and discusses the leadership concept, leadership effectiveness, competencies associated with leadership effectiveness and how this relates to organisational effectiveness.

3.2 LEADERSHIP CONCEPTUALISED

Contemporary leaders face the biggest challenge of performance than ever (Jones et al., 2012). The complex nature of changing economies, and shareholders' demand for high achievements, mean that the contemporary world demands leaders who can withstand the pressure and enable their organisations to be top performers (Jones et al., 2012). One of the biggest challenges has been how to describe such leaders. This has called for more studies in the area of leadership with more scholars trying to define what constitutes organisational leadership that can ensure top performance (Jones et al., 2012; Northouse, 2013; Right Management, 2010).

In an effort to determine top performing organisational leadership, scholars have started by defining the concept of leadership. The result has been as many definitions as there are scholars (Kanji & Moura, 2001:701). According to Draft (2005:4) "scholars and other writers have offered more than 350 definitions of the concept leadership, and conclude that leadership is one of the most observed and least understood phenomena on earth." Some of these definitions see leadership as follows:

> "Transforming followers, developing for them a vision to be directing a group toward attainment of a goal" (Limsila & Ogunlana, 2008:165);

"A process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task" (Chemers, 2000:27);

"A process whereby an individual influences a group of individuals to achieve a common goal" (Northouse, 2010:3);

"Leadership is an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes" (Daft & Pirola-Merlo, 2009: 4); and

"The process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (Yulk, 2006:8).

In summing up the various definitions of leadership, Limsila and Ogunlana (2008:165) say that different scholars defining leadership have focused on "the position, personality, responsibility, influence process, an instrument to achieve a goal and behaviours resulting from interaction." Since the present study aims at assessing the relationship between leadership effectiveness and organisational effectiveness, the definition of leadership for this study fits the classic definition of given by Stogdill (1950:1-14) who defines leadership as "the process (act) of influencing the activities of an organized group in its efforts toward goal setting and goal achievement." This definition agrees with Browaeys and Price (2008:147) who emphasise that most leadership definitions "assume that leadership has to do with an individual intentionally exerting influence on others to structure relationships in an organization." The various definitions agree that leadership involves a process, influencing followers and goal attainment (Browaeys & Price, 2008; Northouse, 2010; Northouse, 2013; Stogdill, 1950). As discussed in Chapter 1 (Section 1.14.1), leadership involves personality, responsibility, influence and achievement of set goals (Limsila & Ogunlana (2008:165). The assumption is that leadership effectiveness influences organisational effectiveness. In the next section, the need to distinguish management and leadership is discussed.

3.3 LEADERSHIP VERSUS MANAGEMENT

The debate as to whether leadership and management are the same or similar has ranged among scholars with some advocating that there are similarities while other see major differences. In recognising the similarities and differences, Barr and Dowding (2012:8) and Kotter (1990) assert that there is ambiguity in the usage of terms "leadership" and "management". While some people use the terms interchangeably, there are those who see some differences (Barr & Dowding, 2012:8). Barr and Dowding's (2012) argument is partly supported by Rowe (2007:4) who state that leadership is similar to management but there are also major differences. Rowe (2007:4) states that:

> They both involve influencing people. They both require working with people. Both are concerned with the achievement of common goals. However, leadership and management are different on more dimensions than they are similar.

Most scholars support the notion that management and leadership are totally different. According to Zaleznik (1977), leadership and management are totally distinct and one can only be one and not the other. Accordingly, leaders are more involved in their follower emotions, seek the ideas of others, and shape them rather that react to ideas. Leaders are also said to change their follower attitudes, stress follower commitment, and see organisations as a complete whole where integrity and overall image are critical (Zaleznik, 2007). Leaders believe it is their responsibility to make the right decisions. Accordingly, leaders strongly believe that their choices and decisions may affect their organisations and in turn the industry and environment (Rowe, 2001). The leaders also empower their followers with the right knowledge and skills. Similarly, the leaders use their influence to resolve any conflict that may be present.

Managers on the other hand, are considered to be reactive, and although they may desire to work with people, they are said to be less involved emotionally (Mintzberg, 1998). Rowe (2001) adds that managers' decisions are action-orientated and determined by the organisations they work for. The organisations' decisions and directions are usually determined by the specific industry or the environment. This means that managers' actions are not of their own making but are determined by what the organisations decide to pursue. Managers are said to attend to the main tasks of management such as

planning, controlling, managing change, coordinating and ensuring everything is done as per the required standards. Kotter (1999) argues that managers are able to handle complex organisational matters in an efficient manner within short-term periods. The differences and similarities between management and leadership are shown in Table 3.1 below.

Table 3.1: Leadership versus management

Category	**Leadership**	**Management**
Thinking process	• Focuses on people • Looks outward	• Focuses on things • Looks inward
Goal Setting	• Creates and articulates vision • Creates the future through strategy development • Sees the forest • Focuses on long term	• Planning and budgeting • Executes plans • Improves the present • Sees the trees • Focuses on short term
Employee Relations	• Empowers colleagues • Motivates action • Aligns people • Trusts and develops	• Organising and staffing • Controls subordinates • Problem solving • Directs and coordinates
Operation	• Does the right things • Creates the systems that managers manage • Creates change to take advantage of opportunities and avoid hazards • Serves subordinates	• Does things right • Manages change • Ensure system and technological efficiency and effectiveness
Governance	• Uses influence • Uses conflict • Acts decisively	• Uses authority • Avoids conflict • Acts responsibly
Outcomes	• Consistently produces key results to meet stakeholders' interest • Promote useful changes • Inspires and influence followers • Attainment of maximum and optimum followership	• Produces change to become more competitive. • Provide expected results to leadership and other stakeholders. • Produces change and movement • Take corrective actions • Transform leader’s visions

Source: Modified from Lunenburg (2011:2)

As shown in Table 3.1 above, leaders and managers are involved in similar activities such as thinking process, goal setting, employee relations, governance and determining organisational outcomes. The differences are subsequently discussed.

3.3.1 Thinking process

In terms of the thinking process, organisational leaders are said to focus on people while at the same time taking into consideration the external environment. The managers on the other hand focus on things rather than people. Managers are also more concerned with the internal environment in an organisation and how to improve performance.

3.3.2 Goal setting

For goal setting, leaders are said to create a vision articulately. Leaders are also concerned with developing strategies that shape the future of the organisations represented. On the other hand, managers are responsible for planning, budgeting and execution of set plans. The managers are more concerned with immediate results or short-term periods.

3.3.3 Employee relations

Both leaders and managers deal with employees in their operations. While leaders are responsible for empowering and motivating fellow workers or colleagues, they also align people to the right tasks. Managers, on the other hand, are involved in ensuring that there is good organisational of activities and staffing. Managers also control subordinates' actions, solve their problems, and direct and coordinate organisational activities.

3.3.4 Operations

Leaders and managers are involved in similar operations. For instance, leaders are said to be involved in doing the right things, creating the right systems and creating change, opportunities and any other dynamics in the work. Managers are responsible for doing the right things, managing change, ensuring efficiency of the available systems and maintaining technological efficiency and effectiveness.

3.3.5 Governance

Both leaders and managers are involved in governance matters but at different levels. Leaders use influence and conflict to ensure proper performance of subordinates. At the same time, leaders ensure that any decisions made are precise and accurate. On their part, managers use their authority to enforce work performance while at the same time acting responsibly and avoiding conflict that would harm their organisation.

3.3.6 Outcome

The outcomes of leaders' and managers' efforts are different. While leaders are said to be consistent with their results, they are also responsible to the stakeholders. On their part, managers are supposed to produce change in an effort to remain competitive.

While both leaders and managers are said to be involved in different actions or activities, there are still strong arguments that the two are not only important but they complement each other. In supporting this argument, Rowe (2007:5) sees both managers and leaders as important and argues that organisations need people who do things right (managerial efficiency) and also those "who do the right things right" (leadership effectiveness). Both managers and leaders are critical for an organisation to achieve its targeted goals. To Mintzberg (1998), managers need both a cerebral face and an insightful face. This means they need to be managers and leaders at the same time. Kotter (1988) further observes that contemporary organisations need both managers and leaders. The argument is further supported by Lunenburg (2011:1) who emphasises that organisations irrespective of sizes need strong leadership and management for them to attain optimal effectiveness. While leaders are needed to challenge the status quo and provide new ideas and directions, managers are needed to ensure smooth operations of all functions and duties (Lunenburg, 2011). To conclude the discussion on leaders and managers, Kotter (1988) lamented that most organisations are over-managed and under-led. To rectify the situation, Kotter (1988) advocates that organisations must have strong management and leadership if they are to achieve their desired end goals.

Jones et al. (2012:11) believe that successful organisational strategies must include both managerial and leadership skills, and conclude that lack of balance between the two leads to ineffectiveness. While some leaders are strong on both areas (management and leadership skills), an organisation should ensure that the right capabilities are achieved and strive to get a balance (Jones et al., 2012). Jones et al. (2012:12) adds that of the four main tasks of leaders (developing a vision, sharing goals, gaining support and delivering success), most leaders and managers possess the traits to perform these tasks effectively. Kotter (1990) emphasises that a balance needs to be attained by organisations to ensure that they have persons with leadership and management strengths occupying key positions. One of the functions of management is leadership, indicating that managers perform the task of leadership (Samson & Daft, 2012). However, the ability of managers to perform the leadership task effectively has come under scrutiny in recent studies (Kotter, 1990). Kotter (1990) therefore states that a balance needs to be attained by organisations ensuring they have persons with leadership and management competencies occupying key positions. Hall, Johnson, Wysocki and Kepner (2012) note that for managers to be effective leaders, they must influence their associates positively, thereby realising set goals. It is clear that both managerial and leadership skills are needed by contemporary organisations if they are to attain their desired competitive position (Kotter, 1998; Mintzberg, 1998; Yukl, 2006; Zaleznik, 2007).

In line with the above argument where managers and leaders are seen as one, this study focuses on the banking leadership, as managers play critical management and leadership tasks in the banks at the same time. It is this line of thought that is being followed in this study where managers are seen as leaders who possess both management and leadership competencies while at the same time being responsible in their specific positions. It is these manager-leaders who not only challenge the status quo, but are willing to venture into new directions in an effort to make their organisations excel (Lunenburg, 2011:1-3).

3.4 LEADERSHIP COMPETENCIES CONCEPTUALISED

As discussed in Section 3.2 above, leadership focuses on the ability to influence others in order to achieve set goals. However, one question that scholars and researchers ask is what distinguishes effective organisational leadership from failures (Conger & Ready, 2004). According to Conger and Ready (2004), successful organisations use competence frameworks to build desired leadership in organisations. That is, "these organisations translate the concept leadership into clear frameworks outlining the leadership behaviours they expect from their managers" (Conger & Ready, 2004:41). The authors further add that the well-thought-out frameworks spell out a list of tangible and measurable competencies that are appropriate for their leadership and in turn for their organisations. According to Al-Zoubi (2012), leadership competencies have become major requirements for most organisations today in an effort grow, expand and improve their performances. The organisations must also have very clear goals to attain competitive positioning in the market place. To do this effectively, these organisations must identify top leadership competencies that will lead to desired competitive positions (Al-Zoubi, 2012). Al-Zoubi (2012) further observes that leaders with the right competencies are able to integrate various management practices into their organisations, provide direction toward growth and prosperity, and provide strategic leadership. In short, leadership competencies enable organisational leaders to identify and execute tasks that distinguish their organisations from ineffective organisations. The next section addresses the concept of competencies and how they apply to this study.

3.4.1 Competencies

Given the importance for an organisation to have the right mix of competencies in its leadership, it is important to gain an understanding of the meaning of competence. The concept "competence" has been defined in different ways by scholars and researchers. According to Gruban (2003), competence is the ability to use knowledge and other capabilities necessary to successfully and efficiently achieve required tasks, realise goals or perform certain roles in organisations. Competence is also said to relate to personal characteristics that lead to high performance (Lustri, Miura & Takahashi, 2007). Competence encompasses knowledge, skills, expertise, beliefs, values, motives, and

personal and behavioural characteristics expected of effective leaders (Pagon et al., 2008:1) (See also Chapter 1, Section 1.1 and Chapter 4, Section 4.2). Virtanen (2000:333-341) further states that competence is an employee's attribute that refers to "a kind of human capital or a human resource than can be transformed into productivity". Such competence must include knowledge, skills, abilities, traits and other behaviours that make an individual perform a given task effectively and with high returns (Poorkiani, Beheshtifar & Moghadam, 2010: 507). According to Svetlik, Kompetencah and Pezdirc (2005), competence should be seen as cognitive, functional, social abilities and skills and any other necessary resources required to perform diverse tasks and with the goal of achieving good results. Similarly, all competencies are composed and linked to cognitive and practical skills, knowledge, values, beliefs, emotions, motivations and any other social behaviour that can lead to efficient operations (Svetlik et al., 2005). Poorkiani et al. (2010:507) maintain that the total competence of a person indicates the person's ability. This statement is supported by Young and Dulewicz (2005) who point out that competencies show what an individual can do or not do. From the above discussion, it is evident that there are numerous definitions of competence. In fact according to Poorkiani et al. (2010) and Chan (2006) human resource experts, industrialists and organisational psychologists have not agreed on a common definition of competence. However, Poortkiani et al. (2010) and Chan (2006) agree that most competencies contain the following features: a collection of knowledge, skills, abilities, beliefs, values, interests, and motivation that relate to a specific job, affect performance and organisational strategic directions, and can be improved through education and reformation.

To sum up the competence debate, Shahmandi et al. (2011) say that competence is a prerequisite for performing a job well. It means that besides meeting required expectations, those involved, including leaders and managers are able to deliver the required results (Odeng, 2009; Hellriegel et al. (2008). In the present study, competence denotes the application of knowledge, skills, experience and application of the right behaviours and attitudes for both the managers and non-managers which eventually results in the achievement of expected results.

3.4.2 Leadership competencies

Having the right leadership competencies is said to be vital for organisational success and effectiveness (Conger & Ready, 2004:41). *Bacchiocchi,* Florio and Gambaro (2008) associate competencies with effective leadership and emphasise that both job and organisational competencies are vital for overall leadership effectiveness. According to Hellriegel et al. (2011:22-34) there are six managerial competencies necessary for effective performance of managers' jobs. The six are: communication, planning and administration, teamwork, strategic direction, global awareness, emotional intelligence and self-management. According to Hellriegel et al. (2008), whether an employee is a supervisor or a managing director working for small or big organisation, competencies are essential. Upon identifying the appropriate competencies, they are then strengthened thereby leading to overall leadership and organisational effectiveness (Barner, 2000; Hellriegel et al., 2008; Ulrich, Zenger, & Smallwood, 1999). To stress the importance of these competencies, Hellriegel et al. (2008:24) state that the job competencies mentioned above will continue to be demanded by organisations in the future and managers must seek to acquire them.

Besides the above competencies, various authors and researchers have identified other competencies associated with effective leadership. According to numerous researchers and scholars, these are: vision and goal setting, knowledge, technical ability, interpersonal skills, decision-making, strategic thinking, team leadership, communication ability, integrity and honest, problem-solving, team leadership, diversity-consciousness, empowering, emotional intelligence and innovativeness (Al-Zoubi, 2012; Alvey, & Barclay, 2007; Jones, 2008; Pagon et al., 2008; Sims & Brinkmann, 2002; Thach & Thompson, 2007; Theyvendran, 2006). Another study by Alvey and Barclay (2007) consider vision, entrepreneurial ability, team building/team player, technical skills and knowledge, innovation and decision making as being key competencies for effective leadership. Likewise, a study by Boots (2002) terms managing knowledge and self, interpersonal understanding, self-confidence, conceptual thinking, analytical thinking and information seeking as important competencies for effective leadership. What seems to be common to most of the previous studies are: vision and goal-setting, knowledge,

skills, decision-making, strategic thinking, integrity and honesty, interpersonal skills, self-confidence, team leadership, and innovativeness. To have a better understanding of the concept competencies, and especially leadership competencies, scholars have asserted that it is more meaningful to classify competencies than to focus on numerous undifferentiated competencies. In order to have a better understanding of the meaning of leadership competencies, a further discussion on the classification of leadership competencies will be undertaken in the next section.

3.5 CLASSIFICATION OF COMPETENCIES

The classification of competencies is often based on the purpose, logic and theory of a given study (Mühlbacher, Nettekoven, & Putnova, 2009). This means that depending on a specific study, a different classification of competencies will be realised. Accordingly, competencies classification is defined as the organisation of closely related capabilities (Boyatzis, Golman, & Rhee, 2000; Draganidis, Chamopoulou, & Mentzas, 2008). The classification of competencies is important as it ensures proper understanding of both theoretical and practical usage of the competencies (Boyatzis et al., 2000; Marelli, Tondora & Hoge, 2005). In literature, there are four ways of classifying competencies, namely soft and hard competencies, threshold and performance competencies, hierarchical wise classification and prior and empirical classification. These four are discussed in the next section.

3.5.1 Soft and hard competencies

The soft and hard competencies were first introduced by Jacobs (1989:32-37). He termed analytical and organisational competencies "hard" competencies while interpersonal, creativity, and behavioural skills were "soft" competencies. To perform effectively, both soft and hard competencies are essential. Jocabs (1989) argues that both competencies are very important if effective performance is to be attained. For instance, soft competencies determine the expected behaviour and performance (Hodges & Burchell, 2003:16-22). Although it has been argued that it is difficult to distinguish between soft and hard competencies, their classification has become very popular (Woodruffe, 1993: 29-36; Rainsbury, Hodges, Burchell, & Lay, 2002:8-18).

3.5.2 Threshold and performance competencies

The threshold and performance competencies were popularised by Boyatzis (1982) when he distinguished the two concepts. According to Boyatzis (1982), threshold competencies are the minimum requirement to perform a task. Performance competencies on the other hand are skills that distinguish average performers from best performers.

3.5.3 Hierarchical classification

The hierarchical classification categorises competencies in terms of organisational hierarchy. The advocates argue that different managerial hierarchical positions demand different competencies since those involved perform different functions (Stuart & Lindsay, 1997; Viitla, 2005). The classification is the most popular among scholars and aims to have specific competencies for each management hierarchical position.

3.5.4 Prior and empirical classification

Another method of classifying competencies is to focus on their source of origin, that is, whether they are derived from theories or from empirical analysis. The most popular is the use of empirical analysis to determine the appropriate competencies (Janjua, Naneem & Kayani, 2012:398). However, Boyatzis et al. (2000) observe that empirical classification gives varied competencies compared to theoretical classification. Janjua et al. (2012:398) for their part argue that "it is, perhaps, a more practical approach to start with some predefined classification for subsequent empirical analysis to elicit competencies resulting in excellent work performance."

3.6 CLASSIFICATION OF LEADERSHIP COMPETENCIES

Besides the four classifications of competencies given in Section 3.5, there are specific competencies that have been singled out as critical to leadership in organisations. They are: the Canadian model of key leadership competencies, Barnes (2013) competence needs of future CEOs, Schoonover (2011) holistic leadership framework, Oncology Nursing Society (ONS, 2012) leadership competencies, Hogan and Warrenfeltz (2003) domain model of competence, and Amos (2012) classification of competencies of

effective leadership. They will be discussed from both theory and empirical analysis before indicating the most appropriate classification applicable to this study.

3.6.1 Canadian model of key leadership competencies

The Canadian Government has developed its own model of leadership competencies. The model entitled *Key leadership competencies* establishes values and ethics as the foundation of Canadian leadership, which results in management accountability (Government of Canada, 2006:1). The model expects leaders to deliver results by applying four main competencies, namely values and ethics, strategic thinking, engagement and management excellence. The model acts as a guide for the ministers, directors, managers and supervisors, and stipulates leadership skills, abilities and characteristics required in public service organisations in order to respond to contemporary challenges and produce desired results (Government of Canada, 2006). The competencies and their meanings are classified as follows:

- Values and ethics: Serving through integrity and respect;
- Strategic thinking: Innovating through analysis and ideas;
- Engagement: Mobilising people, organisations, partners; and
- Management excellence: Delivering though action management, people management, financial management (Government of Canada, 2006:1-21).

The above competencies are expected to be reflected in all levels of government in order to ensure effective delivery of results. The model implies that disregarding the prescribed leadership competencies leads to ineffective behaviour, poor results and ineffective government ministries.

3.6.2 Barnes (2013) competence needs of future CEOs

In order to establish what leadership competencies will be needed by future CEOs, The American Marketing Society together with Accenture conducted a study entitled *What makes chief executives and senior business leaders tick* among 40 chief executives from different industries. The participants included the managing director (Google, UK), CEO and President, Northern Europe Division (McDonald), Acting Director General (BBC),

and Tesco Bank (Barnes, 2013). From their research, nine essential leadership competencies were identified in the following order or importance:

- customer focus;
- communicator;
- strategic thinkers;
- flexibility;
- handling risks;
- media savvy;
- business acumen;
- personality; and
- Visionary.

The study indicated that the ability to deal with customers is a very important competence for CEOs and other senior managers. Communication was considered second most important while strategic thinking was ranked third. It is interesting to note that personality and visionary competencies were ranked second-last and last in the study outcome. According to the study, it is more important to provide a vision than being a visionary. As Neil Berkett (CEO, Virgin Media) says, "it is more important to get the organisation behind a vision than to follow a visionary" (Barnes, 2013:2). Although strategic thinking was ranked third, it was agreed to be the most critical skills by all participants since it is the springboard of all other activities.

3.6.3 Schoonover (2011) holistic leadership framework

The Holistic Leadership Framework (Schoonover, 2011:5) is based on the view that best leaders apply different types of competencies in different settings depending on situational demands. In this framework, the types of competencies required in different leadership situations in an organisation are given. The competencies are:

- vision;
- strategic thinking;
- organisation structuring;
- competitive ability;

- team building;
- performance planning;
- relationship building; and
- goal setting.

According to this framework, the main competencies required at organisational level are vision and strategic thinking. At operational level, leaders need to exercise organisational structuring and competitive capabilities. All leaders need to be able to build teams, plan for performance, build sound relationships, and set goals (Schoonover, 2011:5).

3.6.4 Oncology Nursing Society (ONS, 2012) leadership competencies

The competencies used by the Oncology Nursing Society (ONS) are derived from the review of the healthcare and business literature (ONS, 2012:8). The competencies are said to be relevant to nursing leadership whether in change of hospital beds, managers, directors, national bodies or international bodies. The competencies are divided into five categories as follows:

- personal mastery: introspection, self-care, authenticity, life-long learning, adaptability;
- vision: strategic thinking, articulation of strategic direction, inspiration;
- knowledge: pursuit of knowledge, translation of knowledge, utilisation of knowledge, evaluation of outcomes;
- interpersonal effectiveness: relations building, caring, balance, effective communication, emotional intelligence, and
- systematic thinking: navigation, inter-professional collaboration, technology, stewardship and quality (ONS, 2012:8-13).

As seen in the ONS competencies, there are overlaps between the different classifications. The overlap is necessitated by the fact since it is the same person or leader who is expected to have these competencies and use them to achieve desired results (ONS, 2012:8).

3.6.5 Hogan and Warrenfeltz (2003) domain model of competence

This model is termed a "domain model" of competence. In it, the scholars have identified four important behavioural competencies needed in managerial and leadership careers in order to attain required results. The competencies and associated sub-competencies are:

- intrapersonal skills: self-awareness and self-control, emotional maturity, integrity;
- interpersonal skills: social skills, empathy, and relationship development;
- business skills: ability to plan, organise, monitor and use resources;
- leadership skills: ability to influence, build and maintain a team, role modelling.

Hogan and Warrenfeltz (2003) maintain that these competencies are attained progressively. For instance, intrapersonal competencies are mostly developed in pre-teen years while interpersonal competencies are developed during teen years. The competencies are also classified in terms of trainability. In terms of difficulties of attaining the competencies, the intrapersonal competencies are the most difficult to attain while leadership skills are considered the easiest. The business skills are typically associated with a specific profession, compared to leadership which involves more skills such as motivating and recruiting others (Hogan & Warrenfeltz, 2003).

3.6.6 Amos (2012) classification of competencies of effective leadership

To classify leadership competencies, Amos (2012:443-455) has come up with four main categories, namely strategic thinking, emotional intelligence, transformational leadership and African leadership. Amos (2012) is of the opinion that for leaders to be effective in an African environment, they need the four competencies. These are:

- strategic thinking: identifying, diagnosing, realising, and conceiving;
- emotional intelligence: self-awareness, self-regulation, motivation, empathy, social skills;
- transformational leadership: idealised influence, inspirational motivation, individualised consideration, intellectual stimulation, and
- African leadership: a culturally sensitive leadership for Africa.

From the six leadership competence classifications given in this section, there are not only variations in approaches, but there is much overlap in terms of competencies from different scholars. However, one thing is clear, that is, all the competencies are geared to seeing great improvement in the performance of the leaders, in public, private or non-profit organisations. The competencies developed by these authors and practitioners are summarised in Table 3.2.

Table 3.2: Summary of leadership competencies

Canadian Government (2006)	Future CEOs competencies (Barnes, 2013)	Holistic Leadership Framework (Schoonover, 2011)	Oncology Nursing Society (ONS, 2012)	Domain model of competence (Hogan & Warrenfeltz, 2003)	The competencies of effective leadership (Amos, 2012)
• Values and ethic • Strategic thinking • Engagement • Management excellence	• Customer focus • Communicator • Strategic thinkers • Flexibility • Handling risks • Media savvy • Business acumen • Personality • Visionary	• Vision, • Strategic thinking • Organisation structuring • Competitive ability • Team building • Performance planning • Relationship building • Goal setting	• Personal mastery • Vision • Knowledge • Interpersonal effectiveness • Systematic thinking	• Intrapersonal skills • Interpersonal skills • Leadership skills • Business skills	• Strategic thinking • Emotional intelligence • Transformational leadership • African leadership

Source: Author's own construction

From the classifications shown in Table 3.2, three main competencies can be derived, namely, strategic thinking, emotional intelligence, and transformational leadership. These three competencies are common in all six classifications as discussed in the next section.

3.6.6.1 Strategic thinking competence

The concept of strategic thinking is considered a major leadership competence by five of the six models shown on Table 3.1 (Amos, 2012; Barnes, 2013; Canadian Government; ONS, 2012; Schoonover, 2011). Hogan, Hogan and Kaiser (2009) state that the business

skills category relates to ability to plan, organise or coordinate, monitor and make use resources which they term strategic thinking. This implies that all the leadership classifications support strategic thinking competence as critical for leadership success (Mintzberg, 1994).

3.6.6.2 Emotional intelligence competence

For a long time, both intrapersonal and interpersonal skills remained separate. However, Goleman (1995; 1998; 2001) researched widely in this area and eventually combined intrapersonal and interpersonal into one category called emotional intelligence. First, intrapersonal skills relate to a personal ability to assess own feelings and make a decision which is manifested in the projected behaviour. Interpersonal skills aid in understanding other people's emotions, behaviours and mental status (Gardner, 1993, 1998; Hebert, 2011). The components of emotional intelligent are: 1) self-awareness; 2) self-regulation; 3) motivation; 4) empathy; and 5) social skills (Goleman, 1998, 2001). These components or sub-variables are also supported by all six models.

3.6.6.3 Transformational leadership competence

Transformation competence is also part of the five classifications shown in Table 3.2. It is referred to in different terms but all indicate the same results. Terms used are visionary and personality, personal mastery, leadership skills, transformational leadership and relationship building, all being characteristics of such leaders (Amos, 2012; Barnes, 2013; Hogan & Warrenfeltz, 2003; ONS, 2012).

The classification of leadership into three main competencies is also widely supported by scholars (Amos, 2012; Burgelman, 1991; Gardner, 1998; Goleman, Boyatzis & Mckee, 2002; Graetz, 2002; Hebert, 2011; Hogan & Warrenfeltz, 2003; Iqbal, Inayat, Ijaz & Zahid, 2012). The work of Amos (2012) has for instance supported the three competencies as critical for attainment of leadership effectiveness. It is in line with this argument that the present study adopts the three competencies of leadership, based on support from literature and empirical evidence (Amos, 2012; Barnes, 2013; Canadian Government; ONS, 2012; Schoonover, 2011). Table 3.3 shows the three leadership

competencies, namely strategic thinking, emotional intelligence and transformational leadership and their associated sub-variables. The table has also given theoretical support as derived from both literature and empirical studies.

Table 3.3: Categorisation of leadership competencies

Leadership competencies	Competence sub-variables	Theoretical support
Strategic thinking	Strategic thinking, general competencies, thinking in time, intent-focused, intelligent opportunism, system perspective	Amos (2012); Burgelman (1991); Graetz (2002); (Handy, 1994); Hamel & Prahalad (1990); Haycock, Cheadle & Bluestone (2012); Liedtka (1998); Mintzberg (1994); Neustadt &May (1986); Senge (1990).
Emotional intelligence	Self-awareness, self-motivation, interpersonal/social skills, self-regulated, emotional literacy	Abraham (1999); Boyatzis, Goleman & Rhee (2000); Davidson, Jackson & Kalin (2000); Davies, Stankov & Roberts (1998); DuBrin (2006); Goleman (1995; 1998; 2001); Goleman, Boyatzi & Mckee (2002); Higgs & Dulewicz (1999); Scheff (1983); Zadel (2008).
Transformational leadership	Idealised influence (Attributes), idealised influence (behaviour), inspirational motivation, intellectual stimulation, individualised consideration	Amos (2012); Avolio, Howell, Sosik (1999); Barling, Slater & Kelloway (2000); Bass & Avolio (1990); Bass & Avolio (1994); Bolden (2004); Bommer, Rich & Rubin (2005); Bass, Waldman &Avolio (1978); Burns (1978); Downton (1973); Edward & Gill (2012); Hebert (2011); Harper (2012); Iqbal et al. (2012); Leithwood, Jantzi & Steinbach (1999); Sadeghi & Pihie (2012); Shadraconis (2013); Vecchio, Justin & Pearce (2008); Walumbwa, Avolio and Zhu (2008); Yoder-Wise (2007).

Source: Author's own construction

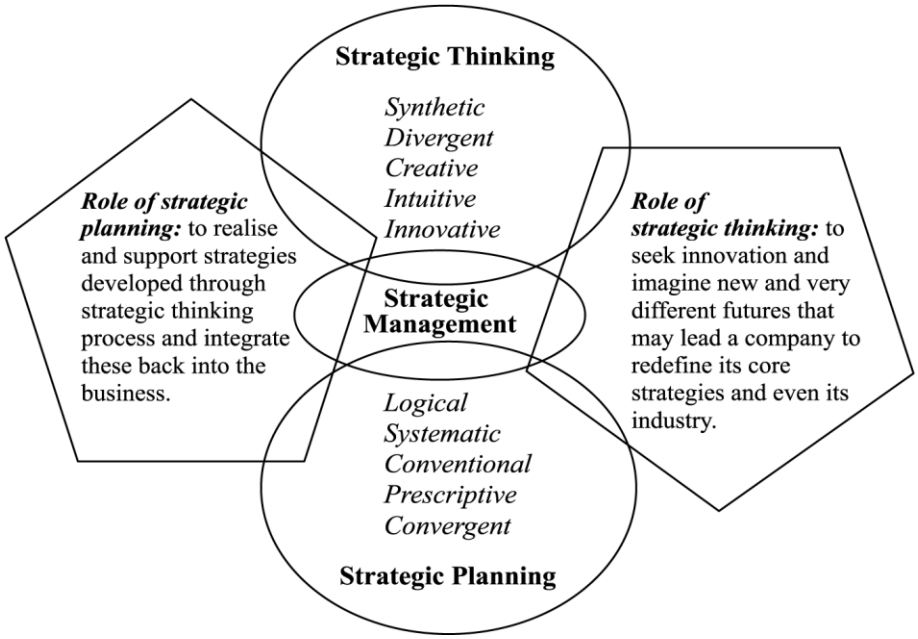
The three competencies shown in Table 3.3, namely leadership competencies, strategic thinking, emotional intelligence and transformational leadership, are discussed in detail in the next section.

3.7 STRATEGIC THINKING COMPETENCE

Strategic management is about determining and implementing strategies meant to achieve an organisation's purpose (Amos, 2012:443). In order to determine and implement such strategies, organisational leaders must think strategically (Amos, 2012:443). Amos (2012:443) adds that the process of strategy implementation consists of two mental or cognitive activities to solve strategic problems (identifying and diagnosing) and two activities to solve strategic problems (conceiving and realising). Strategic thinking is one of the components contributing to strategic management. The process involves leaders' use of cognitive ability to synthesise information, and the use of creativity and innovation in a manner beneficial to the organisation (Graetz, 2002:457). Boal and Hooijberg (2001:515-549) adds that leaders also need to have absorptive capacity, adaptive capacity, and managerial wisdom.

One major role of strategic thinking is to enable organisations to redefine their positions in the industry, and how to fit in. Another activity considered prime to strategy implementation is strategic planning, which focuses on a logical and systematic method of managing an organisation (Graetz, 2002:456-462). The role of strategic planning is to realise and support strategies developed through a strategic thinking process. The role of strategic thinking is to promote new ideas that will position the organisation in a new way in the future (Graetz, 2002:457). The process is prescriptive, meaning that the leaders determine what needs to be done prior to implementation. As shown in Figure 3.1 below, strategic planning follows strategic thinking; it aims to support strategies developed through strategic thinking, and sees how such strategies can be integrated into the organisation. Figure 3.1 indicates that strategic thinking and strategic planning are part of the strategic management process. While the two appear as separate entities, they are critical to successful strategy implementation.

Figure 3.1 Distinguishing strategic thinking and strategic planning



Source: Graetz, 2002:457

As shown in Figure 3.1, strategic management is made up of strategic thinking and strategic planning. Strategic thinking and strategic planning are influenced by the role of strategic planning and role strategic thinking. Figure 3.1 further shows that strategic thinking and strategic planning, though distinct, complement each other to ensure that an organisation realises its strategic management goals. The argument that strategic thinking and strategic planning complement each other has also been supported by researchers. For instance, Heracleous (1998:482) states that strategic thinking and strategic planning are "distinct but interrelated and complementary thought processes." The two activities must sustain each other if effective leadership is to be realised. However, while both strategic thinking and strategic planning are considered as complementary in the strategic management process, there is still controversy as to whether the two activities are identical or different. While some scholars see the activities as very different, others suggest that there is no difference between them. This debate forms the rest of discussion in sections 3.7.1–3.7.2. In the discussion strategic thinking and strategic planning and their roles are distinguished.

3.7.1 Strategic thinking

In the last 25 years and more, studies have identified the absence of strategic thinking among top organisational leadership as a major detractor to achieving high performance (Bonn, 2001; Essery, 2002; Goldman, 2012; Zsiga, 2008). According to Goldman (2012), leaders who are strategic thinkers are able to make good decisions and give greater value to their organisations. To emphasise the importance of strategic thinking, it has been asserted that leading organisations now consider strategic thinking as a major component of their leadership requirements (PDIC, 2001). As a result, most organisations and state bodies are now using strategic thinking as part of their overall planning rather than strategic planning. For instance, The District of Columbia Government has included strategic thinking as part of its Management Supervisory Services development activities. Similarly, the Inter-American Development Bank considers strategic thinking as one of its leadership competencies (PDIC, 2001).

Despite its importance and growing popularity in the last quarter of a century, strategic thinking as a leadership competence still remains underdeveloped (Jelenc, 2008:6). According to Fairholm and Fairholm (2000:2), "defining strategic thinking is still a work in progress in academic literature." The apparent lack of common understanding is observed by several authors who point out that literature on strategic thinking is still indecisive (Bonn, 2001; Goldman, 2007; Heracleous, 1998). In fact, the concept strategic thinking has been used interchangeably with other leadership and management concepts such as strategy, strategic planning and strategic management (Bonn, 2001; Jelenc, 2008; Liedtka, 1998). The point is emphasised by Mintzberg (1994:110) who states that "many practitioners and theorists have wrongly assumed that strategic planning, strategic thinking, and strategy making are all synonymous, at least in best practice" (See Section 3.8.1).

Recently scholars and other researchers have focused more closely on strategic thinking to distinguish it from strategic planning (Haycock, Cheadle & Bluestone, 2012; Goldman, 2012; Markides, 2012; Weber & Peters, 1983). The new research has been triggered by the fact that strategic thinking has continued to gain popularity as critical to

organisational effectiveness (Marksides, 2012). In addition, the complexity and turbulence of the contemporary business environment is forcing more managers and leaders both at higher and lower levels to be able to think strategically (Bennis, 1989; Hartman & Crow, 2002; Haycock, Cheadle & Bluestone, 2012; Jones, 2005; Liedtka, 1998; Liedtka & Rosenblum, 1998; Markides, 2012; Thakur & Hoffman, 1987; Zabriskie & Huellmantel, 1991).

Some of the prevailing definitions of strategic thinking are given before developing an operational definition for this study. According to O'Shannassy (2006:14), strategic thinking is "a particular way of solving strategic problems and opportunities at the individual and institutional level combining generative and rational thought processes." Mintzberg (1994) refers to strategic thinking as the ability to synthesise and utilise intuition and creativity in order to give an integrated perspective of an organisation. According to Raimond (1996:208-14), strategic thinking is composed of both analytical and creative abilities. Torset (2001:10) further observes that strategic thinking should be seen as the self-reflection of an organisation's future and must be conceived as an organisational cognitive process rather than an individual process. Jelenc (2008:7) notes that strategic thinking manifests itself as a process which is performed and supported by a group through interaction and interdependence. More definitions are summarised in Table 3.4.

Table 3.4: Definitions of strategic thinking

Source	Definitions
Zabriskie & Huellmantel (1991)	The prelude for designing the future of an organisation.
Mintzberg (1994)	A way of thinking that synthesises information and creativity with a goal to attain an integrated perspective of an organisation. Strategic thinking is not strategic planning.
Heracleous (1998)	To discover new, imaginative strategies which can be used to shape the competitive game
Liedkta (1998)	A particular way of thinking that includes five elements i) system perspective ii) intent-focussed iii) thinking in time iv) hypothesis-driven and v) intelligent opportunism.
Personnel Decisions International Corporations	A leadership competence that explores beyond ordinary ideas and addresses job requirements by recognising the

Source	Definitions
(2001)	broader 'context' of 'the big picture'. Identifying key or underlying issues in complex situations.
Bonn (2001)	Strategic thinking at an individual level comprises i) a holistic understanding of the organisation and the environment, ii) creativity and iii) a vision for the future of the organisation.
Torset (2001)	The way top managers think about which objectives they want to achieve and which actions they will implement to attain this.
Dickson, Farris & Verbeke (2001)	The mental models used by managers in conjectures they make in their planning and strategizing.
O'Shannassy (2006)	A particular way of solving strategic problems and opportunities at individual and institutional level combining generative and rational thought processes
Tavakoli & Lawton (2005)	A cognitive capability or cognitive process that precedes strategic action or planning. In this, the individuals are able to contemplate the future development of the organisation by focusing on its important attributes, its past, present and the external dynamics.
Allio (2006)	The systematic analysis of the organisation and the formulation of its longer-term direction
Jelenc (2008)	It is a process in which a person perceives, reflects feels, realises and acknowledges signs that affect the future performance of an organisation.
Amos (2012)	Thinking strategically means engaging in strategic reasoning process. The process entails two mental or cognitive activities, namely defining problems and solving those problems.
Haycock, Cheadle & Bluestone (2012)	Thinking in an innovative and creative way that encourages exchange of ideas and solutions to today's dynamic challenges.

Source: Author's own construction

From the definitions provided in Table 3.4 it is evident that strategic thinking is a mental process which involves identifying problems and solving them. The process is meant to improve organisational performance through innovative and creative activities that enhance overall leadership effectiveness (Goldman, 2012).

3.7.2 Strategic thinking versus strategic planning

As noted in the previous section (see Section 3.8), strategic thinking has been confused with strategic planning, with some scholars arguing that the two concepts are synonymous and should be used interchangeably (Bonn, 2001; Graetz, 2002; Liedtka,

1998; Mintzberg, 1994). However, according to Liedtka (1998:121) the assumption that strategic planning, strategic thinking and strategy are the same creates confusion, and it is necessary to distinguish between the concepts. Liedtka's (1998:121) argument is supported by Jelenc (2008:7) who observes that although the term strategic thinking has been in literature for more than two decades, it has been used in generic terms and without any specific meaning, especially in the 1990s. Strategic thinking has also been used in a variety of different conceptual frameworks, leading to differences in meaning and usage (Graetz, 2002; Heracleous, 1998; Liedtka, 1998).

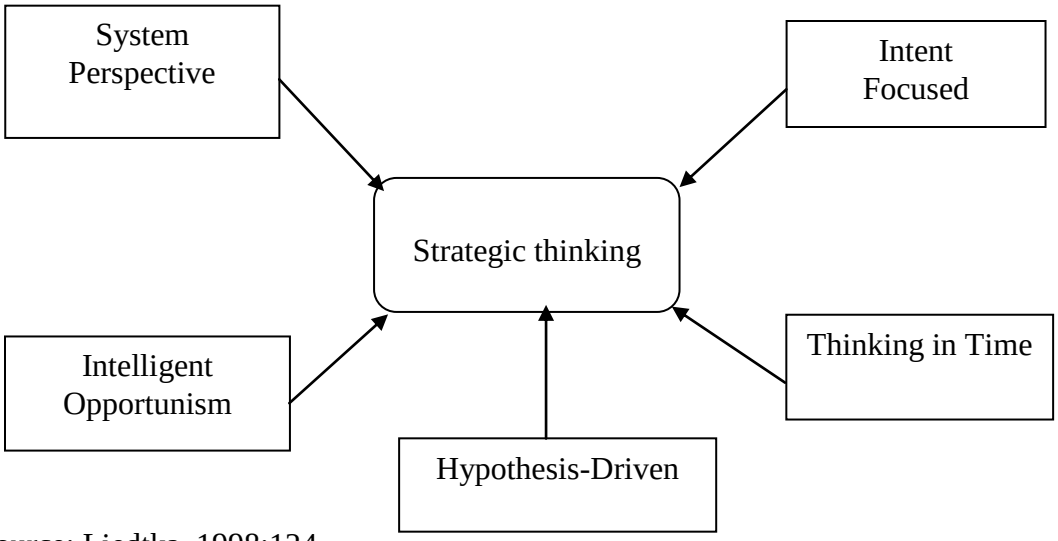
Several scholars have emphasised that strategic thinking and strategic planning are different (Haycock, Cheadle & Bluestone, 2012; Mintzberg, 1994; Prahalad & Hamel, 1990). Strategic thinking has been differentiated from strategic planning by indicating that the latter is an analytical formal process whose goal is to program already identified strategies (Mintzberg, 1994). Mintzberg (1994:107) further distinguishes the two by describing strategic planning as very formal, while strategic thinking basically is a non-programmed process. Mintzberg (1994) also argues that strategic planning entails a systematic programme of pre-determined strategies which forms the basis of developed plans, while strategic thinking is a mental process that uses intuition and creativity leading to "an integrated perspective of the enterprise". Strategic planning ensures that strategies are well supported by a good strategic thinking process that leads to realisation of those strategies (Graetz, 2002:457). Strategic thinking also plays the role of seeking innovative and creative ways of running an organisation while at the same time defining the future of an organisation by coming up with appropriate core competence strategies to ensure strong positioning in the industry (Graetz, 2002:457). Liedtka (1998) observes that strategic thinking does not pay much attention to what a leader thinks, but instead looks on the process of how a leader goes about thinking. Prahalad and Hamel (1990) add that strategic thinking includes elements such as creativity, exploration and being discontinuous.

3.7.3 Strategic thinking sub-variables

In an effort to summarise the strategic thinking debate previously floated and advocated

by Minzberg (1994:107), Liedtka (1998:122) says that strategic thinking is made up of five main sub-variables, namely system perspective, intelligent opportunism, thinking in time, and being hypothesis driven and intent-focused. The five sub-variables are presented in Figure 3.2 below:

Figure 3.2: The sub-variables of strategic thinking



Source: Liedtka, 1998:124

According to Liedtka (1998:124), organisational leaders are able to apply the five sub-variables, discussed in the next section, in their organisations to create capacity for strategic thinking, which leads to a competitive advantage and greater adaptability to change.

3.7.3.1 A system perspective

For strategic thinking to be realised, the strategic thinker must have a systematic theoretical framework where different parts are connected, inter-linked and harmonised in an operation. The strategic thinker must have a mental model of an organisational system and with a proper understanding of interaction and interdependence of various elements. The importance of a mental model is emphasised by Senge (1990:174) who writes:

> New insights fail to get put into practice because they conflict with deeply held internal images of how the world works images that limit us to familiar ways of thinking and acting. That is why the discipline of managing mental models – surfacing, testing, and improving our internal pictures of how the world works—promises to be a major breakthrough.

According to Liedtka (1998:122), a mental model of strategic thinking must incorporate an understanding of both internal and external contexts of the organisation. Instead of focusing on an industry-based analysis of the external world which has been the dominating attention of strategic management, strategic thinking must go beyond the specific industry in order to ensure that an organisation is well positioned (Liedtka, 1998). Likewise, the need to focus on internal elements of an organisation and how different parts fit together to make a complete whole, is emphasised. This is done by focusing on vertical linkages that include corporate business and functional levels, while at the same time paying attention to the horizontal basis (departments, suppliers and buyers) (Haycock, Cheadle & Bluestone, 2012). The strategic manager or leader should have these activities well lined up and linked in an efficient and effective way, which will result in a high level of organisational effectiveness (Graetz, 2002).

3.7.3.2 Intent-focused

Intent-focused implies a particular position or point of view in the long-term performance of an organisation. Intent-focused conveys a particular unique competitive position, sense of direction, sense of discovery, and sense of destiny (Hamel & Prahalad, 1990:129-130). Through intent-focused leadership, the management and employees are able to marshal their efforts and energy towards expected goals. This ensures concentration and resistance from distractions from intended aims.

3.7.3.3 Intelligent opportunism

Intelligent opportunism denotes the ability to identify possible activities or emerging strategies necessary in an intent-driven context (Liedtka, 1998). Such activities are not only focused on top management but also on lower levels of the organisation. According to Burgelman (1991:208), “one important manifestation of corporate capability is a company’s ability to adapt without having to rely on extraordinary management

foresight." This enables an organisation to be well positioned in the industry. Liedtka (1998) sees intelligence opportunism as openness to new ideas and experiences thereby enabling an organisational management to take advantage of alternative strategies emerging in its changing environment. Mintzberg (1999) further argues that intelligence opportunism underscores the differences between deliberate and emerging strategies. To practice intelligence opportunism effectively, the organization must be open to ideas arising from lower level employees or from innovative employees who are champions of identifying alternative strategies that can boost organizational standing or performance (Lawrence, 1999). To achieve this level of performance, there must be a tremendous amount of interaction and communication around ideas and alternatives point of views coming from either lower, middle or senior management. Such deliberate actions should not be hindered by orthodoxy and bureaucracy systems (Lawrence, 1999). It is leaders which intelligence opportunism ability that are considered as strategic thinkers.

3.7.3.4 Thinking in time

The "thinking in time" sub-variable is borrowed from Neustadt and May (1986) in their work entitled *Thinking in time: The uses of History for decision-makers*. In this context, strategic thinking connects past, present and future. According to Stacey (1992) and supported by Harmel and Prahalad (1990), strategy is not only driven by future intent; it is driven by the existence of a gap between present reality and future intent. Harmel and Prahalad (1990:67) point out that:

> Strategic intent implies a sizeable stretch for an organisation. Current capabilities and resources will not suffice. This forces the organisation to be more inventive, to make the most of limited resources. Whereas the traditional view of strategy focuses on the degree of fit between existing resources and current opportunities, strategic intent creates an extreme misfit between resources and ambitions.

To further the concept of thinking in time, Liedtka (1998:123) has noted that this is created by leaders who are well informed about their own organisation's history. Leaders are able to use both organisational memory and historical events together with current happenings to craft a desirable future. Strategic thinkers use this information to ask what to use or lose from the past, and what must be created in the present, in order to achieve

the desired future (Handy, 1994). By so doing, organisations are able to "architecture" their intents for the future with confidence.

3.7.3.5 Hypothesis-driven

The *Hypothesis-driven* considers generating and testing of hypotheses as its main activity. This is a challenging aspect of business. Given the nature of a competitive environment, unavailability of information, and little time to think, a leader's ability to develop and test hypotheses becomes even more crucial. In fact, generating and testing hypotheses before implementation of strategies or policies is a major characteristic of best strategy consulting firms (Liedtka, 1998:123). Of course, hypothesis testing means that the leaders do little analysis, which is a major stage in strategic planning. This method, which is scientific in nature, accommodates the aspects of creativity and analytical thinking. A hypothesis-driven method addresses questions such as: "What if? Then what?" The answers are supported with data relevant to the situation at hand. This ensures that the leadership confines itself not only to those issues relevant to the needs of the organisation but at the same time addresses future needs by using relevant information (Liedtka, 1998:124).

In summary, strategic thinking is a process in which a leader perceives, reflects feels, realises and acknowledges issues that affect the future of the organisation. Leaders go a step further and act upon the issues or challenges, thereby shaping the behaviour of the organisation. The strategic thinking process leads to a particular way of thinking, and includes five sub-variables: i) system perspective; ii) intent-focused; iii) thinking in time; iv) hypothesis driven; and v) intelligent opportunism. The leadership ability to apply strategic thinking in their organisations ensures that the right decisions are made. The result is that organisations remain alert to the surrounding environment, and address internal challenges. In so doing, organisations become well-positioned to achieve overall effectiveness and competitive advantage over competitors. In the next section, strategic thinking and its influence on leadership effectiveness and organisational effectiveness are discussed. The assumption is that strategic thinking competence influences leadership effectiveness which in turn impacts on organisational effectiveness.

3.7 STRATEGIC THINKING, LEADERSHIP EFFECTIVENESS AND ORGANISATIONAL EFFECTIVENESS

According to Chilcoat (1995), effective leaders demonstrate more strategic thinking competence than ineffective leaders do. In relation to organisational effectiveness, Fairholm (2009:12) contends that strategic thinking enables organisations to be identifiable over time, while at the same time changing and adapting to future demands. The foregoing discussions and findings from different studies indicate that appropriate use of strategic thinking leads to leadership effectiveness. There is also evidence that strategic thinking results in organisational effectiveness. This implies that it is essential for organisations to assess their level of strategic thinking competence as a determinant of both leadership effectiveness and organisational effectiveness. In the next section, the role of emotional intelligence competence and its effect on leadership effectiveness and organisational effectiveness is examined.

3.8 EMOTIONAL INTELLIGENCE

The importance of emotional intelligence and its role in determining leadership effectiveness has gained much attention in leadership research (Sadeghi & Pihie, 2012; Tang, Yin & Nelson, 2010; Trabun, 2002). Emotional intelligence is regarded as an essential component for contemporary leadership effectiveness (Higgs & Dulewisz, 1999). Early studies of emotional intelligence tended to separate the two concepts, emotion and intelligence. The next section distinguishes the two concepts before applying them to the present study.

An emotion can be defined as "an individual response to a situation or event triggered by either internal or external forces resulting to a negative or positive outcome" (Salovey & Mayer, 2007). Intelligence on the other hand denotes “the ability to think abstractly” (Hebert, 2011:13). The study of emotion has mostly been studied from three main disciplines, namely psychological, sociological and human resource development domains.

First psychologists focused on areas such as moods (Mayer & Bremer, 1985), empathy (Mehrabian & Epstein, 1972), emotion and motivation (Pinder, 1998; Plutchit, 1984). Next, the main focus of sociologists was emotional labour (Goffman, 1969; Hochschild, 1979; 1983), emotional contagion (Rafaeli & Sutton, 1987) and emotional rationality (Fineman, 1993). Lastly, research on emotions in the domain of human resource development focused on both emotions and work (Callahan & McCollum, 2002; Jordan & Troth, 2002; Leeamornsiri & Schwindt, 2002). The various topics and prominent researchers from the three domains who have studied emotion are summarised in Table 3.5.

Table 3.5: Study of emotion from the three domains

Sociological Domain	**Psychological Domain**	**Human Resource Development**
Emotional Labour Hochshild (1979) Van Maanen & Kunda (1998) Rafaeli & Sutton (1987) Morris & Feldman (1996) Wharton (1993) **Emotional Contagion** Rafaeli & Sutton (1987) Hatfield, Cacioppo & Rapson (1994) Verbeke (1997) Doherty (1998) Domagalski (1999) **Feeling rules/emotional of work setting** Goffman (1969) Hochschild (1983) Rafaeli & Sutton (1987) Scheff (1990) **Emotion and Rationality** Fineman (1993) Hearn (1993) Putnam & Mumby (1993) Ashforth & Humphrey (1995)	**Emotion & Motivation** Pinder (1998) **Empathy** Mehrabian & Epstein (1972) **Mood** Mayer & Bremer (1985) Mayer, Mamberg & Volanth, (1988) George & Brief (1992) **Affect and Mood** Estrada, Isen & Young (1997) Weiss & Cropanzao (1996) **Emotion** Plutchik (1984) Mayer, DiPaolo & Salovey (1990) Damasio (1994) Mayer & Geher (1996)	**Various topics in emotional work** Callahan-Fabian (1999) Callahan & McCollum (2002) Turnbull (2002) Short & Yorks (2002) Wells & Callahan (2002)

Source: Adopted and modified from Weinberger (2003).

As shown in Table 3.5, the study of emotion is well documented, leading to the emergence of various approaches.

Moving on to the concept of intelligence, Wechsler (1944:3) defines intelligence as "the aggregate or global capacity of the individual to act purposefully, to think rationally, and to deal effectively with his environment." Thorndike (1920) felt that intelligence falls into three main areas, namely abstract intelligence, mechanical intelligence and social intelligence. According to Thorndike (1920:228), abstract intelligence is the ability to understand and manage ideas and symbols, for example, physical formulae, words, principles and scientific laws. Mechanical intelligence focuses the "ability to understand and manage things and mechanisms" such as automobiles, guns and boats. Finally, social intelligence refers to a person's ability to understand and manage other people, thereby enhancing human relations. Put in another way, sociologists define emotional intelligence as "the ability to understand and manage men and women, boys and girls – to act wisely in human relations" (Thorndike, 1920:228). It is from social intelligence that the concept emotional intelligence is derived (Sadeghi & Pihie, 2012).

As alluded to previously, the two concepts emotion and intelligence were not always discussed together, and remained separately discussed until the 1920s. The concept of emotional intelligence was first brought to light by the research associated with Thorndike in 1920. The two terms can be described as "the intersection between emotion and cognition" (Mayer et al., 2007:84). The discussion of emotional intelligence did not gain momentum till the 1990s when it was popularised by Goleman (1995, 1998; 2001). Contributing to the emotional intelligence debate, Salovey and Mayer (1990:189) define emotional intelligence as the ability of an individual to monitor self and others' emotions, and using the knowledge to guide his or her actions.

Emotional intelligence (EI) has been defined as the ability of a person to know and understand his or her own emotions while at the same time understanding the emotions of other people (Davies, Stankov & Roberts, 1998; Zadel, 2008). Simply put, emotional intelligence is the ability to manage self and relationships with others (Goleman, 1998;

1998; 2001). However, besides much research and writing on emotional intelligence, there is need for further study given the fact that there are differences in opinion on the meaning of emotional intelligence, its role among leaders, and its effect on decision making and organisational effectiveness (Higgs & Dulewicz, 1999). In the present study, Higgs and Dulewicz's (1999:20) definition of emotional intelligence is adopted. Thus in relation to leadership, emotional intelligence means:

> Achieving one's goal through the ability to manage one's own feelings and emotions, to be sensitive to, and influence other key people, and to balance one's motives and drives with conscientious and ethical behaviour (Higgs & Dulewicz, 1999:20).

The work of Goleman (1995; 1998; 2001) in relation to emotional intelligence has centred on organisational leadership and the need to understand the role of emotions.

In a study of 188 organisations to establish personal capabilities that led to unique performance, Goleman (1995; 1998) identifies three categories of personal capabilities, namely technical skills, cognitive skills, and competencies that demonstrated emotional intelligence in organisational leadership. Technical skills relate to the ability to deal with numbers, while cognitive skills focus on analytical ability or reasoning. Emotional intelligence is indicated by a leader's ability to interact and work with others while at the same time being effective in his or her work (Davies et. al., 1998). Goleman (1995; 1998) concludes that emotional intelligence is twice more important to leadership jobs at all levels than technical or cognitive skills.

In an effort to further the understanding of emotional intelligence, Goleman (1995; 1998) classifies emotional intelligence into five domains (referred to as sub-variables in the present study), namely: 1) self-awareness; 2) self-regulations; 3) motivation; 4) empathy; and 5) social skills. According to Goleman (1998), emotional competence is a learned ability that is based on emotional intelligence and results in outstanding performance. The five sub-variables identified by Goleman (1998; 2001) and associated measuring items are:

- self-awareness (accurate self-assessment, and self-confidence;
- self-motivation (achievement, initiative, optimism, commitment);

- self-regulation/self-management (self-control, trustworthiness, conscientiousness)
- emotional literacy/empathy (understanding others, developing others, service orientation, leveraging diversity);
- social skills/interpersonal skills (influence, communication, conflict management, leadership, change catalyst, building bonds, cooperation and collaboration, team capabilities).

Goleman (1998) believes that the more a leader attains the above competencies, the more emotionally intelligent he or she becomes, resulting in better performance. To Goleman (2001), emotional intelligence distinguishes between effective and ineffective leaders. Those with a high level of emotional intelligence are also high achievers, while the opposite is also true. The five sub-variables making the main components of emotional intelligence are discussed below.

3.8.1 Self-awareness

According to Goleman (2001:1) emotional intelligence starts with this attribute, which is associated with outstanding performers. The leaders with this trait are aware fully aware of their strengths and weaknesses, and are willing to talk about them to improve their weaknesses. Such leaders use their failures as an opportunity to learn rather than get discouraged. Common features of such leaders are their awareness of emotional situation, their personal impact on others, and what needs to be done when faced with difficulties (NHS, 2006). It is notable that leaders pursue their strengths vigorously while working way to overcome their weaknesses (Viljoen & Dann, 2003:77).

3.8.2 Self-motivation

Research has found that motivation among leaders can be associated with their need for achievement, initiative, being optimistic, commitment to dominance, need for affiliation, and need for responsibility (Antonakiset al., 2004:114). Other studies associate self-motivation with the desire to lead (Chan & Drasgow, 2001:482). The motivational attribute gives leaders a passion for achievement rather than waiting for organisational incentives in order to perform (Goleman, 2001:1). Highly driven leaders are motivated to

make a difference to ensure quality performance in their organisations. They are also driven by a motivation to improve others' standards rather than being driven by self-gains (NHS, 5). Goleman (2001:1) observes that this motivation is essential for effective leadership (Theyvendran, 2006:10).

3.8.3 Self-regulation

Effective leaders are said to be self-regulated. The self-regulation trait means that the leaders are able to manage their emotions and behaviour, and know how to respond even when under pressure. The leaders are said to be tenacious and resilient in the midst of difficulties (NHS, 2006). They are also able to control their impulses and channel them for good purposes (Goleman, 2001).

3.8.4 Empathy (emotional literacy)

An empathetic competence relates to a leader's ability to identify with others. It is putting self in the shoes of others, indicating an ability to respond according to the reactions of others, based on their needs, desires and diversity (Goleman, 2001). Empathy competence is further defined as "an astute awareness of others' emotions, concerns, and needs" (Goleman, 2001:35). A person possessing empathy reads people's current emotions from non-verbal cues like facial expressions or tone of voice. The person is also sensitive to other people's needs and assumptions, being respectful, participative and warm-hearted, being open and flexible, and being socially committed (Harris & Moran, 1987; Jordan & Cartwright, 1998; Mumford, Zaccaro, Harding, & Jacobs, 2000; Rhinesmith, 1996). A leader's empathetic level influences his or her ability to cope with different situations and people, having listening skills and an understanding of other people's point of view (Goleman, 1998; Gregersen, Morrison, & Black, 1998; Jordan & Troth, 2002; Reilly & Korounos, 2009). Empathy is a strong competence for effective leaders. Possessing it, the leaders are able to solve difficulties by involving themselves emotionally in the lives of others, especially their employees, to whom they show value and concern rather than being tough and inconsiderate (Goleman, 2001). This quality is also supported by Viljoen & Dann (2003:77) who add that such leaders are caring and value others' happiness and challenges.

3.8.5 Social skills

This attribute emanates from the other four sub-competencies. In leaders, it denotes the ability to build rapport with their employees or subordinates. This way the leaders are able to gain cooperation from followers or subordinates, and willingness to act on direction without any resistance. In summing up this trait, Goleman (2001) defines social skills as *friendliness with a purpose.* Social skills and the ability to be a social player are essential for a leader since he or she cannot implement strategy alone. A leader must build a strong team of implementers with different as the tasks require. As Cheung (2004:3) states, "a leader's challenge is to recognise and promote persons with exceptionally ability to join the team." These five sub-variables of emotional intelligence are summarised in Table 3.6 below.

Table 3.6: The five sub-variables of emotional intelligence

	Definition	Hallmarks
Self-Awareness	• The ability to recognise and understand your moods, emotions, and drives, as well as their effect on others.	• Self-confidence • Realistic self- assessment • Self-deprecating sense of humour.
Self-Regulation	• The ability to control or redirect disruptive impulses and moods • The propensity to suspend judgment – to think before acting	• Trustworthiness and integrity • Comfort with ambiguity • Openness to change
Self- motivation	• A passion to work for reasons that go beyond money or status • A propensity to pursue goals with energy and persistence	• Strong drive to achieve • Optimism, even in the face of failure • Organisational commitment
Emotional literacy/empathy	• The ability to understand the emotional makeup of other people • Skill in treating people according to their emotional reactions	• Expertise in building and retaining talent • Cross-cultural sensitivity • Service to clients and customers
Social Skill/ interpersonal skills	• Proficiency in managing relationships and building networks. • An ability to find common ground and build rapport	• Effectiveness in leading change • Persuasiveness • Expertise in building and leading teams

Source: Goleman, 2004:4

Table 3.6 summarises the original Goleman (2004) five sub-variables associated with emotional intelligence. The sub-variables are defined and their components are stated.

Although Goleman has reviewed his model of EI, the original five sub-variables have been used by researchers as measures of emotional intelligence in leaders. A research instrument which measures EI using the five original sub-variables has been used by scholars in organisations, among them Hayward (2005), Gryn (2010), Palmer and Jansen (2004). Numerous researchers into emotional intelligence also support the use of the five sub-variables (Goleman, 1995; 1998; 2001; Kerr, Garvin, Heaton & Boyle, 2006; Reilly & Karounos, 2009; Weisinger, 1998). One of the most popular research instruments used to assess EI in organisations is known as the Emotional Competence Profiler (ECP) developed by Learning Link International (Wolmarans & Martins, 2001). The ECP as a measure of emotional intelligence competence has been statistically validated as an assessment tool (Palmer, Jansen and Coetzee, 2005). According to Wolmarans and Martins (2001), ECP enables a person to look at their emotional skills in a "mirror" through his or her eyes, and at the same time look at their behaviour from other people's perspective. ECP also aims at strengthening and developing areas that need attention. In terms of composition, ECP is made up of seven competencies (known as sub-variables in this study) aimed at measuring emotional intelligence, namely self-motivation, self-awareness, self-management, change resilience, interpersonal relations, integration of "head and heart", and emotional literacy (Wolmarans & Martins, 2001). A discussion of the seven competencies follows.

3.8.6 Self-motivation

In the ECP instrument self-motivation denotes the ability of a person to develop a vision and challenging goals while at the same time remaining focused and optimistic. A self-motivated person is also responsible and committed to the vision, set goals and results, whether successes or failures. The person takes personal accountability for results, be they success or failure (Wolmarans & Martins, 2001).

3.8.7 Self- awareness

Self-awareness refers to a person's assessment in terms of " honest, objective and realistic assessment of, and respect for, one's own worth as an equal human being" (Palmer et al.,

2005:10). A person with self- awareness unconditionally accepts his or her talents, values, identity, strengths and shortcomings. The person is non-defensive in terms of personal attributes and defends self where need be, while at the same time admitting mistakes at a personal level or in public (Wolmarans & Martins, 2001).

3.8.8 Self-management

This ECP competence refers to a person's ability to attain a well-balanced life. This is done by managing stress and re-focusing energy in right and healthy activities. By so doing the person is able to achieve wellness of body, mind and soul. Such a person demonstrates calmness and peace during conflicting situations, and aims to achieve win-win agreement in such disagreements (Wolmarans & Martins, 2001).

3.8.9 Change resilience

With change resilience, a person involved is said to be flexible and open to new ideas, new situations and new people. A person with change resilience accepts and encourages change while at the same time ensuring that associated emotions are well managed. The person is able to take the right decision in ambiguous and chaotic situations and provide satisfactory solutions (Wolmarans & Martins, 2001).

3.8.10 Interpersonal relations

Another competence in the ECP instrument is interpersonal relations, which refers to a person’s ability to intuitively understand other people. The person has a deep concern, care and compassion for others. In this aspect, the person also ensures that he or she sets high expectations for others, and helps them achieve such goals by providing all support necessary. With a need to maintain relationships, the person has an emotional connection with other people which is demonstrated by their ability to build trust and loyalty thereby ensuring long-term relationships (Wolmarans & Martins, 2001).

3.8.11 The integration of "head and heart"

To integrate the head and heart is “the ability to access the functions of both sides of the

brain". This involves using one's head and one's heart – or the facts as well as feelings and emotions – in order to make decisions and solve problems (Hayward, 2005:46). According to Wolmarans and Martins (2001) people able to find opportunities and make intuitive and implementable breakthroughs demonstrating an advanced level of integration of "head and heart". This is a competence needed by managers and other leaders who desire to see their organisations achieve above-average returns in competitive markets.

3.8.12 Emotional literacy

The final ECP competence is emotional literacy, which denotes a person's awareness of the variability of self and others' emotions. This competence enables a person to have knowledge about causes of emotional differences and at the same time to interact with others in a manner that does not affect their emotions negatively (Hayward, 2005:46). The ability of a person to take personal responsibility and acknowledge when a need to apologise arises for displaying the wrong emotions, is a mark of a mature emotional literacy (Wolmarans & Martins, 2001).

The current study adopted the ECP instrument's competencies which were modified to fit the current study. The five competencies (referred to as sub-variables in this study) adopted were self-awareness, self-regulation, self-motivation, empathy and social skills (See Section 7.5.7.1 and Table 7.4). The selection was based on the fact that these-variables are considered to be the main emotional attributes of emotional intelligence as discussed previously in this Chapter and in Chapter 7, and are supported by different researchers and emotional intelligence studies (Goleman, 1995; 1998; 2001; Kerr et al., 2006; Reilly & Karounos, 2009).

The next section focuses on how emotional intelligence influences leadership effectiveness. As stated in Chapters 1, 5, 6 and 7, leadership effectiveness is expected to affect organisational effectiveness. This implies that emotional intelligence has an impact on both leadership effectiveness and organisational effectiveness.

3.9 EMOTIONAL INTELLIGENCE, LEADERSHIP EFFECTIVENESS AND ORGANISATIONAL EFFECTIVENESS

As referred to previously, since the 1990s when Goleman popularised the concept of emotional intelligence, numerous studies have been conducted aimed at establishing the relationship between leadership effectiveness and emotional intelligence (Goleman, 2001; Kerr et al., 2006; Wolmarans, 2001). Killian (2007:4; Wolff, Pescosolido & Druskat, 2002), for instance, concluded that effective leaders are also aware of their emotional levels and use them to strengthen their decision-making process and critical thinking ability. According to Hebert (2011:16), leaders "who score high on use of emotions" are open-minded and considerate; they encourage diversity and promote creative solutions thereby leading to effectiveness. Zhou and George (2003) strongly emphasise that emotional intelligence leadership facilitates creativity. This is supported by a study by Oldham and Cummings (1996) that shows that employees who are encouraged to air their views demonstrate more creative behaviour.

In relating emotional intelligence to leadership effectiveness, various studies support the importance of the EI competence (Hebert, 2011:16; Tang, Yin & Nelson, 2010). Prati, Douglas, Ferris, Ammeter and Buckely (2003:21) further note:

> Emotional intelligence reflects the ability to read and understand others in social contexts, to detect the nuances of emotional reactions, and to utilize such knowledge to influence others through emotional regulation and control. As such, it represents a critically important competence for effective leadership...in organisations today.

The above quotation indicates the significance of emotional intelligence as a prerequisite for leadership effectiveness. While some authors single out social effectiveness skills (relational or interpersonal skills) as a critical determinant of leadership effectiveness and organisational effectiveness, emotional intelligence has been termed as a "foundational element of leadership effectiveness" (Prati et al., 2003:22). Prati et al. (2003: 21-22) add that there is increasing evidence that social skills are instrumental to leadership effectiveness and performance. The scholars observe that emotional intelligence is an important social effectiveness factor that directly influences leaders' behaviour and expected outcomes (Prati et al., 2003:21-22).

The role of emotional intelligence in ensuring optimal organisational effectiveness has also gained much attention. Several studies have found strong correlations or positive effects of emotional intelligence on overall leadership effectiveness and eventually organisational effectiveness (Hayashi, 2005; Hebert, 2011; Gryn, 2010). Other notable scholars are Ashforth and Humphery (1995) who argue that emotions cannot be separated from the work setting. In an effort to link emotional intelligence with performance, Goleman, Boyatzis and McKee (2002) and Prati et al.(2003:23) have pointed out that emotional intelligence elements such as personal efficacy, conflict management and personality, are essential for effectiveness of leaders' and organisational effectiveness.

Goleman (1998) and Lewis (2000) assert that the lack of emotional control among leaders is strongly associated with their ineffectiveness. The reaction makes followers or employees lose confidence and faith as they see the leader being unable to control his or her emotions and the prevailing situations. As Prati et al. (2003:27) note, "no matter the cause, the effect of leader's lack of emotional control is felt throughout the team." To show the importance of emotional intelligence in leaders, studies have found that emotionally intelligent persons are ranked more highly by peers and have a high stress tolerance level (Lopes, Grewal, Kadis, Gall & Salovey, 2006). In fact, emotional intelligence has been associated with high resistance to stress and burnout, and is a good predictor of organisational effectiveness (Benson, Truskett & Findlay, 2007; Mestre, Guil, Lopes, Salovey & Gil-Olarte, 2006; Mikolajczak, Luminet, Leroy & Roy, 2007). These results are good indicators of the positive role played by emotional intelligence both at individual level and in relation to others, demonstrating overall leadership effectiveness and organisational effectiveness.

Effective leaders who are said to be transformational have the ability to manage their emotions well (Hebert, 2011). Some studies have also found a strong relationship between emotional intelligence and transformational leadership. The studies have shown that leaders with high emotional intelligence are also associated with a transformational leadership approach (Barbuto & Burbach, 2006:51-64; Mandell & Pherwani, 2003:387-

404; Riggio & Riechard, 2008:169-185). The next section explores transformational leadership competence and its role in determining leadership effectiveness.

3.10 TRANSFORMATIONAL LEADERSHIP

The concept "transformation" was first coined by Downton (1973). However, it was Burns (1978) whose research made the concept widely known as a style of leadership. Since then, transformational leadership as a quality has been the focus of much research both in the business and non-business worlds (Bass & Avolio, 1990; Bass, Waldman & Avolio, 1978; Bommer, Rich & Rubin, 2005; Edward & Gill, 2012; Harper, 2012; Iqbal et al., 2012; Leithwood, Jantzi & Steinbach, 1999; Sadeghi & Pihie, 2012; Shadraconis, 2013). In ranking major research areas in terms of leadership styles, Iqbal et al. (2012:651-652) have analysed different studies on leadership styles published between 1998 and 2012. The result showed that transformational and transactional leadership styles were supported by 43.3% of all studies analysed. In the same studies, charismatic leadership style had only 16.6%; laissez-faire (6.67%); autocratic leadership style (6.67%) contingency style 6.67%. These results indicate that transformational leadership and transactional leadership styles have become a major focus of leadership studies, signifying the importance of this role in organisations (Iqbal et al., 2012). Several studies see transformational and transactional leadership as being able to enhance effectiveness and subordinate satisfaction, distinguish top performers from non-performers, and inspire others, and they are positively associated with humour (Avolio, Howell, Sosik, 1999; Barling, Slater & Kelloway, 2000; Dumdum, Lowe & Avolio, 2002; Iqbal et al., 2012).

In distinguishing between transformational leadership and transactional leadership, transformational leadership is said to be required after controlling transactional leadership (Vecchio, Justin & Pearce, 2008:72; Vinger, 2005). Edward and Gill (2012:2-3) in a study among UK manufacturing firms find that transformational and transactional leaderships have different levels of effectiveness in different hierarchies. Their study indicates that transformational leadership is equally effective across organisational hierarchies while transactional leadership is only effective with lower hierarchies. Bass and Avolio (1994) however argue that effective leadership combines both transactional

and transformational competencies. Bass and Avolio (1994) are supported by Shadraconis (2013:11) who is of the opinion that transformational leadership supplements transactional leadership. The leaders are said to have competencies like a dominant personality, role modelling, clear articulation of ideological goals, and the ability to instil confidence and expectations in followers to achieve set goals (Bolden, 2004:12).

Besides the continued support of the fact that transformation and transactional leadership styles complement each other, it is the transformational leadership style that is of critical importance compared to transactional leadership. According to Walumbwa, Avolio and Zhu (2008:793) the last decade has witnessed research efforts aimed at establishing how effective transformational leaders relate to their followers in terms of behaviour, attitude and performance. To show the importance of transformational leadership, Bass and Avolio (1994) contend that transformational leadership is the ideal leadership given the contemporary challenges in the global world of business. Shadraconis (2013) regards transformational style as the ideal during times of crisis for organisations since it gives leaders a platform to act. The next section discusses transformational leadership in detail and why it is selected as a vital to leadership effectiveness and organisational effectiveness.

3.10.1 Transformational leadership competence

According to Burns (1978) leaders play a very significant role in persuading and influencing their followers. Effective leaders fully understand how their values and motivations impact those under their care (Hebert, 2011:8-9). In relation to transformational leadership, Burns (1978) describes this style as a situation in which the leader and followers empower each other in terms of a higher level of morality and motivation. The leaders are also said to develop their followers to become leaders rather remain as followers (Burns, 1978). Bass (1985) adds that transformational leadership enables followers to trust, admire and become loyal to a leader creating high performance that is beyond expectation. Yoder-Wise (2007:30) emphases that transformational leadership:

> transforms people and organizations in a literal sense to change them in mind and heart; enlarge their vision, insight, and understanding; clarify purposes; make behaviour congruent with beliefs, principles, or values; and bring about changes that are permanent, self-perpetuating, and momentum building.

Further studies indicate that transformational leadership has positive effects on employees and the organisation as a whole (Leithwood, Jantzi & Steinbach, 1999; Edward & Gill, 2012; Tuuk, 2012; Shadraconis, 2013). It is emphasised that transformational leadership leads to improved employee productivity (Dubinsky, Yammarino, Jolson, & Spangler, 1995). In an attempt to distinguish transformational leadership from other types, Avolio, Bass and Jung (1995) note that transformational leaders have five main competencies, namely idealised influence, inspirational motivation, intellectual stimulation, individualised consideration. The five are discussed below.

3.10.1.1 Idealised influence (Attributes and behaviour)

The first transformational leadership competence is idealised influence. The competence focuses on leaders' vision and mission and how they are able to pass these to their followers. Bass (1985) remarks that idealised influence remain instrumental to leaders' success. To succeed, a leader shows respect, builds confidence and trust among employees reporting to him or her, and at the same time encourages employees to pursue their individual and collective goals. According to Hall, Johnson, Wysocki and Kepner (2012), such leaders are exemplary role models for their employees, who trust and respect them. Idealised influence encompasses the other three competencies. Idealised leaders are good at handling emotional levels of self and of employees (Avolio et al., 1991; Hebert, 2011). Idealised influence has been divided into two components, namely idealised influence attributes and ideliased influence behaviour.

a) Idealised influence (attributes)

   The leaders with idealised influence attributes are said to have charismatic character such as providing support and instilling pride in their followers. Such leaders go beyond self-interest in order to build trust and gain respect from their followers. The leaders are also known for their self-confidence and ability to provide direction

to their followers (Avolio & Bass, 2003). To the followers, the leaders are assessed on how much personal sacrifice they do; handle crises and other obstacles that may hinder organisational or group goals attainment (Kanste, Miettunen & Kyngas, 2006: 202).

b) Idealised influence (Behaviour)

The leaders possessing idealised influence behaviour competency as also described as charismatic. The leaders provide a sense of purpose and need to perform among their followers while at the same time emphasising on the need for moral and ethical behaviours and decisions in their organisations (Avolio & Bass, 2003). The leaders are also assessed in terms of their ability to espouse important values, beliefs and understanding of clear mission to their followers (Kanste et al., 2006: 202). As such, the followers are desire to identify and emulate their leaders (Nyangane, 2007:29).

3.10.1.2 Inspirational motivation

Inspirational motivation denotes a leader's ability to inspire others (Bass & Avolio, 1994). The ability is accomplished through good communication skills and mentoring of others. Originally, inspirational motivation was seen as similar to charisma as demonstrated by top leadership in organisations. However, today it is considered to be more than charisma at top level leadership as well as to the whole organisation. Transformational leaders not only inspire a vision among employees, but they also ensure that corrective action is taken in an encouraging manner rather than punishing others. Such leaders are also hard workers who show optimism during crises and encourage others to do the same (Hebert, 2011:9-10). Such leaders give high expectations and inspire followers to achieve what they would not achieve if working alone. They also encourage team spirit to facilitate goal achievement by increasing revenues and growth in the market (Hall, Johnson, Wysocki & Kepner, 2012:1).

3.10.1.3 Intellectual stimulation (IS)

The third transformational leadership competence is intellectual stimulation. This competence refers to a leader's creative and innovative ability (Bass & Avolio, 1994; Hall et al., 2012). These leaders are not only creative and innovative but they also encourage their followers to try and test new ideas (Bass, 1990). The followers are encouraged to question the leaders on matters relating to innovation while at the same time being encouraged to think independently. As such the followers are taught to analyse any situations that may face them, in order to develop new solutions, no matter how difficult the situation may be. The result is that employees become creative and innovative while at the same time being able to comprehend issues and create solutions that are beneficial to the organisation in terms of increased productivity and the satisfaction of all (Bass, 1990; Hebert, 2011).

3.10.1.4 Individualised consideration

The second competence, individualised consideration, has to do with leaders being able to diagnose and evaluate each employee's individual needs, rather than treating everyone the same (Bass & Avolio, 1994). This makes the leaders deal with employees differently, mentoring them with individualised attention and ensuring that the employees are encouraged to take new responsibilities without coercion (Bass, 1990; Hall et al., 2012). To ensure that individual employees' success is attained, the leaders remove all roadblocks and encourage employees to move on with confidence. One key character of these leaders is their ability to recognise individual self-actualisation and support such desires (Hebert, 2011:10).

In this study, a transformational leadership competence denotes leaders who model behaviour of employees through their self-determination and strong conviction aimed at achieving extra-ordinary performance. As Amos (2012) observes, for South African leaders to remain competitive and effective, they need to develop transformational leadership behaviour and competencies. The argument is furthered by Palmer, Walls, Burgess and Stough (2001:5-10) who affirm that effective leaders are those who display transformational style of leadership rather than transactional styles. Another study by

Gardner and Stough (2002) concludes that effective leaders demonstrate transformational behaviour. Such leaders inspire and encourage a sense of ownership where both the leaders and followers feel a sense of shared mutual interest and responsibility (Bass et al., 1978).

As highlighted in this section, transformational leadership is vital for leadership effectiveness. Given the importance of transformational leadership competencies in the contemporary organisation, it is important to examine its relevance to the banking industry. It was important to identify the type of leadership style existing within the indigenous banks in Kenya. The present study therefore assesses the presence of transformational leadership competencies among Kenyan indigenous banks and whether this has any impact on the overall banks' effectiveness.

3.11 STRATEGIC THINKING, EMOTIONAL INTELLIGENCE AND TRANSFORMATIONAL LEADERSHIP COMPETENCIES

There is a strong correlation between the three leadership competence categories (Amos, 2012; Hogan & Warrenfeltz, 2003). That is, leaders who are able to think strategically, understand their emotional intelligence, and have transformational leadership. The combination of the three competencies implies that while transformational leadership competence is important, leaders must be able to identify, manage and understand their own emotions and those of others (Bentz, 1985; Caruso, Salovey & Mayer, 2003; Goleman, 1998; Morrison, White & Van Velsor, 1987; Lombardo & Eichinger, 2006; Rasch, Shen, Davies & Bono, 2008). Leaders who are able to understand their own emotions and those of their followers are said to have a high level of self-awareness. They are also able to understand how emotions affect their thinking and decision-making ability. Their emotional competence is even more critical since a leader's behaviour sets the stage for everyone else in the organisation (Mayer, DiPaolo & Salovey, 1990; Mayer & Geher, 1996; Mayer et al., 1988; Rasch et al., 2008; Salovey & Mayer, 2003).

The foregoing discussion has focused on three main leadership competencies, namely strategic thinking, emotional intelligence and transformational leadership. The

combination of the three competencies is essential for leadership effectiveness and organisational effectiveness (Amos, 2012; Hogan & Warrenfeltz, 2003).

3.12 TRANSFORMATIONAL LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS

Transformational leadership competence can enable managers to become exceptional leaders, thereby helping their organisations to realise their set goals (Hall et al., 2012:1). According to Northouse (2001), an analysis of 39 studies of transformational literature showed that leaders who displayed transformational leadership competence were more effective and produced better results in their organisations. Northouse (2001) therefore recommended transformational leadership as advantageous compared to other styles of leadership in terms of leadership effectiveness. The point is supported further by Hesselbein and Cohen (1999:263) who emphasise that the level of leadership effectiveness determines organisational performance. Hall et al. (2012:3) have strongly stated that "By becoming familiar with the transformational leadership approach and combining the four Is, managers can become effective leaders in the business world." In another study Weese (1994) notes that many leadership studies have found a relationship between leadership effectiveness and organisational success or survival. He further observes that transformational leaders "have a positive impact on employee satisfaction, productivity and organisational effectiveness" (Weese, 1994:188). However, Hsu, Bell and Cheng (2002:1-5) are of the opinion that both transformational leadership and organisational effectiveness have an indirect relationship, and consider which applies to leadership as a whole. In the current study, transformational leadership is believed to influence leadership effectiveness which in turn influences organisational effectiveness.

3.13 SUMMARY

Contemporary leaders face major challenges as they try to match personal and organisational capabilities and performance in a very volatile and competitive environment (Jones et al., 2012). With many leaders being unable to cope with the challenges, the demand for leaders who are able to excel in turbulent times has gained

momentum (Jones et al., 2012; Northouse, 2013; Right Management, 2010). Another leadership debate has focused on the difference between leadership and management. While there seem to be great similarities between leadership and management, there are those who see the two as separate and playing different roles.

Another challenge that has triggered much research is the need to distinguish between effective leaders and ineffective leaders (Conger & Ready, 2004). Numerous theories have been advanced, all aimed at finding specific competencies associated with leaders and managers with high performance (Conger & Ready, 2004). Al-Zoubi (2012) has noted that the demand for leaders to grow their market shares and improve performance has made modern organisations' management demand the right competencies among their employees, especially in terms of the overall leadership. Such leadership is expected to steer organisations into high levels of performance. The right competencies enable leaders to integrate various management practices in their organisations, provide direction towards growth and prosperity, and provide strategic leadership. In line with the current demand for the right competencies among organisational leaders, this study explored different competencies before concentrating on the most appropriate to meet the purpose of the study. The final competencies adopted for this study are strategic thinking, emotional intelligence and transformational leadership (Hogan et al., 2009; Amos, 2012).

Firstly, strategic thinking competence relates to how leaders solve strategic problems, identify opportunities, synthesise and utilise intuition, and the ability to be creative in order to make the right, well-integrated decision (Jelenc, 2008:7; Mintzberg, 1994; O'Shannassy, 2006; Raimond, 1996). Secondly, emotional intelligence is regarded as a very important competence as far as emotional management of leaders and their followers are concerned. Finally, the third competence is transformational leadership. Transformational style is ideal for organisations whether in time of crisis or stability. According to Gardner and Stough (2002), effective leaders practise transformational behaviour.

In conclusion, the three leadership competencies are said to have a strong correlation (Amos, 2012; Hogan & Warrenfeltz, 2003) and lead to leadership effectiveness which enable organisations to be effective. The three competencies (strategic thinking, emotional intelligence and transformational leadership) have been addressed and linked to leadership effectiveness and organisational effectiveness. Though several competencies have been proposed by different scholars and researchers, the three have been found to be very relevant and applicable to the current study.

CHAPTER 4

LEADERSHIP TASKS

Leadership is like the Abominable Snowman, whose footprints are everywhere but who is nowhere to be seen (Bennis & Nanus, 2003:19).

4.1 INTRODUCTION

The 21st century is considered a time in history when organisational leaders will face a complex, challenging, competitive, turbulent and unpredictable environment (Ireland & Hitt, 1999). According to Bennis (1997:84-88), if organisations achieve financial success, the leaders are widely recognised as the "corporate Hercules". While such success was easily achieved in the past, the situation is different in the contemporary business environment. According to Ireland et al. (2011), contemporary organisations are faced with a totally different environmental dynamic, and the relatively stable and predictable environmental conditions of the past are no longer applicable. With the fast changes resulting from increasing global dynamics, the business environment just like social, political and legal environments is unpredictable, uncertain and ambiguous, thereby calling for leaders who are able to perform their tasks effectively.

As discussed in Chapter 3, for leaders to guide their organisations through complex and uncertain environments, they must have the right competencies. The basis of successful performance depends on competencies or capabilities which are said to be prerequisites for effective performance of required roles and tasks (Bartol et al., 2003). Leaders must also perform their respective roles and perform required tasks appropriately. In an organisational setting, leaders are involved in various tasks. Emphasising the importance of leaders' roles and tasks, Amos (2012) observes that organisational leaders have very well-defined roles which are critical to determining the outcome of their leadership portfolios.

Phillips and Hunt (1992) noted that organisational leaders must perform certain critical tasks in order to attain organisational effectiveness. According to Gardner (1986), an examination of tasks performed by leaders is important as it enables leaders perform critical activities at the heart of leadership. One primary task of leadership is to manage the relationship between the organisation and its environment, from an internal and

external perspective, as the only way to achieve optimal performance (Rice, 1965:20). To perform effectively in their tasks, leaders must use their competencies (knowledge, skills, energy and enthusiasm) and at the same time work with their subordinates to ensure peak performance of their organisations (Hill & Jones, 2007:32). Barney (1991) and Collis and Montgomery (1998) agree that having the right competencies is critical if leaders are to perform their tasks effectively (See Section 6.7 in Chapter 6). House and Aditya (1997) further observe that effective leaders specify clearly the tasks to be performed and reduce any barriers that may hinder completion of those tasks. On his part, Bass (1990) feels that for tasks to be performed successfully, leaders need to empower their workers and encourage them to work freely on assigned tasks without fear of negative consequences in the case of failures.

In relation to the importance of leaders' tasks, Yukl and Van Fleet (1992) state that leadership is about influencing followers to perform tasks in order to attain set goals. The point is supported by Hall (1998) who says that leadership effectiveness is dependent on the health and well-being of followers and how they accomplish given tasks. It is notable that when leaders perform their tasks in partnership with their followers or employees, there is increased loyalty and decreased turnover. Hall (1996) emphasises that leaders can only be productive if they perform the right tasks suitably to their roles. Sinha (1995) explains that leaders must nurture their employees and attend to required tasks. However, the task can only be performed by leaders who are relational and concerned about the well-being of their followers. The activities performed by leaders apply to all organisations including the banking industry, the focus of the current study.

Given the importance of leadership tasks, the purpose of this chapter is to explore leadership tasks in detail and explain how the various tasks contribute to leadership effectiveness and eventually to organisational effectiveness. The chapter starts by discussing leadership tasks and ends with a measuring instrument of leadership tasks.

4.2 LEADERSHIP ROLES AND TASKS

The two concepts, leadership roles and leadership tasks still remain unclear among scholars. According to Wyse and Vilkinas (2004:205), there is little research done on leadership roles while much attention is paid to identifying the capabilities required by future leadership. The point is supported by Hernon, Powell and Young (2001:116-145) who emphasise that there is remarkably little evidence on how leaders should perceive their specific roles or how to face future challenges. The lack of research on leadership role has led to confusion with little differentiation on the concepts, leadership role and leadership tasks. While some scholars see the concepts as synonymous, others have differentiated between them. For instance, Linstead, Fulop and Lilley (2009) group roles and tasks as being the same, and include specific activities performed by leaders and managers such as marketing, management, human resource management, finance and operations. Similarly, Amos (2012) does not distinguish between the two concepts, and specifies that the roles and tasks of leaders are as follows: determining the organisational strategic direction; making strategic choices; managing organisational resource portfolios; ensuring ethical practices; establishing and maintaining organisational culture that supports organisational strategy; establishing balanced control systems; determining that necessary structures are in place; leading the organisational strategy implementation process, and managing overall performance. Hart and Quinn (1993) on the other hand have identified four leadership roles as being vision settlers, motivators, task masters, and analysers. While the vision setter role is associated with creating a sense of direction, the motivator's role is that of translating corporate vision into priorities and goals. The task master's role is concerned with performance that ensures that the right results are achieved. Finally, the analyser's role focuses on the internal operations of the organisation. From these scholars, and mostly as shown in Linstead et al. (2009) and Amos (2012) both roles and tasks tend to overlap, and there is a need to distinguish them carefully, an argument supported by Hale (1993). Once an awareness of task and role assignments is firmly established, the leader can move on to balancing the distribution of work among members. The differentiation of the roles and tasks is supported by Weems-Landingham (2004) who states that it is only when leaders are aware of the differences

that they can work effectively. The next section therefore addresses the differences between leadership roles and leadership tasks.

As introduced in the previous discussion, leaders need to perform their roles and tasks appropriately if they are to realise their set goals. According to Amos (2012), organisational leaders have specific roles and tasks which must be performed in order to get good results. Given the fact that leadership roles and tasks are critical to leadership effectiveness, it is appropriate to first define and distinguish the two concepts. Leadership roles denote the formal and explicit mechanism through which leadership is exercised (Strategic Informational Service, 2001:4). Clark (2013) further defines roles as expectations arising from a given position and associated behaviour. Mintzberg (1994) is credited with defining, researching, and writing about leadership roles. To him, a role indicates "an organised set of behaviours associated with a particular office or position." Robbins, Judge, Millet and Waters-Marsh (2008:303) agree with Mintzberg (1994) that a role relates to expected behaviour associated with a person occupying a certain office or position. However, they add that such behaviour and position must be within a specified social context and must be performed regularly and consistently (Robbins et al., 2008). Mintzberg (1994) further organises the roles into three, namely, interpersonal, informational, and decisional-making roles. The interpersonal role is derived from the leader's position of authority and is concerned with good relationships with other people, be it employees or otherwise. The informational role is concerned with receiving and disseminating information within an organisation. The role makes the leader act a nerve centre for the organisation. Finally, the decision-making role relates to the expectations of a leader to make significant decisions affecting the organisation. Mintzberg (1994) adds that a leader in a particular position can play numerous roles. When performing a specific role, leaders feel a sense of achievement and recognition (Clark, 2013). Scholars have observed that it is the leader's role that defines the types of tasks to be performed (Clark, 2013; Linstead et al., 2009). Accordingly, it is the roles that determine the expected behaviours for performing associated tasks and identifying who does the tasks.

A leader's tasks on the other hand are specific activities that must be accomplished to fulfil a specific role (Clark, 2013). According to Clark (2013) each role is accompanied by

a set of tasks expected of the leader in order to accomplish set goals. The tasks are said to be mostly different at various management levels, with each leader having a defined set of activities to perform (Linstead et al., 2009). The way leaders deal with their followers depend on the specific tasks performed. For some roles, the leader is able to perform the associated tasks alone, while in others the support of followers or employees is necessary if the goals are to be realised. The depth of the relationship between the leaders and their followers determines how tasks are to be accomplished (Clark, 2013).The next section discusses the specific tasks, as derived from literature and empirical findings.

4.3 LEADERSHIP TASKS CONCEPTUALISED

As explained above in Section 4.2, leadership tasks are specific activities that leaders must perform in order to accomplish assigned roles (Clark, 2013). Without such activities it is impossible for leaders to achieve their desired goals (Clark, 2013). As indicated earlier in Section 4.2, there is an overlap between leadership roles and tasks (Amos, 2012; Hale, 1993; Linstead et al., 2009). In this study, all activities performed by leaders as they fulfil their specific roles are termed "tasks" and they will be discussed in the rest of this chapter. However, the tasks performed by leaders are not fully agreed on by past and contemporary scholars. There are as many tasks as there are scholars. From the various literature analysed in this study, there is little agreement on the number and types of tasks performed by leaders or managers. To distinguish the various tasks, Parker (2001:94) suggests that some tasks are “more the purview of hierarchical leaders, while others may be seen as part of the broader concept of leadership – at any level of the organisation.” According to Parker (2001:94-95), there is no task that is mutually exclusive, and all should be seen as highly interconnected and dependent. To show the varied and diverse leadership tasks among organisational leaders, the next section focuses on different scholars and the different tasks identified.

The discussion relating to leadership tasks has dominated the contemporary literature and empirical studies. From various studies conducted, scholars have suggested different varied tasks performed by leaders. The varied tasks associated with different authors are summarised in Table 4.1 below.

Table 4.1: Different scholars' definitions of leadership tasks

Authors	Leadership tasks
Gardner (2005)	1. Envision goals 2. Affirm values 3. Motivate 4. Manage 5. Achieve workable unity 6. Explain 7. Serve as a symbol 8. Represent groups 9. Renew
Nienaber & Roodt (2006)	1. Respond for survival and growth 2. Set direction 3. Motivate staff 4. Determine organisational performance 5. Understand the environment 6. Maintain and improve the wealth-creating capacity of the organisation 7. Information 8. Create an environment in which employees can perform 9. Determine what constitutes customer value 10. Determine competitive advantage 11. Communicate direction 12. Determine priorities
Pors & Johannsen (2002)	1. Staff management 2. Staff development 3. Development management 4. Strategic management 5. Team management 6. Change management 7. Quality management 8. Administration 9. Daily routine management
Parker (2001)	1. Setting mission or purpose and value 2. Sscanning the environment 3. Setting the strategic framework work (goals, measures of success, guidelines) 4. Motivating 5. Communicating/building trust 6. Leadership development 7. Teaching/learning
Mathura (2009)	1. Determining strategic direction to engender commitment 2. Making strategic choices 3. Determining the organisation's structure 4. Managing and leading the organisational culture 5. Establishing balanced control systems 6. Leading the strategy implementation process emphasising ethical practices 7. Managing the firm's resource portfolio

Authors	Leadership tasks
	8. Managing organisational performance
Kotter (1990)	1. Planning and budgeting 2. Setting direction 3. Organising and staffing 4. Aligning people 5. Controlling and problem solving 6. Motivating and inspiring
Hochschild (2010)	1. Crafting visions 2. Creating fertile and motivating environment for followers 3. Coaching 4. Managing interconnectedness or coalition 5. Building, establishing leadership teams 6. Leading change
Specific Bank leadership tasks (Source: Mushfiqul (2012); Metwally, Hatem & Flood, 2012); VDT (2008).	1. Control and coordinate affairs 2. Develop core competencies 3. Allign different functions 4. Build strong condusive environment (culture) 5. Develop individual capacity 6. Team management 7. Problem solving 8. Manage change 9. Risk and capital management 10. Consolidate bank relations

Author's own contruction

As shown in the above table, different scholars and banks have spelled out different tasks performed by leaders. For instance Gardner (2005:1) has given nine tasks that managers perform, namely, envisioning goals, affirming values, motivating, managing, achieving a workable level of unity, explaining, serving as a symbol, representing group externally and renewing. Nienaber and Roodt (2006:45-46) identify twelve tasks performed by organisational leadership, namely responding for survival and growth of the business, set direction, motivate staff, determine organisational performance, understanding the environment, maintain and improve the wealth creating capacity of the organisation, information, create an environment in which employees can perform, determine what constitutes customer value, determine competitive advantage, communicate direction and determine priorities. Pors and Johannsen (2002:199-208) further identify nine more leadership tasks, namely, staff management, staff development, development management, strategic management, team management, change management, quality management, administration and daily routine management. Parker (2001:94-110) further

identifies seven tasks necessary for effective leadership. These are: setting mission or purpose and value, scanning the environment, setting the strategic framework work (goals, measures of success, guidelines), motivating; communicating/building trust, leadership development, and teaching/learning. On his part, Kotter (1990) has identified the following six tasks: planning and budgeting, setting direction, organising and staffing, aligning people, controlling and problem solving and motivating and inspiring. Mathura (2009) identifies the following leadership tasks: determining strategic direction to engender commitment, making strategic choices, determining the organization's structure, managing and leading the organisational culture, establishing balanced control systems,leading the strategy implementation process, emphasising ethical practices, managing the firm's resource portfolio, and managing organisational performance. Another study by Hochschild (2010) identifies six leadership tasks, namely, crafting visions, creating fertile and motivating environment for followers, coaching, managing interconnectedness or coalition building, establishing leadership teams and leading change. For Drucker (1986) leaders perform the following tasks, namely, specification of purpose and mission of the organisation, make workers productive and achieve their targets, manage social impacts and social responsibilities. Costa and Bogdany (2013) have identified twelve leaders' tasks, namely, formulation of vision, ensuring the acceptance of vision, formulating the identification with the strategic goals, initiating changes, developing change management strategies, implementation of organisational development, handling the conflict between organisations, strategic controlling, coordinating informal relations, coordinating projects, individualised support of the co-workers in the implementation of the tasks, and individual guide to co-workers. In order for banks to adopt Basel III and other legal framworks, there have been changes in the enforcement of leadership tasks performed. According to VDA (2008), American banks like other banks are implementing new regulatory framworks meant to make them respond to rising financial challenges, threats and identify opportunities. Among such changes include put in place risk capital management procedures and consolidating bank relations and capital management. Metwally et al. (2012) have also emphasised the need for banks to put in place mechanisms that create more value for stakeholders and strengthen their internal operations. Similarly, different banks and other scholars have

identified ten bank leadership tasks performed by bank leaders, namely control and coordinate affairs, develop core competencies, allign different functions, build strong condusive environment (culture), develop individual capacity, team management, problem solving, mentor/trainer, risk and capital management and consolidation of bank relations (Mushfiqul, 2012; Metwally, Hatem & Flood, 2012; Metwally et al., 2012; VDT, 2008).).

Finally, several scholars and empirical researchers have identified the following tasks: set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, and, emphasise ethical practices and balanced organisational control (Amos, 2012; Boal & Hooijberg, 2001; Hanson et al., 2011; Dowling, 2011; Mogamad, 2010; Noe et al., 2000). A look at Table for 4.2 and the subsequent explanation indicates that scholars and banks have agreed on certain tasks as commonly performed by leaders in different organisations. Table 4.2 shows the tasks that are agreed upon by the majority of scholars.

Table 4.2: Generally agreed leadership tasks

Authors	**Tasks**
Amos (2012); Boal & Hooijberg (2001); Gerhart & Wright (2000); Hanson et al.(2011); Hitt et al.(1997); Hochschild (2010); Kotter (1990); Metwally, Hatem & Flood, 2012); Mathura (2009); Mogamad (2010); Mushfiqul (2012); van Eeden, Cilliers & van Deventer (2003); VDT (2008).	1. Set organisational direction 2. Develop human capital 3. Build core competencies 4. Create organisational alignment 5. Sustain appropriate organisational culture 6. Manage change 7. Emphasise ethical practices 8. Balanced organisational control

Author's own contruction

Table 4.2 shows the eight leadership tasks identified as the most common among different scholars namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change,* and *emphasise ethical practices* and *balanced organisational control.*The tasks are discussed in the next section in detail, and are further discussed in Chapter 7, Section 7.5.7.2. They are also discussed in Chapter 6, Section 6.2 and Table

6.2 where they are linked to a theoretical framework and theoretical literature. The leadership tasks are considered in current studies to be necessary for attainment of leadership effectiveness.

4.3.1 Set organisational direction

An organisation's core reason for existence is conveyed by its strategic direction and statement of intent (Samson & Daft, 2012). The task of setting the organisational direction or "strategic direction" is the ability to develop a long-term vision and a strategy to help realise it. A vision denotes a single shared organisation-wide intention for the future. In other words, a vision is a picture of a future organisation (Stacey, 1993). A long-term vision ranges between three and five years in the future, although for some organisations this may be shorter term or longer, depending on the industry (Hitt et al., 2001:497). The vision is developed in the context of opportunities and threats facing the organisation, its strengths and weaknesses and possible strategic solutions. For leaders to be considered effective, thereby leading to organisational effectiveness, the first task is to translate a set vision into a strategy which acts as a guide for every employee to follow or buy into (Amos, 2012:452-453). Without a clear vision, it is impossible for employees and management to be focused. A well-formulated strategic direction provides not only motivation to employees, but also direction, empowerment and guidance on how the organisation should operate (Hitt et al., 1997:393).

According to Ireland et al. (2011:332), a strategic direction has two parts, namely the core ideology and the envisioned future. The core ideology defines what an organisation stands for and why it exists (Collis & Porrass, 1996:66). According to Collis and Porrass (1996:66), the core ideology of an organisation provides the glue that keeps the organisation intact as it grows, diversifies, decentralises, expands globally and empowers its workforce. This is done by ensuring that the organisation’s core values and purpose are well understood and reflected in all activities. The envisioned future shows what the organisation aspires to become or to create (Collis & Porrass, 1996:66). While the core ideology motivates employees to align and pride them on the organisation’s heritage, the envisioned future motivates and encourages them to go beyond current challenges and

expectations, but also to change and adjust accordingly. This envisioned future acts as a guide to achieving strategy implementation and forms the basis of all actions that the organisation may engage in (Hitt et al., 1997:393).

To realise the organisation's goals and objectives, a leader must fully understand setting organisational direction tasks. Not all leaders understand and implement the tasks effectively. Some top leaders are committed to the status quo and neglect or oppose any proposed changes. This is especially true for organisations that have successfully achieved high performances in the past or where the CEOs have been in the same position for a long time (Ireland et al. 2011:333). Future-orientated CEOs are not only committed to achieving high performance supported by employees but also try as much as possible to gain stakeholders' commitment to their new visions and strategic direction. Besides this, the CEOs need to ensure that they apply the best managerial practices that fit different cultural contexts if they are to be successful (Ireland et al. 2011:333). It is the goal of the current study to establish the extent to which the indigenous banks' leadership set the strategic directions of their organisations.

4.3.2 Develop human capital

Human capital is defined as the skills and knowledge possessed by an organisation's entire workforce (Ireland et al. 2011:334). According to Denton and Vloeberghs (2003:6), human capital is the most important asset an organisation can have. It is human capital, through its intellectual ability, that places any organisation ahead in the competitive market. With reference to human capital, Louw and Venter (2012:252) explain that it should include both individual skills and competencies. Grant (2008:89) further observes that human capital or resource is essential for productive services that are necessary for organisational survival and prosperity. According to Hitt et al. (2001:501), human capital is the only source of sustainable competitive advantage for an organisation. That is, "people are perhaps the only truly sustainable source of competitive advantage" (Hitt et al., 2006:1157). Louw and Venter (2012:252) emphasises this point by saying: "Through their individual skills, knowledge, and learning and thinking abilities, human resources can contribute significantly to value creation in the organisation" (Louw & Venter, 2012:252). This means that organisational leadership

need to realise that effective management of their human capital is the primary determinant of their organisation's survival. Unfortunately, though critical to organisational core existence, human capital is never owned by organisations (Louw & Venter, 2012:252). This is a resource that needs continuous improvement, motivation and investment if an organisation is to remain competitive (Ployhart, Van Idderkinge & MacKenzie, 2011:353-368).

Investing in human capital is associated widely with organisational and industrial success. In fact, the growth of USA industries is attributed to the country's investment in human resources (Ireland et al., 2011:334). For organisations to be successful in their ventures to empower human capital, they need well-established human resource management departments. Such departments or divisions should fully perform their task of ensuring that only competent candidates are selected as employees to join the organisation. The selected employees must have the right skills, right attitudes and right behaviours as per the vision and mission of their organisation. When employees are empowered, leaders are able to delegate some of the tasks to them. This enables leaders to concentrate on other critical tasks in their organisations (Ireland et al., 2011; Noe et al., 2000). It is the work of the human resources (HR) team to help identify employees who can be empowered and bring them into the organisation as key players in attaining a common goal (Denison, 2001; Dessler, 2011).

In ensuring that quality human capital is acquired, the HR department is central. It is their task to identify such persons and align them with organisational HR needs and systems. In order to do this well and effectively, the HR management must play its role of recruitment very carefully. There is also a need for proper preparation in terms of job analysis, job design, recruitment, selection and orientation of new employees (Dessler, 2011). Even after orientation, the HR team has the task of developing human capital in terms of career advancement and compensation. Amos (2012:459) points out that competent people are fundamental to an organisation's successful implementation of its strategies.

Denison (2001:353) states that an organisation with a well-thought-out plan for its HR knows where and how to allocate resources meant for employees' growth. Such an organisation focuses on empowerment of human capital, thereby encouraging employees to be committed and pay full attention to optimal performance. Denton and Vloebergh (2003:6) further observe that such empowerment can be achieved when employees share a common vision and values about the organisation's future. The employees must also be working in an environment where they feel treated with openness, fairness, honesty and trust. According to Parker (2001:1) organisational leaders cannot achieve desired results if they do not treat their employees as a team. The leaders should ensure they provide a fertile ground for employees' empowerment, for the desired goals to be realised. The result is that the organisation is able to maintain a competitive advantage over its competitors (Denison, 2001:353).

To address human capital or resource challenges, organisational leaders must realise that is important to emphasise that different tasks call for different requirements and personalities (Noe et al., 2000). For instance, innovative tasks demand employees who are risk takers, ready to face challenges and willing to experiment with different ideas either as individuals or as a group. The organisational leadership must also realise that employees need to take part in decisions involving them while at the same time being given opportunities to venture into innovative ideas and products without victimisation (Van der Colff, 2003:4).

To succeed in ventures, the HR department must engage in effective training of the workforce. As Ployhart (2007:868-897) points out, effective training and development result in an organisation having successful strategic leaders (Ireland et al., 2011:335). Such training contributes positively to an organisation's effort to develop the required competencies (Hollenbeck & McCall, 2003:101-119). Ireland et al. (2011:335) add that training enables strategic leaders to become more skilful to handle other leadership tasks such as determining organisational direction, developing and sustaining organisational culture, and supporting ethical practices.

Having developed its human capital, organisational leadership must develop mechanisms for retaining such a force (Colvin, 2007). To develop a mechanism, it is suggested that organisations increase their empowerment budgets in order to instil and enhance the knowledge, skills and competencies which will lead to employees performing their tasks successfully (Ireland et al., 2011). It is the leadership's task to ensure that the attained knowledge, skills and competencies are put to the right use, geared towards attaining competitive advantage and positioning in the market place, a goal only attainable with the right human capital in place. Since this study focuses on the banking industry, it examines the extent to which this particular task is exercised by indigenous banks' leadership. In the next section, how organisations build and use their core competencies is discussed.

4.3.3 Build core competencies

In Chapters 1 and 3, the concept of competencies was defined and discussed. It was defined as the proper application of knowledge, skills, expertise, beliefs, values, motives, personal and behavioural characteristics expected from effective leaders (Hellriegel et al., 2008). The concept of core competencies was first introduced by Prahalad and Hamel (1990). In their opinion, core competencies result from collective learning and coordination of diverse unique skills whose integration gives an organisation an edge over the competitors. Core competencies relate mostly to an organisation's functional skills, namely finance, marketing, research and development, and manufacturing. These competencies may focus on competitive agility or competitive speed (Ireland et al., 2011: 334). Using competitive agility, an organisation is able to adjust and fit into a different competitive environment. "Competitive speed" refers to an organisational ability to move quickly and effectively when faced with environmental and competitive pressures (Ireland et al., 2011: 334). An organisation's ability to either move with speed or adjust effectively when faced with environmental challenges depends on the level of competencies among its employees. The organisation must therefore identify its competencies in terms of contributing positively to organisational effectiveness.

In order to build and use core competencies in an organisation, Hamel and Prahalad (1994) identify five core management tasks. The first task is to identify core

competencies required by an organisation. Secondly, upon identifying core competencies, an organisation then establishes what is referred to as a "core competence acquisition agenda". The agenda is mainly based on the organisation's strategy. A competence-product matrix is often a good guide in assisting to identify core competencies. The matrix distinguishes between existing and required new core competencies while at the same time distinguishing between existing and new product markets. The third task is the building of new core competencies (Niiranen, 2004:16). According to Prahalad and Hamel (2003:1), the building of new competencies involves investing in the right technology, infusing required resources throughout the organisational departments or units, and forging strategic alliances with like-minded partners (see also Chapter 3, Section 3.4.2). However, to build required competencies is hard work, and may require many years to perfect (Hamel & Prahalad, 1994).

To successfully build core competencies in an organisation, the leaders and their followers must work as a team. To do this effectively, employees or followers must be fully involved in identifying their core competencies. To succeed, the employees must also believe that their competencies add value and have a major impact on the organisation. This means that they must be provided with all necessary information in order to facilitate their decision-making. The fourth task in building core competencies is deploying the competencies across organisational entities and into new markets. To do this effectively, those with the desired competencies share their new expertise with different departments, divisions or regions. The process may involve visiting the target area or having frequent meetings (Hamel & Prahalad, 1994). Lastly, core competencies must be protected and defended (Hamel & Prahalad, 1994).

To ensure the safety of the competencies, organisational leadership must ensure that there are regular review meetings aimed at strengthening the core competencies while at the same time guiding any threats that may arise either from competitors or from internal forces that may be dissatisfied (Niiranen, 2004:17). Core competencies must be renewed frequently, otherwise competitors may easily copy them and reduce the organisation's competitive advantage. This means that the organisation must be able to continually

develop and improve its competencies over time, in order to outperform its rivals (Prahalad & Hamel, 1990). This practice should apply to all organisations, including the banks. One danger of not being sensitive to adjusting core competencies is that what is considered valued may become a liability. When this happens, the desired change is resisted by the employees. If the matter is not fully addressed to the satisfaction of all those involved, the consequences are negative performances by the organisation, as well as employees' dissatisfaction. The consequences are detrimental to the organisation and may lead to loss of its competitive position (Ireland et al., 2011: 334). Since the current study focuses on the banking industry, it explores how the indigenous banks build competencies among their employees. Building competencies also relate to how the organisations and banks, in particular, align various activities to ensure leadership effectiveness. The next section discusses how organisations align different activities in order to achieve leadership effectiveness.

4.3.4 Create organisational alignment

In the contemporary world of business, organisations are constantly changing and seeking new ways to gain and sustain competitive advantage. To attain an edge in the ever-changing environment, organisations must ensure there is alignment between their operations and strategies (Hellriegel et al., 2002:487). "Alignment" refers to the ability to ensure that different organisational units work together in support of corporate strategies and overall organisational goals. The activities to be aligned include operations, departments, structures, employees' jobs, and any other organisational activities (Kaplan & Norton, 2005). At the heart of such alignment is leadership. It is the leadership that ensures that different parts and activities are aligned, thereby leading to organisational and work cohesion (Amos, 2012).

To achieve work and organisational cohesion, good leadership is instrumental (Jones, O'Leornard & Bersin, 2012). That is to say, when an organisation has leadership with good coordination and integration skills, it is able to bring all employees together and have them work for a common goal. For this to happen, leadership must identify organisational parts or divisions that are related, and determine how they fit together, in order to ensure smooth operations and synergy (Kaplan & Norton, 2005).

According to different scholars and researchers (Amos, 2012; Deal & Kennedy, 1982; Kotter & Heskett, 1992; Higgins, 2005) for organisational alignment to be realised, the leadership must perform several activities, among which are the following:

- Approach their organisations in a consistent and predictable manner.
- Ensure that employees from different parts of the organisation share a common perspective.
- Believe that it is easy to coordinate projects across different parts of the organisation.
- See working with someone from another part of the organisation as similar to working with someone from a different organisation.
- Ensure that there is good alignment of goals across different levels.

Upon alignment of the required activities, such as ensuring that all workers have a common perspective of what is expected of them, coordinating projects and different departments working in harmony of employees and structures, then an organisation is able to realise its strategic intent (Smikle, 2002:27). According to Kaplan and Norton (2005:8), successful alignment cultivates synergies throughout organisations as different units or divisions work toward a common goal. The synergies created lead to competitive edge, resulting in overall effectiveness of the organisation. At the heart of such alignment is organisational culture, which is discussed in the next section (See also Chapter 7, Section 7.5.8.2 on how the tasks of creating alignment are measured).

4.3.5 Sustain appropriate organisational culture

Culture can be defined as the "unique patterns of shared assumptions, value, and norms that shape the socialisation activities, language, symbols, rites, and ceremonies of groups of people" (Trice & Beyer, 1996:1-32). Organisational culture denotes:

> …a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 1992:12).

Bower (1966) sees organisational culture as a set of values and assumptions underlying the phrase “this is how we do things around here.” Hagberg and Heifetz (2000) point out that organisational culture is the foundational operating system that greatly influences members' thought systems, styles of management, feelings and operations on the thought styles of staff members, interactions, emotions and overall behaviour. The view is also supported by Robbins (1996) who emphasises that organisational culture shares values that guide all organisational matters and ensures that the organisation is kept on track. Amos (2012:464) points out that each organisation has its own unique organisational culture that shapes the behaviour of the members. It is the organisational culture that affects how people set objectives, behave, perform their tasks, make decisions and manage available resources (Thompson, 2002).

4.3.5.1 Levels of culture that influence organisations

To fully understand organisational culture, it is important to examine different levels of culture and how they affect overall effectiveness of the organisation. According to Hellriegel et al. (2011:378-382), there are three main levels of culture that influence how effective leadership in an organisation will be, namely societal culture, industrial culture, and organisational culture.

a) Societal culture

Societal culture encompasses general values held by most people. Culture has a great influence on preferences and behaviour not only of the customers of an organisation, but also the employees and the community at large (Hellriegel et al., 2011:378-379). A major role of leadership in dealing with ocietal culture is to ensure that decisions made do not negatively affect the general public, employees and the community at large. Failure to be aware of societal activities and their effects on the organisation will negatively impact the organisational practices and output (Tung & Worm, 1997).

b) Industrial culture

Industrial culture represents organisations with similar assumptions, beliefs and values. It is difficult to distinguish different industrial cultures, but it is possible for employees to realise the differences as they move from one industry to another. For instance, an employee moving from the agricultural sector to the banking industry will easily notice a major difference. According to Hellriegel et al. (2011:379), noticeable differences between industries range from employee-orientated to result-orientated; parochial to professional; open-system to closed-system; or lose control to tight control (Hofstede, 1995; Hofstede, Neuijen, Ohayv & Sanders, 1990). While employee-orientated cultures are more concerned with people doing the work, result-orientated cultures focus on achievement of stated goals (Hellriegel et al., 2011:379). Likewise, the parochial industrial culture's employees associate themselves with the organisations they work for. Such employees are not only committed, but they are willing to sacrifice for their organisations. For professional industrial cultures, employees' interest is determined by the professionalism of the employees. For open-system industries, the management and employees interact freely with the environment. The closed-system industries, on the other hand, rarely interact with the environment as most of the activities can be done internally. Finally, loose- control industrial cultures develop cultural practices that allow for variations among their employees. In these cultures, employees feel free to contribute and exercise their authority in the organisations (Hofstede, 1995; Hofstede et al., 1990). In all these industrial cultures, any leadership must understand the existing culture, components, expectations and what role to play in order to attain the required results.

c*)* Organisational cultures

From the above discussion, it is evident that different cultures do exist in an organisation. However, for the purpose of the current study, the overall culture in an organisation and how it contributes to leadership effectiveness is assessed rather individual cultural elements. Organisational culture is defined as a group of people working for an organisation in which they share same values and practices,

aimed at achieving a common goal (Schein, 1992). As highlighted in the previous section, organisational cultures are greatly influenced by both societies and industrial cultures (Hellriegel et al., 2011:379). In fact, organisational culture has its foundation in societal and industrial cultures, and is usually shaped by the higher-level macro-cultures of both societal and industrial cultures. Apart from the influence from both societal and industrial cultures, each organisational culture is often clear and distinct between separate organisations, depending on the vision, mission and objectives of the organisations (Samson & Daft, 2012). According to Hill and Jones (1998:396), organisational culture encompasses a collection of values and norms that are shared by members. The values and norms also shape the members' behaviour and determine how they interact with each other and with outsiders.

According to van Eeden et al. (2003), some leaders ignore the role of organisational cultures. However, according to Samson and Daft (2012) there are still leaders who recognise the importance of culture and its effect on employees' performance as well as leadership effectiveness. Organisational leaders are instrumental in determining the type of culture that exists, and have major responsibility in shaping it. To emphasise this point, Hill and Jones (1998:296) stress that organisational culture is the product of leadership. The leaders must therefore understand that the organisational values, personal values, employees' commitment, group norms, conflict management and other organisational issues are influenced by their behaviours and practices (Bartol et al., 2003). In well-developed organisational cultures, leadership is rewarded in terms of effectiveness and organisational performance. However, to achieve effectiveness in their work, organisational leaders must also create and manage change. In the next section, leadership's ability to create change in the organisation is examined.

4.3.6 Manage change

To survive in the contemporary world of business, organisations must respond positively to changes taking place in their environment (Denison, 2001:354). With reference to managing change, Charles Darwin has said: "It is not the strongest species that survive,

nor the most intelligent, but the ones who are the most responsive to change." Darwin's comment indicates that organisations, irrespective of their size, can survive or die depending on the way they manage change. "Managing change" means that the organisational leadership fully understands its external and internal business environments, and responds according to any change that may arise (Denison, 2001:354). The management of change is a vital factor in the success of any organisation. According to a report by Government Office for The South West (UK), there are four key factors that lead to success in managing change. First there is the pressure for change, which demands senior management commitment. Secondly, there should be a clear and shared vision. That means that the management and employees must all work together towards a common goal if the whole organisation is to benefit from the changes. Thirdly, organisations must have the capacity for change in terms of resources (time and finance). Finally, there must be action and performance. Managing change will not take place without the management and employees taking the initiative to bring about that change (Boal & Hooijberg, 2001). Equally, change will not take place unless organisational leadership takes charge of change and the change process. The leaders must respond proactively to current challenges demanding change, while at the time developing a mechanism to deal with the changes both in the present and in the future. The whole process of managing change demands strong leadership that is open to alteration and accepts new ways of thinking and operating (Boal & Hooijberg, 2001). Such leadership must have an adaptive capacity to implement change effectively and in a way that is satisfactory to employees and other stakeholders (Denison, 2001:354). This means that the organisational leaders must deliberately position their organisations well in the industry, in order to compete and attain a competitive edge.

A report by Wilton, Woodman, Rudiger, Pardey, Tamkin and Rabbitts (2012:10) states that lack of consistent leadership is a major cause of failure in managing change. In addition, failure in the process of managing change can result from employees who are kept in the dark and no one informs them about the need for change, how to adjust their operations, or how to manage the change process. The organisations themselves may lack the capacity to implement new changes because of a lack of finances, short-term

approach to investment, stresses among workers, and finally lack of initiative to do something different. The consequences of these weaknesses include lack of planning, lack of improvement and eventually organisational failures. In the present study, the ability of leaders to manage change is assessed through their abilities to do the following:

- Make sure the way things are done is very flexible and easy to change.
- Respond well to competitors' reaction.
- Adopt new and improved work methods.
- Ensure cooperation among different parts of the organisation.

The current study examines managers' abilities to manage change by focusing on the above factors (See Section 7.6) and the effects on the overall leadership of the indigenous banks in Kenya.

4.3.7 Emphasise ethical practices

De George (1999:20) defines ethics as:

> … a systematic attempt to make sense out of individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life.

Solomon and Daft (2012) define it as the standards that guide individual actions (Samson & Daft, 2012). According to van Eeden et al. (2003:82), ethics requires that individual action or behaviour should not harm the interest of others. An ethical approach requires that an individual balances self-interest and the interest of those affected. When an organisation's ethics are clear and well understood by all members, they become the basis of behaviour and common identity for organisational members and stakeholders (Denison, 2001:353). Trevino and Nelson (2006) observe that having well-established ethical practices lead to an ethical organisation. Such organisations have systems that are set to ensure integration of ethical behaviour in all aspects of the organisation (Segon, 2010:16). According to Hitt et al., 1997:402), an organisation guided by ethical principles encourages and enables its members to exercise ethical judgement at all levels. Lozano (1996) and Milton-Smith (1995) agree that ethical behaviour must be part of an organisational decision-making process. Ethical behaviour denotes individual actions that are good for a person and for those affected (Rousseau, 2003:1). This behaviour should

become the base of evaluating all actions in an organisation. Research by the Centre for Business Ethics (1992) finds that more and more organisations are incorporating ethical values and practices in their daily operations. The practice is supported through ethical training, having a code of ethics, and having ethical committees in the organisation. In this way, ethical practice is becoming entrenched in organisational activities that are regarded as good business, leading to a positive image and a good reputation among stakeholders. Whether in product development, strategy development or implementation, organisational effectiveness increases if all the activities are based on sound ethical practices (Ireland et al., 2011).

To ensure that organisational leadership maintains ethical practices and behaviour, several authors (such as Ashforth, Gioia, Robinson & Trevino, 2008:670-684; Ncube & Wasburn, 2006:77-92; Schminke, Arnaud & Kuenzi, 2007:171-186; Ireland et al., 2011:339) have outlined the following six steps:

- establishing and communicating specific goals to describe the organisation's ethical standards;
- continuously revising and updating the code of conduct, based on inputs from people throughout the organisation and from other stakeholders (e.g. customers and suppliers);
- disseminating the code of conduct to all stakeholders to inform them of the organisation's ethical standards and practices;
- developing and implementing methods and procedures to use in achieving the organisation's ethical standards;
- creating and using explicit reward systems that recognise acts of courage; and
- creating a work environment in which all people are treated with dignity.

These steps are essential for ethical practices in organisations. While an organisation may use its own mechanism to establish or measure ethical behaviour, the best measure of such behaviour and its practical effectiveness is the external world which is considered by the organisation either as a friend or an enemy (Kayes, Stirling, & Nielsen, 2007:61-70; Trevino, Weaver, Toffler, & Ley, 1999:131-151). To effectively ensure that ethical behaviour is practised in the organisation, the leadership as a whole must act as role

models of ethical behaviour and practice. When they do this effectively, employees easily imitate them not only in their behaviour but also in their work. In this study, how organisations emphasise ethical practices is assessed by the banks' abilities to:

- practise what they preach in terms of core values;
- ensure that they use management styles that are consistent with ethical practices;
- ensure they have a consistent and clear set of values that govern operations;
- have mechanisms to ensure that ethical practices and core values are adhered to;
- have ethical guidelines in place to guide all employees on what is right and wrong.

To achieve that level of desired ethical behaviour, organisations must be in control of all their activities as discussed in the next section.

4.3.8 Establish balanced organisational control

Control can be defined as the "formal, information-based...procedures used by managers to maintain or alter patterns in organisational activities" (Simons, 1994:170-171). It is also defined as the use of appropriate mechanisms to ensure that the behaviour and performance of employees conform to set standards (Hellriegel et al., 2011:403). Organisational control involves having a clear-set strategic direction, agreement of goals, and ensuring that employees clearly understand what needs to be done (Hellriegel et al., 2011). It is through organisational control that leadership measures the set goals against what has been achieved. Hitt et al. (1997:405) state that with proper control mechanisms, effective leadership is able to gain credibility and demonstrate the importance and value of strategies to stakeholders, as well as driving any desirable change in the organisation. Such control measures are important since they also act as parameters within which to operate and implement plans while at the same time taking corrective actions.

Two main measures of control are strategic controls and financial controls (Hitt et al., 1997). Strategic controls are defined as the use of long-term and strategically relevant measures to evaluate organisational leaders' actions and performances. To use the strategic controls as measures requires leaders to be well conversant with organisational operations and markets. At the same time, to ensure that the measures used are effective,

there should be well-developed mechanisms of exchanging information among leaders from different levels of management (Hoskisson, Johnson & Moesel, 1994). Such measures include internal control mechanisms like employee appraisals and balance score cards.

Financial controls measures entail the use of objective orientated criteria to evaluate leaders' performance. Often financial control measures are short-term focused and include profitability and market share (See Chapter 5, Section 5.7). The process calls for development of financial targets by top management to evaluate each management level (Mawanda, 2008). Financial controls are also more risk-averse in terms of managerial decision than strategic controls, which are subjective and less specific in terms of financial assessment (Hitt et al., 1997).

Effective leadership balances both strategic and financial controls to ensure that proper measures are in place that do not compromise performance. Again, the critical role of the leaders is to provide the right feedback based on expected results, and also to offer corrective measures (Hitt et al., 1997).

For each of the measures, specific goals are set in line with organisational strategic directions (Hitt et al., 1997). The leaders' task is to ensure that the right measures are in place and that resources are well allocated and not misused. Success in this area means that the organisation is able to utilise its resources correctly, leading to competitive advantage compared to those who may have done poorly in the same area. In the current study, the ability of organisations to ensure there is balanced control of activities will be assessed in relation to the following:

- how clear the strategic direction of the banks are;
- whether the goals of the banks are widely agreed to by employees;
- how realistic the goals are;
- whether the employees understand what needs to be done.

It is assumed that when an organisation has well-established mechanisms of control, it is well focused and therefore is competitive, a condition that can only happen with effective leadership.

4.4 LEADERSHIP TASKS' MEASUREMENT INSTRUMENT

To assess leadership tasks and their relevancy to the banking industry, this study has relied on previous research instruments developed for the purpose of measuring leadership effectiveness. A key research instrument for assessing leadership effectiveness is *Denison Organisational Culture Survey* (DOCS), developed by Denison and Fey (2003). The instrument contains all eight tasks identified for this study (*set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change,* and *emphasise ethical practices* and *balanced organisational control*) which are contextualised to the local Kenyan banking industry.

The instrument was considered relevant for this study due to its worldwide application. According to Denison, Lief and Ward (2004:65), over 3 000 organisations participating 100 000 people have used the instrument. The instrument has also been used in many countries ranging from Japan, USA, Canada and Russia, to Jamaica, Brazil and South Africa, all using the instrument in different industries.

From the literature analysis, the *Denison Organisational Culture Survey* has been used widely by scholars to measure leadership effectiveness. Those who have already used the instrument have included Denison (1984), Denison and Mishra (1989, 1995), Denison and Fey (2003), Denison, Haaland and Goelzer (2003) and Denison, Janovics, Young and Cho (2006), and Liu (2006). Both literature and research findings agree that the instrument is very reliable. In the financial sector, for instance, a study entitled *Reliability of the Denison Organisational Culture Survey (DOCS) for use in financial institution in South Africa* (Franck, 2005) declares the instrument very reliable (Franck, 2005) with Cronbach's alpha coefficient reliability scores ranging from a minimum of 0.690 to a maximum of 0.840 (See Chapter 7, Section 7.5.8.2). The consistency and reliability of

the instrument make it applicable to the current study. Further evidence on the instrument's reliability and validity is discussed in Chapter 7.

4.5 SUMMARY

The chapter has differentiated between leadership roles and tasks in relation to leadership effectiveness and overall organisational effectiveness. Leadership tasks are defined as specific activities that leaders must do in order to fulfil their assigned roles There are various tasks that leaders need to perform, with most scholars selecting eight tasks adopted for this study, namely setting organisational direction, staffing the organisation with the right human capital, building and using core competencies, aligning organisational activities and processes, creating appropriate and sustainable organisational culture, managing change, ethical practices and ensuring balanced organisational control.

To measure the relevancy of the tasks, *Denison Organisational Culture Survey* developed by Denison and Fey (2003) is adopted and modified for the study. Each of the eight tasks is assessed using related questions, as discussed in Chapter 7 and shown in the research instrument. The *Denison Organisational Culture Survey* is a popular tool for measuring leadership effectiveness.

It is concluded from this chapter that although the leaders may identify their roles as critical to organisational success, it is the tasks they perform that determine whether they are effective or not (Clark, 2013). It is also believed that when leadership tasks are done well, the results are leadership and organisational effectiveness. The next chapter addresses leadership and organisational effectiveness in more detail and how this relates to the banking industry.

CHAPTER 5

LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS

5.1 INTRODUCTION

Organisational leadership shapes what an organisation is and what it will become in the future (Sandy-Lee, 2011:23). Leaders do this by defining its goods and services in order to encourage certain types of relationship to develop as well as its effectiveness (Sandy-Lee, 2011:23). However, determining leadership effectiveness in organisations remains a challenge. The definition of "effectiveness" has bogged the mind of scholars and researchers for years, with many studies being done without finding a precise definition (Andersen, 1994). The lack of an accepted definition of effectiveness has not discouraged scholars and researchers who still see a major correlation between leadership effectiveness and overall organisational effectiveness. Some of these researchers and scholars include Amah and Baridam (2012), Asiegbu, Awa, Akpotu, and Ogbonna (2011), Denison and Mishra (1995), Judge and Bono (2000), Liu (2006), and Sayareh (2009). The need for more research to establish precisely the role of leadership effectiveness in determining organisational effectiveness remains instrumental for future survival of organisations, whether business or non-business (Sandy-Lee, 2012:23).

The purpose of this chapter is to explain the concepts of leadership and organisational effectiveness and establish the relationship between leadership effectiveness and organisational effectiveness from a theoretical perspective. The chapter is based on the proposed theoretical framework shown in Figure 1.1 (Chapter 1) and in Section 6.2 (Chapter 6), where the relationship has been hypothesised. While leadership competencies and leadership tasks are the independent variables, leadership effectiveness is the intervening variable which is presumed to influence organisational effectiveness (dependent variable).

This chapter first examines the concept “effectiveness” before linking it to leadership effectiveness and later to organisational effectiveness. The conceptualisation of leadership effectiveness and organisational effectiveness is explained. The chapter

focuses on organisational effectiveness models, organisational effectiveness and organisational effectiveness in the banking industry, and finally the relationship between leadership and organisational effectiveness.

5.2 THE CONCEPT OF EFFECTIVENESS

The purpose of the current study is to establish the relationship between leadership effectiveness and organisational effectiveness in the Kenyan indigenous banks. Before engaging in discussing leadership effectiveness and organisational effectiveness, it is important to first explore the concept of effectiveness as it applies to leadership and organisational effectiveness.

The debate on how to define the term "effectiveness" has continued for decades as both profit and non-profit making organisations strive to determine how to measure their success or performance. The term "effectiveness" has been defined by Peter Drucker (1977:44) as "doing right things". The concept is distinguished from efficiency, which is defined as "doing things right" (Drucker, 1977:44. While the two concepts are critical to organisational performance, effectiveness is considered even more important and requires the attention of the organisational leadership (Drucker, 1954; Cohen, 2008). To Drucker (1977:44), effectiveness is the foundation of successful organisations. Accordingly, efficiency is the minimum condition for organisational survival, and follows after success has been achieved (Drucker, 1977:44). Drucker (1977:44) emphasises that effectiveness is an essential condition for attaining efficiency. While managers are concerned with efficiency, leaders are concerned with effectiveness. Organisational leaders set the pace for effectiveness in an organisation, in order for efficiency to take place. As mentioned in Chapter 3, effectiveness is associated with top management (leadership) while efficiency is associated with managerial tasks (Section 3.3). Robbins and Barnwell (2006:73) add that to be effective, organisational leadership must have the appropriate structures. Such structures include aligning of people to the right tasks and defining relationships necessary to achieve desired objectives. To add to this, Drucker (2004:2) noted that all effective executives have one thing in common which to get the right things done in the right ways. Some scholars have focused on the need to have the right strategies in place

and successfully implement them in line with organisational missions (McCann, 2004:1). Rodsutti and Swierczek (2002:250) consider effectiveness to be achieved by organisations that carefully exploit their environments to make optimal use of scarce and valuable resources. Different scholars and organisations define effectiveness on the basis of their specific interest and mission (Rodsutti & Swierczek, 2002; Cameron, 1986).

In the contemporary society, the term "effectiveness" denotes the ability to attain set goals or objectives (Yukl, 2010). When the concept of effectiveness is applied to leadership, it focuses on a leadership ability to perform in an organisation in terms of set standards (Green, 2010; Hogan, Curphy & Hogan, 1994; Yukl, 2010). Yukl (2010) contends that effectiveness is a process that can only be measured in terms of outcomes achieved.

The question of what to include as measures of effectiveness has been the subject of discussion and debate among scholars and researchers for a long time. The measures used as indicators of effectiveness have been both objective (turnover, profit, market share, sales, growth and shareholder value) and subjective (perception, attitude, motivation) (Yukl, 2010). The various measures have been discussed in Sections 7.5.8 and 7.5.9.1 in Chapter 7 and in the present chapter. The next section relates the concept of effectiveness to both leadership and organisations.

5.3 CONCEPTUALISATION OF LEADERSHIP EFFECTIVENESS

Defining leadership effectiveness has remained a challenge for both scholars and researchers. According to Arnold, Cooper and Robertson (1998), there is no universally accepted definition of leadership effectiveness in the contemporary or past literature. The lack of universal definition is supported by Yukl (2010) who states that definition of leadership effectiveness depends on writers and what they want to emphasise. Although leadership effectiveness was defined in Chapter 1, Section 1.1, defining it has been a difficult task. In their effort to define leadership effectiveness, Stogdill (1974), Bass (1981) and Bass (1990) catalogued and interpreted almost five thousand studies and found great variances. These variations in definitions have been recognised by Burns

(1978:2) who says that leadership effectiveness "is one of the most observed and least understood phenomena on earth."

It is important to distinguish between leadership and leadership effectiveness. It is notable in leadership literature that the two concepts have been used interchangeably (Yukl, 2010), but as Burns (1978) argues, leadership should be viewed differently as the skills or abilities required to perform given roles and tasks. Green supports the argument and says that leadership concerns a person's demonstrated skills and abilities (2010:24). Norma (1997) in what is termed *The Flamhotz leadership effectiveness framework* sees leadership effectiveness as the process whereby a person influences other people's behaviour in order to increase the probability of attaining organisational goals. For the current study, leadership effectiveness is viewed in terms of leadership use of skills and abilities to influence employees in favour of attaining desired organisational effectiveness.

Like the leadership definitions which are given different meanings (See Chapter 3, Section 3.2), there are also different theories that aim to describe leadership effectiveness and its functions in an organisation. The leadership theories range from the great man theory, trait theory, behaviour theory, situational leadership, contingency theories, charismatic leadership, servant leadership and spiritual leadership, to transformational leadership (Amukobole, 2011; Dennis & Bocarnea, 2005; Hoyle, 2002; Jones, O'Leornard & Bersin, 2012). According to Yulk (1994), the various theories on leadership use employees' performance as a major indicator of leaders' effectiveness. Yulk (1994) further observes that leadership effectiveness is measured by the ability of a leader to accomplish set objectives, subordinates' attitude towards the leader, and the leader's overall contribution to the group's performance. To achieve the desired level of effectiveness, Lee and Lin (1999) assert that leadership must have strong beliefs, skills, behaviours, and favourable situations.

In order to give direction as to the meaning of leadership effectiveness, the current study has relied on literature to develop an operational definition. The operational definition is

adopted from Cooper, Fenimore and Nirenberg (2012:1) who define leadership effectiveness as the ability of a leader to successfully exercise personal influence resulting in accomplishing set organisational objectives (Cooper, Fenimore & Nirenberg, 2012).

As indicated in Chapters 1, 3 and 6, leadership effectiveness is influenced by two main factors categorised as leadership competencies and leadership tasks. According to supporting literature, there is strong support for the two categories (Amos, 2012; Hogan & Warrenfeltz, 2003). This means that effective leaders are those who possess the right leadership competencies and perform the appropriate leadership tasks (Caruso, Salovey & Mayer, 2003; Goleman, 1998, 2001; Lombardo & Eichinger, 2006; Rasch, Shen, Davies & Bono, 2008). According to numerous scholars, leadership competencies and leadership tasks are essential for leadership effectiveness and organisational effectiveness (Amos, 2012; Hogan & Warrenfeltz, 2003). In the current study, leadership effectiveness is a main variable that is assumed to influence organisational effectiveness (See Chapter 1, Section 1.9.4).

For effective leadership to be realised, leaders must be guided by the organisation's vision and mission, be acceptable to all employees in order to gain their commitment and ownership, and be satisfying to other stakeholders (Cooper et al., 2012:2). Cooper et al. (2012:6-7) further observe that "the result of leadership effectiveness is ultimately the creation of a seamless partnership between customer, employee, and organisational purpose, in order to succeed in the market." In short, leadership effectiveness implies that all key leadership tasks and responsibilities are institutionalised and entrenched in the organisational systems, cultures and practices (Pasternack, Williams & Anderson, 2001:71).

In an effort to measure leadership effectiveness, various studies have been conducted. The first attempt to measure leadership effectiveness was done by Fiedler (1967). Fiedler's (1967) model of effectiveness was later revised by Fiedler and Chemers (1974) who view leadership effectiveness as a component of two main variables, namely

leaders' attributes and leaders' situational control (See Chapter 6, Section 6.2). Another study by Hooijberg and Choi (2001) based on Quinn's (1988b) model of Competing Value Framework aimed to identify organisational characteristics associated with leadership effectiveness. The model identifies four sub-variables that influence leadership effectiveness, namely people orientation, adaptive orientation, stability and task orientation (See Chapter 6, Section 6.2).

According to the National Centre for Research in Vocational Education (NCRVE, 1994: iii) leadership effectiveness can be measured by its ability to implement six main tasks, namely: 1) inspire a shared vision and standards, 2) foster unity, 3) exercise power effectively and empower others, 4) exert influence outside the organisation, 5) establish appropriate learning environment, and 6) satisfy job-related needs of employees(NCRVE, 1994).Another study by Nowack (*Envisia Learning* n.d:13) identifies seven measures of leadership effectiveness. To Nowack, effective leaders must demonstrate the right competencies, treat all employees fairly, motivate and create a supportive environment, pay attention to subordinates' professional growth, create high performing teams and ensure clear communication between management and subordinates. Further research in determining measures of leadership effectiveness has led Green (2010) to develop an instrument aimed at measuring nine indicators (sub-variables) of leadership effectiveness. These are: 1) group organisation, 2) follower satisfaction, 3) follower commitment, 4) status, 5) potential, 6) drive, 7) impact, 8) cross-cultural competence, and 9) versatility. The nine indicators are discussed below.

5.3.1 Group organisation

According to Green (2010) the subordinates or employees are influenced by group organisation. *Group organisation is* achieved through"the leader's own unit's organisation for activities, competence and efficiency", activities which are termed critical for performance. According to prevailing literature, there is also a need to have a positive leader-subordinate relationship if effective work is to be realised. However, this can only be realised if the leaders and subordinates build strong mutual trust and respect (Epitropaki & Martin, 2005). In reference to the leader-member exchange theory (LMX),

Yukl (2010:120) is of the opinion that subordinates must be satisfied with the leader if their group is to perform effectively.

5.3.2 Follower satisfaction

By summarising the LMX theory and Yukl's work, Green (2010) has developed what he calls *follower satisfaction* which he explains as "follower respect, personal development and satisfaction with the leader". Only when the followers are satisfied with the leadership does their confidence increase, leading to enhanced performance.

5.3.3 Follower commitment

According to Green (2010), group members' commitment and dedication to the group's goals and objectives has been termed *follower commitment.* Yukl (2010:507) considers group members' commitment as a key function for effective leaders as they build "commitment and persistence in the face of obstacles and setbacks." Such leaders obtain the commitment of their subordinates by ensuring that there is agreement of required objectives, building an enthusiastic workforce and instilling confidence among subordinates. The results of these actions are positive.

5.3.4 Status

The *'status'* sub-variable refers to "the leader's retention of high status in the organization" (Green, 2010:32). Status often reflects the leader's position and authority. Green (2010) argues that leaders' effectiveness can also be a personal outcome rather than a group outcome. Yulk (2010:248) on the other hand observes that "leaders perceived to be competent are likely to retain their position (*status*) or be advanced to a higher position" and "leaders who are judged to be competent gain more power and have more discretion to make changes". Of course this makes the leaders responsible for their outcomes at whatever cost.

5.3.5 Potential

According to Green (2010:32), the sub-variable *potential* focuses on "the leader's advancement and potential for promotion to higher positions of authority in the organization". For leaders to have potential, they must be appraised in specific activities based on their capabilities to perform. Such potential is determined using methods such as appraisal systems or continuity planning systems (Green, 2010:32).

5.3.6 Impact

The leader's impact is defined as the ability to influence and affect others (Green, 2010:32). The outcome of influence is determined by how much impact a leader has over his or her subordinates or employees. The impact is even more important when one considers that the effect is felt not only by those supervised by also by the whole organisation. When a leader has successfully affected others, he or she is considered effective. Such impact is felt across the organisation if the leader is able to gain commitment and members agree to pursue stated goals. Less effective leaders have less impact on employees, (Green, 2010:32).

5.3.7 Drive

A leader who has a drive is able to steer change in the organisation by creating new ideas, refreshing old ideas, and renewing business activities that will eventually give an edge over competitors (Yulk, 2010). According to Green (2010:32) drive implies "the leader's preparedness to drive change, handle challenges and overcome crises."

5.3.8 Cross-cultural competence

Green (2013:32) defines cross-cultural competence as "the leader's ability to work with and obtain results from others from different cultures."Green (2010) further states that cross-cultural sub-variable is not considered specifically by literature as a major determinant of leadership effectiveness. However, as Yulk (2010) observes, it is important to recognise the role of cultural influence on leaders' behaviour, and the need to have leaders able to manage increasing diversity in organisations. The same observation

is made by Earley and Ang (2003:59) who discuss cultural intelligence or "a person's capability to adapt effectively to new cultural contexts." According to Johnson, Lenartowicz and Apud (2006:530) there is inadequate research in what is termed *cross-cultural competence* especially in international business. Green (2010) adds that it is important to identify the cross-cultural competence among leaders as a measure of effectiveness. Johnson, Lenartowicz and Apud (2006) emphasise that it is the skills, knowledge, dispositions and attributes arising from cross-cultural competence in goal achievement that signify leadership effectiveness (Johnson et al., 2006).

5.3.9 Versatility

Green (2010:320) defines versatility as"the leader's ability to work with and obtain results from others with different line managers." The importance of this sub-variable is based on the fact that there is an increasing demand to have leaders who are able to manage people outside their traditional organisational structures. It is common in organisations for managers to be in charge of people and resources outside their respective departments or professional areas. The importance of versatility is a major determinant of whether a leader is effective or not.

Green (2010) has developed the nine sub-variables of measuring leadership effectiveness because the existing instruments measure other leadership attributes and not necessarily leadership effectiveness. According to Green (2010: 28-29) such measuring instruments will impede the understanding of leadership effectiveness since they do not focus on leadership effectiveness as a single entity. For instance, Judge and Bono's (2000) instrument for measuring leadership effectiveness has only a single scale measure concentrating on leadership effectiveness while four other measures concentrate on job satisfaction and affective commitment. Green (2010:29) adds that:

> Bass and Avolio (2004) acknowledged the differentiation of leader behaviours and characteristics from effectiveness outcomes. However, the fact that the two constructs are not treated independently and, in the case of outcomes, comprehensively, impedes understanding of outcomes as a measure of leader effectiveness.

As explained in Chapter 7 (Section 7.5.8), upon further statistical analysis, Green (2010) has reduced his nine sub-variables to five to measures of leadership effectiveness. The five sub-variables are: *cross cultural competence*, *influence, follower commitment, versatility*, and *group organisation*. It is these five that are used in the current study.

5.4 CONCEPTUALISATION OF ORGANISATIONAL EFFECTIVENESS

Organisational effectiveness is critical for the survival of organisations in the cotemporary turbulent world (Raja & Palanichamy, 2012:497). It has generally been viewed in terms of how well a particular organisation achieves its goals (Sandy-Lee, 2011:21). Sandy-Lee (2011) observes that organisational effectiveness can also be seen as the ability to compete successfully, release new products to the market, attract new clients, being profitable, and responding to stakeholders and expectations (Sandy-Lee, 2011:21). The observation was made earlier by Mott (1972) who described effective organisations as those able to successfully adapt to changes in their environment. Jamrog and Overholt (2004) and McCann (2004) see organisational effectiveness as the ability of organisations to achieve their mission through proper implementation of core strategies. As discussed in Chapter 1, Section 1.9.5, the present study adopts a definition of effectiveness by Robbins and Barnwell (2006:76) and supported by Thibodeaux and Favilla (1996:21) who see organisational effectiveness as the degree to which organisations achieve both short-term and long-term goals by fulfilling their objectives and controlling resource depletion while at the same time ensuring that stakeholders are happy and satisfied.

Organisational effectiveness is a preoccupation of contemporary leadership and a focus of organisational research (Lysons, 1993). For the last six decades, studies on organisational effectiveness have taken momentum, as discussed earlier. Although organisational effectiveness has remained a major focus and a unifying theme in organisations' survival for more than a century, there has been no universal theory developed to support it (Lewin & Minton, 1986). The lack of theory is associated with the fact that organisational effectiveness is "ambiguous in conceptualisation and difficult to measure as it involves multiple dimensions, for example goals, processes, and

resources" (Chelladurai & Haggarty, 1991:126-133). Pounder (2000:458-474) adds that there is disarray in the organisational effectiveness literature resulting in the absence of an agreed formula for effectiveness. The lack of a common measure is associated with the fact that effectiveness cannot be observed, touched, counted or pinpointed, but can only be inferred from observable or measurable phenomena (Argyris, 1964; Lewin & Minton, 1986). Another reason is that different organisations have multiple goals and objectives which are difficult to identify precisely (Cameron, 1981; Lachman & Wolfe, 1997; Sekaran, 1994). The foregoing situation has led to different measures being used depending on the agreed concepts and what is to be measured (Prenkert & Ehnfors, 1997:279-287). Some of the popular measures of effectiveness include: goal attainment (Lawler, 1996), survival (Gibson, Ivancevich & Donnelly, 1973), profit maximisation and productivity (Thorndike, 1949). Other scholars have measured organisational effectiveness in terms of productivity, profit, quality, growth, turnover, motivation, morale, control, conflict/cohesion, goal attainment and stability (Robbins & Barnwell, 2006: 75). The next section summarises how different measures used to determine organisational effectiveness have developed, as well as criticism and counter criticism of these measures.

5.4.1 Development of organisational effectiveness measures

In the 1950s, the ability of an organisation to achieve its goals was considered a great measure of success. A major weakness with this approach was organisations' inability to identify which goals, short or long-term, and whose goals, organisational or individual (Robbins & Barnwell, 2006: 74). Another argument on measure of effectiveness was that only effective organisations would survive while ineffective organisations would not cope in a competitive environment (Kimberly, 1979: 438). The major weakness with this approach was that some organisations, for example, government departments like hospitals and police forces, were continuously supported because of their role in the society and would therefore not be allowed to close down. As a result, it was difficult to measure their effectiveness (Pfeiffer & Jones, 1976: 139).

In the 1960s and 2000s, there were numerous studies aiming to come up with acceptable measures of effectiveness (Griffin & Page, 1996; Kimberly, 1979; McCann, 2004; Robbins & Barnwell (2006:76). As a result of these studies, over 30 different criteria were developed to measure effectiveness. Among such criteria were: overall effectiveness, productivity, efficiency, profit, quality, accidents, growth, absenteeism, turnover, job satisfaction, motivation, morale, control, conflict/cohesion, goal consensus, readiness and stability (Robbins & Barnwell, 2006:75). Other scholars focused on good leadership, success in customer and market satisfaction, utilisation of human resources, good procurement process and overall organisational results (Robbins & Barnwell, 2006:75). In an effort to establish good measures of effectiveness and specifically organisational effectiveness, Sayareh (2009) analysed 49 existing organisational effectiveness models published between 1952 and 1996 and came up with a list of 78 indicators.

The above criterions indicate a lack of agreement on the most appropriate measures of organisational effectiveness (Cameron, 1980). Specifically, a major challenge among researchers has been inability to develop criteria and characteristics that distinguish effective organisations from ineffective organisations (Cameron, 1980). This lack has led to more studies resulting in numerous models being developed (Jones, 2008; Kimberly, 1979; Nyabadza, 2008; Robbins & Barnwell, 2006; Shakespeare, 2004). The goal has been to develop a general model for measuring organisational effectiveness.

The next section discusses the different models and their emphasis as measures of organisational effectiveness.

5.4.2 Organisational effectiveness models

To measure organisational effectiveness, several approaches have been proposed and used. According to Cameron (1984), the approaches have helped to capture the richness of organisational effectiveness. Scholars have used the terms "approaches" and "models" interchangeably, although Cameron has summarised them as models. In the present study, the term "model" will be used since most contemporary and past studies have used

it (Sandy-Lee, 2011, Henri, 2004; Liu, 2006). The main approaches to measuring organisational effectiveness are: goal-attainment model, the system model, strategic-constituencies model, internal process model, the balance scorecard model, Campbell's 1977 model, human relations model, the competing value model, and system resource model. The models are described next.

5.4.2.1 The goal-attainment model

The goal-attainment approach by Imogene King (1971; 1992) is also known as the rational goal model. This approach states that organisational effectiveness can be determined by an organisation's ability to achieve set goals. According to Scott (1987) goals are defined as the desired ends. The goals to be achieved may be financial (profit) or operational (productivity) (Sandy-Lee, 2011:27). According to Daft (1998:60),

> The goal approach to effectiveness consists of identifying an organisation's output goals and assessing how well the organisation has attained these goals. This is a logical approach because organisations do try to attain certain levels of output, profit, or client satisfaction. The goal approach measures progress toward attainment of those goals.

The goal-attainment approach focuses on linking organisational goals to outputs. As such, the more the organisational outputs are closer to set goals, the more effective the organisation is considered to be (Cameron, 1980: 67). This approach is still very popular among profit-making organisations and non-profit making organisations since it set targets for all organisational members, whether non-managerial employees or their leaders (Lee & Lin, 1999; Cameron, 1980; Robbins & Barbwell, 2006). However, although the approach is the most common and popular measure of organisational effectiveness, it does not consider the means of achieving the stated goals (Rodsutti & Swierczek, 2002: 250). Another weakness is the fact that it is not well suited to measure intangible goals such as employees' welfare, satisfaction or motivation (Rodsutti & Swierczek, 2002). Similarly, Miles (1980), Mohr (1983), Ott and Shafritz (1994) argue that the goal attainment model has proved to be very unsatisfactory since it is difficult to define organisational goals. The criticism has led to the development of the system approach.

5.4.2.2 The open system model or system approach (Bertalanffy, 1956)

The open system model by Bertalanffy (1956) indicates that there is much interaction with the external systems. The model sees an organisation as a system that takes in inputs, processes them, and gives outputs (Samson & Daft, 2012). Accordingly, an organisation's effectiveness should be judged on how well it takes in inputs, processes them and gives outputs (Samson & Daft, 2012). Daft further emphasises that:

> The system-resource approach looks at the input side of the transformation process… It assumes organisations must be successful in obtaining resources inputs and in maintaining the organisational system to be effective. Organisations must obtain scarce and valued resource from other organisations. From a system's view, organisational effectiveness is defined as the ability of organization, in either absolute or relative terms, to exploit its environment in the acquisition of scarce resources (1998: 62).

The system model views effectiveness as the ability of an organisation to acquire required resources. The model advocates a strong connection between acquired inputs and performance (Sandy-Lee, 2011:27). The more an organisation is able to acquire all the needed resources from its external environment, the more effective it is (Cameron, 1980:67). That is, the outputs given in terms of products and services should be acceptable to their environment and should meet customers' expectations (Sandy-Lee, 2011:27). However, the ability to maximise inputs is considered even more important (Cameron, 1980:67). Like the goal approach, the system approach is not without criticism; the system approach is accused of not paying much attention to output compared to process (Robbins & Barnwell, 2006: 78-95). The fact that much attention is given to the process means that profitability is only a partial measure of effectiveness, and not the only measure (Sandy-Lee, 2011:27). Robbins and Barnwell (2006) further note that the approach's major concern with resources can easily be misallocated if not directed to the overall effectiveness of an organisation. The criticism of the system approach means that another approach is still required.

5.4.2.3 Strategic constituencies model (stakeholder approach)

The strategic constituencies approach by Cameron (1980:67) is also known as the participant satisfaction model. This model views effectiveness as the ability of an organisation to minimally satisfy all its constituents (Cameron, 1980:67; Robbins &

Barnwell, 2006:78-95). The model argues that organisational effectiveness should be determined on the basis of how successfully it satisfies the demands of key stakeholders or constituencies. According to this approach, "strategic constituency" is all individuals and organisations who have some stake in the organisation's operations (Cameron, 1980:67). These stakeholders include customers, suppliers, governments, local communities, owners, all of whom have to be satisfied in order to support the organisation's continued survival (Cameron, 1980; Robbins & Barnwell, 2006). While these stakeholders are dependent on the organisational performance, its survival is also pegged on the stakeholders' support in terms of finance, service and goodwill. This means that the organisation must be on very good terms with the constituents, ensuring it responds positively to their demands and expectations (Cameron, 1980:67). The major weakness of this approach is that its emphasis is on constituencies, which can easily lead to neglect of other elements in the environment. Different constituencies have diverse interests which may divert organisational goals and priorities for self-gain (Robbins & Burnwell, 2006).

5.4.2.4 Internal process model

The focus of the internal process model by Nadler and Tusman (1980) as a measure of effectiveness is the ability of an organisation to transform its internal process. The internal process model was formally known as the closed system. The model concentrates on internal interactions, procedures, policies, rules, order and control, all required for the achievement of organisational goals (Sandy-Lee, 2011; Scott, 1987). Effective organisations are those characterised by absence of internal strains, members who are highly integrated into the system, smooth functioning of internal operations, the presence of trust and benevolence towards its members, and good information flow, both vertical and horizontal (Cameron, 1980). According to Cameron (1980:67), such organisations can be termed "healthy systems." It is argued that the more an organisation demonstrates these characteristics, the more effective it is considered to be (Cameron, 1980:67). A major weakness of the internal process and operations approach is the difficulty of harmonising all the characteristics and satisfying the demands of the key stakeholders.

The internal process model, though one of the oldest, is still popular especially among governmental organisations (Sandy-Lee, 2011:28).

5.4.2.5 The balance scorecard model(1992)

The balance scorecard approach by Kaplan and Norton (1992) seeks to balance the various demands on the organisation with its capabilities. The balance scorecard model is a performance measure that combines the traditional financial measures with non-financial measures. Introduced in the 1992 by Robert Kaplan and David Norton, the balance scorecard model is widely known and adopted by many industries all over the world. The purpose of the balance scorecard is to ensure that managers are provided with "richer and more relevant information about the activities they are managing" (Cobbold & Lawrie, 2002: 2). According to Kaplan and Norton (1996:76) the balance score card "is an instrument which translates the mission and strategy of an organisation into a broad collection of action metrics and indicators, and which subsequently provides the structure necessary to serve as control and strategic measurement system." Kaplan and Norton (1996) state that using the balance scorecard model enables managers to understand what is happening in the whole organisation, internally and externally, rather than just its financial aspects. In its 75th Anniversary issue, the *Harvard Business Review* (1997) termed the balance scorecard as "one of 15 most important management concepts to have been introduced via articles in the magazine" (Sibbet, 1997:12).

Although the model is concerned with financial performance of organisations, it also focuses on other three perspectives critical to business success (customer, internal and innovation and learning perspectives) (Cobbold & Lawrie, 2002: 2). As such, the model integrates the internal and external approaches necessary for organisational effectiveness. Specifically, it provides an integrated measure of organisational effectiveness by focusing on four main areas, namely financial, customer, internal and innovation and learning perspectives, as described below:

a) Financial perspective

The financial perspective used the traditional financial measures to assess organisational performance. Such measures include profitability, revenue, growth, return on investments and shareholders value.

b) Customer perspective

The customer perspective focuses on the customers and how they view the organisation. The measure concentrates on areas such as level of service, satisfaction and repeated purchases in a business.

c) Internal perspective

The internal perspective aims at assessing the efficiency of the internal processes and other procedures in the organisation and their ability to enhance organisational effectiveness.

d) Organisational and learning perspective

The organisation and learning perspective is geared towards employees' satisfaction and how this leads to overall organisations' performance and improvement. The main indicators of organisational and learning perspective are intellectual property, innovation, and skills development.

There has been considerable debate concerning the use of the balance scorecard model especially in relation to what constitutes a balance measure (Greatbanks & Tapp, 2007: 867). The four perspectives financial, customer satisfaction, internal business processes, and innovation and learning, are assumed to affect all areas of organisational performance (Cobbold & Lawrie, 2002:2). Greatbanks and Tapp (2007: 284) add that the inclusion of non-financial measures ensure that organisational measures effectiveness using different indicators rather than rely on financial measures. In support of their own work, Kaplan and Norton (1996: 82) say that the balance scorecard model is a performance appraisal approach that strikes a balance between financial and non-financial measures. It is also a measure that links performance to rewards, while at the same time explicitly recognising diverse organisational goals. The approach is mainly

favoured because of its ability to communicate vision and strategy by providing a framework which allows for realisation of the strategy (SPImpact, 1998). Kaplan and Norton (1996) argue that the objective of the balance scorecard is to enable organisational leadership to translate their strategies into measures that communicate organisational vision to the whole organisation. The balance scorecard has been adopted by many organisations including the banking industry (SPImpact, 1998).

5.4.2.6 Campbell's (1977) model

The Campbell (1977) model of organisational effectiveness is one of the most popular and most inclusive. The model lists over 30 criteria used in measuring organisational effectiveness in different organisations. The different criteria have been grouped into the following categories: financial and operational measurement, strategic measurements, process measurement, and HR measurements.

a) Financial and operational measurement

   The financial and operational category gives much attention to efficiency, productivity, quality, growth, market share turnover, profitability and return on investments.

b) Strategic measurements

   The focus of strategic measurements is the overall organisational effectiveness. The measure specifically assesses organisational stability, goal-congruent, leadership skills, interpersonal skills, flexibility, and adaptability to various environmental changes.

c) Process measurement

   The process measurement category examines different aspects of an organisation that affect performance. Among areas measured are internalisation of goals and objectives, shared values, information management, decision- making capabilities, readiness of employees to act when required, and adjustment to environmental challenges.

d) Human resource measurements

The HR measurements include all aspects of human behaviour including motivation, job satisfaction, turnover, conflict management, training and development.

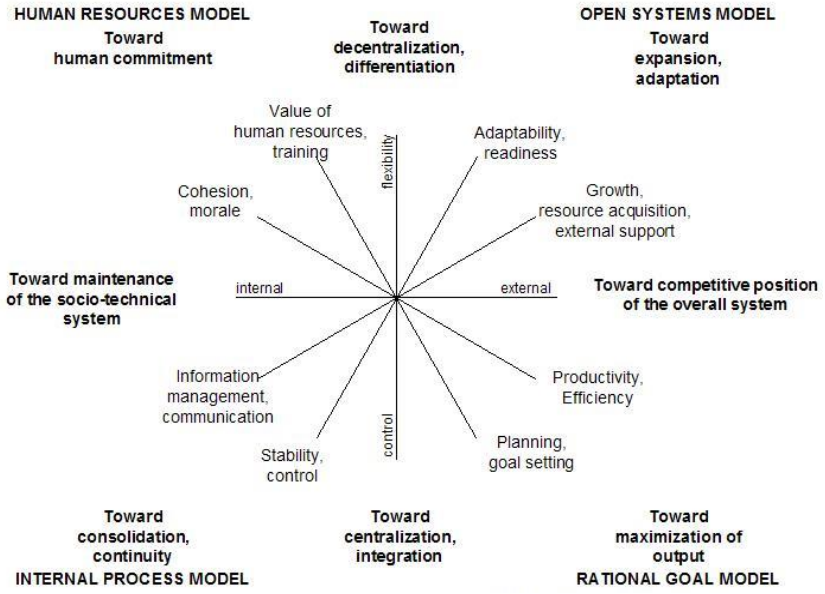
5.4.2.7 Human relations model

The human relations model is centred on the need for organisations to develop effective personnel. The purpose of the model is have the HR division recognised as a major strategic partner in an organisation's goal attainment, rather than being seen as a recruitment and selection department (Sandy-Lee, 2011:28). To ensure that this role is played effectively, organisational HR effectiveness is measured in term of engagement, turnover, retention, satisfaction and succession plans (Jamrog & Overholt, 2004). The model also looks at human commitment, cohesion and morale as measures of effectiveness. The more positive the outcomes of HR, the more effective the organisation is considered to be (Quinn, 1988a: 49). It can be argued that the model does not focus on the other aspects of organisations, and is therefore not comprehensive.

5.4.2.8 The competing values framework

Another model of organisational effectiveness and mostly used in business literature is known as "the competing values framework" (Quinn & Rohrbaugh, 1983; Kalliath et al., 1999). The competing values frameworkis made up of four models (described in Section 5.4.2.8) of organisational effectiveness, namely: human resource model, open system model, internal processing model, and rational goal model,with each model having a pair of effectiveness criteria (Joyce, 2009:495). The competing values frameworkis presented in Figure 5.1 below.

Figure 5.1: Competing values framework



Source: Quinn, 1988:48

In the competing value framework model, shown in Figure 5.1, organisational effectiveness is achieved by balancing different competing demands of an organisation (Joyce, 2009:495). The open system model which focuses on expansion and adaptability, advocates organisational adaptability, growth, resource acquisition and external support. The rational goal model on the other hand aims at maximising output using measures such as productivity, efficiency, planning and goal setting. In the same way, the internal process model gives attention to stability, control, information management and communication as areas of measurement. Finally, the human resource model is more concerned with attaining human commitment and is measured in terms of empowering human resources through training, increased morale, training and development (Quinn, 1988a). This particular framework or model is in agreement with numerous scholars who individually have developed different measures of organisational effectiveness, resulting in multiple measures.

5.4.2.9 System resource model

In the model of organisational effectiveness, the focus is on decision makers' capability to distribute resources efficiently among different subsystems and meeting their needs (Sandy-Lee, 2011:29). The model has its roots in naturalism and sees organisations as made up of large systems. Such large systems have numerous subsystems working towards organisational sustainability and effectiveness (Sandy-Lee, 2011:29). The model sees organisations as networks of interrelated subsystems that must interact and integrate in their operations in order to achieve effectiveness. The interaction and integration must ensure organisational survival, and therefore the model demands proper co-ordination of relationships among subsystems, exploitation of the environment, and acquisition of scarce resources, frequent feedback to the environment, interpreting and making the most appropriate decisions, giving expected output to the market, and maintaining efficient internal operations (Sandy-Lee, 2011:29).

In the banking industry, mixtures of different measurements are used (Campbell's 1977). The measures are derived from different approaches, among them the goal-attainment model, human relations model, competing value framework model, and system resource model. In integrating the different models of measuring organisational effectiveness Denison and Mishra (1995) have developed a measure made up of seven measuring indicators, namely: 1) sales/revenue growth, 2) profitability, 3) quality products and services, 4) market share, 5) new product development, 6) overall organisational performance, and 7) employee satisfactions (See Chapter 7, Section 7.5.9.1). A summary of various measure of effectiveness in the banking industry and similar organisations is shown in Table 7.8 (Chapter 7) of the present study, while further discussion on how the banking industry measures performance is discussed in the next section (Section 5.5).

It is evident from the above discussion that scholars and researchers have not agreed on one specific definition of organisational effectiveness. In the next section, the study summarises the prevailing arguments among scholars with the intention to develop a working measure of effectiveness to be used in this study.

5.5 ORGANISATIONAL EFFECTIVENESS IN THE BANKING INDUSTRY

Price (1972:11) agrees with the above comments that "there is presently no general measure of organisational effectiveness." After numerous studies aimed at identifying the most appropriate measures of organisational effectiveness in different organisations, different measures appear to be supported by scholars and researchers: attainment of goals, survival ability, productivity, efficiency, profit, quality, growth, job satisfaction, motivation, morale, readiness, adaptability, flexibility, timeliness, and organisational stability (Campbell, 1977; Jamrong & Overholt, 2005; Kimberly, 1979; Robbins & Barnwell, 2006; Sayareh, 2009; Scott, 1987) (See Chapter 7, Section 7.5.9).

In the banking industry, like in other organisations, there are no standard accepted methods of measuring effectiveness (Section 5.6). In the past several years, studies have been conducted aimed at testing the applicability of the different models in the banking industry. The use different models have led to a mixture of measuring indicators. Studies in various banks have generally used profitability, market share, productivity, sales growth, financial strength, operating efficiency, performance stability, staff morale, adaptability, innovativeness, job satisfaction, commitment, job engagement, and economic impact (Amah & Baridam, 2012; Asiegbu, Awa, Akpotu, Ogbonna, 2011, Olufemi, 2009). (See Chapter 7, Section 7.5.8.5). All these measures are part of Denison and Mishra's (1995) organisational effectiveness measurement instrument which is condensed into seven measures, namely: 1) sales/revenue growth, 2) profitability, 3) quality products and services, 4) market share, 5) new product development, 6) overall organisational performance, and 7) employee satisfaction (See Section 5.7 and 7.5.9.1).

In studies conducted in various organisations, different measures, among them, Denison and Mishra's (1995) instrument's indicators, have been used. In a study by Liu (2006) conducted among top middle managers from six leading South African banks, Denison and Mishra's (1995) instrument was used to measure organisational effectiveness. In another study entitled *Adaptability and organisational effectiveness: A study of the Nigerian banking industry*, by Amah and Baridam (2012:4) in the Nigerian banking sector, the findings revealed three main measures of banking effectiveness, namely:

profitability, productivity and market share (See Chapter 7, Section 7.5.9). Similarly, a study by Asiegbu, Awa, Akpotu, and Ogbonna (2011:50) found that sales growth, sales volume and profitability were used to measure banks' effectiveness (See Chapter 7, Section 7.5.9.1).

Another study by Olufemi (2009:194-199) in the banking sector in Nigeria had sales growth, financial strength, operating efficiency, performance stability, staff morale, adaptability, innovativeness, job satisfaction, commitment, job engagement, profitability, and economic impact as measures of organisational effectiveness (See Chapter 7, Section 7.5.9.1). As discussed in Chapter 7, several statistical tests have revealed that the identified measures from different studies are statistically significant. These measures are: sales growth, profitability, financial strength, operational efficiency, commitment, adaptability, job engagement, innovativeness, and performance stability.

In an effort to summarise the various approaches to measuring organisational effectiveness, Sayareh (2009) has analysed 49 existing organisational effectiveness approaches published between 1952 and 1996. The result was a list of 78 measures of effectiveness. His findings, like those of Liu (2006), Amah and Baridam (2012:4), Asiegbu, Awa, Akpotu, and Ogbonna (2011:50) and Olufemi (2009:194-199) single out productivity, resource acquisition, efficiency, adaptability, profitability, flexibility, planning, quality, growth and goal attainment as the most common measures of organisational effectiveness (See Chapter 7, Table 7.8).

Since the current study is based on the banking industry, measures used by various bank studies are used to measure the Kenyan indigenous banks' level of effectiveness. The study uses banking industry measures identified in both South African and Nigerian studies (Amah & Baridam, 2012; Liu, 2006; Olufemi, 2009) as well as Sayareh (2009), Robbins and Barnwell (2006) and Patterson et al. (2005). The measures are *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment.* These measures are used in the current study in assessing leadership

effectiveness and organisational effectiveness within the banking industry, and form the operatisational measures of organisational effectiveness (See Chapter 7, Section 7.5.9.1).

5.6 LEADERSHIP EFFECTIVENESS AND ORGANISATIONAL EFFECTIVENESS

Leadership is vital to organisational success, and no study on organisational effectiveness can be complete without focusing on leadership. The relationship between leadership effectiveness and organisational effectiveness remains of paramount importance (Sandy-Lee 2011:23). However, although it is assumed that leadership effectiveness leads to organisational effectiveness (Hesselbein, Goldsmith & Beckford, 1996; Jones, 2008; Nyabadza, 2008; Shakespeare, 2004), it is important to ensure that the link is based on grounded theoretical facts and empirical research work (Joyce, 2009).

It is notable that although many scholars support the argument that organisational leadership impacts on organisational effectiveness, there are still studies opposed to this viewpoint. The first formal study on leadership effectiveness and organisational effectiveness, Lieberson and O'Connor (1972) concluded that there was no relationship between leadership and organisational effectiveness. The study observed that an organisational leadership has limited influence on organisational effectiveness owing to environmental uncertainty and constraints. Another study by Malby (2007:3) begins its argument by saying that there is very little support from the literature for the existence of a relationship between leadership and organisational effectiveness. The argument is further supported by Lim and Cromartie (2001) in theirstudy on leadership and organisational effectiveness, who conclude that there is no significant relationship between leadership and organisational effectiveness. A similar conclusion was drawn earlier by Pelz (1956) who argued that there was no significant relationship between leadership and organisational productivity.

There are however several studies that have shown the presence of a strong relationship between leadership and organisational effectiveness. As early as the 1930s, several scholars, among them Lewin, Lippit and White (1939:271-291) demonstrated a strong

relationship between organisational leadership in output, turnover, productivity, morale, motivation, and employee satisfaction. Other scholars who have supported this relationship include: Katz, Maccoby and Morse (1950), Chatterjee (1961), Broadhrust (1969), Mullen (1965), Stogdill (1974), Sinha (1976), Jain (1982), Butterfield and Powell (1981). Further contemporary support comes from Hesselbein, Goldsmith, Beckford (1996), Jones (2008) and Nyabadza (2008, Shakespeare (2004),). In a more recent study, Raja and Palanichamy (2012:497-503) in their study of the relationship between leadership effectiveness and organisational effectiveness (with a specific focus on leadership styles) among public enterprises in India, found strong evidence to support the relationship and asserted that organisations should pay specific attention to their leadership since this has a direct effect on organisational success or failure. Cooper, Fenimore and Nirenberg (2012:7) have summed up the debate in a simple but strong statement, saying: "the purpose of leadership effectiveness is organisational effectiveness." The argument is further supported by Hawkins (2012:1) who observes that leadership effectiveness is best measured using organisational effectiveness with which the leader exerts his or her influence within the controlled organisational parameters.

Further study by Thomas (1988:388) on international UK firms indicates that leaders make a difference in achieving organisational effectiveness. The argument is enhanced by Roth (1995:200-231) who associates overall CEO characteristics such as emotional orientation, internal locus of control and international experience as having a great impact on organisational effectiveness. A study by Rodsutti and Swierczek (2002:253) of multinational enterprises in Southeast Asia also supports the notion that leaders' characteristics, multicultural management styles, organisational culture and leaders' motivation are major measures of organisational effectiveness. Earlier, Yousef (1998:275-284) found that leaders' personal characteristics, for instance, age, gender, education and experience, had a major impact on their effectiveness and the eventual performance of the organisation. According to *VRH Business Psychology* (Newsline, 2003:1), "whatever the arena – sports, politics, religion, business—a leader impacts and influences organisational effectiveness."

In an effort to link leadership characteristics and organisational effectiveness, McGregor (1952:46) notes that it is the relationship that a leader establishes with followers and the specific goals to be achieved that leads to organisational success. That is, leadership can be presumed to be "a set of dynamic functional relations between organisational purposes and the needs for satisfaction of its members...it is fruitless to seek a 'leader type' or to seek characteristics which will be found in the effective leader regardless of the organisational conditions and of the needs of the organisational members" (McGregor, 1952:46). Joyce (2009:494-495) states categorically that the problem of measuring the impact of leadership on organisational effectiveness remains unless the critical success factors relevant to a particular organisation are first established. This means that each organisation or group of organisations has different measures which must be identified as well as how a specific leadership applies them. Therefore the banking sector leadership measures of effectiveness could be different from those of other industries, something that this study aims to establish.

The role of leadership in determining organisational effectiveness continues to be strongly supported (Howkins, 2012; Lewin, Lippit & White, 1939; Raja & Palanichamy, 2012). Bohn (2002) advocates that the overall leadership and behaviour have direct relationship with how organisations perform and their overall effectiveness. It is also believed that leadership effectiveness leads to an organisation having intelligent and professional workforce, which leads to more creativity, innovation, knowledge acquisition and confidence in decision makers (Cooper et al., 2012:7) which in turn results in organisational effectiveness.

From the above argument it is clear that organisational effectiveness cannot be divorced from the leadership exercised in an organisation. It is therefore critical that this study examine both leadership effectiveness and organisational effectiveness, with an emphasis on establishing their relationship within the indigenous banking industry in Kenya. Since the study focuses on the relationship between leadership effectiveness and organisational effectiveness, the findings definitely add value to the current debate and broadened the subject even further.

5.7 SUMMARY

This chapter has focused on examining in detail the relationship between leadership effectiveness and organisational effectiveness. The chapter first evaluates the term effectiveness, before developing a working definition of effectiveness as used in the study. The chapter noted specifically that there is agreement among scholars and researchers that there is at present no generally accepted definition of the term effectiveness (Andersen, 1994). According to Peter Drucker, effectiveness is defined as "doing right things" (2001). However, for the contemporary society, the term effectiveness implies leadership ability to achieve set goals (Yukl, 2010). To achieve effectiveness, organisational leadership must ensure that they have appropriate structures to enable employees to do the right thing (Robbins & Barnwell, 2006). Rodsutti and Swierczek (2002:250) have pointed out that to be effective; organisations must carefully exploit their environments to make use of available resources.

Having given a definition of effectiveness, the chapter then explores the issue of leadership effectiveness. The term leadership effectiveness is defined differently by scholars depending on their interest and missions (Rodsutti & Swierczek, 2002; Cameron, 1986). However, it is agreed that leadership effectiveness is the ability to perform in an organisation (Hogan, Curphy & Hogan, 1994; Yukl, 2010) as per the set standard (Green, 2010).

The question then arises how to measure leadership effectiveness. The answer lies in numerous researches and studies using different methods of assessing leadership effectiveness. Different theories indicate that leadership effectiveness is generally measured in terms of leaders' ability to accomplish set objectives. From the analysis of leadership literature, the current study identifies three main competencies which are considered to contribute to effective leadership, namely, strategic thinking, emotional intelligence, and transformational leadership. The literature also reveals strong correlation between the three leadership competency categories (Amos, 2012; Hogan & Warrenfeltz, 2003). To measure such effectiveness, Green's (2010) five indicators (influence, follower commitment, cross cultural competence, versatility, and group

organisation) are used in the current study. Green (2010) developed his list of measurements after exploring different studies on leadership effectiveness and picked indicators found to measure leadership effectiveness.

Having explored the concept of leadership effectiveness, the chapter has also examines organisational effectiveness. Again different methods of measuring organisational effectiveness dominate the literature, with scholars and researchers proposing different measures. The results of decades of such research work have led to different approaches to providing a solution. The approaches discussed include: the goal-attainment approach, the open system approach, strategic-constituencies approach (stakeholder approach), internal process approach, the balance scorecard approach, Campbell's (1977) approach, human relations approach, and the competing value approach. The results of different approaches are as diverse as the number of measurements developed. Some of the measures of organisational effectiveness among scholars and researchers are productivity, profit, quality, turnover, growth, co control, morale, motivation, conflict/cohesion and goal attainment. Within the banking industry, like other industries, different measurements are also used as derived from research conducted among banks in South Africa and West Africa, namely: *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment* (Amah & Baridam, 2012; Liu, 2006; Olufemi, 2009; Robbins and Barnwell, 2006; Sayareh, 2009; Patterson et al., 2005). These measures have been adopted for the present study.

The chapter ends with a discussion on the examination of the relationship between leadership and organisational effectiveness. While some scholars see no relationship between leadership and organisational effectiveness (Lieberson & O'Connor, 1972; Lim & Cromartie, 2001; Malby, 2007) most of scholars and researchers see a strong relationship (Jones, 2008; Katz, Maccoby & Morse, 1950; Lewin, Lippit & White, 1939; Raja & Palanichamy, 2012; Stogdill, 1974).

From the foregoing discussion, it is evident that a relationship exists between leadership and organisational effectiveness. The discussion enhances the need for the current study to explore the relationship in the banking industry. The next chapter examines the proposed theoretical framework in an effort to link leadership effectiveness and organisational effectiveness.

CHAPTER 6

A THEORETICAL FRAMEWORK ON THE RELATIONSHIP BETWEEN LEADERSHIP EFFECTIVENESS AND ORGANISATIONAL EFFECTIVENESS

6.1 INTRODUCTION

The primary aim of this study is to assess the relationship between leadership effectiveness and organisational effectiveness within the Kenyan indigenous banks. The study aims to identify, investigate and empirically test the possible relationship between leadership effectiveness and organisational effectiveness in the Kenyan indigenous banking industry. In particular it considers possible influences of and relationships between various factors: *leadership competencies* and *leadership tasks* (independent variables*), leadership effectiveness* (intervening variable) and *organisational effectiveness* (dependent variable). Various leadership competencies and leadership tasks have already been discussed in Chapters 3 and 4. The competencies and tasks identified were those singled out by empirical researchers as the most commonly associated with leadership effectiveness which in turn affects organisational effectiveness.

In this study, the determinant of leadership effectiveness is based on two key independent variables, namely *leadership competencies* and *leadership tasks*. Leadership competencies include the skills, knowledge and experiences that leaders need to perform in order to effectively influence their followers and produce positive results. The second variable (*leadership tasks*) examines the specific tasks performed by leaders to be more effective in their leadership (see Chapters 3 and 4).

From numerous studies and literature discussions, it is evident that leadership effectiveness is achieved through possession of specific competencies and the performance of certain tasks which result in overall organisational effectiveness. Major studies have associated organisational failure with poor leadership. In fact, lack of leadership competencies has been pointed out as the main cause of CEO removal from power rather than financial performance (Bentz, 1985; Donnelly, 1994; Sanusi, 2010; Sokpor, 2006). According to Accenture (2001:1), the leadership failure rate has been

rising from 8% in 1996, 20% in 1997 to between 25% and 33% in 1998. Other studies indicate that these failures range between 30% and 67% with an average of 50% (Bentz, 1985; Fernandez-Araoz, 1999; Hogan, Curphy & Hogan, 1994; Lombardo & Eichinger, 1998; Millikin-Davies, 1992; Sessa, Kaiser, Campbell, & Taylor, 1998; Shipper & Wison, 1992; Smart, 1999; Sorcher, 1985). The failure rate in organisational leadership is a concern that needs to be addressed (Donnelly, 1994; Kubicek, 2011).

This study deals with the relationship between leadership effectiveness and organisational effectiveness. The theoretical framework developed in this chapter provides a pictorial presentation of how the various variables interact and what the resultant effects are. With some studies strongly opposed to any significant relationship between leadership and organisational effectiveness (Lim & Cromartie, 2001; Nicholls, 1998; Pelz, 1956; Quick, 1992; Simms, 1997), there are a substantial number of studies that demonstrate a strong relationship (such as Butterfield & Powell, 1981; Hesselbein, Goldsmith & Beckford, 1996; Jain, 1982; Jones, 2008; Nyabadza, 2008; Shakespeare, 2004; Sinha, 1976; Stogdill, 1974), as discussed in Chapter 5, Section 5.6. The theoretical framework aims to demonstrate the link between leadership effectiveness and organisational effectiveness. There are several hypotheses and sub-hypothesis developed to signify the relationship between independent, intervening and dependent variables.

In this chapter, a theoretical framework of the various variables and the hypothesised relationship is discussed and presented. The independent, intervening and dependent variables together with resulting hypothesised relationships form the building blocks of the theoretical framework. The theoretical framework results from various literature reviews based on different disciplines such as management, psychology, organisational behaviour, leadership and statistics. In this study, the proposed theoretical framework was tested among indigenous banks in Kenya. It was considered to be instrumental in helping understand how leadership effectiveness influences organisational effectiveness in the banking industry. This chapter discusses the main sections of the study, namely, leadership and organisational effectiveness variables, *independent variables* (leadership competencies and leadership tasks), *intervening variables* (leadership effectiveness) and

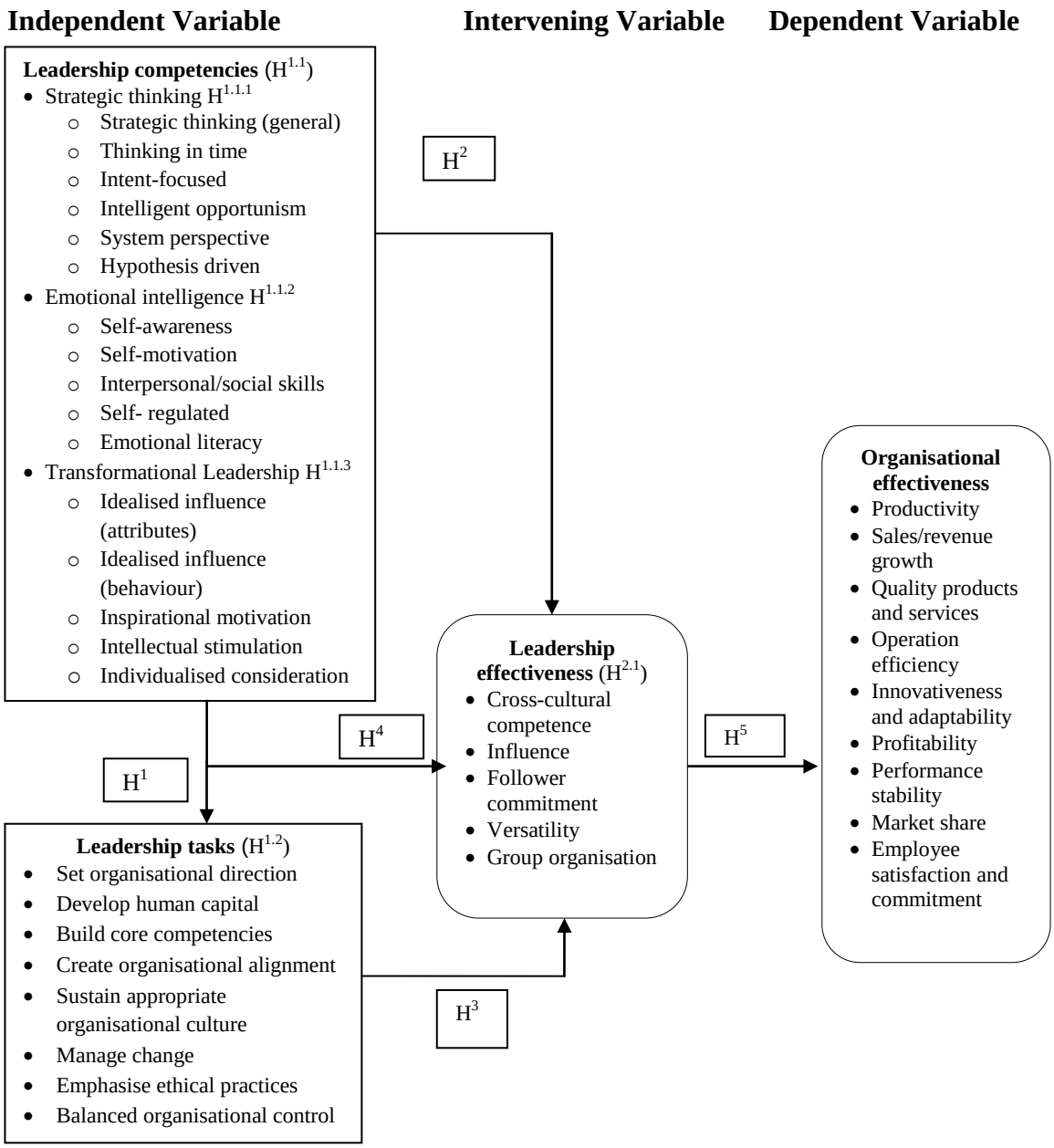
dependent variable (organisational effectiveness). While *leadership competencies* and *leadership tasks* are categorised as the independent variables, *leadership effectiveness* and *organisational effectiveness* are categorised as intervening and dependent variables respectively.

6.2 THE THEORETICAL FRAMEWORK

The theoretical framework (See Figure 6.1) adopted in this study was derived from various studies harmonised to fit the purpose of the study. That is to say, the independent variables, intervening and dependent variables were developed after exploration and analysis of different literature and empirical studies, as discussed in Chapters 3, 4 and 5 (such as Amos, 2012; Barnes, 2013; Boal & Hooijberg, 2001; Goleman, 1998; Ireland et al., 2011; Hogan & Warrenfeltz, 2003; Kerr, Garvin, Heaton & Boyle, 2006; Noe et al., 2000; ONS, 2012; Reilly & Karounos, 2009).

In this study, the theoretical framework demonstrates how *leadership competencies* and *leadership tasks* (independent variables) influence leadership effectiveness which, in turn, impacts on *organisational effectiveness* (dependent variable). In this relationship, the *leadership competencies* category has three underlying variables, namely *strategic thinking, emotional intelligence and transformational leadership* while the *leadership tasks* category has eight underlying variables, namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change,* and *emphasise ethical practices and balanced organisational control.* Given the fact that this study aimed to establish the relationship between leadership effectiveness and organisational effectiveness, the theoretical framework hypothesises this relationship by identifying both leadership effectiveness category (*intervening variable*) and organisational effectiveness category (*dependent variable*). Figure 6.1 below presents these relationships.

Figure 6.1: The proposed theoretical framework of the relationship between leadership effectiveness and organisational effectiveness



Source: Author's own construction

Theoretical frameworks or models to represent relationships have been used in other studies and scholarly writing in an attempt to measure and establish factors influencing leadership effectiveness and organisational effectiveness (Ayman, Chemers & Fiedler, 1995; Cooper et al., 2012; Fiedler, 1967; Fiedler & Chemers, 1974; Foster & Young, 2004; Hawkins, 2012; Hooijberg & Denison, 2002; Jones, 2008; Vecchio, 1983).

In relation to leadership effectiveness, several models have been developed, among them the contingency model which was first developed by Fiedler (1967) and later revised by Fiedler and Chemers (1974). The model predicts leadership effectiveness as a result of interaction between two main constructs, namely leaders' attributes (task or relational motivational orientation) and leaders' situational control (group climate, task structure, authority). According to Fiedler and Chemers (1974), leadership effectiveness is determined by employees' satisfaction, performance and stress level (See Chapter 5, Section 5.3). Another study on leadership effectiveness by Hooijberg and Choi (2001) assesses the impact of organisational characteristics on leadership effectiveness in both private and public organisations. The study is based on a Competing Values Framework (CVF) model by Quinn (1988b) which was favoured owing to its ability to recognise the complex and paradoxical nature of public management (Whorton & Worthley, 1981). The CVF has two main constructs (external versus internal organisational demands and control versus flexibility) and defines four main models that are said to influence leadership effectiveness. These are four models (described in Section 5.4.2) of organisational effectiveness, namely the HR model, the open-system model, the internal processing model, and the rational goal model, with each model having a pair of effectiveness criteria (See Figure 5.1 in Chapter 5). Other studies which aim to assess leadership effectiveness include a study by the National Centre for Research in Vocational Education (NCRVE) and Norwack studies, but all give differing models to be used to measure leadership effectiveness (See Section 5.3 in Chapter 5). Although different models of leadership effectiveness, as discussed in Chapters 5 and 7, have developed different measures of leadership effectiveness, Green's (2010) study provides a model that is found to be relevant and is therefore adapted to measure leadership effectiveness in the present study. The model is made up of five sub-variables, namely *cross cultural competence, influence, follower commitment, versatility, and group organisation* (See Section 5.3 in Chapter 5 and Section 7.5.8 in Chapter 7).

Like leadership effectiveness, models have also been used to determine organisational effectiveness. As such, in the last six decades, numerous models measuring organisational effectiveness have been developed. The different models have mostly

focused on various measures of organisational effectiveness. In his summary of a number of organisational effectiveness measurement models, Sayareh (2009) documents 49 models. Some of the models that researchers have presented in an effort to measure organisational effectiveness, as discussed in Chapter 5, include: the goal-attainment model (1992); the open system model (1956); strategic constituencies model (1980); internal process model (1980), the balance score card model (1992) and Campbell's (1977) model. Even after much research in an effort to determine effective measures of organisational effectiveness, little consensus exists over what a valid set of organisational effectiveness criteria should be (Sayareh, 2009). Measures have ranged from productivity, efficiency, adaptability and moral growth to cohesion, goal attainment, stability, market share and quality. In the current study, nine criteria to measure the effectiveness of the indigenous banks in Kenya, as explained in Chapter 5 and Section 7.5.9 in Chapter 7, are the following: *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment*. The measures are based on studies relating to the banking industry.

The above section has provided an overview of the relationship between leadership effectiveness and organisational effectiveness and the types of models used to measure the relationship. In the current study, the theoretical framework indicates the proposed relationships between leadership effectiveness and organisational effectiveness (See Section 6.1) and is composed of independent variables, intervening variables and dependent variables. In the study, 11 independent variables influencing leadership effectiveness are addressed, namely, three (3) leadership competencies variables and eight (8) leadership task variables. These variables have been singled out as essential to attaining leadership effectiveness. As demonstrated by the arrow from leadership competencies to leadership tasks (See Figure 6.1), there exists a relationship that will be tested. The assumption is that leadership competence influences tasks performed by leaders. According to Battilana, Gilmartin, Sengul, Anne-ClairePach and Alexander (2010:423), effectiveness in a task is dependent on a related set of competencies (See Chapter 4, Section 4.1). As seen from the theoretical framework, leadership tasks

influence leadership effectiveness. Leadership effectiveness is similarly measured using 5 sub-variables which are seen to be instrumental to attaining organisational effectiveness (See the arrow from leadership effectiveness variable to organisational effectiveness variable). If organisational effectiveness is realised, this is measured in terms of nine items as shown in Figure 6.1. The following section examines each of the categories and corresponding variables and sub-variables.

6.2.1 Independent variables

In a study, the independent categories are said to be the manipulated variables presumed to cause some effects or outcomes (NOISH, 1999:8). In this study, the independent variable is made up of two main categories, namely *leadership competencies* and *leadership tasks.* Each of these categories will now be discussed.

6.2.1.1 Leadership competencies

Leadership competencies indicates a leader's ability to use acquired knowledge, skills and personal values in diverse complex situations and achieve desired outcomes (Das, Kumar & Kumar, 2010:198; Gruban, 2003; Pagon, Banutai & Bizjak, 2008:3). In the banking industry, leadership competence would be described as the ability of the leaders to acquire, and use knowledge, skills and personal values in a way that ensures overall bank leadership effectiveness. Three variables (competencies) have been singled out as essential to achieve the desired results. These are strategic thinking, emotional intelligence, and transformational leadership, forming the three key variables under competence. The three competencies, their variables and theoretical support are represented in Figure 6.1 below (See also Chapter 3, Section 3.6.6.3):

Table 6.1: Three leadership competencies and their corresponding sub-variables

Leadership competencies' variables	Leadership competencies' sub-variables	Theoretical supports
Strategic thinking	Strategic thinking, general competencies, thinking in time, intent-focused, intelligent opportunism, system perspective	Amos (2012); Allio (2006); Alvey, & Barclay (2007); Antonakis, Cianciolo & Sternberg (2004); Bennis (1976); Bennis (1989); Bonn (2001); Boots, 2002; Burgelman (1991); Essery (2002); Graetz (2002); Hamel & Prahalad (1994); Handy (1994); Hartman & Crow (2002); Haycock, Cheadle & Bluestone (2012); Jelenc (2008); Liedtka (1998); Liedtka & Rosenblum (1998); Lord, De Vader & Alliger (1986); Hochschild (1979); Mann (1959); Mason (1993); Minzberg (1994); Neustadt & May (1986); Rosche (2003); Senge (1990); Stogdill (1948); Thach & Thompson (2007); Thakur & Hoffman (1987); Torset (2001); O'Shannassy (2006); Tavakoli & Lawton (2005); Zabriskie & Huellmantel (1991).
Emotional intelligence	Self-awareness, self-motivation, interpersonal/social skills, self-regulation, emotional literacy	Abraham (1999); Averill (1980); Boyatzis, Goleman & Rhee, (2000); Cooper & Sawaf (1997); Davidson, Jackson & Kalin (2000); Michaela, Stankov & Roberts (1998); DuBrin, Dalglish & Miller (2004); Fineman (1993); Goffman (1969); Goleman (1995; 1998; 2001); Goleman, Boyatzi & Mckee (2002); Goleman Dulewicz & Higgs (2000); Higgs & Dulewicz (1999); Mayer & Bremer (1985); Mayer & Geher (1996); Mayer & Salovey (1993); Mayer& Salovey (1997); Mayer, Salovey & Caruso (1999); Mehrabian & Epstein (1972); Pinder (1998); Plutchit 1984); Rafaeli & Sutton (1987); Weinberger (2003); Scheff (1983); Zadel (2008).
Transformational leadership	Idealised influence (Attributes), idealised influence (behaviour), inspirational motivation, intellectual stimulation, individualised consideration	Avolio & Bass (2004); Avolio, Howell, Sosik (1999); Bass (1999); Bass & Avolio (1990); Bass, Waldman & Avolio (1978); Barling, Slater & Kelloway (2000); Downton (1973); Dubinsky, Yammarino, Jolson & Spangler (1995); Dumdum, Lowe & Avolio (2002); Hebert (2011); Leithwood, Jantzi & Steinbach (1999); Masi & Cooke (2000).

Source: Author's own construction

Table 6.1 focuses on the leadership competencies necessary for effective leadership as identified through literature, empirical findings and theoretical models. According to Hogan, Curphy and Hogan (1994:13), there is evidence that these competencies are consistently related to leadership effectiveness. According to Hogan et al. (1994:15), leadership effectiveness requires the presence of leaders' positive characteristics and the absence of negative characteristics or what are termed "dark side" characteristics. The finding by Hogan et al. (1994) is confirmed by Stogdill (1994) who has found that there is a relationship between leadership and competencies. Other theoretical supports relating to competencies necessary for effective leadership include: Al-Zoubi (2012), Beheshtifav and Moghadam (2010), Bray, Campbell and Grant (1974), Bray and Howard (1983), Conger and Ready (2004), Howard and Bray (1990) and Poorkian (2010).

As seen above, the three variables have been supported in literature for several decades and have been discussed in detail in Chapter 3. This has enabled the variables to be well refined and refocused for the present study. Numerous current and past researchers have supported the competencies relevancy to leadership effectiveness (Amos, 2012; Barnes, 2013; Gardner, 1998; ONS, 2012).

6.2.1.2 Leadership tasks

Leadership tasks are the second category of independent variables. Tasks are specific activities that a leader carries out to achieve set objectives (Samson & Daft, 2012). In this case, the banks need strong leaders able to perform required tasks in order to ensure attainment of set goals which in turn lead to effectiveness of the banks. In this study, eight main tasks have been identified, as discussed in Section 4.3 in Chapter 4 and Section 7.5.9.1 in Chapter 7, namely: *set organisational direction, develop human capital, build core competencies, organisational alignment, sustain appropriate organisational culture, manage change, emphasise ethical practices* and *balanced organisational control.*

In order to establish the specific tasks necessary for leadership effectiveness, this study relies on previous studies and empirical evidence. The eight leadership tasks variables, their measuring items and their theoretical support are represented in Table 6.2 below:

Table 6.2: Leadership tasks necessary for leadership effectiveness

Leadership tasks variables	**Competence measuring items**	**Theoretical support**
Set organisational direction	Set long term vision, establish core ideologies, envision future, determine customers, determine shareholders, determine growth strategies.	Amos (2012); Deal & Kennedy (1982); Dess et al.(2008); Higgins (2005); Hitt et el. (1997).
Develop human capital	Capable and competent staff, knowledgeable and skilful workforce, empowerment through training and development of staff, ability to manage knowledge, creation and commercialisation of innovation.	Colvin (2007); Denison (2001); Dessler (2011); Hitt et al. (2006); Hollenbeck & McCall (2003); Ireland et al. (2011)); Louw & Venter (2012); Noe et al.(2000).
Build core competencies	Resources necessary for attaining competitive advantage (tangible and intangible), enhance functional skills, invest in human resource, enhance core competencies in the organisation.	Amos (2012); Hitt, Ireland & Hoskisson (1997); Prahalad & Hamel (1990); Ireland, Hoskisson & Hitt (2011).
Create organisational alignment	Align all parts to work together. This includes linking: strategy, culture, shared values, , leadership styles, systems, resources, strategic performance	Amos (2012); Danison, 2001); Nadler & Tusman (1983).
Sustain appropriate organisational culture	Having an appropriate organisational culture denotes developing a culture tailored to specific organisational needs. Such culture reflects common core values, core ideologies, attitude toward change and dominant employees' management styles.	Amos, (2012); Bartol et al. 2003); Hoskisson & Hitt (2011); Hitt et al. (2008); Lumpkin & Dess (1996); Kuenzi & Schminke (2009); Mullins (2005); Schein (1992).
Manage change	Respond to changes to environmental challenges, technology, structure, processes, people.	Amos (2012); Boal & Hooijberg, 2001); Denison (2001).
Emphasise ethical practices	This is reflected in: judgement made, behaviour demonstrated, training, utilitarian goals, egocentric goals, transparency, systems to deal with ethical matters, ethical guidelines	Ashforth, Gioia, Robinson & Trevino (2008); Driscoll & Mckee (2007); Hitt et al.(1997); Ireland et al.(2011); Rumelt (2011); Schminke, Arnaud & Kuenzi (2007); Zhang & Wiersema (2009).
Balanced organisational control	Formal procedures, returns on investments, strategies implementations, take corrective actions, strategic controls, financial controls, risk acceptance, risk- averse	Simons (1994); Hitt et al. (1997); Hitt et al. (1990).

Source: Author's own construction

As seen in the Table 6.2, the importance of leadership tasks necessary for leadership effectiveness is evidence from numerous studies that have been conducted to this end. The current study aims to explore the relationship between leadership tasks and leadership effectiveness.

In concluding the discussion on the two independent categories that influence leadership effectiveness (leadership competencies and leadership tasks), a hypothetical relationship is presented in Figure 6.1 above (See Section 6.2). As shown by the arrows, leadership competencies influence leadership tasks. The two, leadership competencies and leadership tasks are assumed to influence leadership effectiveness. Upon attaining leadership effectiveness, leaders are expected to influence their organisations (See Figure 6.1).

6.2.2 Intervening variable

An intervening variable is defined in Chapter 7 as a concept that is inferred in order to explain "the process between stimulus (independent variables) and response (dependent variables)" (NIOSH, 1999:8). In the current study, the stimulus is leadership competencies and leadership tasks (independent variables) while leadership effectiveness is the intervening variable and is expected to influence organisational effectiveness (dependent variable) (see Chapter 7, Section 5.8.3).

6.2.2.1 Leadership effectiveness

According to Cooper, Fenimore and Nirenberg (2012:1), leadership effectiveness is the ability of leaders to successful influence others and result in positive effects. To achieve this, leaders must perform certain tasks and also possess certain competencies. The leadership effectiveness must also be assessed in terms of organisational performance. In the next section, leadership competencies, tasks and their measures are discussed.

a) Leadership competencies

   It is indicated above that leadership effectiveness is greatly influenced by leadership competencies. Numerous studied as discussed in Chapter 4 have been

conducted in an effort to establish these competencies. A study by Rosete and Ciarrochi (2005) focused on three competencies, namely emotional intelligence, personality and reasoning ability as critical to leadership effectiveness. The goal of their study was to establish how the competencies correlated with leadership effectiveness. The findings revealed that leaders' who scored highly in terms of leadership effectiveness also scored high on emotional intelligence in terms of ability to test, demonstrate certain personality characteristics (high openness and low vigilance) and high ability in emotion management. The findings are in agreement with similar studies that conclude that the ability to measure emotional intelligence can be a good predictor of leadership effectiveness (Ashkanasy, Trevor-Roberts & Kennedy, 2000; Goleman, 1998; Goleman, Boyatzis & Mckee, 2002; Mckee, 2005; Mayer, Salovey & Caruso, 2004). Other studies have supported the idea that strategic thinking and leadership competencies are essential to leadership effectiveness (Amos, 2012; Bell, 2007; Hayward, 2005; Hogan & Warrenfeltz, 2003; Jones, 2008; Laan, 2010; Mogamad, 2010). See Section 3.11 in Chapter 3. The current study focuses on the three competencies as influences in determining leadership effectiveness.

b) Leadership tasks

To attain leadership effectiveness, there are several tasks that leaders must perform. However, in literature and empirical studies, there is no agreement on the number of tasks to be performed, and different tasks are suggested by researchers (Ayman, Chemers & Fiedler, 1995; Fiedler & Chemers, 1974; Fiedler, 1967; Graen, Alvares, Orris, & Martella, 1971; Hooijberg & Denison, 2002; Rosete & Ciarrochi, 2005).

A study by Hooijberg and Denison (2002) aimed at establishing the components of leadership effectiveness with a specific focus on establishing the leadership tasks that had a greater impact on leadership effectiveness. Their study adopted Denison and Neale's (1996) leadership framework to examine twelve leadership tasks that affect leadership as rated by bosses, peers, other leaders and in direct

reports. The study found that twelve tasks were significant in influencing leadership effectiveness, namely empowering people, building team orientation, developing organisational capability, core values, reaching agreement, managing coordination and integration, creating changes, focusing customers, promoting organisational learning, defining strategic direction and intent, defining goals and objectives, and creating a vision (Hooijberg & Denison, 2002:27). Using Cronbach's alpha coefficient reliability test, their scores were: empowering people (0.89), building team orientation (0.93), developing organisational capability (0.92), core values (0.92), reaching agreement (0.93), managing coordination and integration (0.92), creating changes (0.93), focusing customers (0.93), promoting organisational learning (0.88), defining strategic direction and intent (0.93), defining goals and objectives (0.93), and creating a vision (0.94). Hooijberg and Denison (2002:18) concluded that using a single criterion to measure overall leadership effectiveness could hide important dynamics, and they advocated the use of multiple criteria of effectiveness in order to understand other leadership behaviour.

Another study by the National Centre for Research in Vocational Education (NCRVE, 1994) identified six main tasks performed by leaders, namely: 1) inspire a share vision and standards, 2) foster unity, 3) exercise power effectively and empower others, 4) exert influence outside the organisation, 5) establish an appropriate learning environment, and 6) satisfy job-related needs of employees. The Cronbach's alpha coefficient reliability scores for the six tasks ranged between 0.860 and 0.920. The instrument was widely used as a measure of leadership effectiveness, until NCRVE stopped operating (Chapter 7, Section 7.5.8.3). Other studies have identified other tasks such as setting organisational direction, developing human capital, building core competencies, creating organisational alignment, sustaining appropriate organisational culture, managing change, emphasising ethical practices and establishing balanced organisational control and strategic direction(Amos, 2012; Boal & Hooijberg, 2001; Costa & Bogdany, 2013; Van Eeden, 2003; Noe et al., 2000); Hanson et al., 2011; Hitt et

al., 2011; Hitt et al., 1997, Mathura, 2009; Mogamad, 2010; Noe et al., 2000). See also Table 4.1 and Section 4.3 in Chapter 4). From these studies, eight tasks were identified as influential to leadership effectiveness, namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasise ethical practices* and *balanced organisational control* (See Table 4.2 and Section 4.3 in Chapter 4).

c) Measure of leadership effectiveness

Having examined how leadership competencies influence leadership effectiveness, it is important to determine how leadership effectiveness is measured. However, it is worth noting that how to measure leadership effectiveness is not universally accepted (Kaiser, Hogan & Craig, 2008:97; Yukl, 1981:5) as discussed in Chapter 5. This has led to different studies and models aimed at establishing a common measure. While some models have focused on leaders' ability to motivate others, ability to control situations, or tasks to be done (Ayman, Chemers & Fiedler, 1995), others have focused on the ability to satisfy employees or followers in order to produce high results and achieve set goals (Erkutlu 2006:710; Kaiser, Hogan & Craig, 2008:97; Yukl, 1981:5). In the current study, leadership effectiveness is assessed using Green's (2010) leadership effectiveness measures. Green (2010) first developed nine measures of leadership effectiveness, namely: 1) group organisation, 2) follower satisfaction, 3) follower commitment, 4) status, 5) potential, 6) drive, 7) impact, 8) cross-cultural competence, and 9) versatility. This instrument used by Green (2010) indicates acceptable Cronbach's alpha reliability coefficient scores, namely: group organisation (0.68), follower satisfaction (0.64), follower commitment (0.77), status (0.64), potential (0.62), drive (0.67), impact (0.60), cross cultural competence (0.68), and versatility (0.21). From further analysis and statistical tests, Green (2010) has reduced his number of measures from nine to five. The five are: *influence, follower commitment, cross cultural competence, versatility, and group organisation* (See Chapter 5, Section 5.3). For the purpose of the

current study, Green's (2010:216-219) five measures are relevant to the study and are therefore adopted. However, the measures (termed sub-variables) have been modified to fit the Kenyan indigenous banking industry context. The five sub-variables are supported by several studies as measures of leadership effectiveness (Erkutlu 2006; Green, 2010; Kaiser, Hogan & Craig, 2008; Yukl, 1981; 1994; 1998; 2002). In the current study, these sub-variables are discussed in relation to leadership effectiveness and how they correlate with expected results (organisational effectiveness). To this end, the sub-variables are hypothesised as discussed Section 6.4.

6.2.3 Dependent variable

A dependent variable is defined in Chapter 7 as a variable that a researcher is trying to predict or explain (Singleton & Straits, 2005:45). In the current study, organisational effectiveness is the dependent variable which is assumed to be influenced by leadership effectiveness (See Chapter 7, Section 7.5.9).

6.2.3.1 Organisational effectiveness

Leadership effectiveness is assumed to influence organisational effectiveness. In general, organisations are instrumental in contributing to the overall well-being of the society and economy (Robbins & Barnwell, 2006:73). Organisational effectiveness has been defined as the degree to which an organisation achieves short-term and long-term goals through fulfilling its objectives, controlling resource depletion, and avoiding undue strain on its stakeholders (Robbins & Barnwell, 2006: 76; Thibodeaux & Favilla, 1996:21). Over the years, measuring effectiveness has remained a challenge to both scholars and researchers. Different methods have been used to define and measure organisational effectiveness. According to Lewin and Minton (1986:514-538), though research on a unifying theme for organisational effectiveness has lasted for more than a century, no universal definition has been developed. Between 1950 and 2010, different of measures of organisational effectiveness were suggested from different studies and research. Some of these measures of organisational effectiveness are: increasing productivity, profit, quality, growth and job satisfaction (Campbell, 1977:36-41; Robbins & Barnwell, 2006:74). A more recent

study by Sayareh (2009:1-17) led to a total of 78 measuring criteria ranging from productivity, efficiency, resource acquisition, adaptability, profitability, flexibility, planning quality, morale, control, outcomes and cohesion, growth, to human resource development, processes, goal attainment, stability, survival, reliability, structures, readiness, objective setting, evaluation and self-maintaining. The measures were developed after reviewing various organisational effectiveness models developed between 1952 and 2007 (Sayareh, 2009:1-17). A major conclusion from different studies and models of assessments is that organisational effectiveness should be studied from multidimensional approaches (Cameron, 1986; Connolly, Conlon & Deutsch, 1980; Goodman & Pennings, 1980; Sayarehy, 2009). This conclusion justifies the various measures advocated by different practitioners based on different situations and objectives as discussed in Chapter 5. Based on existing literature and various empirical studies, nine measures of organisational effectiveness were identified and used to measure organisational effectiveness in the current study. These are: *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment* (See Section 7.5.9.1 in Chapter 7 for detailed discussion of the measures). As derived from various studies, for such organisational effectiveness to be realised, leadership effectiveness is instrumental. The next section links leadership competencies, leadership tasks, leadership effectiveness and organisational effectiveness.

6.3 LEADERSHIP COMPETENCIES AND LEADERSHIP TASKS CATEGORIES

The leadership competencies and leadership tasks categories are presumed to influence leadership effectiveness which in turn impacts on organisational effectiveness. While the two categories are discussed separately, there is the assumption that leaders who possess the required competencies will perform their tasks effectively. In fact according to Amos (2012) and Barney (1991), there is a strong correlation between leadership competencies and how leaders conduct their specific tasks. As such, it can be hypothesised that there is a relationship linking leadership competencies and leadership tasks. This relationship is further supported by Barney (1991) and Collis and Montgomery (1998) who emphasise that the two, leadership competencies and leadership tasks are dependent, though not

interchangeable (See Section 6.2 above in this chapter and Sections 4.2-4.3 in Chapter 4). This means that leadership tasks are dependent on leadership competencies.

Based on the above argument and discussion, a hypothesis and sub-hypotheses to test the relationship between leadership competencies and leadership tasks are stated as follows:

Major hypothesis (H^1**)**

H^1: Leadership competencies influences Leadership tasks

Sub-hypotheses

$H^{1.1}$: There is a relationship between *Leadership competencies* and its associated variables

$H^{1.1.1}$: Strategic thinking
$H^{1.1.2}$: Emotional intelligence
$H^{1.1.3}$: Transformational leadership

The above variables and their respective sub-variables are discussed in the next section. Similarly, the sub-hypotheses and sub sub-hypotheses to be tested are also stated.

6.3.1 Strategic thinking

As mentioned in Chapter 3, strategic thinking indicates a leadership ability to synthesise and use intuition to develop a comprehensive capability to make appropriate decisions (Mintzberg, 1994). There are five main sub-variables that make up strategic thinking, namely *systems perspective, intelligent opportunism, intent focused, thinking in time and hypothesis driven* (Liedtka, 1998:122). In relation to leadership ability to think strategically, studies in this area describe it as a major handicap among senior executives which has led to organisational failures worldwide (Bonn, 2001; Essery, 2002; Haycock et al., 2012; Zabriskie & Huellmantel, 1991). It is also notable that strategic thinking as a major aspect of leadership remains under-researched, which is associated with the difficulty of measuring cognitive ability (Bennis, 1989; Hartman & Crow, 2002; Liedtka & Rosenblum, 1998; Rosche, 2003; Thakur & Hoffman, 1987). This has led to a lack of pronounced theoretical understanding of the subject, which has made Liedtka (1998:120) caution against developing concepts or models that may not be useful to practising

managers. To make this study very practical, a research instrument developed by Jelenc (2008) in her doctoral dissertation has been adopted. The instrument's sub-variables are: *strategic thinking (general), system perspective, intelligent opportunism, intent-focused, thinking in time* and *hypothesis driven*. The study had 401 top managers and 250 employees from Croatian firms taking part. The average Cronbach's alpha coefficient score was 0.742 with individual items having the following scores: strategic thinking (general) (0.704), system perspective (0.617); intelligent opportunism (0.676); intent focused (0.736); thinking in time (0.712); and hypothesis driven (0.778) which were within acceptable parameters. Jelenc's (2008) study found that there is a significant relationship between strategic thinking competency and its sub-variables. However, since the area still remains under-researched (Bennis, 1989; Hartman & Crow, 2002; Liedtka & Rosenblum, 1998; Mason, 1993; Rosche, 2003), the need for more research is evident in order to establish this relationship. Consequently, further establishing of this relationship in the current study is very useful. In an effort to make the research instrument fit the banking industry, a total of 38 statements were modified and adapted (see Chapter 7, Section 7.5.8).

In order to test this relationship further and to establish the relationship between strategic thinking competence and its sub-variables, the following sub sub-hypotheses were tested:

Sub sub-hypotheses $H^{1.1.1}$

$H^{1.1.1}$: There is a relationship between *Strategic thinking* (variable) and the measured or observed sub variables:

$H^{1.1.1a}$: Strategic thinking (general)
$H^{1.1.1b}$: Thinking in time
$H^{1.1.1c}$: Intent focused
$H^{1.1.1d}$: Intelligent opportunism
$H^{1.1.1e}$: System perspective
$H^{1.1.1f}$: Hypothesis driven

6.3.2 Emotional Intelligence

As discussed in Chapter 3, emotional intelligence (EI) is described as the ability of a person to recognise, understand and manage self-emotions in relation to others (Davies,

Stankov, & Roberts, 1998; Goleman, 1998, 1999; Zadel, 2008). This is one area that has attracted a great deal of attention, with numerous studies maintaining that there exists a strong correlation between emotional intelligence, effective leadership and organisational effectiveness (Goleman, 1998; 1994). The main attributes or sub-variables of EI are *self-awareness, self-regulation, self-motivation, empathy* and *social skills* (Amos, 2012; Goleman, 1995; 1998; Hebert, 2011; ONS, 2012; Kerr, Garvin, Heaton & Boyle, 2006; Reilly & Karounos, 2009). It is these five attributes that are being assessed in the current study in relation to emotional intelligence and their application to the banking industry (See Chapter 3, Section 3.9 and Chapter 7, Section 7.5.7.1).

In terms of research conducted to establish the relationship between EI and its sub-variables, several studies exist. For instance, Palmer and Jansen's (2004) study attains an average Cronbach's alpha reliability coefficient score of 0.981, which signifies a high reliability. Specifically the Palmer and Jansen's (2004 study sub-variables have the following Cronbach's alpha reliability coefficient scores: emotional literacy (0.863); self-awareness (0.872); self-management (0.851); self-motivation (0.911); social skills (0.953). Another study by Hayward (2005) results in an overall Cronbach alpha coefficient score of 0.907. Likewise, Gryn (2010) study yields an overall reliability Cronbach's alpha coefficient score of 0.981 (See Chapter 7, Section 7.5.8.1b. All these results indicate that Cronbach's alpha coefficient scores are within an acceptable range and agree with other similar studies (Hebert, 2011; Goleman, 2004; Kerr et al., 2006).

The current study therefore assessed EI applicability to indigenous banking leadership effectiveness. As such the following sub sub-hypotheses were tested:

Sub sub-hypotheses $H^{1.1.2}$

$H^{1.1.2}$: There is a relationship between *Emotional intelligence* (variables) and the measured or observed sub variables:

$H^{1.1.2a}$: Self-awareness
$H^{1.1.2b}$: Self-motivation
$H^{11.2c}$: Interpersonal/social skills
$H^{1.1.2d}$: Self-regulated
$H^{1.1.2e}$: Emotional literacy

6.3.3 Transformational leadership

Transformational leadership is a style of leadership where the leaders and followers have mutual acceptance of each other, consult each other and work together towards achievement of their common goal (Burns, 1978; Downton, 1973; Edward & Gill, 2012; Krishnan & Arora, 2008; Shadraconis, 2013; Yoder-Wise, 2007). In the banking industry, leaders are those persons occupying formal positions who have the responsibility of supervising others. Followers on the other hand are those occupying non-managerial positions and are subject to supervision by their leaders. According to the literature, transformational leadership results in overall change for both those leading and those being led, in terms of the mind and heart, insights, understanding, beliefs, and self-perpetuating (Bass, 1985; Krishnan & Arora, 2008:34). As explained in Chapter 3, this competence is measured using five sub-variables, namely *idealised influence (attributes), idealised influence (behaviours), inspirational motivation, intellectual stimulation* and *individualised consideration* as derived from literature and empirical evidence (Avolio & Bass, 2004; Hayword, 2005; Hall, Johnson, Wysocki, & Kepner, 2012; Ramchandran, 2011(See Chapter 3, Section 3.11.1).

There are many studies that support transformational leadership competency as a key ingredient in ensuring leadership effectiveness (such as Avolio, Howell, Sosik, 1999; Barling et al., 2000; Dumdum et al., 2002; Edward & Gill, 2012; Iqbal et al., 2012). The original advocate of this competency, Bass and Avolio (1990) studied 3786 respondents, and the Cronbach's alpha coefficients' reliability ranged between 0.630 and 0.940. Since then, many other studies have been conducted to establish the relationship between transformational leadership and its sub-variables. Such studies include Molero and Morales (1994) conducted among 40 major hospitals in Spain. Other studies are by Howell and Hall-Marenda (1999) and Avolio and Bass (2004), all showing a strong correlation between transformational leadership and its sub-variables. A more recent study by Hayward (2005) identifies the five sub-variables with encouraging Cronbach's alpha reliability coefficient scores, namely *idealised attributes* (0.747), *idealised behaviours* (0.769), *inspirational motivation* (0.762), *intellectual stimulation* (0.727) and *individualised consideration* (0.718). To show the importance of transformational

leadership competency, over 500 doctoral studies have been done in this area since 1995 (Bass & Avolio, 2004). It can be concluded that there is a relationship between transformational leadership competency and its sub-variables.

To further establish if there is a relationship between transformational leadership competency and its variables, the following sub sub-hypotheses were tested:

Sub sub-hypotheses $H^{1.1.3}$

$H^{1.1.3}$: There is a relationship between *Transformational leadership* (variable) and the measured or observed variables:

$H^{1.1.3a}$: Idealised influence (attributes)
$H^{1.1.3b}$: Idealised influence (behaviour)
$H^{1.1.3c}$: Inspirational motivation
$H^{1.1.3d}$: Intellectual stimulation
$H^{1.1.3e}$: Individualised consideration

As discussed in Chapter 3, the three leadership competencies, namely strategic thinking, emotional intelligence and transformational leadership, have been widely researched, tested and accepted as key competencies necessary for leadership effectiveness within an organisation, which in turn leads to organisational effectiveness (Amos, 2012; Goleman, 1998; Hogan & Warrenfeltz, 2003; Kerr, Garvin, Heaton & Boyle, 2006; Reilly & Karounos, 2009). The current study aims to test and assess the extent to which these competencies are being applied in the indigenous banking industry in Kenya.

6.4 LEADERSHIP TASKS

The second set of independent variables is leadership tasks. A task is defined as specific formal and explicit mechanism that leaders use to exercise leadership (Strategic Informational Service, 2001:4). When the tasks are performed successfully, organisational leaders are able to realise their objectives and other desired results. Since this study focuses on bank leadership, the ability of leaders to perform their tasks in a manner that enables them to achieve their organisational goals is examined. As justified in Chapter 4 and Table 7.6 in Chapter 7 and highlighted previously in this chapter, eight

main tasks referred to as variables have been identified from literature (Boal & Hooijberg, 2001; Hanson et al., 2011; Hitt et al., 1997; Noe et al., 2000) as being critical to leadership effectiveness for the purpose of the current study: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasise ethical practices* and *organisational control.* A discussion of these variables has demonstrated their significance to leadership effectiveness and organisational effectiveness (See Chapters 4 and 5).

Although leadership tasks are critical to the attainment of set goals, there exist only a few studies focusing on leadership tasks both in secondary and empirical literature, as discussed in Chapter 4, Section 4. For leadership effectiveness to be realised, the eight tasks must be performed successfully.

Studies aimed at identifying tasks performed by leaders have relied mostly on the *Denison Organisational Culture Survey* instrument, developed by Denison and Fey (2003) (See Chapter 7, Section 7.5.7.2). This instrument contains all eight tasks identified for the purpose of this study. The instrument has been used by over 3 000 organisations with over 100 000 respondents worldwide, including Asia (Japan), Middle East, Europe, North America (USA and Canada), Russia, South America (Jamaica, Brazil), and South Africa (Denison, Lief & Ward, 2004:65). Since this instrument is very comprehensive in assessing leadership tasks, other scholars have used it to identify leadership tasks and organisational cultural effectiveness (such as Denison, 1984; Denison & Fey, 2003; Denison, Haaland & Goelzer, 2003; Denison & Mishra, 1989; Denison, Janovics, Young & Cho, 2006; Liu, 2006). As discussed in Chapter 7 the *Denison Organisational Culture Survey* is being used in the current study to establish the extent to which bank leadership perform each task essential for their effectiveness. The instrument has been modified with the permission of the publisher, to fit the local indigenous banking industry.

Various studies have used *Denison Organisational Culture Survey* in order to establish the extent to which leadership perform the eight tasks. The results of the reliability

Cronbach's alpha coefficient tests ranged from 0.600 to 0.900 (Denison & Neale, 1996; Franck, 2005; Liu, 2006). In a study by Franck (2005:88) the Cronbach's alpha coefficient reliability scores for each of the eight tasks were identified, namely, *set organisational direction* (0.840), *develop human capital* (0.710), *build core competencies* (0.770), *create organisational alignment* (0.730), *sustain appropriate organisational culture* (0.862), *manage change* (0.690), *emphasise ethical practices* (0.730) and *balanced organisational control* (0.770). The results are within the acceptable parameters of 0.600 and above, as explained in Chapter 7, which make them acceptable in the present study as measures of leadership effectiveness.

To test the relationship between leadership tasks and its associated variables, following hypothesised were tested:

Sub-hypotheses $H^{1.2}$

$H^{1.2}$: There is a relationship between *Leadership tasks* and its associated variables:

$H^{1.2.1}$: Set organisational direction
$H^{1.2.2}$: Develop human capital
$H^{1.2.3}$: Build core competencies
$H^{1.2.4}$: Create organisational alignment
$H^{1.2.5}$: Sustain appropriate organisational culture
$H^{1.2.6}$: Manage change
$H^{1.2.7}$: Emphasis ethical practices
$H^{1.2.8}$: Balanced organisational control

The above hypotheses were tested to establish if there is a relationship between leadership tasks and its associated variables as advocated by the literature and numerous studies.

6.5 LEADERSHIP COMPETENCIES AND LEADERSHIP EFFECTIVENESS

As indicated previously in this chapter, the independent variables in this study are divided into two categories, namely *leadership competencies* and *leadership tasks* variables (See Section 6.2.1). The first category focuses on three leadership competencies, namely *strategic thinking, emotional intelligence* and *transformational leadership* (discussed in

this section). The second category of independent variable namely leadership tasks was composed of eight variables (discussed in Section 6.2.2.1b*)*. From the current study assumptions which are based on previous research, there exists a significance relationship between leadership competencies and leadership effectiveness. As such, this relationship is demonstrated by the following hypothesis and sub-hypotheses. The study aims to establish this relationship or lack of it.

Major hypothesis (H^2)

H^2: *Leadership competencies* influences *Leadership effectiveness*

Sub-hypotheses $\mathbf{H^{2.1}}$

$H^{2.1}$: There is a relationship between *Leadership effectiveness* (construct) and its sub constructs:

$H^{2.1.1}$: Cross-cultural competence
$H^{2.1.2}$: Influence
$H^{2.1.3}$: Follower commitment
$H^{2.1.4}$: Versatility
$H^{2.1.5}$: Group organisation

6.6 LEADERSHIP TASKS AND LEADERSHIP EFFECTIVENESS

As discussed in this chapter, the independent variables were composed of both leadership competencies and leadership tasks. Both were assumed to influence leadership effectiveness which in turn influences organisational effectiveness. Having demonstrated the relationship between leadership competencies and leadership effectiveness, the relationship between leadership tasks and leadership effectiveness is assessed. To establish this relationship, the following hypothesis was stated and tested.

Major hypothesis (H^3)

H^3: Leadership tasks influences Leadership effectiveness

6.7 LEADERSHIP COMPETENCIES AND LEADERSHIP TASKS VERSUS LEADERSHIP EFFECTIVENESS

It has been stated that the two independent categories (leadership competencies and leadership tasks) identified for the current study influence leadership effectiveness as

hypothesed and presented in Figure 6.1 (See Chapter 6). It was also indicated that leadership competencies does influence leadership tasks for effective leadership to be realised. As Hypothesis 4 (H^4) demonstrates, it is the two independent categories and their respective variables that influence leadership effectiveness. It is this relationship that is presented hypothetically as shown below.

Major hypothesis (H^4)

H^4**:** *Leadership competencies* and *Leadership tasks* influence *Leadership effectiveness*
where Leadership competencies influence Leadership tasks

6.8 LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS

Leadership effectiveness is central to organisational effectiveness. According to Foster and Young (2004:29), when goals are not achieved, people lose confidence in the leadership and blame it for failure. The following section discusses the relationship between leadership effectiveness and organisational effectiveness.

To integrate leadership effectiveness and organisational effectiveness, studies show that the two are intertwined variables (Cooper, Fenimore & Nirenberg, 2012; Hawkins, 2012). There are numerous researches that support this connection and relationship (such as Butterfield & Powell, 1981; Hesselbein Goldsmith & Beckford, 1996; Jones, 2008; Lewin, Lippit & White, 1939; Nyabadza, 2008: Shakespeare, 2004). In fact, as early as 1930s, Lewin, Lippit and White (1939:271-291) demonstrated that there is a strong relationship between leadership effectiveness and organisational effectiveness. Lewin et al. (1939) stated that leadership effectiveness is measured in terms of positive or negative performance. Some of the measures include output, turnover, morale, productivity, motivation, and employee satisfaction. Studies conducted between 1950 and 2010 have shown a strong correlation between leadership effectiveness and organisational effectiveness (such as Katz, Maccoby & Morse,1950; Chatterjee, 1961; Broadhrust, 1969; Mullen, 1965; Stogdill, 1974; Sinha, 1976; Jain, 1982; Butterfield & Powell, 1981; Hesselbein et al., 1996; Shakespeare, 2004; Jones, 2008; Nyabadza, 2008). There are scholars and empirical studies that argue the two have no significant relationship (such as

& Cromartie, 2001; Nicholls, 1988; Ogbonna & Harris, 2000; Pelz, 1956; Quick, 1992; Simms, 1997). However, most of the studies explored in the course of the present study have revealed a significant relationship. More current studies, for instance by Raja and Palanichamy (2012:497-503) and Hawkins (2012:1) have said that there is a positive relationship between leadership effectiveness and organisational effectiveness. Cooper et al. (2012:7) emphasise that, "the purpose of leadership effectiveness is organisational effectiveness." Given this argument, it is in order to conclude that there is a strong relationship between leadership effectiveness and organisational effectiveness.

To test the relationship between leadership effectiveness and organisational effectiveness, the following hypothesis will be tested.

Major hypothesis (H^5)

H^5: *Leadership effectiveness* influences *Organisational effectiveness*

6.9 LEADERSHIP COMPETENCIES, LEADERSHIP TASKS INFLUENCE ON LEADERSHIP EFFECTIVENESS THEN ORGANISATIONAL EFFECTIVENESS

The overall aim of the current study is to assess the relationship between *leadership effectiveness* and *organisational effectiveness*. Leadership effectiveness is measured using two main independent variables, namely leadership competencies and leadership tasks. It is assumed and hypothesised that leadership effectiveness which is influenced by leadership competencies and leadership tasks influence organisational effectiveness (See Fugure 6.1). To establish if there was relationship between *leadership competencies* and *leadership tasks* (independent variables), *leadership effectiveness* (intervening variable) and *organisational effectiveness* (dependent variable), then the following hypothesis was tested:

Major Hypothesis (H^6)

H^6: *Leadership competencies* and *Leadership tasks* influences *Leadership effectiveness* which influences *Organisational effectiveness*

6.10 SUMMARY

This chapter has discussed the theoretical framework proposed for this study. The key focuses were the independent variables (*leadership competencies* and *leadership tasks*) and how they influence the intervening variable (*leadership effectiveness*) which in turn affects the dependent variable (*organisational effectiveness*). The relationships were represented by hypotheses which will be tested to establish the existence or lack of existence of such relationships.

The chapter examined the influence of and relationship between various factors: *leadership competencies* and *leadership tasks* (independent variables*), leadership effectiveness* (intervening variable) and *organisational effectiveness* (dependent variable). This is based on the fact that leadership effectiveness is achieved by leaders possessing certain competencies and performing certain tasks. The main competencies identified are: *strategic thinking, emotional intelligence and transformational leadership*. Similarly, the main tasks are: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasise ethical practices* and *balanced organisational control.* It is these activities that lead to leadership effectiveness which in turn leads to overall organisational effectiveness. Leadership effectiveness is measured using five main indicators or sub-variables, namely *influence, follower commitment, cross cultural competence, versatility, and group organisation.* Effective leadership results in overall organisational effectiveness. The major indicators of such organisational effectiveness are: *productivity, sales/revenue growth, quality products* and *services, operational efficiency, innovativeness and adaptability, profitabilit, performance stability market share, employee satisfaction* and *commitment.*

The relationship between the independent, intervening and dependent variables is theorised in a theoretical framework. The theoretical framework shows how different variables interact and what the resultant effects are. From the theoretical relationship indicated, several hypotheses are developed in order to statistically test and establish the existence of relationship or lack of it. The next chapter on research design and

methodology discusses the reliability of the different variables used in the current study and how they link with prevailing literature and empirical findings from similar studies. Other focus of the next chapter includes the research paradigm, research design, and preliminary assessment of the theoretical framework, quantitative testing, and data analysis.

CHAPTER 7
RESEARCH DESIGN AND METHODOLOGY

7.1 INTRODUCTION

The purpose of research is to use scientifically established procedures to answer questions which have no obvious answers (Cooper & Schindler, 2007). Through well-defined methodology, research is able to unveil hidden answers in order to achieve its intended objectives. However, for research to achieve its aims, it must be dependable, which can only be achieved if it is valid and reliable (Farrington, 2009:331). To achieve the set aims, a research study must generate dependable data and information derived from carefully thought-out professional process and scientific methods (Cooper & Schindler, 2007). Accordingly, research involves a thorough, rigorous enquiry and investigation which is systematic, procedural and methodical. It is only then that research is said to have achieved its aims (Collis & Hussey, 2003:1; Zikmund, 2003:5-6). This process of ensuring that data is collected and analysed correctly is termed research methodology. Put another way, the quality of research and its outcome is directly related to the validity of the methodology employed (Farrington, 2009:331).

According to Leedy (1993:137), research methodology is the framework within which facts are placed so that meaning can be extracted from them. Mouton (1996:35) sees research methodology as the methods or means of performing something. Leedy (1997:9) states that the core of any research is its methodology. Research methodology is important since research can only be successful if it is properly planned, structured and implemented.

As stated in Chapter 1, the primary objective of this study is to assess the relationship between leadership effectiveness and organisational effectiveness among indigenous banks in Kenya. This chapter explains the research methodology used in this study to address this primary objective. Good research methodology must also cover research design. Burns and Grove (2003:488) point out that good research methodology includes

the design, scope, sample size, techniques, data collection and analysis, all of which will be covered in this chapter

Research design refers to "an action plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there are some set conclusions (answers) about these questions" (Yin, 1994:19). Research design is termed a blueprint or road map that defines the various research operations necessary to ensure efficient and effective research procedures to ensure that maximum information is obtained with minimal expenditure, time and money (De Vos, 1998: 125). A research design ensures that the right decision is made in relation to data collection techniques, sampling methods, research instruments and time period while at the same time minimising expenditure and providing direction to the research (Vockell, 1993:150).

In this chapter, the main aspects of research are discussed as applied to the present study. This is followed by justification of the research paradigm selected, the research design, and preliminary assessment of the theoretical framework, quantitative testing and analysis, sampling unit and unit of observation, sampling methods, methods of data collection, research instrument, scale development and operationisation, data analysis and structural equation modeling. Finally, the research data analysis method used to analyse the final data and confirm the proposed theoretical framework is described.

7.2 RESEARCH PARADIGM

The first step in any research is to explain the research paradigm being used and justify its use compared to other approaches in social research. The concept of paradigm is central to all researches undertaken as it explains the nature of scientific endeavour within which a given research is based (Mangan, Lalwani & Gardner, 2004). Wittgenstein (1961) termed a paradigm as basically a "world-view". This is suppotted by Naslund (2002) who argues that people view the world differently which has an implication on how research is conducted in terms of process, logistics, methodology and results interpretation. Mangan et al. (2004) further observe that researchers are sometimes unnecessarily bound up by their preferred paradigms. For instance, in the management

studies, the various paradigmatic approaches are "often discussed in terms of an antithesis between two schools of philosophy" (Mangan et al., 2004:566) termed as positivism and phenomenological (Gummesson, 2000:19; Hussey & Hussey, 1997:147). A discussion of the two paradigms follows.

7.2.1 **Positivism paradigm**

The positivism paradigm was the dominant epistemological paradigm in the social science in much of the nineteenth century. The paradigm however continues to be advocated by scholars in the contemporary research who refer to themselves as post-positivists. The positivism approach argues that the social world exists externally or outside the researcher and therefore its properties are measurable directly through observation (Gray, 2014). The approach uses three arguments (Gray, 2014:21), that is:

- "Reality consists of what is available to the senses–that is what can be seen, smelt, touched, etc.;
- Inquiry should be based upon scientific observations (as opposed to philosophical speculations) and therefore on empirical inquiry; and
- The natural and human sciences share common logical and methodological principles, dealing with facts and not with values."

The positivism paradigm strongly recommends that idea should only be incorporated into knowledge upon being tested empirically.

It is notable that there are views that are opposed to the observable nature of the positivist paradigm. The argument being that not all scientific theoretical explanations are based on observations but rather are derived from theory in order to make observations intelligible (Williams & May, 1996). However, it is argued that adopting a positivist perspective goes beyond the design of a given study. According to Crotty (1998), a positivistic approach implies that the end results are presented as objective facts and based on truth.

The positivistic paradigm is more quantitative, objective, scientific and traditional. The paradigm is based on scientific explanation, which uses a nomothetic approach or universal laws to make judgments (Schurink, 1998: 241). The approach similarly advocates putting aside all prevailing understanding and preconceptions of phenomenas

in favour of actual experience. The results of such studies expected to lead to new meanings or improved meanings (Gray, 2014:24).

In the contemporary research, researchers using positivism paradigm are common known as post-positivistic and basically advocate that there is an independent reality to be studied. The advocates also argue that all observation is inherently imperfect and thus they emphasis on the use inferential statistics and probabilities that observable results are correct but not certain (Onwuegbuzie, Johnson & Collins, 2009).

7.2.2 **Phenomenological paradigm**

The phenomenological paradigm is associated with qualitative data. Similarly, the phenomenological paradigm is more subjective, interpretative and humanistic. The phenomenological paradigm originates from an anti-positivistic and interpretative background and therefore termed as "idiographic" in its holistic approach (Schurink, 1998: 241). The phenomelogical paradigm holds that all attempts to understand people must be based and grounded on people's actual experience of social reality under study. The approach advocates putting aside all prevailing understanding and preconceptions of phenomenas in favour of actual experience. The results of such studies are expected to lead to new meanings or improved meanings (Gray, 2014:24). The advocates of phenomenological paradigm argue that the approach helps avoid any preconceived or prejudices arising from researchers' subjective thinking and bias. It is an approach that focuses on exploration via personal experience of the prevailing situation and interprets findings based on subject perspective (Gray, 2014:24). Gray (2014:24) notes that, "Far from using a theoretical model that imposes an external logic on a phenomenon, this inductive approach seeks to find the internal logic of the subject."

In an effort to distinguish between the positivism and phenomenological paradigms, the differences are highlighted in Table 7.1.

Table 7.1 Differences between the positivism and phenomenological research paradigms

	Positivistic paradigm	**Phenomenological paradigm**
Basic beliefs	The world is external and objective	The world is socially constructed and subjective
	The observer is independent	The observer is a party to what is being observed
	Science is value-free	Science is driven by human interests
The researcher should	Focus on facts	Focus on meanings
	Locate causality between variables	Try to understand what is happening
	Formulate and test hypotheses (deductive approach)	Construct theories and models from the data (inductive approach)
Methods include	Operationalising concepts so that they can be measured	Using multiple methods to establish different views of a phenomenon
	Using large samples from which to generalise to the population	Using small samples researched in depth or overtime
	Quantitative methods	Qualitative methods

Source: Easterby-Smith, Thorpe & Lowe, 2002

7.2.3 **Integrating positivism and phenomenological paradigms**

The need to integrate the two paradigms started to emerge towards the end of the nineteenth century after social science researchers who advocated positivism started to favour phenomenological paradigm (Mongan et al., 2004:563. The move away from positivism was also experienced among business researchers (Mongan et al., 2004:563). However, in recent decades researchers have developed methods and approaches that provide a middle ground approach thereby bridging the extremes of either positivism or phenomenological paradigms (Easterby-Smith, et al., 1991). The approach which is termed as triangulation borrows from the two paradigms and finds a middle way approach to research (Mongan et al., 2004:569). In support of this approach Collis and Hussey (2003) argue that the two paradigms (positivistic and phenomenological) can be termed as a continuum, with the two methods focusing on either end of the extreme. This means that the two paradigms are not absolute, a point emphasised by Hussey and Hussey (1997:48):

> Although we have identified two main paradigms, it is best to regard them as the two extremes of a continuum. As you move along the continuum, the features and assumptions of one paradigm are gradually relaxed and replaced by those of the other.

In a continuum, there is the possibility of some overlap of issues although this does not present a piece of research from being identified with a specific paradigm. This means that some studies can be anywhere on the continuum indicating they use both approaches. According to Nuslund (2002), there is need of using both quantitative and qualitative methods in order to ensure and advance logistical research. It is argued that such an approach will compensate for any flaws while at the sometime leveraging the strengths os different methodologies used (Mongan et al., 2004:569).

Due to the quantitative nature of the data collected, the current study is located within the positivistic paradigm and is highly triangulated (Collis & Hussey, 2003; Easterby-Smith et al., 2002). This study applied the following steps: choice of topic, defining problem statement or identification of the problem; review of literature and related research in relation to leadership effectiveness, organisational effectiveness and the banking industry. This was followed by preparation and approval of research proposal; definition of all central concepts, both theoretically and operationally; reformulation of research problems in relation to testable hypotheses; selecting the appropriate research design; choosing the data-collecting method and measuring instrument, followed by carrying out a pilot study. On the pilot study, analysis of data was conducted and necessary amendments made on the research instrument. The research instrument was then used to collect data followed by analyses, model development and testing, interpretation of data and final report writing (De Vos, 1998:40).

7.3 RESEARCH DESIGN

In any given research, there are varieties of research designs that are available to select from, namely experimental design, survey research design, and descriptive research design (Babbie, 2010:92-94; Kothari, 2004:2). These are discussed below.

7.3.1 Experimental design

The experimental design aims at establishing the truth about statistical hypotheses in relationship to a given research problem (Kothari, 2004). In this method, independent

variables are controlled in order to assess their causal effects on dependent variables (Babbie, 2010). While the method is appropriate and accurate when used in a laboratory, it is intrusive and difficult to carry out in practical situations because of the inability to get two groups with identical characteristics, especially when applied to human beings (Hofstede, 2006).

7.3.2 Survey research design

A second research design method involves asking a target audience questions about feelings, views and experience in relation to the topic under study (Babbie, 1992). It is an appropriate method for phenomena that cannot be observed directly. The method is preferred when it is able to collect a huge amount of data from a large population. It is also considered efficient and economical owing to its use of questionnaires to collect data. One of its main disadvantages is the compliance where targeted audiences may skew their answers to fit ones that are desired (Cooper & Schindler, 2007).

7.3.3 Descriptive research design

In descriptive research design, the researcher utilises various methods and procedures that describe variables (Cooper & Schindler, 2007:159). The goal of descriptive research is to answer the questions: "what, where, when and how" (Babile, 2010). The approach includes gathering data, organising it, tabulating it and interpreting it. According to Babbie (2010), the method addresses issues relating to these questions. It is used to describe phenomena relating to a given population (Cooper & Schindler, 2007:159). A major advantage of this method is its ability to extensively describe behaviour, attitudes, characteristics and values of those studied. Unfortunately, the method can be disadvantageous if it has too many variables to be realistically controlled (Babbie, 2010).

The research design used in this study was the survey approach. Besides its advantages as stipulated above, the method was considered fit as it enabled the respondents to willingly provide the required information. According to Hofstede (2006:122), the survey “attempts to elicit information from a limited number of individuals who possess the required information, who are able and willing to communicate and who are intended to

be representative of a large group." In this study, indigenous bank employees (both managers and non-managers) were surveyed in order to seek information on bank leadership effectiveness and organisational effectiveness. Neuman (2000:247) adds that the survey method is appropriate for questions aiming at getting information about self-beliefs, behaviours, views and attitudes of respondents, a focus that this study undertook.

Further justification for the appropriateness of the survey research approach for this study was confirmed in Neuman (2000:21) who cites three main purposes of social research, namely exploratory, descriptive and explanatory. For exploratory research, the purpose is to explore new areas or topics while descriptive research focuses on social phenomenon requiring attention. Explanatory research is geared towards testing predictions which may include hypotheses or principles already established in some theories. Since this study aimed at assessing leaders' competencies, leaders' tasks (independent variables) and how these influence leadership effectiveness (intervening variable) and affected organisational effectiveness (dependent variable), the study used descriptive and explanatory approaches.

In this study, the relationships between the independent, intervening and dependent variables as applied in the proposed theoretical framework were tested. From the literature analysis, the use of explanatory research is not new to leadership studies. In a study on a meta-analysis of the literature on participation in the workplace, explanatory research was used to examine level of influence on satisfaction and productivity where three types of models were examined, namely cognitive model, affective models and contingency models (Miller & Monge, 1986:730-732). The approach was also adopted in a study aimed at identifying leadership responsibilities (Waters, Marzano & McNulty, 2003). Another study composed of 67 different studies on leaders' performance and productivity identified an explanatory and evaluative approach as the most common (Avital & Collopy, 2001). These studies showed that explanatory research was suitable for leadership studies thereby justifying its use in this study.

7.4 PRELIMINARY ASSESSMENT OF THE THEORETICAL FRAMEWORK

Upon analysis and scrutiny of different literature and models of leadership and organisational effectiveness, and upon identifying a need to examine the relationship further, a theoretical framework was constructed. The theoretical framework hypothesised the relationship among various variables deemed appropriate for leadership effectiveness and organisational effectiveness. At first the theoretical framework was geared towards assessing the influence of leadership on strategy implementation. However, after several discussions with the supervisor, other lecturers and statistical experts, a change was made. Similarly, a pilot study was conducted which failed to show any significance relationship. A major weakness was determining specifically whether leadership influenced strategy implementation, a process that proved difficult to verify. As a result another study was proposed based on literature study and empirical studies, which resulted in the current theoretical framework. The framework was subjected to various discussions with lecturers from the School of Business and Economics at Daystar University in Kenya, besides numerous feedbacks from supervisors and Rhodes University Head of Statistics Department, all of whom gave valuable information on how to improve the theoretical framework. Before using the theoretical framework for the actual study, another pilot study was conducted which showed that the proposed instrument of measurement was reliable. One statement was recommended for removal in the final research instrument. The final research instrument was administered to bank leadership and their employees to determine the relationship between leadership effectiveness and organisational effectiveness.

7.5 QUANTITATIVE TESTING AND ANALYSES

7.5.1 Population for the study

The term "population" refers to a universe which denotes “the set of all units that the research covers or to which it can be generalized” (Neuman, 2000:142). Similarly, a population is defined as any complete group or body of people, events, objects, or any collection of items having common characteristics under consideration in a particular research (Mugenda & Mugenda, 2003; Polonsky & Waller, 2005; Zikmund, 2003).

Zikmund (2003) defines it as any complete group or collection of items under consideration for a research purpose. Such a group or collection has similar characteristics that are easily identifiable. Given that the purpose of this study was to establish the relationship between leadership effectiveness and organisational effectiveness in the indigenous banks in Kenya, the population for this study consisted of the indigenous banks operating in Kenya, namely 30 banks and all their employees (managers and non-managers). Since there was no known data in terms of the total number of employees in these banks, the population had no specific number.

7.5.2 Sampling unit and unit of observation

"Sampling" has been defined as the process of deciding which group, event, people or behaviour to study (Terre & Durrheim, 2002). A sample has been defined as a subset or a group of carefully selected participants with the characteristics of the population which it represents (Collis & Hussey, 2003:56; Cooper & Schindler, 2007:717). According to Neuman (2000:195), sampling in quantitative research aims to "get a representative sample or small collection of units or cases from a much larger collection, or population, such that a researcher can study the smaller group and produce accurate generalizations about the larger group."

The term "target population" is used to define the specific group or "specific pool of cases" focused on in a particular study (Neuman, 2000:201). A target population is also termed a sampling unit. According to Zikmund (1994:262), a sampling unit is a single element or group of elements subject to selection in the sample. According to Mugenda and Mugenda (2003:42), a sample of 10% to 30% is a good representation of a total population. Gay (1981) suggests that a sample of 30% is adequate. Since there are 30 indigenous banks in Kenya, this rule of sampling was considered, and resulted in a total of 9 banks being included in the initial sample unit.

To analyse the data for the current study, Structural equation modelling (SEM) was used. According to Farrington (2009:362), for good results to be obtained using SEM, the sample size should not be small. As such, a sample ranging between 200 and 400

respondents is recommended. Loehlin (1992) suggests a sample of 100 to 200 cases, while Hair, Anderson, Tatham and Black (1998:605) support a sample of 200 as ideal. Although initially 9 indigenous banks with a minimum of 324 respondents were selected, the number of banks was raised to 15 (or 50% of all indigenous banks) to include more respondents in the study as per SEM requirement. Consequently, the total number of respondents was raised to 540, comprised of 180 managers (12 managers at each of the 15 banks =180) and 360 non-managerial employees (24 employees at each of the 15 banks = 360).

As indicated in Chapter 1, the focus of the study was to get a general view of the indigenous banking leadership effectiveness and how this influenced the organisational effectiveness of all the banks rather than focusing on individual banks. Such a study has a limitation of deciding which banks to include in the study and which to exclude. Similar studies have resolved the problem by using the industry market share to select participants. Such studies include those done by Calori and Sarnin (1991:71) who studied French organisations; Gordon and DiTomaso (1992:783-789) who studied the insurance industry, and Flamholtz (2001:268-275) who focused on medium-sized industrial enterprises. In the banking industry, Liu (2006:58) used market share in a study entitled *The relationship between organisational culture and effectiveness in the Western Cape banking industry*. Since this study focused on the banking sector rather than on the individual views, market share was used to rank and select 15 indigenous banks to be studied. The banks were arranged in terms of the market share, ranging from the largest to the smallest. This way it was easier to identify the banks and justify their selection. However, five of the selected banks declined to participate in the study. This forced the researcher to change the approach. Finally, three additional banks agreed to participate in the study thereby making the sampling unit 13 indigenous banks. The 13 banks that participated in this study were representative of 43.3% of all indigenous banks in Kenya. In other words, 13 banks (10 in the original sampling and an additional 3) participated while 5 banks declined.

The "unit of observation" refers to specific persons or groups of persons within a sampling unit (Zikmund, 1994:262). In this study, the unit of observation was composed of all managers and non-managers. The following managers from the indigenous banks' headquarters were included in the study: one chief executive officer (CEO)/ managing director (MD), chief finance officer (CFO) (2), credit manager (1), corporate manager (1), insurance manager (1), capital shares manager (1), finance manager (1), IT manager (1), Forex and treasury manager (1), operations manager and administrative manager (1), marketing manager and logistics manager (1). This means that a minimum of twelve managers in the different departments based at the headquarters of each bank (the total departments may vary per bank) were included in the unit of observation. Therefore 12 managers were targeted in each of the 13 participating banks thereby giving a total of 156 managers (12x13 = 156). For the non-managerial employees, at least two or 30% of the non-managerial employees were randomly selected to voluntarily participate in this study, resulting in a minimum of 26 non-managerial employees per bank, (26x13=338). The distribution between managers and non-managers was deemed by the researcher to be a good representation of bank members and resulted in a total of 39 respondents, 13 managers, and 26 non-managerial employees from each bank. For the 13 banks it was anticipated that a total of 494 respondents would comprise the unit of observation. The sampling method, namely how the manager and non-managerial employees were selected is discussed in the next section.

7.5.3 Sampling method

In sampling, there are two main categories to choose from, namely probability sampling and non-probability sampling. In probability sampling, every member of the target population has an equal chance of being selected (Mugenda & Mugenda, 2003:4). Examples of probability sampling include simple sampling, systematic sampling, cluster sampling and stratified sampling. Non-probability sampling, on the other hand, gives the researcher the ability to use personal judgment to conveniently select participants from the target group (Zikmund, 2003:379-380). Examples of non-probability sampling are purposive/judgmental and convenience sampling, as discussed in the next section. In non-probability sampling the researcher cannot predict precisely the outcome of research,

unlike probability sampling where it is easier for a researcher to determine who will participate in a study. The current study relied on both probability and non-probability sampling, a brief discussion of which will be discussed below. Only the sampling techniques used in the present study are discussed.

Probability sampling is considered academically to be the most rigorous in terms of quantitative techniques owing to its being grounded on probability theory (Neuman, 2006). The method is also favoured because of its ability to i) determine parameters for the sample population, ii) aid in developing a sampling frame, and iii) select a randomised sample population (Malhotra, 2007; Neuman, 2006). The method ensures that the participants have an equal chance of being selected (Neuman, 2006). In the present study, simple random sampling was conducted. In this, the researcher aimed at studying 30% of the non-managerial employees or two employees per department in a bank. To facilitate this, the researcher made prior arrangements with the HR managers or their representatives in each bank. From each bank, the non-managerial employees were then randomly selected from each department to participate in the study. This was done by giving questionnaires to only those in the departments at the time of questionnaire distribution. This random sampling technique ensured that there were no predetermined responses, as only those present answered the questionnaires. To ensure objectivity and lack of bias among respondents, the questionnaires were anonymous, so respondents were not required to sign their names.

For the non-probability technique, purposeful and convenience methods were used. Purposive sampling is also called judgmental sampling. This approach focuses on the selection of a sample depending on the judgment of the researcher based on the information required (Creswell & Clark, 2007:112). The researcher in this study purposely chose the sample units and managers as units of observation from the population on the basis that the small number selected from the sampling unit was representative of the whole (Zikmund, 2003:379-380). Purposive sampling enables the researcher to use their expert judgment to select respondents who will best answer the questions. In the current study participants were selected from the target banks based on

their market share. The chronological approach had been dropped when 5 banks declined to participate in the study. This forced the researcher to use the purposeful method of sampling where individual banks were approached and only those willing to participate in the study were included. Likewise, the researcher used purposeful sampling to select the 12 managers from each bank as participants in the study.

The second non-probability method is convenience sampling. This involves selecting cases as they become available to the researcher (Mugenda & Mugenda, 2003: 50-52). In convenience sampling, the aim is to study those subjects present at the time of the study. The main feature of this method is that subjects are conveniently available (Mugenda & Mugenda, 2003:50-52). It is a method said to be suitable for research where the study aims to have a large number of questionnaires completed by the participants. It is also said to be cost-effective (Zikmund, 2003:380). In the present study, convenience sampling was used to the extent that managers who were purposely selected were expected to provide the desired information.

7.5.4 Method of data collection

Data collection is the process of gathering required information in order to achieve the purpose, objectives and research questions posed in a study. The choice of a data collection method depends on the researcher's intended goal. According to Zikmund (2003:66) the survey method is the most popular among researchers collecting primary data. It is most useful for research that requires self-reporting beliefs, behaviours, attitudes or opinions of individuals in a large population. The survey method can include survey questionnaires or self-administered questionnaires, telephone interviews, personal interviews or group interviews (Neuman, 2000:247). Of these, the survey questionnaires are regarded as most effective, efficient and cost-effective (Zikmund, 2003:175). In this particular study, self-administered questionnaires were used for data collection.

A questionnaire is a set of questions designed to gather data from the research sample. In a questionnaire, all the respondents are asked the same questions and given similar instructions on how to answer them. The questionnaires can be either open-ended, where

respondents are asked to give their opinions, or close-ended, giving no room for self-expression (Hofstede, 2006:133). Hofstede (2006:133) advises that open-ended questions be minimised since answers given by respondents may be difficult to analyse or quantify. Since the present study was done in the context of the positivist research paradigm which is quantitative in nature, the questions were close-ended. However, there was one question meant to gather some insights in relation to what the respondents thought about overall bank leadership and effectiveness.

Neuman (2003:271), Eiselen, Uys and Potgieter (2005:2) and (Zikmund, 2003:175) have given several advantages associated with the use of questionnaires in a research study. According to them, questionnaires are:

- Easy to administer and distribute, making them cost-effective compared to other instruments like individual interviews and telephone interviews;
- Easily distributable to different geographical areas;
- easy to complete at the convenience of the respondents;
- Good at maintaining respondents' anonymity so as to avoid identification if not required;
- Easily processed and analysed by a single researcher; and
- Good at collecting sensitive information as the respondents do not feel threatened to reveal required information.

Questionnaires also have disadvantages, such as the following:

- It is difficult to fully know whether the respondents have completed the questionnaires.
- The respondents may not respond to information considered very sensitive or unclear, leading to low response rates.
- The method may not allow for observation of respondents, making it difficult to measure their sincerity or seriousness in completing the questionnaires.
- It is common to have incomplete questionnaires since the respondents may not care about questions that are difficult or will take time for them to complete.

Because of the disadvantages associated with administration and use of a questionnaire, a self- administered questionnaire is considered by researchers to be the most popular data

collection instrument (Zikmund, 2003:175). Given the questionnaire's popularity and advantages, the quantitative nature of the data, the large sample and the positivistic research paradigm, a self-administered questionnaire was chosen for this study. This was considered the most appropriate research data collection method given the busy schedule of the bank personnel forming the sample for the study.

In each bank, the researcher distributed the questionnaires with the assistance of the banks' contact persons. The completed questionnaires were placed in sealed envelopes which were collected by the researcher or his representative. Originally it was suggested that questionnaires be put inside sealed boxes positioned strategically in the banks. However, most respondents preferred to fill in the questionnaires and put them in sealed envelopes rather than in boxes. They also preferred to give the questionnaires in the sealed envelopes to the researcher or his representative, rather than leave them in the bank, a process which worked well since it instilled confidence among respondents. Once the researcher had collected the sealed envelopes from the respondents at a particular bank, the envelopes were opened and questionnaires removed and put in a large box. The researcher did not categorise the respondents per bank in order to retain the anonymity of the respondents and their banks. A few respondents preferred to use electronic mail; the research pack was emailed to them and they sent their responses directly to the researcher. To ensure anonymity of questionnaires received by email, the researcher downloaded the questionnaires and then printed them without printing the associated details. The printed questionnaires were then mixed with others in the box.

Prior to data collection, a brief meeting was held with HR managers or representatives to explain the purpose of the study. For some banks the meetings were telephonically conducted. A cover letter accompanied all questionnaires to further enhance the purpose of the study (see Annexure A). The letter explained the importance of the study, its contribution to the banking sector in Kenya, and instructions about how to complete the questionnaire, with much emphasis on the fact that the study was voluntary, anonymous and confidential regarding all information from respondents. To ensure objectivity and lack of bias amongst respondents, the questionnaires were anonymous, so respondents

were not required to sign their names. The respondents were also informed that the study had been approved by the Department of Management HR Ethics Committee at Rhodes University. To obtain their consent, all respondents were required to tick a consent section on the questionnaire indicating their agreement to voluntarily participate in the study. To ensure that all participants' rights to privacy and well-being were adhered to, the researcher made sure that the data collected did not reflect any individual or organisational identity. As indicated above, emailed questionnaires were downloaded and mixed with other questionnaires. Although the questionnaires were coded, this was to assist identify banks where questionnaires were distributed, rather than to focus on individual personal responses – the coding was on the package for the bank, rather than on individual questionnaires. Upon completing the questionnaires, the participants preferred to put them in sealed envelopes and give them to the researcher or his representative rather than put them in a box. Finally all collected data was to be treated as confidential and given to the custodian of the Department of Management at Rhodes University for safekeeping.

7.5.5 Research instrument

A survey method is an approach to research meant to collect primary data using a questionnaire (Mugenda & Mugenda, 2003:71-93). To ensure that the intended data is collected, a questionnaire must be well designed. This includes questions to be asked and the format of the questionnaire (Zikmund, 1994:43). According to Collis and Hussey (2003:173), a questionnaire is made up of a well-thought-out list of questions resulting from considerable testing to ensure that they capture intended data. In the context of this study, the questionnaire was meant to collect data to be used to test the hypothesis aimed at establishing the relationship between leadership effectiveness and organisational effectiveness.

In this study, the questionnaire (See Annexure A) was comprised of six sections based on various research instruments. In Section One of the questionnaire, information was gathered pertaining to the Kenyan indigenous banking historical development and challenges. This section had 20 statements about bank history, achievements, challenges

and competitiveness. Section Two covered leadership competencies, namely *strategic thinking, emotional intelligence,* and *transformational leadership*. This section consisted of 103 statements. Section Three dealt with the leadership tasks necessary for leadership effectiveness, and consisted of 41 statements. The tasks were: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, establish balanced organisational control* and *emphasise ethical practices.* Section Four of the questionnaire was made up of 25 statements relating to leadership effectiveness (See Section 7.5.8). Section Five focused on organisational effectiveness and had nine (9) statements to this effect focusing on measures of organisational effectiveness. These were *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness and adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment.* In all the questions, the respondents were requested to respond to a 5-point Likert interval scale (Babbie, 1992:180) with 1 denoting *strongly disagree* and 5 denoting *strongly agree*. Making use of this scale allows for inferential statistical analysis of data (Collis & Hussey, 2003: 58-60; Cooper & Schindler, 2003:227-228 Use of interval measurement scales makes it easier to use advance statistical tests such as regressions, t-tests and chi-square (Blumberg, Cooper, Schindler, 2005: 376; Kress, 1982:294; Leedy & Ormrod, 2005:185). However, the first five statements of Section One used a YES/NO scale to seek respondents' opinion about their banks' historical development. Demographic information was covered in Section Six of the questionnaire. The section requested information on gender, age, education level, number of years worked in the bank, current position, and how respondents would rate the bank's leadership. There was also one open-ended question enquiring how the bank leadership could be improved. The scales and measures used in the questionnaire in this study are summarised in Table 7.2.

Table 7.2: Scales and measures

Sections	Likert interval scale	Measures
Section One:	Statements 1-5 A 5-point Likert-type interval scale	Yes-No 1 = strongly disagree to 5 = strongly agree
Section Two:	A 5-point Likert-type interval scale	1 = strongly disagree to 5 = strongly agree
Section Three:	A 5-point Likert-type interval scale	1 = strongly disagree to 5 = strongly agree
Section Four:	A 5-point Likert-type interval scale	1 = strongly disagree to 5 = strongly agree
Section Five:	A 5-point Likert-type interval scale	1 = strongly disagree to 5 = strongly agree
Section Six	Demographic information One open-ended question	Different methods of assessments including 5-point Likert-type interval scale

Demographic information relating to respondents' personal information and work-related issues was addressed in Section Six.

All the sections in the questionnaire were comprised of closed-ended questions although there was one open question that sought the respondents' personal opinion concerning banks' effectiveness. As indicated in Section 7.5.5, Sections One to Five in the questionnaire were generated from validated research instruments, a process that is fully supported by various scholars (Collis & Hussey, 2003: 58-60; Cooper & Schindler, 2003: 231-239; Leedy & Ormrod, 2005:26). In order to use or adopt specific instruments, permission from the relevant authors was obtained (See Annexure B).

Although the validation of a research instrument is important, it is critical to test the questionnaire in an actual situation. To do this, a preliminary test or pilot study becomes essential. That is to say, preliminary tests or pilot tests are trials conducted with a group of participants aimed at detecting problems or areas of improvement in a questionnaire (Cooper & Schindler, 2007:76). A pilot test could also involve consultation with other professionals, colleagues and friends who examine questionnaires and provide feedback to ensure that there is a fit between the research instrument and the target audiences, and suggestions can be made as to how the questionnaire could be refined (Babbie & Mouton, 2001:244; Cooper & Schinder, 2007:76; Zikmund, 1994:216).

A pilot study was carried out and received responses on 31 questionnaires. After tabulation of the data, validity and reliability tests were conducted. The results were very encouraging since only one question was recommended for either modification or deletion. The question was deleted and the final questionnaire was formatted accordingly. Again, besides various validity and reliability evidence associated with the research instrument development, professional expertise was also sought to ensure that related variables and their measures were well matched, correctly worded and coded in accordance to SEM requirements. The use of expertise is highly recommended in research to ensure validity of research instruments (Nunnally, 1978; Cheng, 2001). By using both a pilot study and professional advice, the research instrument was considered fit and ready for administration (See Section 7.7.1 for further discussion on instrument validity and reliability).

7.5.6 Scale development and operationalisation of the independent, intervening and dependent variables

A research study should indicate clearly what it intends to measure in terms of concepts that are to be assessed empirically. These concepts, according to the theoretical framework, are referred to as variables, which once statistically tested are referred to as constructs (Collis & Hussey, 2003:1; Zikmund, 2003:5-6). In a research study, definitions given should be tailored to a specific study based on agreed characteristics as derived from secondary sources. The specific meanings given to the definition of the concepts used in this study are referred to as operationalising the definitions. As Cooper and Schindler (2007:38) emphasise, the operationalisation of the definitions must be clearly and precisely stated to avoid confusion. According to Farrington (2009:399) and in reference to social research, variables are operationalised when a given researcher generates statements or questions and administers them in order to obtain data for analysis and interpretation. Babbie and Mouton (2001:233) state that statements or questions operationalise variables in a given study. Such operationalisation also indicates how the variables are measured and the types of tests required (Hair et al., 2006:735). In the next section, the main elements of each variable in this study are defined and explained before being operationalised. The definitions given are based on interpretations

derived from secondary and empirical studies. The definition also demonstrates how a variable is measured in other studies and how it fits into this study. Measurement quality derived from a good measurement theory leads to valid results in a given study or situation (Hair et al., 2006:735). To ensure that the instrument used in the current study is valid and reliable, the different variables on the theoretical framework are accurately and clearly defined (Farrington, 2009:339-340). One way to ensure that measures are reliable is to use already established measures from other researchers' work (Babbie & Mouton, 2001:122). In line with this recommendation, different instruments from existing research studies were adopted based on their proven reliability and validity. In some cases, the instruments adopted were modified to fit the current study needs and environment. Some of the instruments adopted were not adjusted as they fully agreed with the current study's objectives. In the next section the main elements of each variable relevant to this study, are defined and operationalised, and an overview of how the scales were developed to measure the selected variables is given.

7.5.7 Independent variables

In a study, the independent variables are said to be the manipulated variables or the presumed cause of something (Singleton & Straits, 2005:48). The variables are presumed to cause certain influences on outcomes (NOISH, 1999:8). In this study, the independent variables have been categorised to include leadership competence and leadership tasks, which are presumed to lead to leadership effectiveness and eventually to organisational effectiveness. Each of these categories will be discussed.

7.5.7.1 Leadership competencies

Competence means the ability to use acquired knowledge, skills and personal values in diverse, complex and unpredictable situations with encouraging results (Das, Kumar & Kumar, 2010:198; Pagon, Banutai & Bizjak, 2008:3), as explained in Chapter 3 Section 3.6. In this study, the leadership competencies have been grouped into the following three variables that are necessary for leadership effectiveness, namely strategic thinking, emotional intelligence and transformational leadership.

a) Strategic thinking

For the purpose of this study, strategic thinking denotes the leadership's ability to synthesise, create and utilise intuitions (Mintzberg, 1994) which results in an integrated perspective of bank leadership effectiveness (See Chapter 3, Section 3.7). Strategic thinking is composed of five sub-variables, namely, system perspective, intelligent opportunism, intent focused, thinking in time and hypothesis driven (Liedtka, 1998:122).

Numerous studies have been conducted focusing on strategic thinking. Such studies have concluded that a lack of strategic thinking among executives is one of the causes of failure and executive ineffectiveness (Bonn, 2005: 336-354; Jelenc, 2008:11; Liedtka, 1998:124-129). However, strategic thinking is a subject that still remains under-researched and a work in progress (Jelenc, 2008:6; Fairholm & Fairholm, 2009:2). Similarly, it has also been mentioned that the capacity to measure and quantify strategic thinking talent remains elusive (Rosche, 2003:1). Liedtka (1998:120) has cautioned against developing concepts that may not be relevant to practising managers, given the lack of clear theoretical understanding of strategic thinking.

To ensure that information obtained in this study is practical and relevant to practising managers (in this case the bank leadership) the study has used a research instrument developed by Jelenc (2008). That study was based on 401 top managers and 250 employees from large Croatian firms. Jelenc's (2008: 98-119) research instrument on strategic thinking provided an average Cronbach's alpha coefficient score of 0.742 for strategic thinking. The scores for the strategic thinking sub-variables were above 0.600: strategic thinking general (0.704); system perspective (0.617); intelligent opportunism (0.676); intent focused (0.736); thinking in time (0.712); and hypothesis driven (0.778). According to various scholars, a Cronbach's alpha coefficient score of 0.600 and above is considered reliable (Bernardi, 1994:767; Garson, 2006; Hair et al. 1995:618; Sekaran 2000). Jelenc's (2008) instrument met this and was therefore adopted in

this study. In this current study, a total of 38 statements have been adopted from Jelenc's study although some modification was made to fit the Kenyan banking context. On her part, Jelenc (2008) used a 4-Likert Scale measurement and avoided both neutral and undecided statements. However, the present study uses a 5-Likert scale measurement. Although Voss, Stem & Fotopoulos (2000) maintain that scales with a central point such as five or seven generate higher alpha scores than those with four or six points, there is no proof that such inflation of Cronbach's coefficient alpha exists, nor is there evidence of depression of alpha (Voss, et al., 2000:190). Therefore, the choice of a 5-Likert scale for this study was well within acceptable reliability. Several studies have used a 5-Likert scale, among them Liu (2006) in his study on the organisational culture and effectiveness focusing on Western Cape banking industry in South Africa; Bell (2007) in her study on transformational leadership; Casida (2007) on managers' leadership styles and organisational culture; Hayward (2005) on employee performance, leadership and emotional intelligence; and Green (2010) on leadership effectiveness among multinational middle managers. These studies support the use of a 5-Likert scale as appropriate and widely acceptable as a measurement instrument, hence its use in this study. The following statements are used to measure the sub-variables in strategic thinking, namely strategic thinking (in general), thinking in time, intent-focused, intelligent opportunism, system perspective, and hypothesis driven, as shown in Table 7.3.

Table 7.3: Strategic thinking sub-variables

Statements measuring strategic thinking sub-variable (in general)	
2.1	Top management is usually responsible for 85% of the mistakes in the banks
2.2	Effective leaders think ahead about problems to be encountered and possible solutions
2.3	The bank leadership encourages employees' participation in the planning process
2.4	The bank leaders often question the logic of commonly agreed facts
2.5	Before making a decision, the bank leaders think about the worst and the best possible options
2.6	The leadership reserves time for planning about the future of the bank

Statements measuring strategic thinking sub-variable (Thinking in time)	
2.7	The leadership consciously separates operative and strategic activities
2.8	The leaders are often aware of their mistakes and try to correct them
2.9	Most leaders devote more time to current problems than to strategic decisions and plans
2.10	The bank leadership considers its clients to be very important for the bank's future survival
2.11	The leaders boost, develop and support different views of the employees
2.12	The bank owners and board of directors put much emphasis on leadership performance
2.13	Often the bank leaders are influenced by outside political powers in their decision- making
Statements measuring strategic thinking sub-variable (Intent focused)	
2.14	There is no difference between the way we operate and how our competitors operate
2.15	There is an optimistic atmosphere in the bank
2.16	The bank leaders are well informed and understand the technical processes in the bank
2.17	The bank leaders ensure that the bank's mission and vision statements are well aligned
2.18	When confronted with an obstacle, the leaders switch to alternative plans
2.19	The bank leaders are quick to comprehend complex problems faced by the bank
2.14	There is no difference between the way we operate and how our competitors operate
Statements measuring strategic thinking sub-variable (Intelligent opportunism)	
2.20	The leaders handle disputes and misunderstandings that may arise between departments
2.21	The leaders are instrumental in facilitating required changes in the bank's plans
2.22	The bank leaders make decisions based on limited information that may/may not be perfect
2.23	Contradictory results of analysis do not hinder decision-making in the bank
2.24	Departments in the bank concentrate their efforts on themselves and not on the bank
2.25	Disequilibrium and instability are unpleasant, and leaders try to either avoid or ignore them
Statements measuring strategic thinking sub-variable (System perspective)	
2.26	Strategic orientation derives from the analysis of external factors and factors within the firm
2.27	Good strategy is a prerequisite of business strategy
2.28	In the bank, planning is by the book, i.e. step-by-step from formulation through

	implementation to control
2.29	The decision of the top management team is the most dominating in the process of bank strategy development
2.30	The bank uses SWOT analysis
2.31	Mentality and culture directly influence the bank
Statements measuring strategic thinking sub-variable (Hypothesis driven)	
2.32	The key to survival is to adapt to the environment
2.33	Firms receives the impetus to change from the environment
2.34	We try to be the first to launch the product on the market in order to gain advantage
2.35	We focus our energy on the new challenges and not the problems from the past
2.36	The market is a battlefield were we fight out wars
2.37	The most successful managers are the source of innovations and ideas that lead to changes

The above statements have been used to assess strategic thinking variables in different studies where they have been found to be reliable and valid, and therefore were modified and adopted for the present study (Casida, 2007; Bell, 2007; Bernardi, 1994:767; Jelenc, 2008; Liu, 2006; Voss et al., 2000:190). Having been found to be reliable measures of strategic thinking variables, the statements were considered appropriate measures of strategic thinking in bank leadership in Kenya.

b) Emotional Intelligence (EI)

In this study, EI denotes the ability of a leader to recognise, understand own emotions and how to relate with others (Davies, Stankov, & Roberts, 1998; Goleman, 1998, 1999; Zadel, 2008) (See Also Chapter 3, Section 3.9). Numerous studies have observed that there is a strong correlation between EI, effective leadership and organisational effectiveness (Goleman (1998; 1994). The present study focuses on five competencies (sub-variables) of EI as discussed in Chapter 3, Section 3.9, namely self-awareness, self-regulation, self-motivation, empathy and social skills

To assess the EI competence of the indigenous banks' leadership in Kenya, the measuring instruments by Hay Group and the Emotional Competence Profiler

(ECP) developed by Learning Link International (Wolmarans & Martin, 2001) were considered. The Hay Group instrument is managed and administered online by the Hay Group. Given the nature of this study where the EI was one component of leadership competencies and a small section in the self-administered questionnaire it was difficult to extract the relevant sections from the Hay Group instruments. As such, the ECP was found to be an appropriate measure of EI as it is easily administered and fits well in the researcher's classification of EI and the self-administered nature of the questionnaire. The ECP research instrument consists of 46 statements aimed at measuring EI by focusing on seven competencies (sub-variables) namely emotional literacy, self-awareness, self-management, self-motivation, change resilience, interpersonal skills and integration of head and heart (Wolmarans & Martin, 2001). The ECP research instrument has been adopted by several studies, among them Palmer and Jansen's (2004) study which obtained an average overall Cronbach's alpha coefficient score of 0.981. Specific Cronbach's alpha coefficient scores each of the EI competencies include emotional literacy (0.863); self- awareness (0.872); self-management (0.851); self-motivation (0.911); change resilience (0.933); relationship skills (0.953); and integration of head and heart (0.903). These results can be termed as very good indicating high internal consistency of the variables measured, with Cronbach's alpha scores of above 0.85. In a different study, Hayward (2005) studied 415 employees, comprised of 89 leaders and 326 raters. Hayward's (2005) use of the ECP research instrument resulted in an overall average Cronbach's coefficient alpha score of 0.907. The different EI competencies measured resulted in the following Cronbach's alphacoefficient scores: emotional literacy (0.923); self- awareness (0.873); self-management (0.872); self-motivation (0.880); change resilience (0.934); relationship skills (0.956); integration of head and heart (0.911). Accordingly, these results are good, with Cronbach's alpha coefficient scores above 0.87. In another study by Gryn (2010) involving 203 employees, comprised of 30 leaders and 165 raters, the ECP research instrument yielded an overall Cronbach's alpha coefficient score of 0.98, a result which can be considered very good, and the instrument reliable. From

these analyses, it is evident that ECP is a reliable research instrument and was therefore considered as being appropriate for inclusion in the present study. However, as mentioned previously, the following competencies, referred to as sub-variables in this chapter, were adopted from the ECP research instrument for the purpose of this study, namely self-awareness, self-regulation, self-motivation, empathy and social skills as shown in Table 7.4. The selection was based on the fact that the five sub-variables are considered the main emotional attributes of EI as discussed in Chapter 3, Section 3.9 and supported by numerous researchers and EI studies (Goleman, 1995; 1998; 2001; Kerr et al., 2006; Reilly & Karounos, 2009). Using a 5-point Likert scale, this study used the aforementioned five variables from the ECP research instrument with minor modification to contextualise it to the local banking industry in Kenya. The specific statements used to measure the five EI sub-variables in this study are shown in Table 7.4.

Table 7.4: Emotional intelligence sub-variables

Statements measuring emotional intelligence sub-variable (Self-awareness)	
2.39	Publicly admits mistakes
2.40	Is able to laugh at self
2.41	Is willing to take on challenges
2.42	Takes responsibility for its thoughts, feelings and actions
2.43	Acts according to its own values..."Walk the talk"
2.44	Tells the truth even at its own expense
Statements measuring emotional intelligence sub-variable(Self-motivation)	
2.45	Remains focused on its vision and goals
2.46	Remains committed to a cause in spite of obstacles
2.47	Follows through on what it starts
2.48	Sees the brighter side of things
2.49	Creates a positive mood
Statements measuring emotional intelligence sub-variable (Interpersonal/social skill)	
2.50	Co-operates effectively with other stakeholders in order to achieve goals
2.51	Maintains long-term trusting relationships with main stakeholders
2.52	Builds trusts
2.53	Takes interest in other people's development
2.54	Builds team spirit
2.55	Acknowledges the contribution of others
2.56	Expresses positive expectations of others
2.57	Welcomes other people's inputs
2.58	Stimulates enthusiasm and commitment

Statements measuring emotional intelligence sub-variable (Self-regulated)	
2.59	Considers facts and feelings when making decisions
2.60	Turns life crises into opportunities for growth
2.61	Identifies underlying emotional causes of conflict
2.62	Is eager to learn
2.63	Facilitates repairing of relationships/emotional damage
2.64	Builds consensus on common ground
Statements measuring emotional intelligence sub-variable (Emotional literacy)	
2.65	Is aware of and understands its feelings and that of others
2.66	Cares about others
2.67	Interprets other people's emotions correctly
2.68	Listens attentively to what people say
2.69	Facilitates effective problem solving
2.70	Chooses the right time to deal with emotional issues

c) Transformational leadership

In this study, transformational leadership is based on various authors who define it as a situation where the leaders and followers empower by making sure they have a higher level of morality and motivation thereby leading to easier attainment of desired goals (Bass, 1995; Bolden, 2004; Burns, 1978; Yoder-Wise, 2007) (See also Chapter 3, Section 3.10)

In order to measure the variable transformational leadership, a measuring instrument known as the Multifactor Leadership Questionnaire (MLQ) was used. The instrument which is also is known as MLQ5X or in short MLQ was developed by Bass and Avolio (1995). The instrument is made up of 45 items and measures a wide range of leadership styles such as those employed by passive leaders, reward-giving leaders and those who transform followers. The main variables of the research instrument are transformational leadership, non-transactional leadership and transactional leadership. MQL is known to measure key leadership and effectiveness behaviour associated with individuals, leading their organisations to success (Bass & Avolio, 2000).

Various researchers and scholars suggest that the MLQ is the most popular and most used measuring instrument in examining transformational leadership

competence (Howell & Avolio, 1992; Yammarino & Bass, 1990). The MLQ is also said to be appropriate for the study of leaders and managers in all levels of management (Bass & Avolio, 2000). From 1984, the instrument has been used and validated by both researchers and organisations, with encouraging results (Avolio & Bass, 2004; Kleinman, 2004; Oshagbemi & Gill, 2004). In Bass and Avolio's (1990) study of 3 786 respondents, the study yielded a Cronbach's alpha coefficient scores of between 0.63 and 0.94, results which were well within acceptable parameters of reliability. Due to its proven reliability, the MLQ has been used to measure transformational leadership effectiveness in more than 300 doctoral studies between 1995 and 2004 (Bass & Avolio, 2004). And prior to 1995, the instrument was used in more than 200 doctoral dissertations. Since this is a doctoral study, the adoption of the MLQ instrument is in line with similar studies. Previous research shows that the MLQ has proved effective in more than 30 countries where it has been used to measure traits relating to transformational leadership. For instance, in a study of 40 major hospitals in Spain, the instrument revealed that leaders who practised a high level of transformational leadership had low levels of conflict and high acceptance from their followers (Molero & Morales, 1994). For the purpose of this study, only the competence referring to transformational leadership was extracted from the MLQ to measure transformational leadership as a key measure of indigenous bank leadership effectiveness which results in organisational effectiveness To measure its items, the MLQ uses a 5-point Likert scale with a range of 0 (not at all) to 4 (frequently, if not always). In this study, the 5-point Likert scale is used to assess transformational leadership competence as a measure of leadership effectiveness among the indigenous banks in Kenya. However, the numbering was altered to a scale of 1-5, rather than 0-4, in order to align the instrument with the rest of the study research instrument as explained previously (See Section 7.5.6). Even though the MLQ consists of 45 statements, only 24 statements measuring transformational leadership were used in this study. The statements were adopted and slightly modified to fit the Kenyan banking leadership context.

To distinguish transformational leadership from different leadership types such as democratic leadership, autocratic leadership, servant leadership, spiritual leadership and transactional leadership (already discussed in Chapter 3) Bass and Avolio (1990; 1994) noted that transformational leaders have four main competencies, namely inspirational motivation, intellectual stimulation, individualised consideration, and idealised influence (discussed in Chapter 3, Section 3.12). Studies by Howell and Hall-Marenda (1999) and Avolio and Bass (2004) have found high reliabilities on all transformational leadership variables. A study by Hayward (2005:98-99) conducted in South Africa, found the following Cronbach's alpha coefficient scores: idealised attributes (0.747), idealised behaviours (0.769), inspirational motivation (0.762), intellectual stimulation (0.727) and individualised consideration (0.718). Given its high reliability level, the transformation competencies from the MQL research instrument are used to measure transformational leadership in the present study. The five sub-variables used in this study are: *idealised influence attributes, idealized influence behaviors, inspirational motivation, intellectual stimulation* and *individualised consideration*. The statements measuring these sub-variables are shown in Table 7.5.

Table 7.5: Transformational leadership sub-variable

Statements measuring transformational leadership sub-variable (Idealised influence - Attributes)	
2.71	Instills pride in others for being associated with it
2.72	Is committed to developing others
2.73	Goes beyond self-interest for the good of the group or groups
2.74	Acts in ways that build others' respect for it
2.75	Displays a sense of power and confidence
Statements measuring transformational leadership sub-variable (Idealised influence - behaviours)	
2.76	Talks about the most important values and beliefs of the bank
2.77	Specifies the importance of having a strong sense of purpose
2.78	Considers the moral and ethical consequences of its decisions
2.79	Emphasises the importance of having a collective sense of mission
2.80	Promotes common purpose for all employees
Statements measuring transformational leadership sub-variable (Inspirational motivation)	
2.81	Talks optimistically about the future

Table 7.5: Transformational leadership sub-variable	
2.82	Talks enthusiastically about what needs to be accomplished
2.83	Articulates a compelling vision of the future
2.84	Expresses confidence that goals will be achieved
2.85	Is confident about the direction the bank is taking
Statements measuring transformational leadership sub-variable (Intellectual stimulation)	
2.86	Re-examines critical assumptions to question its appropriateness
2.87	Seeks differing perspectives when solving problems
2.88	Gets others to look at problems from many different angles
2.89	Suggests new ways of looking at how to complete assignments
2.90	Is open to new ideas and opinions
Statements measuring transformational leadership sub-variable (Individualised consideration)	
2.92	Spends time teaching and coaching
2.93	Treats others as individuals rather than just as members of a group
2.94	Considers individuals to have different needs, abilities, and aspirations
2.95	Builds others' capabilities
2.96	Helps others to develop their strengths

The results of the findings on transformational leadership were not expected to divert from the prevailing reliability and validity levels as shown from past studies.

The selected leadership competencies, namely strategic thinking, emotional intelligence and transformational leadership as discussed above, are comprehensive and inclusive of competence measures for effective leadership. These competencies have been widely discussed and accepted as instrumental to leadership effectiveness, which in turn leads to organisational effectiveness (Amos, 2012; Goleman, 1998; Hogan & Warrenfeltz, 2003; Kerr et al., 2006; Reilly & Karounos, 2009).

7.5.7.2 Leadership tasks

Organisations need strong leaders who are effective in their work in order to attain desired goals, and in turn organisational effectiveness. Strong leadership is demonstrated by the tasks that managers perform (Lunenburg, 2011:1-3). Leadership tasks are specific activities that must be accomplished to fulfil a specific role (Clark, 2013) (See Chapter 4, Section 4.2). In the theoretical review part of this study (see Chapter 4), eight main leadership tasks were identified, namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate*

organisational culture, manage change, emphasise ethical practices and *establish balanced organisational control* (Hitt et al., 1997).

In order to measure the leadership tasks variable, this study uses an assessment instrument entitled *Denison Organisational Culture Survey*. The instrument which is used to measure organisational culture and effectiveness in different organisations was developed by Denison and Fey (2003). From this instrument, 41 statements that related to leadership tasks were adopted with some modifications for the purpose of this study.

According to Denison, Lief and Ward (2004:65), the *Denison Organisational Culture Survey* instrument has been used by more than 3, 000 organisations and has involved 100, 000 respondents worldwide. The instrument has been used in various industries worldwide for instance in Asia (Japan), Middle East, Europe, North America (USA and Canada), Russia, South America (Jamaica, Brazil), and South Africa. Scholars who have used the questionnaire include Denison (1984), Denison and Mishra (1989), Denison and Fey (2003), Denison, Haaland and Goelzer (2003) and Denison, Janovics, Young and Cho (2006), and Liu (2006). The *Denison Organisational Culture Survey* is recognised as being very reliable as was demonstrated by a study entitled *Reliability of the Denison Organisational Culture Survey for use in financial institution in South Africa* (Franck, 2005) which showed a high internal consistency, with Cronbach's alpha coefficient reliability scores ranging from a minimum of 0.690 to a maximum of 0.840. More specifically the Chronbach's alpha coefficient reliability scores for the specific variables in the *Denison Organisational Culture Survey*, according to Franck (2005:88) were: set organisational direction (0.840), develop human capital (0.710), build core competencies (0.770), create organisational alignment (0.730), sustain appropriate organisational culture (0.862), create or manage change (0.690), emphasise ethical practices (0.730) and establish balanced organisational control (0.770). According to Franck (2005) these reliability results compared well with similar research conducted in USA. This is also in line with the original studies which indicated internal consistency of 0.620 to 0.900 (Denison & Neale, 1996). Similarly, a study by Liu (2006) entitled *The relationship between organizational culture and effectiveness in the Western Cape Banking industry*,

resulted in a Cronbach's alpha coefficient score of between 0.731 and 0.823. That is, 0.731 for adaptability, 0.808 for consistency and 0.823 for involvement, thus indicating high internal consistency as a measuring instrument (Liu, 2006:63). The use of this instrument by Liu and others in financial institutions shows the relevancy of *Denison Organisational Culture Survey* in the banking industry and is in line with the present study. Fisher (1997) has observed that the *Denison Organisational Culture Survey*is more than a survey. According to him, this instrument has been used to help understand bottom-line-related organisational effectiveness indicators such as profitability, growth, innovation, market share, quality and employee satisfaction, and to measure sales and revenue growth.

The use of *Denison Organisational Culture Survey* by various studies as discussed above makes it appropriate for the current study. However, in order to ensure that the *Denison Organisational Culture Survey* research instrument fits well with Kenyan indigenous banking, some statements were edited slightly while ensuring the original meaning was maintained. To ensure that the statements maintained their original meaning, an edited copy was sent to *Denison Organisational Culture Survey* administration, where it was approved as correct and therefore allowed to be administered. The statements measuring the eight variables of the leadership tasks, as previously mentioned, are shown in Table 7.6.

Table 7.6: Leadership tasks variables

Statements measuring leadership task variable (Setting organisational direction)	
3.1	Has a long-term purpose and direction
3.2	Has strategy that leads other organisations to change the way they compete in the industry
3.3	Has a clear mission that gives meaning and direction to our work
3.4	Has clearly stated the objectives the bank tries to achieve
3.5	Has a clear strategy for the future
3.6	Has a long-term viewpoint of where the bank is going
Statements measuring leadership task variable (Develop human capital variable)	
3.7	Ensures that authority is delegated so that people can act on their own
3.8	Ensures that the people's capability is constantly improving
3.9	Encourages continuous investment in the skills of employees
3.10	Considers people's capabilities as an important source of competitive advantage
3.11	Argues that problems often arise because employees lack necessary skills to do their jobs

Table 7.6: Leadership tasks variables	
Statements measuring leadership task variable (Build core competencies variable)	
3.12	Ensures that employees are highly involved in their work
3.13	Ensures that decisions are made at the levels where the best information is available
3.14	Encourages all bank employees to believe they have a positive impact
3.15	Advocates the fact that business planning process is on-going and should involve everyone
3.16	Make sure that information is widely shared so that everyone can get the appropriate information in time
Statements measuring leadership task variable (Create organisational alignment variable)	
3.17	Ensures that the bank approach to doing business is consistent and predictable
3.18	Ensures that employees from different parts of the organisation share a common perspective
3.19	Believes that it is easy to coordinate projects across different parts of the organisation
3.20	Sees working with someone from another part of the organisation as similar to working with someone from a different organisation
3.21	Ensures that there is a good alignment of goals across levels
Statements measuring leadership task variable (Sustain appropriate organisational culture variable)	
3.22	Makes sure that when there is disagreement in the bank, everyone works hard to achieve win-win solutions
3.23	Ensures that there is a "strong" culture
3.24	Encourages all employees to reach consensus even on difficult issues
3.25	Admits that there are times when it is difficult to reach agreement on key issues
3.26	Spells out clearly that there is a right way and a wrong way to do things
Statements measuring leadership task variable (Manage change variable)	
3.27	Make sure that the way things are done is flexible and easy to change
3.28	Responds well to competitors and other changes in the business environment
3.29	Ensures that new and improved ways to work are adopted
3.30	Is aware that attempts to create change usually meet resistance
3.31	Is aware that different parts of the bank must cooperate to create desired change
Statements measuring leadership task variable (Emphasise ethical practices variable)	
3.32	Practises what it preaches in terms of core values
3.33	Ensures that the bank uses a certain management style and a distinct set of management practices
3.34	Ensures that there is a clear and consistent set of values that governs the way the bank does business
3.35	Knows that ignoring core values will get the bank into trouble
3.36	Ensures there is an ethical code that guides behaviour and tells the employees right from wrong
Statements measuring leadership task variable (Balanced organisational control variable)	
3.37	Strategic direction is unclear to me
3.38	Has widespread agreement about bank goals
3.39	Sets goals that are ambitious, but realistic
3.40	Has "gone on record" about the objectives we are trying to meet
3.41	Has made people to understand what needs to be done for the bank to succeed in the long run

7.5.8 Intervening variable

Intervening variables are concepts that are inferred in order to explain "the process between stimulus (independent variables) and response (dependent variables)" (NIOSH, 1999:8). In this study, the stimulus (independent variables) is comprised of leadership competencies and leadership tasks while leadership effectiveness (intervening variable) is inferred to lead to organisational effectiveness (dependent variable).

As mentioned previously, the purpose of this study is to establish the relationship between leadership effectiveness and organisational effectiveness in indigenous banks in Kenya. As stated in Chapter 5, Section 5.3, leadership effectiveness is a process where an individual person influences others' behaviour in order to ensure organisational goal attainment (Norma, 1997). As used in the current study, leadership effectiveness is defined in terms of leaders' use of skills, knowledge and abilities to influence employees in an effort to attain desired organisational effectiveness.

Measuring leadership effectiveness remains a challenge, resulting in different studies intended to provide a solution. In an effort to measure leadership effectiveness, NCRVE (1994) conducted a study using a Leadership Effectiveness Index (LEI) research instrument that focused on six activities: 1) the ability to inspire a share vision and standards, 2) foster unity, 3) exercise power effectively and empower others, 4) exert influence outside the organisation, 5) establish appropriate learning environment, and 6) satisfy job related needs of employees (NCRVE, 1994:24). The LEI research instrument was developed over a period of six years by seven institutions, namely University of California, Teachers College at Columbia University, Rand Corporation, University of Illinois, University of Minnesota, University of Wisconsin and Virginia Polytechnic Institute and State University. The participation and approval of the instrument by these institutions indicates its reliability as a measure of leadership effectiveness. In terms of the Cronbach's alpha coefficient scores, the internal consistency resulting from a sample of 551 respondents was 0.92 overall, while the inter-rater reliability using the same sample resulted in a Cronbach's alpha efficient of 0.86 (NCRVE, 1994:24). The use of the LEI research instrument is, however constrained by the fact that NCRVE has since

then stopped operating, and the search for contact information about using the instrument yielded no results.

Another research instrument used to measure leadership effectiveness was developed by Green (2010) in his PhD dissertation. This research instrument consisted of 41 items, 14 statements of which measured the leader's ability to lead a group and 27 statements focusing on individual leadership effectiveness. In total, Green's (2010) research instrument addressed the following nine sub-variables relating to leadership: group organisation; follower satisfaction; follow commitment; status; potential; drive; impact; cross-cultural competence, and versatility. The instrument was administered to 442 corporate employees and when subjected to a Cronbach's alpha coefficient tests, the average score of the nine sub-variables was 0.61. The specific score are: group organisation (0.68), follower satisfaction (0.64), follower commitment (0.77), status (0.64), potential (0.62), drive (0.67), impact (0.60), cross cultural competence (0.68), and versatility (0.21). However, further analysis led to dropping of four variables thereby leading to lower loading and improved Cronbach's alpha coefficient score of 0.70. The results of the five main variables included in the final analysis were: influence (0.83), follower commitment (0.76), cross cultural competence (0.68), versatility (0.68), and group organisation (0.59). Green (2010) used all the five variables for his analysis although the rule of thumb is that Cronbach's coefficient alpha scores below 0.60 should be dropped from the final analysis (Bernardi, 1994:767; Garson, 2006; Hair et al., 1995:618). According to Bernardi (1994:767), Garson (2006), Hair et al. (1995:618) although a Cronbach's alpha coefficient score of 0.70 is considered the lowest limit, it is at times lowered to 0.60 for exploratory research. Tuckman (1999) on the other hand argues that a Cronbach's alpha coefficient of 0.50 or greater is acceptable for assessment, an argument also supported by Tharenou (1993) and Pierce and Dunham (1987). This makes the five Green's (2010) variables acceptable. For the purpose of the current study, Green's (2010:216-219) research instrument with the five variables of leadership effectiveness, namely influence, follower commitment, cross cultural competence, versatility, and group organisation were adopted as measures of leadership effectiveness

on indigenous banking leadership in Kenya. The five sub-variables of leadership effectiveness and their corresponding statements are provided in Table 7.7

Table 7.7: Leadership effectiveness sub-variables

Statements measuring leadership effectiveness sub-variable (Cross-cultural competence)	
4.1	Presents cultural differences as a problem
4.2	Is respected across borders
4.3	Normally chooses close friends to network with
4.4	Gets the best out of people no matter what their background
4.5	Builds effective multi-cultural teams
Statements measuring leadership effectiveness sub-variable (Influence)	
4.6	Is reluctant to face up to new threats and opportunities
4.7	Convinces employees of the opportunities that changes bring
4.8	Puts personal effort into helping resolve major problems
4.9	Acts swiftly and decisively when needed
4.10	Is never satisfied with the status quo
Statements measuring leadership effectiveness sub-variable (Follower commitment)	
4.11	Sees the success of the group as more important than individual members' success
4.12	Sees members of the group as interested in knowing how well the group is performing
4.13	Ensures that group members support the group's role in the bank as a whole
4.14	Encourages members to focus their attention on issues which impact on the success of the group
4.15	Is accused of ignoring individual group members' contribution
Statements measuring leadership effectiveness sub-variable (Versatility)	
4.16	Has multiple responsibilities of managing people in addition to direct reports
4.17	Is already involved in important issues outside its normal responsibilities
4.18	Is responsible for leading project teams made up of people from other banks
4.19	Spends little time trying to achieve results through matrix structures or projects
4.20	Is consulted by others due to its expertise
Statements measuring leadership effectiveness sub-variable (Group Organisation)	
4.21	Is accused of not balancing division of tasks within groups
4.22	Takes action to correct any group's competence gaps
4.23	Does not understand the roles and responsibilities of groups
4.24	Ensures that group performance is reviewed regularly
4.25	Manages group resources to ensure they balance with its objectives

7.5.9 Dependent variable

Dependent variables are defined as variables that the researcher is trying to explain or predict (Singleton & Straits, 2005:45. Any change on the dependent variables is as a result of influence by other variables. In the current study, organisational effectiveness is the dependent variable which is influenced by leadership effectiveness.

7.5.9.1 Measuring organisational effectiveness

Since the development of organisational theory, organisational effectiveness has become one of the most extensively researched and studied topics (Rojas, 2000:97-104). However, besides its popularity, the concept of organisational effectiveness remains controversial with little agreement on how to measure it (Liu, 2006:35-36), as explained in Chapter 5 Section 5.4. In this study it is presented that leadership effectiveness leads to organisational effectiveness (Bentz (1967, 1985, 1990; Dotlich & Cairo, 2003; Eichinger & Lombardo, 2003; Hogan, Hogan & Kaiser, 2009; McCall & Lombardo, 1983; Rasch, Shen, Davies & Bono, 2008). As discussed in Chapters 1, 2 and 5, organisational effectiveness is viewed in terms of how organisations achieve their goals. It is also viewed as the ability to compete successfully in a very competitive environment by developing new products, attracting clients and responding to client demands and expectations, resulting in goal achievement (Sandy-Lee, 2011:21; Liu, 2006:35-36; Rodsutti & Swierczek, 2002:250). In the current study, organisational effectiveness is defined as the ability of the indigenous bank's leadership to use its skills and knowledge to exploit valuable resources in a manner that leads to attainment of set goals, resulting in organisational effectiveness.

Besides the above definition, how to measure organisational effectiveness still remains a challenge to scholars (See Chapter 5, Section 5.5). The lack of definition has led scholars to propose different approaches to measuring organisational effectiveness (Jones, 2008; Kimberly, 1979; Nyabadza, 2008; Robbins & Barnwell, 2006; Shakespeare, 2004). Since then different measures have been proposed among which are: attainment of goals, survival ability, productivity, efficiency, profit, quality, growth, overall turnover, job satisfaction, motivation, morale, conflict versus cohesion, readiness, timeliness and organisational stability (Campbell, 1977; Kimberly, 1979; Robbins & Barnwell, 2006). To assess the applicability of these measures, several studies conducted are examined below.

In a study conducted by Liu (2006) in the banking industry in South Africa, seven measures of organisational effectiveness, developed by Denison and Mishra (1995), were

used. These measures, using a 5-point Likert scale, were: overall performance, market share, sales/revenue growth, profitability/return on investment, employee satisfaction, quality of products and services and new product development. Lui (2006) study targeted middle managers of six leading banks and involved 103 respondents. Sixty-eight questionnaires were used for analysis, and the overall Cronbach's alpha coefficient score was 0.882, which is considered good (Bernardi, 1994:767; Garson, 2006; Hair et al. 1995:618). Upon ranking the organisational effectiveness measure in order of importance, the following order was obtained: 1) sales/revenue growth, 2) profitability/ROA, 3) quality products and services, 4) market share, 5) new product development, 6) overall organisational performance, and 7) employee satisfaction.

In another study focusing on *Adaptability and organisational effectiveness: A study of the Nigerian banking industry*, Amah and Baridam (2012:4) found that the banks used profitability, productivity and market share to measure organisational effectiveness. Their study targeted all 24 banks in Nigeria with a total of 13,339 managers. A total of 320 responses were used for analysis. The results showed that a Cronbach's alpha coefficient reliability test for three measures (profitability (0.72), productivity (0.76) and market share (0.73) were within acceptable parameters. In another study by Asiegbu, Awa, Akpotu, Ogbonna (2011:50) where sales-force competence was measured against market performance leading to organisational effectiveness, the results reflected good levels of Cronbach's coefficient scores for sales growth (0.914), sales volume (0.919), and profitability (0.912). Similarly, another study by Patterson, West, Shackleton, Dawson, Lawthom, Maitlis, Robinson, and Wallace (2005:394) based on 55 manufacturing organisations with a total of 6 869 employees, examined the link between managerial practices, productivity and innovation. Their study's Cronbach's alpha coefficient scores were: quality products and services (0.80), operational efficiency (0.80) and performance stability (0.78). In a study by Olufemi (2009:194-199) focusing on *Human capital development practices and organisational effectiveness: a focus on the contemporary Nigerian banking industry*, the main measures of organisational effectiveness were sales growth, financial strength, operating efficiency, performance stability, staff morale, adaptability, innovativeness, job satisfaction, commitment, job engagement, profitability

and economic impact. A more recent study by Sayareh (2009) analysed 49 existing models of organisational effectiveness between 1952 and 1996. This resulted in a list of 78 indicators of effectiveness, with the most common measures being: productivity, resource acquisition, efficiency, adaptability, profitability, flexibility, planning, quality, growth and goal attainment.

A summary of the dominant measures of organisational effectiveness from the above studies is given in Table 7.8 below.

Table 7.8: Measures of organisational effectiveness

Liu (2006)	Amah and Baridam (2012)	Patterson et al. (2005)	Olufemi (2009	Sayareh (2009)
1. Sales/revenue growth 2. Profitability 3. Quality products and services 4. Market share 5. New product development 6. Overall organisational performance 7. Employee satisfactions	1. Productivity 2. Market share 3. Profitability	1. Quality products and services 2. Operational efficiency 3. Performance stability	1. Operational Efficiency 2. Performance Stability 3. Commitment 4. Job engagement 5. Sales growth 6. Financial strength 7. Profitability 8. Innovativeness 9. Adaptability	1. Productivity 2. Resource acquisition 3. Efficiency 4. Adaptability 5. Profitability 6. Flexibility 7. Planning 8. Quality 9. Growth 10. Goal attainment 11. Employee satisfaction

Author's own construction

The above Table 7.8 summarises different measures of organisational effectiveness resulting from different studies, among them, banks. As seen from Table 7.8 some measures of organisational effectiveness are common among all scholars and researchers. These include: sales, profitability, market share and employee satisfaction. The same measures have also been used in the banking industry as demonstrated by studies by Amah and Baridam (2012), Liu (2006) and Olufemi (2009).

Given the fact that this study focuses on the banking industry in Kenya, it was deemed appropriate to adopt organisational effectiveness measures that have been used to assess

the organisational effectiveness of the banking industry in South Africa and Nigeria (Amah & Baridam, 2012; Liu, 2006; Olufemi, 2009). As discussed in Chapters 1 and 5, similar measures have been used in other studies. The measures are also recommended by different organisational effectiveness models summarised by Sayareh (2009) and Robbins and Barnwell (2006). Specifically, the measures adapted to measure organisational effectiveness for the purpose of the present study are: *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment.* The specific measurements selected for the current study are the most appropriate for assessing banking overall effectiveness. The measures have not only been used in different banks studies, but are also popular with financial institutions. Each measure has been briefly defined in Table 7.9.

Table 7.9: Organisational effectiveness measures

Statements relating to organisational effectiveness variable	
5.1	**Productivity** (This is defined as the ratio of outputs produced by the bank in relation to resources consumed in the process)
5.2	**Sales/revenue growth** (increase in banks' income resulting from successful business)
5.3	**Quality products and services** (This relates to valuable products and services)
5.4	**Operation efficiency** (This is defined as the extent to which time or effort are well utilised for the intended task or goal of the bank)
5.5	**Innovativeness and adaptability**(this is the ability to alter behaviour, systems or structures and generate new ideas in an effort to survive in a changing environment)
5.6	**Profitability** (This is defined as the money a business or a bank earns above its costs)
5.7	**Performance stability** (This means the bank's ability to remain stable in the midst of challenges and competition)
5.8	**Market share** (expansion of the bank business both in numbers and geographically
5.9	**Employee satisfaction and commitment** (This means the bank's ability to satisfy its staff and retain them)

7.5 ADMINISTRATION OF QUESTIONNAIRES

Between the months of September 2012 and December 2012 the data collection took place for the current study. The process of data collection had two parts; first, there was the need to get a permit from the National Council for Science and Technology (NCST), a government body responsible for granting permission in relation to all research done in Kenya. The process included an application form, two copies of the approved proposal,

required fee and a letter from the Department of Management at Rhodes University allowing the research to be carried out. Upon launching of the application in September 2012, a receipt was granted, which acted as a temporary permission before actual permit was issued. The research data collection process commenced immediately and within two weeks, the actual permit was received from NCST. Prior to getting the permit, communication with the banks' HR managers or their representatives had been made in order to get their permission to do the study in the banks. Secondly, it was necessary to seek permission to conduct the study in the banks. Communication with the HR managers or their representatives at the banks was established using both emails and telephones. Meetings with the HR managers or their representatives were conducted where the researcher explained the purpose of the study. While some banks gave their consent, some did not respond immediately and follow-up was necessary before and during the data collection. To all the banks that agreed to participate in the study, a complete research pack was sent (See Annexures A and B).

The data was collected by making use of either email or a self-administered questionnaire. For respondents who preferred to fill the questionnaires electronically, a research pack was emailed to them. The respondents in this category also emailed their responses. However, most of the questionnaires were self-administered and collected from the banks. To make sure the questionnaires sent to the banks were correctly completed, a follow-up was necessary. Two weeks after dispatching the questionnaires, the researcher contacted the HR managers or their representatives again telephonically or by email, to remind the respondents to complete the questionnaires. The researcher also made several trips to specific banks to collect the completed questionnaires. The process continued until no more questionnaires were forthcoming.

As stated previously (See Section 7.5.2), the study aimed to reach 494 respondents (39 respondents per bank) in 13 banks covering 43% of indigenous banks. The goal of having 39 respondents complete the questionnaire per bank was not fully realised, as some respondents claimed to be too busy to complete the questionnaire or declined altogether. A total of 273 questionnaires were received back for analysis.

7.6 RESPONSE RATE AND SAMPLE SIZE

In total, 273 questionnaires were received from the respondents. This accounted for 55.3% of total questionnaires distributed, as shown in Table 7.10. According to Mugenda and Mugenda (2003:115-144), a response rate of 50% and above is acceptable for analysis. Of the questionnaires received, only 257 were usable, while 16 were spoilt as being incomplete or poorly completed. The analysis of the data was done using SEM. According to the literature, a response of 257 is good enough since the SEM acceptable range is between 200-400 responses, although samples of 150-200 have also been accepted for analysis (See Section 7.5.2).

Table 7.10: Response rate

Questionnaire responses	**Respondents**
Questionnaires distributed	494
Questionnaires received back	273
Unusable questionnaires received	16
Usable questionnaires received	257
Response rate	**55.3%**

According to Hair et al. (2006:740) and Farrington (2009:363) there are five elements to consider in relation to sample size, namely:

- the multivariate distribution of the data;
- the estimation technique;
- the amount of missing data;
- the model complexity; and
- the amount of average error variance among the reflective indicators.

According to Farrington (2009:363) in a sample required when using structural equation analysis, the size should not be too small "as SEM relies on tests which are sensitive to sample size as well as to the magnitude of difference in covariance matrices." For most research, the sample size ranges between 200 and 400 for studies with models with 10 to 15 indicators or measures. Garson (2006) observes that each variable in a given model is measured using multiple indicators. The current study has 24 indicators to measure factors influencing leadership effectiveness, namely leadership competencies (16

indicators) and tasks (8 indicators) and sample size of 257 thus putting it within acceptable range of between 200 and 400.

Farrington (2009:363) presented findings from a survey of 72 SEM studies where researchers recommended an average sample size of 198 for better results. Farrington (2009:363) further noted that "a sample of 150 respondents would be too small unless the covariance coefficients are relatively large", an argument supported by Kline (1998) who pointed out that a sample with fewer than 100 respondents is untenable in SEM Hair, Black, Babin, Anderson and Tatham (2006) and Kline (2005) argued that a sample size of 100 to 150 cases was appropriate. Numerous researches have, however, supported a sample of between 100 and 200 cases (Hair, Anderson, Tatham & Black, 1998:605; Loehlin, 1992). Lee (2008) used a sample of 210 for data analysis which resulted in reliable results. Teo (2009) used a sample of 159. As pointed out by Hair et al., (1998:605) a sample size of 200 is regarded as being a critical size. In the current study the sample size of 257 being used for data analysis was regarded as being within the accepted parameters.

For a model to be tested using SEM, it must be based on a sound theoretical basis. Venter (2003:239) notes that when a model is grounded on a sound theoretical basis, it minimises errors and misspecification resulting from omission of variables. In such cases, the sample size should not be adjusted, nor should more data be collected. In this study, the theoretical framework was developed after thorough examination of literature and previous empirical studies relating to effective leadership and organisational effectiveness. The sample size received from data collection was adequate for data analysis, and fits the accepted SEM requirements of between 200 and 400 for studies with models.

7.6.1 Missing data

In any research, it is important to establish the level of missing data and how this will affect the final results. It is also important to establish if there is any trend or statement not completed by the majority of respondents, as this may signify discrepancy in the way the statements were phrased. As discussed previously, a pilot study was conducted to test

the questionnaire's reliability (Babbie, 1992; Cooper & Schindler, 2003). After the analysis of the pilot study data, the research questionnaire was found to be reliable. Only one question was recommended to be removed from Section One relating to the general performance of the banking industry. The removal of the recommended statement resulted in improving the Cronbach's alpha coefficient from 0.651 to 0.720. Cronbach's alpha coefficient scores for the pilot study are summarised in Table 7.11 below.

Table 7.11: Pilot study Cronbach's Alpha results

Sections	**Cronbach's Alpha Score**	**Cronbach's Alpha Score Based on Standardised Items**	**No. of Items**
Section One: General statements relating to indigenous banks			
Indigenous banks in general	0.651	0.649	15
Section Two: Leadership competence			
Strategic thinking competence	0.766	0.784	38
Emotional intelligence	0.970	0.970	32
Transformational leadership	0.974	0.975	25
Section Three: Leadership tasks	0.955	0.958	41
Section Four: Leadership effectiveness	0.715	0.708	25
Section Five: Organisational effectiveness	0.946	0.947	9

As can be seen from Table 7.11, the pilot tests showed favourable Cronbach's alpha coefficient results, with all scores being above 0.650 and with the majority of the scores being above 0.900. The weak score (0.651) relating to indigenous banks in general was modified by removing one statement which did not load well. The result was an improvement from 0.651 to 0.720. Based on the results, as shown in Table 7.11, it was concluded that the questionnaire that was designed for this study should be maintained without further alteration than the one statement in Section One. Thereafter, the questionnaire was deemed ready for the final administration.

Once the data had been collected in the final administration all the questionnaires were inspected for missing data. Each particular section of the questionnaire was examined to ensure that the missing data did not skew the results of the study. In the questionnaire scrutiny for missing data only a few cases were noted. However, there was no correlation or trend established in the missing data. From the percentile calculations, the missing data

responses were considered very insignificant and did not appear to have any effect on the final results.

7.6.2 Method of data analysis

For research to be considered effective, it must use a good measurement instrument. Such an instrument is characterised by three major elements, namely reliability, validity and practicality. The reliability and validity of a measurement instrument requires assessment before proceeding to test the strength of relationships in an empirical model (Farrington, 2009:366). In the following sections, the reliability, validity and practicality of the research instrument used in this study as well as the statistical techniques used to assess the reliability and validity of the results, are discussed. Similarly, a discussion on how the theoretical framework was verified using SEM is addressed in the next section (See section 7.8). It is only when there three elements are met that research can be termed credible, thereby giving the expected results without significant errors (Zikmund, 2003:300). The three measurements are examined in the next section.

7.6.2.1 Reliability

Reliability is the ability of a research instrument to produce identical results in repeated trials. Such results must be free from random and unstable errors. The importance of reliability is critical in positivistic studies as it relates to the degree of consistency among multiple measurements of a specific variable or variables (Collis & Hussey, 2003:186; Farrington, 2009:366; Hair et al. 1998:117). For a measuring tool or instrument to be considered reliable, it must give consistent results when performed severally (Cooper & Schindler, 2007:321, Joppe, 2000:1). Leedy (1997:34) notes that reliability has to do with accuracy of an instrument to produce similar results. Cooper and Schindler (2006:321), on the other hand, pointed out that reliable research instruments are able to withstand situational factors and divergent conditions.

According to Farrington (2009:367), "a commonly used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale." The emphasis on internal consistency is grounded on the fact that specific indicators of a

scale should all measure a given construct and give similar results. This means that the indicators must be highly interrelated or connected (Cooper & Schindler, 2007:323; Farrington, 2009:367). Similarly, Hair et al. (2006:137) view reliability as the degree of consistency resulting from multiple measurements of a specific variable.

One major measure of a reliability estimate in positivistic studies is Cronbach's alpha coefficient (ǎ), also termed coefficient of internal consistency. The measure gives the average correlation of variables measuring a construct (Cooper & Schindler, 2007:322). The use of Cronbach's alpha coefficient analysis has been widely used as measure of variable reliability. As referred to in Section 8.5.8.1a, it is generally accepted that Cronbach's alpha coefficient reliability of less that 0.500 is unacceptable while those between 0.500 and 0.600 are considered questionable but acceptable if other indicators are good. Accordingly, a Cronbach's alpha coefficient of 0.600 or above is considered acceptable while 0.800 is considered good. Some studies prefer Cronbach's alpha coefficient of 0.700 as the lowest limit although Cronbach's alpha coefficient of 0.600 is accepted for exploratory research. As mentioned in the previous chapters, though Cronbach's alpha coefficient of 0.70 is considered the lowest limit, it is lowered to 0.60 for exploratory research purposes (Bernardi, 1994:767; Garson, 2006; Hair et al., 1995:618; Nunnally, 1978; See also Chapter 8). In the current study, the Cronbach's alpha coefficient results for the pilot study averaged between 0.720and 0.975. The results were acceptable to good and deemed reliable. After approval of the instrument, it was finalised for data collection in the actual study. In this study the Cronbach's alpha coefficients were determined by using SPSS version 21 (2013).

7.6.2.2 Validity

The concept validity has been defined as "the ability of a construct's indicators to measure accurately the concept under study" (Hair et al. 1998:584). A research measuring instrument is considered valid if it measures the intended objectives (Collis & Hussey, 2003:69; Leedy, 1997:32; Cooper & Schindler, 2007:318; Zikmund, 2003:300). Put another way, validity ensures that the data collected reflects what is being studied (Collis & Hussey, 2003:186) and adequately reflects the real meaning of the concept

under consideration (Babbie & Mouton, 2001:122). Hair et al. (1998:584) contend that it is the researcher who determines what is valid or not since he defines the research categories and variables and how to measure them. Validity can be classified as content validity, criterion validity, constructs validity, convergent validity and discriminant validity (Cooper & Schindler, 2007; Turocy, 2002).

a) Content Validity

As the name suggests, this focuses on the content. It is considered less subjective and assesses whether a given measure incorporates all aspects or contents of a construct under study. Content validity is mostly used in qualitative measures owing to its ease of use (Netemeyer, Bearden & Sharma, 2003; Arnold, Gansneder & Perrin, 2005). The content validity method was used in the present study by ensuring that all research instrument variables, sub-variables and measuring items agreed, and corresponded accordingly. Through consultation with professionals in both language and research, each construct was assessed and modified appropriately for the purpose of this study.

b) Criterion Validity

Criterion validity is more reliable than content validity and relies on comparison of the proposed measure with existing measures which are considered valid (Arnold et al., 2005). This means that if a measure does not agree with already existing validity measures, then it is either dropped or modified before being applied to a construct (variable). Since criterion-related validity is empirically based, it follows a rigorous process in assessing the construct validity of an instrument. The method demonstrates accuracy of the measure by comparing it with an already tested and valid instrument or another external accepted criterion (Arnold et al., 2005). In the current study, the research instrument was developed based on existing validated measures. For Sections one to five, different measures were adopted and modified to fit the study. The approach ensured that the instrument was based on existant and validated measures.

c) Construct Validity

Construct validity denotes the degree to which operational measures correlate with the theoretical concept being investigated. Construct validity provides the researcher with confidence that a survey actually measures what it is intended measure (Turocy, 2002; Netemeyer et al., 2003). Of all the above measures, construct validity is considered the most complex. The test was first identified by Cronbach and Meehl (1995). Construct validity measures the degree to which a specific measure confirms that set hypothesis are consistent with theory on which the concepts are based. This means that the empirical evidence generated by a measure agrees with the theoretical logic related to the concept (Leedy & Ormrod 2005:92). The use of factor analysis and Cronbach's coefficient alpha in the current study confirmed the validity of the measuring instrument. The findings pertaining to the factor analysis will be provided in Chapter 8 (Section 8.11).

d) Convergent validity

Convergent validity is a measure of the degree to which scores obtained on one scale correlate with other scores measuring the same construct or variable. This means that if a measure of a construct is known, then it can be used to correlate new measures. The results indicate the degree of convergent validity of the new scores from the known score (Cooper & Schindler, 2007:320). The current study adopted existing measures to measure different constructs or variables. The existing measures' scores were used to compare with the obtained results in the current study. This way, the measuring instrument sub-variables and items were either supported or rejected depending on results obtained and how convergent or divergent the score was from known scores. During instrument development, for instance, only those measures that agreed with accepted Cronbach's coefficient alpha scores were allowed to be part of the instrument. Similarly, by conducting the pilot study, further assessment of the instrument was done and required changes were made.

e) Discriminant validity

This refers to the extent to which scores on a scale fail to correlate with other scores designed to measure different constructs. The use of discriminant validity on a measuring instrument enables researchers to determine the degree to which every construct is different or separate from other constructs in theory or related studies (Cooper & Schindler, 2007:320). The measuring instrument used in the current study was developed based on existing instruments that had been verified and validated by numerous tests, such as Cronbach's coefficient alpha and confirmatory factor analysis. The tests enabled the instrument to be assessed in terms of discriminant validity and the ability of the instrument to discriminate between various constructs or variables being measured. The use of the multivariate technique of confirmatory factor analysis has been used in many studies to establish discriminant validity (Venter, 2003). The technique has also been used to test hypotheses by performing factor analysis and establishing relationships with the use of SEM (Cooper & Schindler, 2007:592). In the current study, discriminant validity was performed by means of a confirmatory factor analysis and structural equation modelling using SPSS version 21 (2013).

7.6.2.3 Practicality

Practicality is concerned with the application of the research instrument in real situations. In its practical application, factors like economy, convenience and interpretability are taken into account (Cooper & Schindler, 2007:318). Research that is not practical is subject to errors and poor results, and cannot be termed credible or reliable (Zikmund, 2003:300). The current research instrument was based on actual studies done in different parts of the world. The instrument was also pilot-tested to ensure its relevancy to the banking industry in Kenya before the final instrument was developed and administered. The result was an instrument that reflected the actual happenings in the indigenous banking industry in Kenya.

Having discussed both reliability and validity measures of constructs or variables and their application to the present study, it is important to further justify the multivariate

technique employed. The next section discusses structural equation modelling, a multivariate technique and how it was used in the present study.

7.7 STRUCTURAL EQUATION MODELLING

Structural equation modelling (SEM) is a multivariate statistical approach created by Jöreskog (1973). The modelling has been in use and applied in the marketing field where it has been used to test theories (Bagozzi, 1980) although it is now also widely used in other social science disciplines. This data analysis technique is a multivariate approach that allows researchers to concurrently examine both measurement and structural components of a model by testing the relationships "among multiple independent and dependent categories or variables" (Geffen, Straub, & Boudreau, 2000). Similarly, SEM provides a method for "testing hypothesised interrelationships among a set of substantially meaning variables" (Crowley & Fan, 1997:509). According to Haenlein and Kaplan (2004:286), SEM identifies the measurement model and underlying variables by "converting theoretical and derived concepts into unobservable (latent) variables, and empirical concepts into indicators, which are linked by a set of hypotheses." This hybrid data analysis technique encompasses confirmatory factor analysis, path analysis and multiple regression components, thus making it the dominant multivariate technique in contemporary research (Cooper & Schindler, 2007; Everitt & Dunn, 1991; MacCallum & Austin, 2000; Macias, 2003). According to Evans (2005:376-90), Shook, Ketchen, Hult and Kacmar (2004:397-404) SEM has proven to be a better data analysis technique functionally than any other multivariate techniques such as multiple regression, factor analysis and path network analysis, used individually. SEM is also known by other names such as structure analysis and latent variable analysis (Hair et al., 2006:711).

The popularity of SEM can be associated with its advantages over other data analysis programmes. Firstly, SEM has the ability to estimate both multiple and interrelated dependence concurrently, compared to regression which only gives a single relationship at a time. As such, SEM has the ability to give results from multiple independent and dependent variables besides its ability to detect changing relationships between variables (Cooper & Schindler, 2007:583; Hair et al., 1998:578).

The second advantage associated with SEM is its ability to integrate different variables during analysis and report errors during the estimation process. Like factor analysis, SEM has the ability to use numerous measures to represent categories and variables, making it superior to other measures. According to Hair et al. (2006:734), SEM is attractive to researchers because of its ability to provide a conceptual means of testing theory. According to Hair et al. (2006:734), "If a researcher can express a theory in terms of relationships among measured variables and latent categories or variables (variates), then SEM will assess how well the theory *fits* reality as represented by data." SEM is considered superior to other data analysis techniques for empirically testing theoretical frameworks since it comprises two models, namely a measurement model and a structural model.

A measurement model concerns itself with how well various exogenous variables measure latent variables. Exogenous variables are variables that are not caused by other variables but instead cause one or more variables in a model. Exogenousvariables are also known as independent variables. Latent variables on the other hand are variables that are not directly measurable and are unobservable (Jöreskog & Sörbom, 1979). In SEM, latent variables (LVs) are known as unobservable factors or unobservable variables. According to Jöreskog & Sörbom (1979), LVs are measured by their respective indicators known as observable variables or manifest variables (MVs). The MVs are represented by intervening and dependent variables. According to Cooper and Schindler (2007:584) both LVs and MVs can be represented in a framework.

To measure such variables, statistical techniques such as factor analysis or confirmatory factor analysis are used (Lei &Wu, 2007). A structural equation model, on the other hand, is concerned with how the model variables are related to each other. In SEM this "allows for direct, indirect, and associative relationships to be explicitly modelled, unlike ordinary regression techniques which implicitly model association" (Washington, Karlaftis & Mannering, 2011:246). The measurement model with SEM incorporates estimates of measurement errors of exogenous variables and associated latent variables.

By combining both measurement model and structural model, SEM produces variables resulting in a single analysis (Hair et al. 2006:843).

Thirdly, the use of SEM allows for a comprehensive statistical approach to testing hypotheses in relation to manifest (observable) and latent variables (unobservable) (Hoyle, 1995:1-15; Jöreskog & Moustaki 2006:1). The method is also found effective in representing, estimating and testing theoretical networks with an emphasis on linear relations between variables (Rigdon, 1998:201-226).

Compared to other statistical techniques, SEM is able to help a researcher answer an interrelated set of questions in a "single, systematic, and comprehensive analysis" (Saghael & Ghasemi, 2009:1033). Saghael and Ghasemi (2009:1033) add that:

> This method is based on modelling the relationships among multiple independent and dependent categories or variables simultaneously. This simultaneous analysis capability differs greatly from other methods such as linear regression, LOGIT, ANOVA, and MANOVA, which can analyse only one layer of linkages between dependent and independent variables at a time.

Given the advantages associated with use of SEM as a technique for testing measurement properties and theoretical relationships at once (Hair et al. 2006:706), its relevancy to this study is obvious. Hooper, Coughlan and Mullen (2008:53) have emphasised this importance by stating that SEM has become the technique of choice for scholars and researchers across disciplines, and especially in the social science discipline. This finding supports this study which proposes to use SEM to establish the relationship between leadership effectiveness and organisational effectiveness. Various researchers have argued that given complex human nature and human management related issues, a data analysis method that can simultaneously examine a series of relationships will help solve both managerial and behaviour issues. SEM is also considered appropriate for the present research as it aids hypothesis testing and analysing both LVs and MVs.

As indicated earlier, LVs are variables which cannot be observed directly. That is to say, latent variables are defined as hypothetical categories or variables not directly measurable but instead are comprised of observed indicator variables (Crowley & Fan, 1997). As

such, LVs are assessed by MVs. In this study, leadership effectiveness is the latent variable which can only be derived by observing the leadership behaviour as measured by various leadership competencies (such as strategic thinking, emotional intelligence, transformational leadership) and leadership tasks (such as set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, establish balanced organisational control and emphasise ethical practices).

While the importance of SEM as a programme for determining relationships among latent variables is obvious, there is need for caution. According to Shook, Ketchen, Hult and Kacmar (2004:397), a programme is only useful if it is used in the right way. In recent times, however, there are numerous journal articles and books published on how best to apply SEM in various fields ranging from economics, communication and psychology, to management and leadership (Caldwell & Hayes, 2007; Hooper, Coughlan & Mullen, 2008; Trahan, 2008). These sources also support the importance of SEM as an analytical programme, something that makes its use in this study even more pertinent.

7.7.1 Basic requirements for the application of structural equation modelling

For effective application of SEM, there are two basic conditions that must be fulfilled. Firstly, there must be a theoretical foundation for the model under study, and secondly the study must aim to develop a modelling strategy (Hair et al. 1995). The importance of theory is to ensure that the concepts are accurately defined, so that they are easy to measure. If this is not done well, the respondents will not be able to understand the questions measuring the concepts, which in turn will lead to a measuring error. In this study on leadership effectiveness and organisational effectiveness, the two key variables, previously referred to as the categorisation of variables, have been defined and theoretically linked to existing literature. In fact, every variable has been theoretically explored and then operationalised. It is very important to ensure that sound theories are developed as this result in well-thought-out design of manifest variables that are aimed at measuring the theoretical variables or latent variables. In this study, the theory justification required is obtained from prevailing literature and investigation of

practitioners within the areas. Given the depth and analytical requirements of SEM, a sound theoretical basis is mandatory. A less than convincing theoretical grounding can easily lead to generality, which can make the findings less useful. This is emphasised by Hair et al. (1998:590) who add that SEM is an analysis technique that is guided by theory more than empirical evidence.

The second observation concerning SEM application has to do with modelling strategy selection. In this approach to research and data analysis, there is no single established method of applying multivariate techniques. This means that the right technique, that is, the way objectives are developed and formulated and eventually the appropriate technique selected to determine how such objectives are achieved in relation to research purpose, depends on the modelling strategy adopted by the researcher (Hair et al., 1998:590).

SEM uses three distinctive strategies to achieve acceptable levels of validity, namely the confirmatory modelling strategy, competing models strategy, and the model development strategy (Jöreskog, 1993:294-316; Lee, 2008; Zhu, Walter, Rosenbaum, Russell & Raina, 2006:12). Each of these three strategies will be discussed.

7.7.1.1 Confirmatory modelling strategy

In confirmatory modelling strategy, the researcher ensures that all theoretical relationships are specified as clearly as possible. After this, SEM is used to assess the significance of the relationships. However, the attainment of an acceptable level of fit for the overall model may not indicate the best model. To finally accept the model, it needs to be compared with similar studies so as to decide how different or similar the findings are to the subjects under study (See Chapter 8, Section 8.9.2.1) for detailed explanation on how goodness-of-fit was performed for the current study).

7.7.1.2 Competing models strategy

The assessment or investigation of the various alternative models identified requires the competing models strategy. The analyst may decide to test two or more competing causal

models in order to determine the model with best fit. Research, however, indicates that such a model may not be available and the researcher may have to rely on one (Garson, 2006; Grimm & Yarnold, 2000). In the present study, the model was subjected to different tests before being declared fit. Some of the tests performed were: the normed Chi-square (the ratio of Chi-square to degree of freedom ($_X^2$/df), the Root Mean Square Error of Approximation (RMSEA), The Goodness-of-fit index (GFI) and comparative fit index (CFI). (See Chapter 8, Section 8.9.2).

7.7.1.3 Model development strategy

In the model development strategy, the modification and improvement of the identified models is performed. This involves modification of either structural models or measurement models or both (Hair et al., 2006). Given that the aim of this study is to assess leadership effectiveness and organisational effectiveness, the third stage will not be applied as it is outside the scope of the study.

7.7.2 Steps in structural equation modelling

Structural equation modelling can be implemented only after having performed the previously stated requirements of SEM. The process of implementation consists of a series of steps in order to validate the measurement models and fit the structural model. According to Hair et al. (2006: 714), the measurement model represents how measured variables combine to represent variables, while the structural model indicates the association between the variables. The following steps, as shown in Table 7.12, are used during structural equation model analysis as given by Hair et al. (1998:592-616; 2006:734).

Table 7.12 Structural equation model steps

Steps	Hair et al. (2006:734)	Hair et al. (1998:592-616)
1.	Defining individual categories or variables	Developing a theoretical model (framework)
2.	Developing and specifying the measurement model	Constructing a path diagram of causal relationships
3.	Designing a study to produce empirical results	Converting the path diagram into a set of structural equations and measurement models
4.	Assessing the measurement model validity	Choosing the input matrix type (correlation matrix or covariance matrix) and estimating the proposed model
5.	Specifying the structural model	Assessing the identification of model equations
6.	Assessing structural model validity	Evaluating the results for goodness-of-fit
7.		Making the indicated modifications to the model, if theoretically justified

Source: Adopted and modified from Hair et al. (2006) and Hair et al. (1998)

As can be seen from Table 7.12, Hair et al. (1998:616) propose a seven-step process in SEM analysis before proposing the current six-step model. The six-step model appears broader and more comprehensive in terms of research design (step 3) and measurement (step 1). The other steps (2, 4, 5 and 6) are similar to those given earlier in both processes and application. The authors state that the six-step model is meant to reflect the unique terminology and procedures associated with SEM (Hair et al., 2006:734), thus making the analysis even more comprehensive and valuable. However, since only steps one and six appear different, this study will use the seven-step model, but with modification of the affected steps because the model appears more applicable to the objectives of the study. In the next section, the steps as shown in Table 7.12 are discussed in detail.

Step 1:Developing a theoretical framework

Structural equation modelling (SEM) demands strong theoretical support as a foundation for its analysis. SEM analysis is based on a theoretical framework which specifies both independent and dependent variables. According to Garson (2006), the identified variables need to be well conceptualised as latent variables and matched with appropriate multiple measurement indicators. These indicators are a necessary measure of dependent relationships, since SEM assumes that any change in one independent variable has a

direct impact on the dependent variable. In Chapters 3 and 4 (*leadership competencies and leadership tasks*) of this study, a theoretical basis and discussion of key independent variables included in the theoretical framework was carried out. Further discussion and development of the theoretical framework was given in Chapter 6, in which the relationship between leadership effectiveness and organisational effectiveness was discussed. Following the literature review and support from research findings, hypothesis linkage between leadership effectiveness and leadership effectiveness was also developed. This process of identifying the appropriate framework is necessary since it is such framework that becomes the foundation of structural equation analysis (Hair et al., 1998:592-593). In this study, the framework shows the significant relationships of the independent variables, namely *leadership competencies* (three variables) and *leadership tasks* (eight sub-variables), an intervening variable, *leadership effectiveness* (five sub-variables) and the dependent variable, organisational effectiveness (nine items). Finally, as discussed in Chapter 7, the theoretical framework was developed after extensive exploration and analysis of secondary information and empirical literature. The relationships among these variables were then hypothesised based on theoretical justifications and for further establishment of relationships by SEM analysis.

An important activity at this stage is operationalising the different terms or elements in the theoretical framework. This process begins with category definitions which enable the selection or designing of individual variables for use in assessment. According to Hair et al. (2006:735), operationalisation of categories and variables can be from previous research studies or from searching through the literature to establish scales that are considered valid. For survey research like the current study, Hair et al. (2006:735) state that "operationalising a variable often involves a series of scale items in a common format such as a Likert scale or a semantic differential scale." In this study operationalisation of independent, intervening and dependent variables in terms of scale items and format was done in Section 7.5.7 in this chapter**.** As indicated in that section, all categories and variables were measured using a 5-point Likert scale.

It is also important to note the importance of pre-testing the research instrument to ensure its reliability. As advocated by numerous research scholars and researchers, this should be conducted with respondents similar to the actual target population in order to ensure that results do not deviate from expectation. In this study, a well-designed questionnaire based on previously validated research instruments was developed and was subjected to a pilot study involving indigenous banks in Kenya, as explained in Section 6.5.6.

Step 2: Constructing a path diagram of causal relationships

Path analysis is a statistical technique used to establish and examine causal relationships between two or more categories or variables as depicted in the theoretical model(s) being investigated. Emphasising the importance of path analysis, Hair et al. (2006:714) indicate that the diagram is a convenient way of portraying a theoretical framework in visual form. To investigate a path analysis, a path diagram of the theoretical framework needs to be constructed. The path analysis technique was first developed in the 1930s by Wright (1992) for use in phylogenetic studies. The technique was later adopted in the 1960s by social science disciplines and later by ecological literature in the 1970s (Everitt & Dunn 1991; Shipley 1997, 1999). A path diagram can be constructed to show dependence relationships and the hypothesised relationships as derived from the theoretical framework being investigated and presented by the categories and variables.

One major advantage of a path diagram is its ability to enable a researcher to visually observe the expected outcome among variables. The path diagram also helps the researcher depict the associated relationships among different categories or variables. To explain the relationship depicted, Garson (2006), Hair et al. (2006:715), Hair et al. (1998:594-596) and Farrington (2009:377) have given the following explanation.

a) Straight arrows

   A path diagram uses arrows to indicate a direct dependence between variables. A straight arrow means that there is direct dependent relationship from one variable to another, while an arrow with two heads denotes a reciprocal relationship between

two variables. In the current study, both *leadership competencies* and *leadership tasks* have straight arrows directed to *leadership effectiveness.*

b) Exogenous construct

A variable that is not predicted or not associated with another variable is termed an exogenous variable. The same category or variable is termed an independent or predictor variable and no arrow points to it. In the current study, *leadership competencies* and *leadership tasks* are the exogenous categories since there are no arrows directed at them. However, it is observable that two arrows come from these categories towards the *leadership effectiveness* variable. There is an arrow from leadership competencies (one direction) to leadership tasks, denoting a strong relationship.

c) Endogenous variable

If a variable can be predicted or caused by another variable, it is termed as endogenous or simply the dependent variable. The variable may have more than one arrow pointing at it. In this study, organisational effectiveness is the endogenous variable and has one arrow coming to it from leadership effectiveness which in turn has two arrows originating from *leadership competencies* and *leadership tasks* categories respectively.

d) Intervening variable

An endogenous variable can either be purely dependent (meaning no arrows come from it) or intervening meaning it has other arrows coming from and to other variables. In this study, there are two arrows pointing at *leadership effectiveness* (intervening variable), one from *leadership competencies* and another from *leadership tasks.*

Step 3: Converting the path diagram into a set of structural equations and measurement models

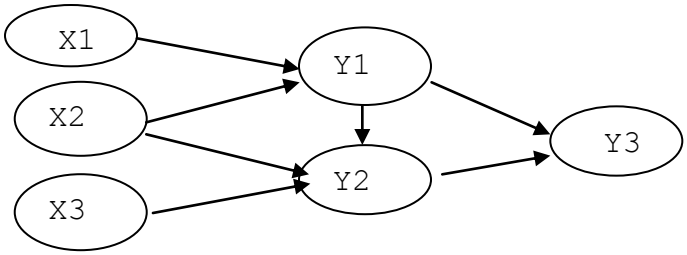
Path analysis is a subset of SEM (Ullman, 1996). In this step, the framework is formally translated into a set of equations representing the structural equations linking the various

variables. The equations also define the set matrices that demonstrate hypothesised correlations between variables. This ensures that all operational definitions are linked to theory, making it easier to perform the empirical tests (Hair et al., 1998:596).

As mentioned earlier, SEM is comprised of both a measurement and a structural model. The measurement model deals with both measured variables and latent variables. The structural model deals with and only focuses on relationships between latent variables which are said to be free from random error resulting from prior estimates and removal of such errors leaving only common variances (Ullman, 1996 in Tabachnick & Fidell, 709-819). While the structural equation model assigns relationships between categories and variables based on prevailing theoretical thinking, the measurement model is concerned with assigning indicator variables to the categories or variables. Usually the relationship represented by SEM is well depicted with the use of visual diagrams (Hair et al., 2006:714, 845). Hair et al. (2006:848-849) further noted that it is only after a theory is developed that SEM is constructed. In this construction, measurement theory is followed by validating such measurement using confirmatory factor analysis and Cronbach's alpha coefficient. It is only after the measurement model is well tested and approved as valid that the structural model is tested.

In SEM, all perceived relationships are expressed as equations. That is to say, hypothesised effects on independent variables on dependent variables, or hypothesised effects on dependent variables on other dependent variables and so on, are expressed as equations. For each equation, a structural coefficient is estimated. An error term ($\in$) is added to take care of random measurement error (Hair et al., 1998:587; Venter, 2003:253). The following Figures 7.1a and 7.1b represent the connection between the path diagram and subsequent structural equations.

Figure 7.1a: Path diagram showing structural relationship



Source: Farrington, 2009: 378; Hair et al., 1998:595

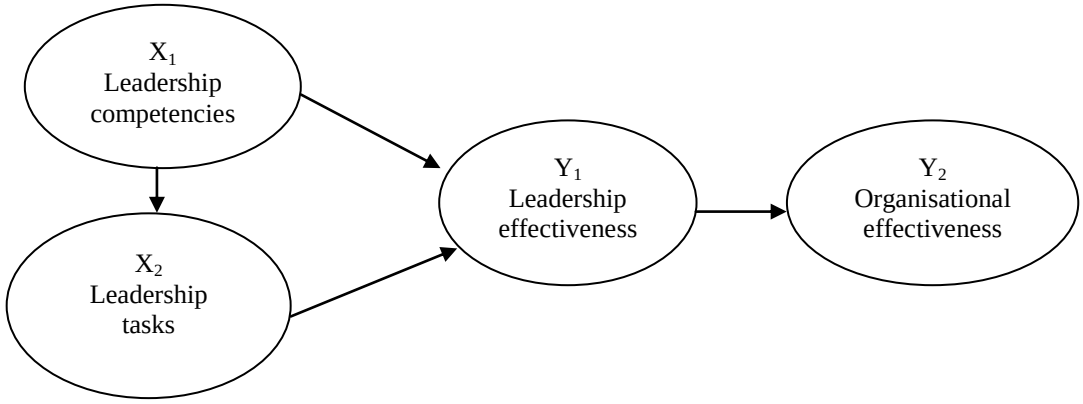
Figure 7.1b: Structural equation example

Endogenous Variable	=	Exogenous variable	+	Endogenous variable	+ Error
Y_1	=	$b_1X_1+b_2X_2$			$+\in_1$
$Y_2=b_3X_2+b_4X_3$	+	b_5Y_1			$+\in_2$
Y_3	=			$b_6Y_1+b_7Y_2$	$+\in_3$

Source: Hair et al., 1998:597

Figures 7.1a and 7.1b demonstrate the relationship between independent and dependent variables. In this case, exogenous/independent variable X_1 and X_2 have an effect on the endogenous/dependent variables Y_1 with measurement and specification error ($\in_1$) indicated by b_1, and b_2. Similarly, exogenous variables X_2 and X_3 have an effect on endogenous variable Y_2 with a provision measurement and specification error ($\in_2$) of magnitude b_3, and b_4. Likewise, endogenous variable Y_3 is influenced by endogenous variables Y_1 and Y_2 to the extent of b_6 and b_7 with an error term ($\in_3$) (Farrington, 2009: 378-379, Venter, 2003:255). It is also clear from Figure 7.2b that there is a cause-effect relationship between exogenous and endogenous variables and also between endogenous and endogenous variables. Correlations between indicators are not identified, and usually they are avoided in similar studies except in situations where the effects of measurement are known. Farrington, (2009: 378-379), Venter (2003:255), and Hair et al. (1998:601) observe that correlations are also necessary if the same indicators are used in two different periods in a longitudinal study. In the present study, a path diagram of independent, intervening and dependable variables is given in Figure 7.2a:

Figure 7.2a: Path diagram for the relationship between leadership effectiveness and organisational effectiveness



Source: Author's own construction, 2014

Figure 7.2b: Structural equation on relationship between leadership and organisation effectiveness

Endogenous Variable	=	Exogenous variable	+	Endogenous variable	+ Error
Y_1		$=b_1X_1+b_2X_2$			$+\in_1$
$Y_2=b_3Y_1$			$+\in_2$		

Source: Author's own construction, 2014

Figures 7.2a and 7.2b demonstrate the relationship between independent, intervening and dependent variables in relation to leadership effectiveness and organisational effectiveness. In this case, exogenous/independent variables X_1 and X_2 representing leadership competencies and leadership tasks respectively have an effect on the intervening variable Y_1 (leadership effectiveness) with measurement and specification error ($\in_1$) indicated by b_1 and b_2. It can also be seen that intervening variable Y_1 has an effect on endogenous variable Y_2 (organisational effectiveness) with a provisional measurement and specification error ($\in_2$) of magnitude b_3.

The above model demonstrates the relationships between independent, intervening and dependent variables which show a cause-effect relationship of the variables. The specification of the measurement model denotes the relationship of the variables. Specifically, this indicates the variables being measured. This relationship must be

established before a structural equation model is constructed. In this study, the variables (manifest variables) were identified after a confirmatory factor analysis had been performed on the data. During confirmatory factor analysis, variables (manifest) are identified on the basis of their loading on certain categories or variables. According to Farrington (2009:380), "the manifest variables collected from respondents (items on the measuring instrument) are termed *indicators* in the measurement model, because they are used to measure or "indicate" the latent categories or variables." Farrington (2009) further observes that three indicators are the minimum or common number of indicators acceptable for each construct. On the high side, five to seven indicators form part of most variables. Any model having two indicators per construct does not lead to desirable results since it is hard to identify the variables loading on a construct making it difficult to measure. Such results are considered unreliable. Since it is recommended that the number of variables loading on each factor be known and specified prior to analysis (Garson, 2006; Hair et al., 2006), this study has identified five to six items per sub-variable. It is these variables which will act as indicators during factor analysis measurements. The use of a structural equation model and measurement has further effects on the indicators' reliability. Upon estimation of both structural and measurement models, the loading coefficient gives estimates of the reliabilities of the indicators and variables (Hair et al., 1998:599). To determine the relationship between the various independent and dependent variables, the researcher used AMOS software to convert the path diagrams into structural equations (models) and measurement models. This program is synonymous with SEM and it is the computer program widely used for estimating similar type of models (Jöreskog, 1973: 85-112).

Step 4: Choosing the input matrix type (correlation matrix or covariance matrix) and estimating the proposed model

Upon specifying the model, three more steps are undertaken, namely i) testing data applicability and how it fits into the structural equation model assumptions, ii) selection of the type of input matrix relevant for model estimation (SEM analysis uses either correlation matrix or covariance matrix as its input data), and finally, iii) estimating measurement and structural models. This model helps to specify which observable or

manifest variables (indicators) correspond with identified latent or unobservable variables. Structural coefficients are then estimated to determine any relationship between latent variables. It is normal to assume that the results will be valid and reliable due to prior assumptions made when using SEM. However, it is important to assess the variables again to ensure proper distribution of characteristics, specifically normality and kurtosis. When the variables are found to be within the expected normality and without significant variation (kurtosis), the variables are acceptable as suitable for analysis (Hair et al., 2006:79). As Hair et al. (2006) emphasise, normality is assumed in multivariate analysis. The presence of normality is also considered important since a lack of multivariate technique makes it difficult to use Chi-square statistics and also creates upward bias in critical values for determining the coefficient values' significance (Hair et al., 1998:601).

Following successful structural and measurement models' specification and input of the data, the appropriate computer programme for estimation is selected. The most favoured programme is AMOS.

Step 5: Assessing the identification of model equations

The fifth step aims at assessing whether the software programme employed has produced any meaningless or illogical results (Hair et al., 2006:754). Specific attention is paid to the identification of problems which focus on the proposed model's inability to produce unique estimates. There are four major symptoms of the identification problems, namely:

- very large standard errors for one or more coefficients;
- the inability of the programme to invert the information matrix;
- wildly unreasonable or impossible estimates such as negative error variances, and;
- high correlation (approximately 0.90 or greater) among estimated coefficients (Hair et al., 1995:609).

The above symptoms could result from a large number of coefficients compared to the number of covariance or correlations, which is indicated by a small number of degrees of freedom. There could also be reciprocal effects between different variables used or

failure in fixing the scale of a construct. These problems are easily solved by adding more constraints to the model under study thereby reducing the number of estimated coefficients (Hair et al., 1995:609).

There are no established rules or standards to use in the establishment of a model (Hair et al., 1998:608-609) although several guidelines are available. Such guidance includes the three-measure rule which asserts that variables with three or more indicators (items) will always be identified. For the present study, however, there are more than three indicators thus reducing the risk of model identification problems.

Step 6: Evaluating the results for goodness-of-fit

The purpose of evaluating the results for goodness-of-fit is evaluating the data and the theoretical models against SEM assumptions. According to Farrington (2009:382-383):

> The evaluation of the goodness-of-fit results is an assessment of the extent to which the data and the theoretical models meet the assumptions of SEM. Goodness-of-fit tests are measures of how "good" the actual or observed input correlation or covariance matrix matches ("fits") the matrix that is predicted by the theoretical model.

The goal is to ensure that all actual or observed input correlation matrices "fit" or agree with the predicted or proposed theoretical model. Hair et al. (1998:610, 620) state that the use of goodness-of-fit is important in making sure that the structural equation model agrees with the sampled data (Hair et al., 2010:664-665). To do this, the goodness-of-fit is based on three assumptions:

- independent observations;
- random sampling of respondents; and
- all relationships being linear.

The assessment of the data and theoretical framework against the assumptions is done using coefficient tests. Results exceeding acceptable levels often referred to as "offending estimates" are considered as wanting. Further assessment conducted on the goodness-of-fit is conducted for the overall model, then for measurement and structural models.

In assessing the goodness-of-fit, three main measures are used, namely:

- the absolute fit measures: these evaluate the overall fit of the model;
- the incremental fit measures: these are measures that compare the proposed model with a null model to establish the level of fit; and
- the parsimonious fit measures: the measures are used to compare differing models with different coefficient estimates (Hair et al., 1995:610-620).

Whatever measure is used or model found acceptable, this should not be taken as the whole truth. According to Hair et al. (2006:732) whatever criteria is applied to determine the fit of a model and has positive results, should not be seen as the most successful, but signifies that the model is one of several possible acceptable models. The authors further point out that the closer the structural model of goodness-of-fit comes to the measurement model, the better the structural model fits (Hair et al., 2006:756).

The model-of-fit criteria commonly use four tests, namely: 1) the Satorra-Bentler Chi-square statistic (X^2), 2) the ratio of Chi-square to degree of freedom ($_X2$/df) or normed Chi-square, 3) the Root Mean Square Error of Approximation (RMSEA), and 4) the 90% confidence interval for RMSEA (Hair et al., 2010:672) (See further discussion in Chapter 8, Section 8.17.1.1). While Jaccard and Wan (1996:87) advocate that three tests are appropriate to measure the goodness-of-fit, Kline (1998:130) strongly suggests that at least four tests should be conducted. Although there is no agreement as to how many tests to conduct (Garson, 2006), Grimm and Yarnold (2000:271) state that multiple criteria focusing on theoretical, statistical and practice considerations should be used to determine goodness-of-fit. The present study aimed at assessing the relationship between leadership and organisational effectiveness. In this case the model fitness into the banking industry in terms of establishing the relationship between leadership and organisational effectiveness was assessed based on four criteria as measure of goodness-of-fit mentioned above and discussed in more detail in Chapter 8.

Step 7: Making the indicated modifications to the model, if theoretically justified

The final stage of structural equation analysis is analysing the results, interpreting them, and modifying the proposed model if there is theoretical support or justification for such

an alteration. The interpretation stage is greatly concerned with causal relationships and how significant they are. For instance, relationships with t-values above 2.58 are said to be significant on a $p \leq 0.05$ level (95 % confidence level). Similarly, model modification requires fixing parameters that may have been free, or refreezing already fixed parameters (Cooper & Schindler, 2007:584). The process of original model modification involves adding or deleting estimated parameters, a situation termed model re-specification. However, it is strongly emphasised that any modification be done after a thorough analysis of existing theory to support and justify such changes as empirically significant (Hair et al., 1998:614). A good fit model should never be taken as the sole determinant of a proposed structural theory. Such change should only be done after individual parameter estimates for each hypothesis have been examined. According to Hair et al. (2006:758-847) any theoretical model is considered valid and will gain support only if the parameter estimates are statistically significant to produce expected results. For this study, any necessary modification will be taken into consideration and used to improve the original theoretical framework.

7.8 SUMMARY

This chapter has focused on the research design and methodology that was applied in this study. The chapter explained the required research methodology, design, population to be studied, target population and sampling method to be used, data collection instruments to be used and how valid, reliable and sensitive such a research instrument should be. The chapter gave much weight to data analysis method used, in this case, structural equation modelling, commonly known as SEM.

A research methodology was described as the framework within which facts are placed so that meaning can be extracted from them (Leedy, 1993:137). A good research methodology must also include research design which is the action plan indicating what should be covered in a study from the beginning to the end (Yin, 1994:19). Different research designs include experimental design, survey research design and descriptive

research design. Both survey and descriptive designs were considered appropriate for the current study.

Besides defining the appropriate research design for a given study, the research paradigm must also be considered. Accordingly, two types of research paradigms were discussed namely phenomenological and positivistic (Hussey & Hussey, 1997). The current study is based on a positivistic paradigm. The paradigm allows for the use of large samples in collecting primary data by means of self-administered questionnaires and hypothesis testing. The data collected is then statistically analysed to ensure reliability, validity and achievement of the overall research objectives (Collis & Hussey, 2003).

The population for the study was composed of the 30 indigenous banks operating in Kenya with a focus on both managers and non-managerial staff. Although the study targeted 50% of the indigenous banks in Kenya, only 43% were finally included in the study with a total of 273 respondents returning their questionnaires and 257 being used for the final analysis. To analyse data both SPSS software and SEM were used.

The main instrument used to collect data was a self-administered questionnaire. The questionnaire was comprised of six sections, with each section addressing a different aspect of the study. Section One focused on the Kenyan indigenous banking historical development and challenges; Section Two leadership competencies; Section Three assessed required leadership tasks in order to attain leadership effectiveness; Section Four assessed leadership effectiveness; Section Five was concerned with organisational effectiveness; and finally Section Six evaluated demographic factors. A 5-point Likert interval scale was used as the main indicator to assess the first five sections. Prior to conducting the final study, a pilot study was conducted whose results showed that the research instrument (questionnaire) was both valid and reliable.

The information obtained through the questionnaires was to be used to achieve the study purpose of assessing the relationship between leadership effectiveness and organisational effectiveness. To illustrate the relationship, a theoretical framework was proposed and

hypothesises developed to assess the relationship. To ensure the relationship was well captured, the study developed independent, intervening and dependent variables. The independent variable is the main cause of a happening (Singleton & Straits, 2005:48). In the current study, the independent variable was composed of both leadership competencies and leadership tasks, all assumed to influence leadership effectiveness. The intervening variable is a concept with is inferred in order to explain relationship between independent variable and dependent variable (NIOSH, 1999:8). The intervening variable in this case was leadership effectiveness which was inferred to lead to organisational effectiveness (dependent variable). The dependent variable denotes the final outcome of an activity. In the current study, organisational effectiveness was effect or results or leadership effectiveness.

To ensure that the variables being tested were appropriate to the study, each of the variables (independent, intervening and dependent) was defined, discussed and linked to both literature and empirical studies. The goal was to ensure that only reliable information was selected to be included in the current study. Major research studies from scholars and organisations were analysed and results used to develop the final instruments used in the study. Using Cronbach's alpha coefficient, means and other relevant results, each part study was analysed for reliability to ensure that only credible research instruments were either adopted or developed.

Upon collecting the final data, the data was subjected to various tests ranging from factor analysis, Cronbach's alpha efficiency to correlations all meant to ensure that reliable results were obtained. The hypotheses were also tested and relationships developed among different variables using both SPSS software and SEM which was performed used AMOS) software. The next chapter focuses on data presentation, analysis and interpretation.

CHAPTER 8

EMPIRICAL RESULTS

8.1 INTRODUCTION

In Chapter 7, an overview of the research design and methodology used to investigate the relationship between leadership and organisational effectiveness among indigenous banks in Kenya was discussed. The overview in Chapter 7 stated that empirical data collected for the purpose of the present study was subjected to different descriptive and statistical tests to ascertain the validity and reliability of the measuring instrument. These tests and associated relationships will be examined and determined in the present chapter and results presented.

This chapter is divided into three parts with Part One covering the demographic statistics, Part Two focuses on reliability and validity of the measuring instrument and theoretical framework testing while Part Three is concerned with results of structural equation modelling analysis, hypothesis testing and influence of demographic variables on constructs.

PART ONE

8.2 Demographic information

The demographic information of the respondents in the present study is critical to the understanding of its effect on bank leadership effectiveness. The following section gives an overview of selected demographics based on data gathered in Section 6 of the questionnaire. A further analysis of demographics and their links to leadership competencies, leadership tasks and leadership effectiveness is discussed later in the chapter (Part three, see Section 8.9).

The demographic information pertaining to gender, age, level of education, years worked in the banking industry and number of years worked in the current bank is summarised in

Table 8.1. It notable that not all the biographical categories were completed by all the respondents and thus the total number of respondents in each category might be different.

Table 8.1 Demographic information pertaining to the respondents

Gender	**Frequency**	**Percent**
Male	123	47.9
Female	134	52.1
Total	**257**	**100.0**
Age	**Frequency**	**Percent**
Below 25	11	4.3
25-30	73	28.4
31-35	60	23.3
36-40	31	12.1
41-45	19	7.4
46-50	30	11.7
51-55	28	10.9
56-60	5	1.9
Total	**257**	**100.0**
Highest level of education	**Frequency**	**Percent**
Secondary school	4	1.6
Certificate	4	1.6
Diploma	24	9.3
High national diploma	22	8.6
University first degree	140	54.5
Master degree	60	23.3
Phd/Doctoral degree	3	1.2
Total	**257**	**100.0**
Number of years worked in the banking industry	**Frequency**	**Percent**
Below 1 year	17	6.6
1-2	28	10.9
2-5	51	19.8
5-10	64	24.9
10-15	25	9.7
15-20	47	18.3
20-25	19	7.4
25-30	5	1.9
Sub total	**256**	**99.6**
Missing data	1	0.4
Total	**257**	**100.0**
Number of years worked in the current bank	**Frequency**	**Percent**
1-2	64	24.9
2-5	70	27.2
5-10	82	31.9
10-15	15	5.8
15-20	12	4.7

Number of years worked in the current bank	Frequency	Percent
20-25	5	1.9
25-30	4	1.6
Above 30	4	1.6
Sub-total	**256**	**99.6**
Missing data	1	0.4
Total	**257**	**100.0**

From Table 8.1, it can be seen that the majority of the respondents who took part in the study were women (52.1% or 134) while 47.9% (123) were men. The results also indicate that the majority of the respondents' age ranged between 25 and 40 years (63.8% or 164). This implies that the majority of the indigenous banks' employees were younger at 40 years or less. It is also evidence that the majority of the banks' employees possessed at least one degree (79% or 203) with over half of them having first degree (54.5% or 140) and 23.3% (60) having masters degree. The results showed that the majority of the banks' employees were well educated.

It also seen from Table 8.1 that more than half of the respondents had worked between 1 and 10 years (62.2% or 160) in the banking industry while another group had worked between 1 and 5 years and accounted for 37.3% (96) of the respondents. These findings indicated a rather stable workforce in the banking industry, implying that the respondents were knowledgeable about their work and the industry at large. The stability could be associated with a healthy banking industry as discussed in Chapter 2 where African banks have fared well in the last ten years (Njuguna, 2013). In terms of the number of years worked in the present banks, the majority of respondents (84% or 216) had worked in their present banks for a period ranging between 1 and 10 years with 52.1% (134) percent of employees having worked between 1 and 5 years. The findings indicated the presence of substantive stability in the banking sector and therefore low mobility.

The respondents' views on their current positions and how they would rate their specific bank leadership are summarised in Table 8.2.

Table 8.2: Demographic information pertaining to respondents' position and rating of bank leadership

Present positions	**Frequency**	**Percent**
Chief executive officer	1	0.4
Chief financial officer (CFO)	1	0.4
Human resources manager	13	5.1
Finance manager	3	1.2
Corporate manager	9	3.5
Insurance manager	10	3.9
Marketing manager	14	5.4
Capital share manager	3	1.2
Credit manager	12	4.7
Administrative manager	17	6.6
IT manager	11	4.3
Logistic manager	8	3.1
Small and medium enterprise manager	14	5.4
Sub-total for managers	**127**	**49.4**
Sub-total for Non-managerial employee	**120**	**46.7**
Sub-total	**247**	**96.1**
Missing data	10	3.9
Total	**257**	**100.0**
Rating of bank leadership	**Frequency**	**Percent**
Very effective	19	7.4
Effective	176	68.5
Neutral	40	15.5
Ineffective	18	7.0
Very effective	3	1.2
Sub-total	**256**	**99.6**
Missing data	1	0.4
Total	**257**	**100.0**

As seen in Table 8.2, the respondents' positions were fairly distributed. While the managers accounted for 49.4% (127) of total number of respondents, non-managerial employees accounted for 46.7% (120) while another 3.9% (10) did not respond to the statement. Since this study focused on bank leadership effectiveness and organisational effectiveness, the participation of both managers and non-managers was instrumental. Therefore, with almost equal participation on both groups, the responses were a good representation of the indigenous banks' population.

In terms of ranking the leadership in their bank, the majority of the respondents (75.9%) agreed that their banks' leadership was effective. The response is good and in line with the present growth of the banking sector in Kenya as discussed in Chapter 2 where it was shown that the banking industry has realised tremendous performances in the last decade (Central Bank of Kenya, Bank Supervision Annual Report, 2012).

Respondents were also requested to share their perceptions of how they would rate their banks overall effectiveness. These findings are summarised in Table 8.3.

Table 8.3: Perceptions of respondents' banks' overall effectiveness

Overall performance rating	Frequency	Percentages
Very effective	19	7.4
Effective	173	67.3
Neutral	36	14.0
Ineffective	19	7.4
Very effective	10	3.9
Total	**257**	**100.0**

As shown in the Table 8.3, three quarters of the respondents or 75% (192) supported the view that their banks' overall performance was either effective or very effective. The results may be associated with leadership effectiveness. As discussed in Chapters 1 to 5, leadership effectiveness was associated with overall organisational effectiveness.

Finally, the respondents were requested to respond to an open-ended question on their views about how the leadership in their banks had improved the banks' performance. A total of 45 of the respondents responded to the question. Being an open-ended question, the results were manually tallied with all similar responses grouped as a single response (See Table 8.4).

Table 8.4: Improving bank's performance

How the bank has improved performance	Frequency	Percentage
Banks have created conducive organisational and culture environment	5	11.1
Banks have improved structures to enhance performance	2	4.4
Leadership has taken charge of performance	10	22.2
Leadership encourages teamwork, innovation and motivate employees	6	13.3
The banks leadership is competent and mentor staff to achieve high performance	10	22.2
Promotion of diversity and strategic placement	5	11.1
Banks have clear mission and objectives thus performance	3	6.7
There is still poor management leading to poor performance	4	8.9
Total	**45**	**100.0**

As seen in Table 8.4, 91.1% (41) of the respondents supported the view that their banks' leadership was doing well by ensuring that the banks had created conducive organisational and cultural environment, taking charge of performance, encouraging team work and innovation, motivating employees, promoting diversity and strategic placement. The results showed that bank leadership had taken measures that would improve the banks' performance.

8.3 The Kenyan banking history

The focus of this section is the Kenyan banking industry and the respondents' opinions on different issues raised in relation to specific banks' age, financial crisis, leadership competencies, internal control measures, governance, planning, non-performing loans, legal frameworks, political pressures, qualification of personnel, government interference and debt recovery. The results of the findings which were obtained from Section 1 of the questionnaire are presented in Table 8.5.

Table 8.5: The Kenyan banking history

Age of the Bank	Response	Frequency	Percent
Oldest indigenous banks	Yes	61	50.0
Fairly old indigenous banks	Yes	27	22.1
Youngest indigenous banks	Yes	34	27.9
Totals		**122**	**100**
Bank and 1980-2003 financial crisis	**Response**	**Frequency**	**Percent**
Bank severely affected by financial crisis	Yes	114	44.4
	No	137	53.3
Sub-Total		**251**	**97.7**
Missing data		6	2.3
Total		**257**	**100**
Bank in existence during financial crisis	Yes	165	64.2
	No	90	35
Sub-total		**255**	**99.2**
Missing data		2	0.8
Total		**257**	**100**

From Table 8.5, it can be seen that half of the banks or 50% (61) were classified as the oldest, 22.1% (27) were fairly old while another 27.9% (34) were the youngest banks. It is notable that most of the indigenous banks are still old (72.1% or 88) although there are a good number of younger banks (27.9% or 34). This means that the banks were there during the 1980-2003 period of financial crisis that plagued the banking sector for many years (See chapter 2). In regard to whether the banks were severely affected by the 1980-2003 financial crises, the majority or 53.3% (137) of the respondents disagreed that their banks went through the crisis period. The results showed that some of the young banks may have started after 2003 and therefore were not affected by the financial crisis. It is also notable that 64.2% (165) of the respondents agreed that their banks existed during the financial crisis while 35% (90) said the banks did not exist. These findings are supported by other scholars as leading to bank failures in Kenya (Ambutsi, 2005; Mwangi, 2012; Saber & Bue, 2009; Sokpor, 2006; Waweru & Karani, 2009).

8.3.1 Causes of bank financial crisis

8.3.1.1 Leadership and governance

In an effort to establish the causes of the 1980-2003 financial crisis that hit the banking industry in Kenya, the respondents were asked to respond to different statements. Some of the causes of financial crisis were: leadership and governance and weak internal

mechanisms. The results arising from Section 1 of the questionnaire are summarised in Table 8.6.

Table 8.6: Causes of bank financial crisis

Leadership and governance	**Strongly agree/ Agree**	**Neutral**	**Strongly disagree/ Disagree**	**Missing data**	**Total**
Leadership incompetence	59.1% (152)	21.0% (54)	19.8% (51)	0	100
Lack of strong internal control measures	68.1% (175)	16.3% (42)	15.6% (32)	0	100
Poor governance	61.1% (157)	24.5% (63)	14% (36)	0.4 (1)	100
Poor planning	58.3% (150)	26.8% (69)	14.8% (38)	0	100
Weak internal mechanism	**Strongly agree/ Agree**	**Neutral**	**Strongly disagree/ Disagree**	**Missing data**	**Total**
Non-performing loans	54.8% (141)	26.5% (68)	18.3% (47)	0.4% (1)	100
Well-structured laws and regulations	51.3% (132)	25.3% (65)	22.6 (58)	0.8% (2)	100
Central bank inadequate policies	46.3% (119)	27.6% (71)	25.7% (66)	0.4% (1)	100
Political pressure	39.1% (121)	33.5% (86)	19.5% (50)	0	100
Lack of qualified personnel	40.9% (105)	28.4% (73)	30.4% (78)	0.4% (1)	100
Government interference	48.7% (125)	31.1% (80)	19.8% (51)	0.4% (1)	100

The table (See Table 8.6) indicates that the majority of the respondents agreed that financial crisis was caused by leadership incompetence 9(59.1% or 152), lack of strong financial control measures (68.1% or 175), poor governance (61.1% or 157) and poor planning (58.3% or 150). Other causes of financial crisis are: non-performing loans at 54.8% (141), lack of well-structured laws and regulations at 51.3% (132), Central Bank's inadequate policies (46.3% or 119), political pressure (39.1% or 121), lack of qualified personnel (40.9% or 105) and government interference (48.7% or 125). The results showed that Kenyan bank crisis could be associated mostly with lack of strong financial control measures, poor governance, leadership incompetence, and poor planning.

8.3.1.2 Bank positive growth

In relation to banking sector's present positive growth, the respondents were asked to give reasons associated with such growth. The reasons are summarised in Table 8.7.

Table 8.7: Reasons for the positive growth

Statement	Strongly agree/Agree	Neutral	Strongly disagree/ Disagree	Missing data	Total
Aggressive debt recovery mechanism	59.9% (154)	24.1% (62)	15.2% (39)	0.8% (2)	100
Effective leadership	61.8% (159)	26.5% (68)	10.9% (28)	0.8% (2)	100
Strong internal control mechanism	60.7% (156)	29.2% (75)	10.1% (26)	0	100
Strict laws and regulations	48.7% (125)	33.5% (86)	17.9% (46)	0	100

From Table 8.7, it is clear that effective leadership is seen as the most important reason associated with present positive growth of the banking sector in Kenya, 61.8% (159). The other reasons are strong internal control mechanism (60.7% or 156), debt recovery methods (59.9% or 154) and employment of strict laws and regulations (48.7% or 125). The results showed that leadership is critical for banks' positive (Hogan, Hogan & Kaiser & 2009; Kubicek, 2011; Lombardo, et al., 1988).

PART TWO

8.4 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

8.4.1 VALIDITY OF THE MEASURING INSTRUMENT

As discussed in Chapter 7, validity denotes a measuring instrument's ability to measure what it is supposed to measure (Gaiser & Schreiner, 2009:69). To determine the validity of the measuring instrument in the present study, construct validity was conducted. In construct validity, hypothesis are developed from theoretical concepts and measured and confirmed using the study's measuring instrument (Zikmund, 2003:303).

For validity tests to be successful, the sample size needs to be taken into consideration. In terms of either the minimum samples size (*N*) or the minimum ratio of *N* to the total variables (*P*), the number of variables should reflect the number of survey items subjected to factor analysis test (Farrington, 2009:387). Different scholars suggest different figures or ratios. According to Field (2000:443) "much has been written about the necessary sample size for factor analysis resulting in many rules-of-thumb". Hair et al. (2006:113) advocate between five to ten observations per variable and a minimum sample size of fifty observations. Gorsuch (1983) on the other hand supports five observations per item and a minimum of 100 subjects. Field (2000:443) suggests between ten and fifteen observations per variable. Habing (2003:3) supports at least five times as many observations per variable, while Cattel (1978) advocates three to six observations per item as long as the minimum responses are 250. In the present study, the sample size was 257 and the measuring instrument contained 171 survey items. And in agreement with Cattel (1978), an observation of between 3 and 6 were used.

Since it was not possible to subject all the responses to a single analysis and to get valid results, it was necessary to divide the measuring instrument into different categories and variables. In this study, variables are also known as constructs and their corresponding measuring statements. Each construct had a number of sub-variables (herein known as sub-constructs) and corresponding measuring items. A total of 21 sub-constructs were

identified and used in the analysis and assessment of the proposed theoretical framework. As discussed in Chapters 1 and 2, there were two independent categories with corresponding constructs and sub-constructs (see Chapter 1, Figures 1.1 & Chapter 6, 6.1). To facilitate the discussion and achieve the study purpose, the two main categories, namely *leadership competencies* and *leadership tasks*, were each grouped together with corresponding constructs. That is, *leadership competencies* category had three constructs, namely *strategic thinking, emotional intelligence* and *transformational leadership*, while *leadership tasks* category contained eight constructs: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasis ethical practices* and *establish balanced organisational control.*

The intervening variable (construct), namely *leadership effectiveness* had five sub-constructs, which were *cross-cultural competency, leadership influence, follower commitment, versatility and group organisation*. The dependent construct (*organisational effectiveness*) on the other hand was made up of nine measuring items, namely *productivity, sales/revenue, quality products* and *services, operation efficiency, innovativeness and adaptability, profitability, stability, market share, employee satisfaction* and *commitment*.

Confirmatory factor analysis was used in order to assess the validity of the instrument and to identify the underlying constructs. Principal Component Analysis with a Varimax Rotation was used as the specified extraction and rotation method. However, in cases where the constructs and sub-constructs were expected to be correlated, then Principal Axis Factors with Oblimin (Oblique) Rotation was used as the extraction and rotation method (Hair et al., 2006). Finally, the eigenvalues were used to determine the number of constructs to extract from each category of assessment (Farrington, 2009:388).

To determine the adequacy of the data matrix for the purpose of factor analysis assessment and associated factor loadings, the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's test of sphericity were used. According to Kaiser (1974), the nearer KMO is to

1, the more factor-analysable the data are. It is argued that a KMO near to 1 agrees with the appropriateness of factor analysis while a KMO of less than 0.5 does not support factor analysis and should not be used (Rennie, 2002). Keiser (1974) advocates a KMO greater than 0.7 and considers anything below as "mediocre", "miserable", and "unacceptable". The present study adopted a KMO of equal or greater than 0.7 (≥0.7) to be factor-analysable. Bartlett's test compares the correlation matrix of the items to an identity matrix (where there is no correlation) and therefore was also used to confirm if the items could be grouped into constructs. Eigenvalues, which represent the variance accounted for by each factor, were used to determine the number of factors. According to Hair et al. (2006:103) and Farrington (2009:388-389), factors with eigenvalues greater than 1 are significant and can be retained while all factors with eigenvalues less than 1 are insignificant and should be dropped. The correlation coefficients between items and the factors are known as factor loadings (Farrington, 2009:389). According to Farrington (2009:389), data items measuring some aspect will have high loadings on a specific factor and lower loadings on other factors. As a guide, Hair et al. (2006:128) recommend that factor loading values of between 0.30 and 0.40 should be accepted as significant for research samples of between 200 and 350. Similarly, factors that may only load on a single item but not on other items but have a factor loading equal or higher than 0.4 (≥ 0.4) must also be termed significant and are usable (Farrington, 2009:389; Hair et al.,2006:128; Mustakallio et al., 2002:214). The present study had a research sample of 257 and therefore these guidelines were used to determine item validity.

8.4.2 RELIABILITY OF THE MEASURING INSTRUMENT

As discussed in Chapter 7, Section 7.7.2.1., reliability assesses the degree of consistency among and between multiple measurements in a given variable under study (Hair et al., 2006:137). When results are reliable, it means the instruments are able to produce identical outcomes in repeated trials. Accordingly, reliability ensures that the responses are not widely varied thereby giving inconsistent results (Cooper & Schindler, 2007:323). Joppe (2000:1) argues that reliable results are consistent and accurate in a given time. Leedy (1997:34) emphasises that results cannot be consistent unless the instruments used are accurate. In the present study, several measures of reliability were used, among them

Cronbach Alpha coefficient and inter-item correlation matrix. To carry out the tests, the SPSS software version 21 (IBM Corp., 2013) was used due to its reliability and richness in terms of multiple tests and application. As indicated earlier in Chapter 7 and in different literature, a Cronbach alpha coefficient of 0.60 and above is accepted as the minimum reliability score (Nunnally & Bernstein, 1994; Peterson, 1994).The present study therefore used a Cronbach alpha coefficient score of 0.6 and above as the most acceptable. As a rule of thumb, Cronbach alpha coefficient scores of between 0.60 and 0.70 are regarded as moderate, between 0.70 and 0.80 as good while score above 0.80 as being very good to excellent (Hair, Money, Samouel & Page 2007:244). The next section demonstrates the constructs' reliability results arising from reliability tests performed on the research instrument. Later, the study focused on the validity of the measuring instrument and factor analysis loading and focusing on different variables or constructs and sub-constructs.

8.4.3 Performance of banking industry

The banking industry has faced several challenges in the past and there was need to establish the extent of the challenge and progress being made. To ensure that the specific issues are pin-pointed clearly, several reliability tests were conducted on the constructs and sub-constructs and their related measuring items. Three main challenges were identified for the purpose, namely financial crisis, poor performance and growth.

8.4.3.1 Financial crises

To measure the reliability of the items used to determine the level of financial crises in the banking industry, a Cronbach alpha coefficient test was conducted on 4 items (1.6-1.9) and a coefficient score of 0.802 was obtained which was within acceptable range of 0.6 and above. From the analysis, it can be said that the items used to measure financial crisis were reliable and acceptable.

8.4.3.2 Poor performance

It was necessary to establish the reliability of the performance indicators in the banking sector. There were 6 measuring items (1.10-1.15) geared towards this end. A Cronbach

alpha coefficient of 0.771 was obtained which was within acceptable range. The overall results indicated that the items used were reliable and were within acceptable parameters.

8.4.3.3 Bank growth

The need to determine the reasons associated with present positive growth of the banking sector was measured using 4 indicators (items 1.16-1.19). A Cronbach alpha coefficient reliability test resulted in a score of 0.709 confirming that the measuring items are reliable and therefore usable in the present research.

8.5.1 Leadership competencies

The *leadership competencies* category was made up of three main constructs, *strategic thinking, emotional intelligence* and *transformational leadership*. The reliability of the constructs and respective sub-constructs are discussed in the next section.

8.5.1.1 Strategic thinking competence (Items 2.1-2.38)

The *strategic thinking* construct was composed of five sub-constructs and 38 measuring items. The reliability of the items used to measure *strategic thinking* construct was tested and the Cronbach alpha coefficient obtained was 0.930, which can be considered reliable. The result is far better compared to Jelenc's (2008: 98-119) study which gave an average Cronbach alpha coefficient score of 0.704 for *strategic thinking* construct (Jelenc's instrument was adopted in the present study as a measure of *strategic thinking competency*). It can therefore be said that the instrument used in the present study was reliable as a measure of *strategic thinking competency*. To further examine the sub-constructs associated with *strategic thinking* construct, a Cronbach alpha coefficient test was conducted on each of the sub-constructs.

a) Strategic thinking (general) (Items 2.1-2.6)

   The sub-construct was made up of six measuring items. The items were used to measure the *strategic thinking* (*general*) sub-construct in terms of banks' leaders' ability to be strategic thinkers. The Cronbach alpha coefficient of 0.791 obtained was higher compared to the score of 0.704 in Jelenc's study. The results showed

that the items used to measure the *strategic thinking* (*general*) sub-construct were reliable.

b) Thinking in time (Items 2.7-2.13)

The *thinking in time* sub-construct was composed of seven measuring items. The Cronbach alpha coefficient reliability score was 0.781. A similar study by Jelenc (2008) had a Cronbach alpha coefficient score of 0.712. From the results it means that the present study's Cronbach alpha coefficient score was higher making it even more reliable. The results indicated the items used to measure the sub-construct were reliable.

c) Intent-focused (2.14-2.120)

The *intent-focused* sub-construct was made up of seven measuring items. The results of Cronbach alpha coefficient was 0.821 which was higher than in a previous study where it was 0.736 (Jelenc, 2008). The score showed that these items were within of acceptable Cronbach alpha coefficient of 0.600 and above. The results indicated the items were good measures of the *intent-focused* sub-construct and therefore usable in the present study.

d) Intelligence opportunism (Items 2.21-2.26)

The *intelligence opportunism* sub-construct was composed of six measuring items. The results from Cronbach alpha coefficient test was a score of 0.731. When compared with similar scores, the score was slightly higher than 0.676 attained in the Jelenc (2008) study. The results were not only within the acceptable level of 0.600 but indicated the items were good measures of the *intelligence opportunism* sub-construct.

e) System perspective (Items 2.27-2.32)

The *system perspective* sub-construct was measured using six items. The results indicated an acceptable level of reliability. For instance, the Cronbach alpha coefficient score was 0.785 which was higher than the score of 0.712 attained in a

similar study by Jelenc (2008). Again, the results showed good reliability of the items used as measures of the *system perspective* sub-construct.

d) Hypothesis driven (Items 2.33-2.38)

The *hypothesis driven* sub-construct was measured using six items. The reliability test results were also encouraging. A Cronbach alpha coefficient score of 0.833 was higher than 0.778 attained in a study by Jelenc (2008). The results are within the acceptable reliability parameter.

The Cronbach alpha reliability scores for the *strategic thinking* construct are summarised in Table 8.8.

Table 8.8: Strategic thinking reliability scores

Sub-construct	Cronbach alpha coefficient
Strategic thinking (general)	0.791
Thinking in time	0.781
Intent-focused	0.821
Intelligence opportunism	0.731
System perspective	0.785
Hypothesis driven	0.833

8.5.1.2 Emotional intelligence competence (Items 2.39-2.70)

The *emotional intelligence* construct was made up five sub-constructs and 32 measuring items. The construct and sub-constructs were subjected to Cronbach alpha tests to determine their reliability. Overall the Cronbach alpha coefficient score for all the sub-constructs was 0.958 which was high and within the acceptable level of reliability. Compared to similar studies, the score is slightly lower that that attained by the ECP and Gryn (2010) which yielded a Cronbach alpha coefficient score of 0.981. However, the score is higher than 0.907 attained by Hayward (2005) and above the minimum acceptance level of 0.600. Overall the score attained in the present study can be considered acceptable. The next section focuses on each individual sub-constructs to determine their reliability levels.

a) Self- awareness (Items 2.39-2.44)

The *self-awareness* sub-construct had six measuring items. The reliability test performed indicated that the sub-construct was valid and therefore acceptable for the present study. The Cronbach alpha coefficient score was 0.878 which is within the acceptable level of reliability. The score was higher than that attained by ECP and Gryn (2010) score on *self-awareness* which was 0.872, and that attained by Hayward (2005) which was 0.873. The results showed that the present sub-construct had a higher reliability score than similar studies and therefore was accepted as an attribute of emotional intelligence.

b) Self-motivation (Items 2.45-2.49)

The *self-motivation* sub-construct was composed of five measuring items. The Cronbach alpha coefficient score of 0.854 was attained upon testing. The score was lower than both the ECP and Gryn score of 0.911 and Hayward score of 0.880. However, the score for the self-motivation sub-construct was within the acceptable level of reliability and therefore was considered usable in the present study.

c) Social skills (Items 2.50-2.58)

The *social skill* sub-construct reliability was composed of nine measurement items. The reliability test results showed that the sub-construct was reliable. While the present study Cronbach alpha coefficient score is 0.901, similar studies were within the same range. For instance, ECP and Gryn instrument had an average of score of 0.953 while Hayward attained a score of 0.956. The results showed an acceptable level reliability and the need to use the sub-construct *social skills* as an attribute of *emotional intelligence* construct in the study.

d) Self-management/self-regulated (Items 2.59-2.64)

The *self-management* sub-construct was made up of five main measurement items. The reliability of the sub-construct was confirmed by a Cronbach alpha coefficient score of 0.870 which is comparable to other studies. For instance an

ECP and Gryn score of 0.851. The results are indicative that the sub-construct was reliable and therefore used in the present study.

e) Emotional literacy (Items 2.65-2.70)

The *emotional literacy* variable was composed of six measuring items. The reliability test results were found to be within acceptable levels. The Cronbach alpha coefficient score was 0.892 compared to 0.863 attained by the ECP and Gryn (2010) instrument and 0.923 achieved by Hayward (2005). The result indicates that emotional literacy score was within acceptable levels and was therefore used for further analysis in the study.

The five sub-construct measurements and their Cronbach alpha scores are summarised in Table 8.9.

Table 8.9: Emotional Intelligence reliability scores

Variable	Cronbach alpha coefficient
Self esteem	0.878
Self-motivated	0.854
Social skills	0.901
Self-management	0.870
Emotional literacy	0.892

8.5.1.3 Transformational leadership competence (Items 2.71-2.95)

The *transformational leadership* construct was the third leadership competency. The construct has five sub-construct and twenty-five measuring items used to assess transformational leadership competency in relation to leadership effectiveness. The overall Cronbach alpha coefficient was 0.953. Compared to similar studies, the score was within the acceptable range. For instance, after conducting several studies, Bass and Avolio (1990) argued that Cronbach alpha coefficient score of between 0.63 and 0.94 are acceptable. The score attained in the present study is higher than those of Bass and Avolio (1990) showing that the instrument used is reliable. The next section examined each of the Transformational leadership sub-constructs.

a) Idealised influence (attributes) (Items 2.71-2.75)

The *idealised influence* (*attributes*) sub-construct had five measuring instruments. The Cronbach alpha coefficient score was found to be 0.849 which can be termed as very good. This score compared favourably to that of a similar study conducted by Hayward (2005) which had a Cronbach alpha coefficient score of 0.747. The reliability score in the present study was within acceptable levels of reliability and therefore acceptable for further analysis.

b) Idealised influence (behaviour) (Items 2.76-2.80)

The *idealised influence* (*behaviour*) sub-construct was composed of five measuring items. The Cronbach alpha coefficient reliability score of 0.844 was higher than 0.769 attained in a study by Hayward (2005). The test therefore indicated that the measuring items used were reliable and were therefore used in the present study.

c) Inspirational motivation (Items 2.81-2.85)

The *inspirational motivation* sub-construct had five measuring items. The Cronbach alpha coefficient score of 0.868 was higher compared to a score of 0.762 from a similar a study by Hayward (2005). The score indicated that the measuring items used were reliable and were therefore used in the present study.

d) Intellectual stimulation (Items 2.86-2.90)

The *intellectual stimulation* sub-construct was measured using five measuring items. The Cronbach alpha coefficient reliability test resulted in a score of 0.869 which was higher compared to a score of 0.727 scored attained in Hayward's (2005) study. The items can therefore be said to be reliable.

e) Individualised consideration (2.91-2.95)

The *individualised consideration* sub-construct was composed of five measuring items. The instrument was found to be a reliable measure of leadership effectiveness. With a Cronbach alpha coefficient score of 0.892, the results were

higher than that of Hayward (2005) whose study gave a score of 0.718. The results indicated that the measuring items used were reliable and were within acceptable parameters.

The reliability tests scores for *transformational leadership* competency sub-constructs are summarised in Table 8.10.

Table 8.10: Transformational leadership reliability scores

Variables	Cronbach alpha coefficient
Idealised influence (attributes)	0.849
Idealised influence (behaviour)	0.842
Inspirational motivation	0.868
Intellectual stimulation	0.869
Individualised considerations	0.892

8.6.1 Leadership tasks

The *leadership tasks* category is part of the *Independent variables* in the present study. As discussed in Chapters 1, 3, 6 and 7, leadership tasks were seen as specific activities that leaders perform in order to attain their set goals. The *leadership tasks* were identified from empirical literature and scholarly works. In order to measure the *Leadership tasks* category, *Denison Organisational Culture Survey* (DOCS) was adopted after modification to fit the Kenyan banking industry due to its reliability and usage worldwide. In the present study, the Cronbach alpha coefficient reliability score was found to be 0.952 which can be termed as reliable. The use of the *Denison Organisational Culture Survey* had resulted in various Cronbach alpha coefficients from different studies, namely 0.620 to 0.900 (Denison & Neale, 1996); 0.690 (Franck, 2005), 0.731 and 0.823 (Liu, 2006). These scores show that the result attained in the present study was well within the required parameter and can be termed as acceptable. The next section examines the *leadership tasks* category in relation to the 8 associated constructs' reliability and applicability to the present study.

8.6.1.1 Set organizational direction or strategic direction and intent (Items 3.1-3.6)

The *set oraganisational direction* construct was considered critical to the achievement of leadership effectiveness. To establish the reliability of the measuring items, a Cronbach alpha coefficient test was performed. The results indicated that the Cronbach alpha coefficient score to be 0.894. The score was comparable to similar studies, for instance, a study by Franck (2005) had a score of 0.840. The score was also within the acceptable range of 0.600 and above as discussed earlier in this chapter. The items used to measure the *set oraganisational direction* construct were therefore accepted as reliable for the present study.

8.6.1.2 Develop human capital (Item 3.7-3.11)

The *develop human capital* construct was considered vital to leadership effectiveness. To establish the reliability of the measuring items, a Cronbach alpha coefficient test was performed. The Cronbach alpha coefficient score was found to be 0.834, which compares favourably with other similar studies. For instance, in the Franck (2005) study, the score was 0.710 indicating the present study had higher rating. The score was also within *Denison Organisational Culture Survey* accepted scores of 0.620 to 0.900. The items used to measure the *develop human capital* construct were therefore accepted as reliable for the present study.

8.6.1.3 Build core competencies (Items 3.12-3.16)

The *build core competencies* construct was considered important contributor to effective leadership. As such, it was important to determine the items reliability. A Cronbach alpha coefficient reliability test resulted in a score of 0.815 which was considered reliable. A similar study by Franck (2005) had a score of 0.770. This showed the present study score wais higher and may be considered reliable and therefore the items were acceptable for analysis.

8.6.1.4 Organisational alignment (Items 3.17-3.21)

The *organisational alignment* construct was another variable considered important for leadership effectiveness. The measuring items were therefore subjected to a reliability

test. A Cronbach alpha coefficient test resulted in a score of 0.803 which again was within the acceptable range. A similar study by Franck (2005) had a Cronbach alpha coefficient score of 0.730. The items used to measure the *organisational alignment* construct were therefore accepted as reliable for the present study.

8.6.1.5 Sustainable culture (Items 3.22-3.26)

The *sustainable culture* construct is said to greatly influence leadership effective and therefore it was necessary to subject it to a reliability test. The result showed that the Cronbach alpha coefficient score to be 0.813. The score was slightly lower compared to 0.862 attained by Franck (2005). However, the score was still within acceptable range and therefore the measuring items were accepted for further use in the present study.

8.6.1.6 Manage change (Items 3.27-3.31)

The management of change in an organisation was considered critical to a leader's task. The items of the *manage change* construct were subjected to a reliability test to ensure they fitted within the required reliability level. The Cronbach alpha coefficient score was found to be 0.815. While the score was within acceptable range, it was also comparable to the score of 0.690 attained by Franck (2005). The measuring items for the present study were reliable and therefore acceptable for further analysis in the study.

8.6.1.7 Emphasising ethical practices (Items 3.32-3.36)

Leaders are expected to be ethical in their works which is only possible if they have ethical values to guide them. To assess the emphasis on ethical practices among bank leadership, the items for the *emphasis ethical practices* construct were subjected to a reliability test. The Cronbach alpha coefficient reliability test gave a score of 0.803 indicating that the items were reliable and acceptable for analysis. A similar study by Franck (2005) had a Cronbach alpha coefficient score of 0.730.

8.6.1.8 Balanced organisational control (3.37-3.41)

Maintaining a balanced organisational control is very important for leadership effectiveness to be attained. To ensure that the measuring items for the *balanced*

organisational control construct were reliable before being used in the present study, they were subjected to a reliability test. A Cronbach alpha coefficient reliability test gave a score of 0.682.While the score was still within the acceptable range, it was lower compared to a similar study where the score was 0.770 (Franck, 2005). The reliability test results conducted on *leadership tasks category* construct are summarised in Table 8.11.

Table 8.11: Leadership tasks' reliability scores

Variables	Cronbach alpha coefficient
Set organisational direction	0.894
Develop human capital	0.834
Build core competencies	0.815
Organisational alignment	0.803
Sustainable culture	0.813
Create change	0.815
Ethical practices and core values	0.803
Balanced organisational control	0.682

8.7.1 Leadership effectiveness

It has been discussed in Chapters 1, 2, 3, 4, 5 and 6 that leadership effectiveness is critical to organisational effectiveness. Given the importance of leadership in an organisation, it was necessary to examine various sub-constructs mandatory for leadership effectiveness. Before focusing on the leadership sub-construct, it was important to examine the *leadership effectiveness* construct and how it fared in terms of reliability as a measure of organisational effectiveness not only in the present study, but also in other studies. A study by NCRVE (1994) had a Cronbach alpha coefficient score of 0.920 for leadership effectiveness. However, Green's (2010) study had an overall Cronbach alpha coefficient of 0.61. The instrument used to measure *leadership effectiveness* construct in the present study was adopted from Green (2010). A Cronbach alpha coefficient score of 0.914 was attained indicating the reliability of the instrument to measure the *leadership effectiveness* construct. The next section examines the four main sub-constructs measuring leadership effectiveness.

8.7.1.1 Cross-cultural competence (Items 4.1-4.5)

The *cross-cultural competence* sub-construct was made up of five measuring items. The sub-construct measure for reliability led to a Cronbach alpha coefficient score of 0.635. While the score was on the lower edge of the acceptable range, it was still acceptable. A similar study by Green (2010) had a Cronbach alpha coefficient score of 0.680 slightly higher than the present study reliability score.

8.7.1.2 Influence (Items 4.6-4.10)

The *influence* sub-construct was considered an important measure of leadership effectiveness. The items used to measure the sub-construct were subjected to a reliability test and the Cronbach alpha coefficient score was 0.759. The reliability score is comparable to that of Green (2010) whose Cronbach alpha coefficient score was 0.830. The result showed that the measuring items for the *influence* sub-construct may be considered as reliable and acceptable for use in the present study.

8.7.1.3 Follower commitment (Items 4.11-4.15)

Another measure of *leadership effectiveness* construct measure was the *follower commitment*, which is considered very important if leaders are to achieve their goals. The sub-construct was measured using five measuring items. To ensure the reliability, the sub-construct was subjected to a reliability test. The Cronbach alpha coefficient test gave a score of 0.752. The score was well within acceptable range. A study by Green (2010) attained as score of 0.760 indicating a similar rating. The measuring items for the *follower commitment* sub-construct were therefore accepted for the present study.

8.7.1.4 Versatility (Items 4.16 - 4.20)

The *versatility* sub-construct was considered an important determinant of leadership effectiveness. The *versatility* sub-construct was measured using five measuring items. The instrument used to measure the sub-construct was subjected to a Cronbach alpha coefficient test and the reliability score was 0.738 which was well within the acceptable range. This score compared favourably with that attained by Green (2010) of 0.680. The items for the *versatility* sub-construct were therefore acceptable for further analysis.

8.7.1.5 Group organisation (Items 4.21-4.25)

The *group organization* sub-construct was composed of five measuring items. The measuring instrument of this sub-construct was subjected to a Cronbach alpha coefficient reliability test in order to determine its fitness as a measure of leadership effectiveness. The result of Cronbach alpha coefficient indicated a score of 0.707 which was within acceptable range. In Green's (2010) study, a Cronbach alpha coefficient score of 0.590 was accepted and therefore the instrument used in this study was considered acceptable and reliable. The leadership effectiveness sub-constructs reliability scores are summarised in Table 8.12.

Table 8.12: Leadership effectiveness reliability scores

Variables	Cronbach alpha coefficient
Cross-cultural competence	0.635
Influence	0.759
Follower commitment	0.752
Versatility	0.738
Group organisation	0.707

8.8.1 Organisational effectiveness (Items 5.1-5.9)

The *organisational effectiveness* construct was measured using nine items. The measuring items were: *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness* and *adaptability, profitability, performance stability, market share, employee satisfaction* and *commitment*. The overall reliability Cronbach alpha coefficient score for *organisational effectiveness* was 0.917. Compared to other studies, the score was high. In his study, Liu (2006) had an overall Cronbach alpha coefficient score of 0.882. The results indicated that the items used to measure *organisational effectiveness* were reliable and therefore acceptable. In order to examine the specific measures of performance and compare with literature, a table was developed that showed various organisational effectiveness measuring items' scores.

Table 8.13: Individual sub-construct reliability scores

Statements relating to organisational effectiveness variable	Individual sub-construct Cronbach coefficient reliability from present study	Individual sub-construct Cronbach coefficient reliability from other studies	Sources of individualised sub-construct Cronbach coefficient reliability
Productivity	0.906	0.76	Amah and Baridam (2012:4)
Sales/revenue growth	0.907	0.910	Asiegbu, Awa, Akpotu, Ogbonna (2011)
Quality products and services	0.905	0.800	Patterson et al. (2005:394)
Operation efficiency	0.907	0.800	Patterson et al. (2005:394)
Innovativeness and adaptability	0.903	0.730	Amah and Baridam (2012:4)
Profitability	0.905	0.720	Amah and Baridam (2012:4)
Stability	0.905	0.780	Patterson et al. (2005:394)
Market share	0.908	0.730	Amah and Baridam (2012:4)
Employees satisfaction and commitment	0.919	0.990	Aydin and Ceylan (2009:163)

From Table 8.13, it is evident that *organisational effectiveness* construct measuring items are reliable.

Having analysed all the constructs and their respective reliability, the rest of the chapter focuses on the validity of the research instruments used in the study

8.8.2 Leadership competencies influencing leadership effectiveness

In the next section, the measures of factor-analysability and validity are reported in relation to different constructs, associate sub-constructs and subsequent measuring items.

8.8.2.1 Construct: Strategic thinking

For the construct *strategic thinking*, the factors were not expected to be correlated. Therefore a Principal Component Analysis with a Varimax Rotation with Kaiser Normalisation was used as the extraction and rotation method in the confirmatory factor analysis. The test results to determine the adequacy of the data matrix for factor-analysability were Kaiser-Meyer-Olkin (KMO) = 0.876 and Bartlett's test (chi-square = 4824.8, $df = 703$, $p<0.001$) which confirm the data were factor-analysable.

In the first construct, the 6 sub-constructs expected to be measured were *strategic thinking* (*general*), *thinking in time*, *intent-focused*, *intelligent opportunism*, *system perspective and hypothesis driven*. From the confirmatory factor analysis only four factors loaded successfully. Two of the sub-constructs, *thinking in time* and *system perspective*, did not load as expected. *Thinking in time* sub-construct did not load on any factor and therefore was consequently dropped from further analysis. For the *System perspective* sub-construct, only two items loaded successfully. However, for a factor to be accepted for further analysis it should have a minimum of three measuring items loading in it and therefore the *system perspective* sub-construct was eliminated from further consideration and analysis. It is also notable that some measuring items were also eliminated based on their low factor loading values or non-loading (See individual item analysis as discussed in the next section). The final sub-constructs resulting from confirmatory factor analysis are *strategic thinking (general), intent-focused, intelligent opportunism and hypothesis driven*. It is these four sub-constructs that are analysed further. The final four sub-constructs and their factor loading values are shown in Table 8.14. The factor structure that emerged from the confirmatory factor analysis explained 47.6% of the variance in the data. All sub-constructs have eigenvalues of more than 1 indicating acceptable level of significance (Farrington, 2009:388-389; Hair et al., 2006:103).

In the section that follows, the results of both validity and reliability tests for the instrument measuring the independent and dependent variables are presented. In the meantime, the results of the factor analysis for the *strategic thinking* construct are shown in Table 8.14.

Table 8.14: Factor structure: Sub-model Strategic thinking

ITEMS	Factor 1 (Intent-focused)	Factor 2 (Hypothesis driven)	Factor 3 (Intelligence opportunism)	Factor 5 (Strategic thinking –general)
Gen5				0.747
Gen4				0.651
Gen6				0.527
Gen3				0.523
Foc3	0.730			
Foc2	0.695			
Foc4	0.631			
Foc5	0.630			
Foc1	0.584			
Foc5	0.544			
Opp4			0.719	
Opp2			0.683	
Opp3			0.650	
Opp5			0.357	
Hyp1		0.758		
Hyp5		0.676		
Hyp6		0.664		
Hyp4		0.642		
Hyp3		0.619		
Hyp2		0.608		

a) Strategic thinking (in general)

There were six items under the sub-construct *strategic thinking* (*general*). Of the six items, only four items (Gen5, Gen4, Gen6, Gen3) loaded together on one factor while the other two items (Gen1, Gen2) had factor loadings of below 0.35 which is below the minimum acceptable loading value for a factor to be significant (Hair et al., 2006:128). The four items had loading values between 0.523 and 0.747 and were therefore considered significant. The sub-construct *Strategic thinking* (*general*) explained 3.8% of variance in data and an eigenvalue of 1.45. The Cronbach alpha coefficient of 0.763 for *strategic thinking* (*general*) indicated the instrument used to measure this sub-construct was appropriate (Table 8.15).

Table 8.15: Validity and reliability of Strategic thinking (general)

Eigenvalue: 1.45 **% of Variance: 3.8**		**Cronbach-alpha:0.763**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Gen5	The bank leadership encourages employees' participation in the planning process	0.747	0.687	0.641
Gen4	My bank leaders often question the logic of commonly agreed facts	0.651	0.509	0.734
Gen6	Before making a decision, my leaders think about the worst and the best possible options	0.527	0.544	0.717
Gen3	The leadership reserve time for planning about the future of the bank	0.523	0.526	0.732

The *strategic thinking (General)* sub-construct had six items subjected to factor analysis (Gen1, Gen2, Gen3, Gen4, Gen5 and Gen6). Given that the two items Gen1 and Gen2 did not load as expected, then the operationalisation definition of *strategic thinking* (general) construct was slightly altered. In the literature (See Chapter 3, Section 3.8), *strategic thinking* (general) was defined as a particular way of thinking using rationale thought process which enables leaders to solve strategic problems and seek possible opportunities. In the current study, *strategic thinking* (general) focused on the bank leadership ability to encourage employees participate in the planning process, question the logic of commonly agreed facts, assess worst and best decisions while at the same time setting time for planning about the banks' future.

b) Intent-focused

The *intent-focused* sub-construct had seven items subjected to factor analysis. Six of the seven items (Foc3, Foc2, Foc4, Foc5, Foc1, Foc6) loaded successfully while one (Foc7) did not. The item that did not load (Foc7) had a factor loading of less than 0.3 and therefore was not acceptable for further analysis (Hair et al., 2006:128). The six items that loaded successfully had loading values between

0.544 and 0.730 which is within the acceptable range. The *intent-focused* sub-construct explained the 28.8% of the variance in data and an eigenvalue of 10.96. The Cronbach alpha coefficient of 0.836 for *intent-focused* indicated the instrument used to measure the sub-construct was reliable (Table 8.16).

Table 8.16: Validity and reliability of Intent focused

Eigenvalue: 10.96 **% of Variance: 28.8**		**Cronbach-alpha:0.836**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Foc3	The bank leaders ensure that the bank's mission and vision statements are well aligned	0.730	0.634	0.805
Foc2	The bank leaders are well informed and understand the technical processes in the bank	0.695	0.635	0.805
Foc4	The bank leaders are quick to comprehend complex problems faced by the bank	0.631	0.640	0.804
Foc5	When confronted with an obstacle, the leaders switch to alternative plans	0.630	0.639	0.804
Foc1	There is an optimistic atmosphere within the bank	0.584	0.562	0.821
Foc6	The leaders handle disputes and misunderstandings that may arise between departments	0.544	0.560	0.819

Intent-focused sub-construct looked at an organisational ability to position itself in the long-term performance by defining its unique competitive position, sense of direction, sense of discovery and a sense of destiny (Hamel & Prahalad, 1990:129-130). Since only one item (Foc7) was dropped after loading, the operationalisation definition of *intent-focused* sub-construct was slightly adjusted. The definition of *intent-focused* as used in this study therefore focused on bank leaders' abilities to ensure that the banks' mission and vision statements were well aligned, understand the technical processes in the banks, comprehend complex problems quickly, create optimistic atmosphere and handle disputes and misunderstanding that may arise between departments.

c) Intelligence opportunism

The *intelligence opportunism* sub-construct was composed of six items. Of the six items subjected to factor analysis, four (Opp4, Opp2, Opp3, Opp5) loaded successfully while two (Opp1, Opp6) loaded but had low factor loading values of less than 0.3 and therefore they were dropped from subsequent analysis (Hair et al., 2006:128). The factor loading values for the 4 items that loaded successfully ranged between 0.357 and 0.719, and were thus above 0.3, the minimum requirement for acceptance. The *intelligence opportunism* sub-construct explained the 6.2% of variance of the data and an eigenvalue of 2.36. The Cronbach alpha coefficient of 0.713 for *intelligence opportunism* indicated the instrument used to measure the sub-construct was reliable (Table 8.17).

Table 8.17: Validity and reliability of Intelligence opportunism

Eigenvalue: 2.36 **% of Variance: 6.2**		**Cronbach-alpha:0.713**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Opp3	Departments in the bank concentrate their efforts on themselves and not on the bank	0.719	0.617	0.575
Opp2	The bank leaders make decisions based on limited information that may/may not be perfect	0.683	0.510	0.645
Opp3	Contradictory results of analysis do not hinder decision making in the bank	0.650	0.494	0.655
Opp4	Disequilibrium and instability are unpleasant and leaders try to either avoid or ignore them	0.357	0.386	0.715

In the literature, *intelligence opportunism* sub-construct was defined as the ability to identify possible activities or emerging strategies necessary to make an organisation successful (Liedtka, 1998). With two of the items eliminated from further analysis, then the operationalisation definition of *intelligence opportunism* sub-construct changed and focused on how bank leadership concentrated its effort

on itself rather than the banks, made decisions based on limited information, ensured that contradictory information did not hinder decision making while at the same time avoided disequilibrium and instability.

d) Hypothesis driven

The *hypothesis driven* sub-construct contained six items (Hyp1, Hyp5, Hyp6, Hyp4, Hyp3, Hyp2) that were used to measure the sub-construct. All the six items were subjected to factor analysis assessment and loaded successfully. The factor loading values for *hypothesis driven* sub-construct were between 0.608 and 0.758 making them well above the minimum requirement (Hair et al., 2006:128). The *hypothesis driven* sub-construct explained the 4.3% of the data variance with an eigenvalue of 1.65.It means that all factors were acceptable and therefore the results were used for more analysis. The Cronbach alpha coefficient of 0.833 for *hypothesis driven* sub-construct showed that the instrument used to measure the sub-construct was reliable (Table 8.18).

Table 8.18: Validity and reliability of Hypothesis driven

Eigenvalue: 1.65 **% of Variance:4.3**		**Cronbach-alpha:0.833**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach -alpha after deletion**
Hyp1	Firms receives the impetus to change from the environment	0.758	0.539	0.819
Hyp5	We try to be the first to launch the product on the market in order to gain advantage	0.676	0.669	0.793
Hyp6	We focus our energy on the new challenges and not the problems from the past	0.664	0.614	0.804
Hyp4	The market is a battlefield were we fight out wars	0.642	0.430	0.798
Hyp3	The most successful managers are the source of innovations and ideas that lead to changes	0.619	0.607	0.806
Hyp2	Idea and work are crucial features of a successful business	0.608	0.564	0.815

In the *hypothesis driven* factor analysis loading, all six items loaded well. This meant that the operationalisation definition of *hypothesis driven* given in the literature (Chapters3, 6 and 7) did not need to be altered. The sub-construct denoted the need for leaders to develop and test hypotheses in their businesses before implementing plans. The hypothesis testing enabled leaders to easily adjust their organisations in turbulent environment where numerous dynamics affected operations.

8.8.2.2 Construct: Emotional intelligence

The *emotional intelligence* construct was subjected to factor analysis assessment in an effort establish the validity and reliability of the sub-constructs and items used in measuring it. In the use of factor analysis, the *emotional intelligence* construct was not expected to be correlated. Therefore a Principal Component Analysis with a Varimax Rotation with Kaiser Normalisation was used as the extraction and rotation method in the confirmatory factor analysis. The test results to determine the adequacy of the data matrix for factor-analysability were Kaiser-Meyer-Olkin (KMO)= 0.917and Bartlett's test (chi-square = 5823.9, df = 496, p<0.001) which confirmed that the data were factor-analysable.

The *emotional intelligence* construct was made up of five main sub-constructs subjected to different measurements, namely *self-awareness, self-motivation, social skills, self-regulated* and *emotional literacy.* The sub-constructs were subjected to Principal Component Analysis using confirmatory factor analysis. The analysis resulted in all 5sub-constructs being accepted since most of their measuring items loaded as expected. From the literature, the five sub-constructs were expected to load successfully since other studies had yielded similar results (Goleman, 1998; Palmer & Jansen 2004). However, for sub-construct *self-motivation,* one item was dropped due to its low loading value (0.251) which was below 0.3, the minimum acceptance for the present study (Farrington, 2009:389; Hair et al., 2006:128). Similarly, in the sub-construct *self-regulated*, two items were eliminated for having low factor loading values of 0.208 (Reg4) and 0.284 (Reg5) while item (Reg6) loaded in the incorrect factor. The factor structure that emerged from

the confirmatory factor analysis explained 64.36% of the variance in the data. It is also notable that all sub-constructs had eigenvalues of more than 1 indicating acceptable level of significance (Farrington, 2009:388-389; Hair et al., 2006:103). The results of the factor analysis for the construct are shown in the Table 8.19.

Table 8.19: Factor structure –Sub-model: Emotional intelligence

Item	Factor 1 (Emotional Literacy)	Factor 2 (Social skills)	Factor 3 (Self-regulated)	Factor 4 (Self-awareness)	Factor 5 (Self-motivation)
Est1				0.833	
Est6				0.809	
Est5				0.569	
Est4				0.559	
Est3				0.526	
Est2				0.470	
Mot1					0.788
Mot2					0.787
Mot3					0.713
Mot4					0.443
Soc1		0.670			
Soc2		0.663			
Soc3		0.555			
Soc5		0.554			
Soc6		0.548			
Soc4		0.509			
Soc7		0.500			
Reg1			0.687		
Reg2			0.533		
Reg3			0.530		
Lit4	0.746				
Lit3	0.732				
Lit1	0.696				
Lit5	0.675				
Lit6	0.649				
Lit2	0.585				

a) Self- awareness

The *self-awareness* sub-construct had six measuring items. Upon being subjected to confirmatory factor analysis, all the six items loaded successfully. They also had factor loading values ranging between 0.470 and 0.833 and thus were considered significant being above the 0.3 minimum requirements (Farrington, 2009:388-389; Hair et al., 2006:103). This made the items acceptable for further

analysis. The sub-construct *self-awareness* explains 3.74% of the data variance with an eigenvalue of 1.20. The Cronbach alpha coefficient of 0.878 for *self-awareness* demonstrated that the instrument used to measure *self-awareness* sub-construct was reliable (Table 8.20).

Table 8.20: Validity and reliability of Self-awareness

Eigenvalue: 1.20 **% of Variance: 3.7**		**Cronbach-alpha: 0.878**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Est1	Is able to laugh at self	0.833	0.698	0.854
Est6	Publicly admits mistakes	0.809	0.700	0.855
Est5	Tells the truth even at its own expense	0.569	0.637	0.864
Est4	Acts according to its own values "Walk the talk"	0.559	0.764	0.843
Est3	Takes responsibility for its thoughts, feelings and actions	0.526	0.683	0.857
Est2	Is willing to take on challenges	0.470	0.631	0.865

All the 6 items (Est1, Est6, Est5, Est4, Est3, Est2) measuring the *self-awareness* sub-construct loaded as expected. As such there was no change to the operationalisation definition discussed in the literature (Chapters 1, 3 and 6). The *self-awareness* as used in the present study denoted banks' leaders being aware of their self-abilities which meant they were able to identify and understand own emotions, values and goals and how they affected others, especially their followers and other organisational stakeholders.

b) Self-motivation

The *self-motivation* sub-construct was made up of five measuring items. Of the five items subjected to factor analysis, four of the items (Mot1, Mot2, Mot3, Mot4) loaded successfully while one item (Mot5) had a low factor loading value of 0.251 and therefore was not acceptable for further analysis (Hair et al., 2006:128). The factor loading values for the four items ranged between 0.443 and

0.788 which were above 0.3 making them acceptable and usable for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The sub-construct *self-motivation* explained 3.6% of the data variance with an eigenvalue of 1.16. The Cronbach alpha coefficient of 0.841 for *self-motivation* showed that the instrument used to measure the sub-construct was reliable (Table 8.21).

Table 8.21: Validity and reliability of Self-motivation

Eigenvalue: 1.16 **% of Variance:3.6**		**Cronbach-alpha: 0.841**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Mot1	Remains focused on its vision and goals	0.788	0.677	0.798
Mot2	Remains committed to a cause in spite of obstacles	0.787	0.726	0.777
Mot3	Follows through on what it starts	0.713	0.723	0.778
Mot4	Sees the brighter side of things	0.443	0.581	0.838

Out of the 5 items subjected to factor analysis, only 4 loaded successfully while one item was dropped due to low loading. However, the dropping of one item did not change the operationalisation definition of *self-motivation* as explained in Chapters 1, 3, 6 and 7. The original definition denoted the leaders' abilities to drive themselves to achieve, focus on the vision, remain committed to a cause in spite of obstacles, accomplish what was started and see the brighter side of things.

c) Social skill

The *social skills* sub-construct had nine items that were subjected to factor analysis test, out of which seven successfully loaded (Soc1, Soc2, Soc3, Soc5, Soc6, Soc4, Soc7) while two (Soc8, Soc9) had low factor loading values and therefore were dropped from further analysis and subsequent discussions. The factor loading values ranged between 0.500 and 0.670 and were above the minimum acceptance value of 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The *social-skill* sub-construct explained the 7.6% of the data variance with an eigenvalue of 2.45. Similarly, the Cronbach alpha coefficient of 0.885 for

social-skill proved that the instrument used to measure the sub-construct was well reliable (Table 8.22).

Table 8.22: Validity and reliability of Social skills

Eigen value: 2.45 **% of Variance: 7.6**		**Cronbach-alpha:0.885**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Soc1	Co-operates effectively with other stakeholders in order to achieve goals	0.670	0.625	0.876
Soc2	Maintains long-term trusting relationships with main stakeholders	0.663	0.697	0.866
Soc3	Builds trusts	0.555	0.690	0.867
Soc5	Builds team spirit	0.554	0.730	0.862
Soc6	Acknowledges the contribution of others	0.548	0.663	0.870
Soc4	Takes interest in other people's development	0.509	0.685	0.868
Soc7	Expresses positive expectations of others	0.500	0.644	0.873

In the *social-skill* sub-construct, nine items were subjected to factor analysis and seven loaded successfully while two items were dropped due to low factor loadings. However, this did warrant a change in the operation definition of *social-skill.* Social skill was still defined the same way as discussed in the literature (Chapters 1, 3, 6 and 7) but with slight modification. The operationalisation definition therefore implied the leaders' abilities to influence others, communicating effectively with them, building trust, acknowledging the contribution of others, recognising their development and being effective team players.

d) Self-regulated/self-management

The *self-regulated* sub-construct was composed of six measuring items. The result of being subjected to factor analysis resulted in only three items (Reg1, Reg2,

Reg3) loading successfully, two items had low factor loading values of less that 0.3 (Reg4, Reg 5) while another item was loaded in the incorrect factor (Reg 6). The 3 items that loaded successfully had factor analysis values ranging between 0.530 and 0.687 which were considered significant for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The *self-regulated* sub-construct explained 5.6% of the data variance with an eigenvalue of 1.79. The Cronbach alpha coefficient of 0.821 for *self-regulated* sub-construct demonstrated that the instrument used to measure the sub-construct was reliable. This could only mean the instrument was well validated and therefore reliable (Table 8.23).

Table 8.23: Validity and reliability of Self-regulated

Eigenvalue: 1.79 **% of Variance: 5.6**		**Cronbach-alpha:0.821**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Reg1	Considers facts and feelings when making decisions	0.687	0.607	0.819
Reg2	Turns life crises into opportunities for growth	0.533	0.742	0.685
Reg3	Identifies underlying emotional causes of conflict	0.530	0.683	0.747

Of all *self-regulated* sub-construct measuring items subjected to factor loading assessment, only three items (Reg1, Reg2, Reg3) were accepted for further analysis. This meant that for this study, the operationalisation definition for self-regulated was adjusted from the definition given in the literature (Chapters 1, 3 and 6). The new definition of *self-regulated* indicated the leaders' abilities to consider facts and feelings when making decisions, turning life crisis into opportunities and growth, while at the same time identifying underlying emotional cause of conflict.

e) Emotional literacy

The *emotional literacy* sub-construct had six items that were subjected to factor analysis tests. The result showed that all the items loaded successfully and

therefore were used for further analysis. The items had factor loading values of between 0.585 and 0.746 which were within the acceptable factor loading value of above 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The *emotional literacy* sub-construct explained the 43.8% of variance in the data with an eigenvalue of 14.00. The Cronbach alpha coefficient of 0.892 for *emotional literacy* demonstrated that the instrument used to measure the sub-construct was reliable (Table 8.24).

Table 8.24: Validity and reliability of Emotional literacy

Eigenvalue: 14.00 **% of Variance: 43.8**		**Cronbach-alpha:0.892**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Lit4	Listens attentively to what people say	0.746	0.719	0.871
Lit3	Interprets other people's emotions correctly	0.732	0.765	0.864
Lit1	Is aware of and understands its feelings and that of others	0.696	0.715	0.872
Lit5	Facilitates effective problem solving	0.675	0.679	0.878
Lit6	Chooses the right time to deal with emotional issues	0.649	0.548	0.871
Lit2	Cares about others	0.585	0.667	0.880

All the six items measuring the *emotional literacy* sub-construct loaded successfully as expected (Lit4, Lit3, Lit1, Lit5, Lit6, Lit2). Since there was no change in the sub-construct behaviour, the operationalisation definition did not change. The original definition of emotional literacy continued to be used in the present study. *Emotional literacy* was originally defined leadership as the ability to empathise with others by identifying with their emotional state and responding to their needs while at the same time managing their emotions.

8.8.2.3 Construct: Transformational leadership

For the construct *transformational leadership*, the factors were not expected to be correlated. Therefore a Principal Component Analysis with a Varimax Rotation with

Kaiser Normalisation was used as the extraction and rotation method in the confirmatory factor analysis. The test results to determine the adequacy of the data matrix for factor-analysability were Kaiser-Meyer-Olkin (KMO) = 0.915 and Bartlett's test (chi-square = 4528.5, $df = 300$, $p<0.001$) which confirm the data were factor-analysable.

The *transformational leadership* construct was made up of five sub-constructs, namely *idealised influence (attributes), idealised influence (behaviour), inspirational motivation, intellectual stimulation* and *individualised consideration.* The sub-constructs were subjected to Principal Component Analysis using confirmatory factor analysis. Upon subjecting the five sub-constructs to a factor analysis, all the five sub-constructs loaded successfully. However, for some sub-constructs, there were modifications done based on their individual loading values. For the sub-construct *individualised influence* (*attributes*), two items (Inf4, Inf5) were eliminated since they loaded in a different factor. Similarly, for sub-construct *individualised influence* (*behaviour*), one item (Beh5) was eliminated for loading in a different factor and for *intellectual stimulation* sub-construct, the item was also not considered for loading in a different factor. The five sub-constructs explained 69.34% of the variance in the data. It is also notable that all sub-constructs had eigenvalues of more than one, meaning that they were significant (Farrington, 2009:388-389; Hair et al., 2006:103). The results of the five sub-constructs are present in Table 8.25.

Table 8.25: Factor structure: Sub-model Transformational leadership

Item	Factor 1 (Individua-lised consideration)	Factor 2 (Idealised influence-behaviour)	Factor 3 (Inspirational motivation)	Factor 4 (Intellectual stimulation)	Factor 5 (Idealised influence-attributes)
Att2					0.795
Att1					0.782
Att3					0.524
Beh1		0.772			
Beh2		0.704			
Beh3		0.573			
Beh4		0.346			
Ins2			0.820		
Ins3			0.742		
Ins4			0.689		
Ins1			0.643		
Ins5			0.377		
Sti2				0.702	
Sti1				0.614	
Sti3				0.497	
Sti4				0.365	
Con3	0.739				
Con5	0.737		.		
Con1	0.730				
Con4	0.729				
Con2	0.713				

a) Idealised influence (Attributes)

The sub-construct *idealised influence* (*attributes*) was composed of five measuring items and subjected to factor analysis. The result indicated that three items (Att2, Att1, Att3) out five were acceptable for further analysis while two (Att4, Att5) did not load in the correct factor and were therefore eliminated. The three items that loaded together had factor analysis values of between 0.524 and 0.795 and were therefore considered significant and accepted for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The sub-construct *idealised influence* (*attributes*) explained 4.5% of variance in the data with an eigenvalue of 1.13. The Cronbach alpha coefficient of 0.819 for *idealised influence* (*attributes*) showed that the instrument used to measure the sub-construct was reliable (Table 8.26).

Table 8.26: Validity and reliability of Idealised influence

Eigenvalue: 1.13 **% of Variance: 4.5**		**Cronbach alpha: 0.819**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Att2	Instils pride in others for being associated with it	0.782	0.646	0.780
Att1	Is committed to developing others	0.795	0.777	0.646
Att3	Goes beyond self-interest for the good of the group or groups	0.524	0.603	0.817

In the assessment of *idealised influence* (*attributes*) sub-construct, three of the five items measuring it loaded successfully. However, two items that did not load appropriately were eliminated from the study. This meant that the operationalisation definition of *idealised influence (attributes*) was altered from the original meaning as discussed in the literature (Chapter 1, 3, 6 and 7). In the current study therefore *idealised influences* (Attributes) indicated the leaders' ability to instil pride in others, being committed to developing others and being ready to sacrifice self-interest for the good of the group.

b) Idealised influence (behaviour)

The sub-construct *idealised influence (behaviour)* was made up of five measuring items. The five sub-constructs were subjected to factor analysis. The results indicated that four items loaded successful while one factor was dropped for loading in a different factor. The factor analysis values for the four items that loaded successfully was between 0.346 and 0.772 making the results to be considered significant for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The *idealised influence (behaviour)* sub-construct explained the 7.8% of the data variance with an eigenvalue of 1.94. The Cronbach alpha coefficient of 0.824 for *idealised influence (behaviour)* showed that the instrument used to measure *idealised influence* (behaviour) sub-construct was reliable. Table 8.27 presents the factor loading values and Cronbach alpha coefficient.

Table 8.27: Validity and reliability of Idealised influence

Eigenvalue: 1.94 **% of Variance: 7.8**		**Cronbach-alpha: 0.824**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Beh1	Talks about the most important values and beliefs of the bank	0.772	0.644	0.781
Beh2	Specifies the importance of having a strong sense of purpose	0.704	0.695	0.759
Beh3	Considers the moral and ethical consequences of its decisions	0.573	0.669	0.769
Beh4	Emphasizes the importance of having a collective sense of mission	0.346	0.595	0.806

Of the five *idealised influence (behaviour)* sub-construct items subjected to factor analysis, four (Beh1, Beh2, Beh3, Beh4) items were able to load well while one (Beh5) did not and was therefore eliminated from further analysis. However, the fact that four items were acceptable means that the operationalisation definition changed slightly from the original definition discussed in Chapters 1, 3, 6 and 7. The definition noted that bank leaders talked mostly about values and beliefs of the bank while at the same time maintaining a strong sense of purpose for their banks. The leaders also considered the moral and ethical consequences of their decisions and maintained the importance of having a collective sense of mission.

c) Inspirational motivation

The *inspirational motivation* sub-construct composing of five items was subjected to factor analysis. All five measuring items were able to load successfully and the factor loading values for the five items ranged between 0.377 and 0.820. As such, the values were considered significant for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The sub-construct *inspirational motivation* explained 5.2% of the data variance with an eigenvalue of 1.30. The Cronbach alpha coefficient of 0.868 for *inspirational motivation* sub-construct showed that the instrument used to measure the sub-constructs was reliable (Table 8.28).

Table 8.28: Validity and reliability of Inspirational motivation

Eigenvalue: 1.30 **% of Variance: 5.2**		**Cronbach-alpha: 0.868**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Ins2	Talks enthusiastically about what needs to be accomplished	0.820	0.783	0.818
Ins3	Articulates a compelling vision of the future	0.742	0.742	0.828
Ins4	Expresses confidence that goals will be achieved	0.689	0.731	0.831
Ins1	Talks optimistically about the future	0.643	0.614	0.860
Ins5	Is confidence about the direction the bank is taking	0.377	0.596	0.864

As noted, all five items (Ins2, Ins3, Ins4, Ins1, Ins5) loaded successful indicating their direct influence on *inspirational motivation* sub-construct. The operationalisation definition for *inspirational motivation* sub-construct did not therefore need to change from the original definition as discussed in the literature (Chapters 1, 3, 6 and 7). This denotes a leader's the ability of to inspire others. This is achieved through good communication skills and mentorin (Bass & Avolio, 1994). According to this study, *inspirational motivation* implied talking enthusiastically about what needed to be accomplished, articulating a competing vision of the future, expressing confidence about future goals, and confidently moving the bank to the right direction.

d) Intellectual stimulation

The *intellectual stimulation* sub-construct was composed of five measuring items which were subjected to factor analysis. The result showed that four items (Sti2, Sti1, Sti3, Sti4) loaded well while one item (Sti5) failed to load on the correct factor. The four items that loaded successfully were considered reliable and had factor loading values of between 0.365 and 0.702 making them significant for further analysis (Farrington, 2009:388-389; Hair et al., 2006:103). The *intellectual stimulation* sub-construct explained the 4.7% of the data variance with

an eigenvalue of 1.19. The Cronbach alpha coefficient of 0.849 for *intellectual stimulation* sub-construct was a good measure indicating that the instrument used to assess the sub-construct was reliable. Table 8.29 summarises different measures indicating the significance of the items.

Table 8.29: Validity and reliability of Intellectual stimulation

Eigenvalue: 1.19 **% of Variance: 4.7**		**Cronbach-alpha: 0.849**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Sti2	Seeks differing perspectives when solving problems	0.702	0.733	0.788
Sti1	Re-examines critical assumptions to question its appropriateness	0.614	0.604	0.841
Sti3	Gets others to look at problems from many different angles	0.497	0.757	0.779
Sti4	Suggests new ways of looking at how to complete assignments	0.365	0.663	0.820

The five items measuring *intellectual stimulation* sub-construct were subjected to factor analysis. Four of the items (Sti2, Sti1, Sti3, Sti4) successfully loaded on one factor while one item was rejected for failing to load on the factor. However, the elimination of one item (Sti5) did not affect the operationalisation definition of *intellectual stimulation* sub-construct significantly. The sub-construct indicated the leaders' ability to be creative and innovative in a way that benefited the organisation (Bass & Avolio, 1994; Hall et al., 2012).

e) Individualised consideration

The *individualised consideration* sub-construct was made up of five measuring items. The five measuring items were subjected to factor analysis. From the results obtained, all factors loaded well and therefore found significant and used for further analysis (Farrington, 2009:388-389). The factor loading values ranged between 0.713 and 0.737 which was above the acceptable level of significance of 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The *individualised consideration* sub-construct explained 47.1% of variation in data with an

eigenvalue of 11.78. The Cronbach alpha coefficient of 0.892 for *individualised consideration* sub-construct showed that the instrument used in the current study was reliable. Table 8.30 summarises different measures used to determine the reliability and inter-correlation of the items.

Table 8.30: Validity and reliability of Individualised consideration

Eigenvalue: 11.78 **% of Variance: 47.1**		**Cronbach-alpha: 0.892**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Con3	Considers individuals to have different needs, abilities, and aspirations	0.739	0.750	0.866
Con5	Helps others to develop their strength	0.737	0.711	0.875
Con1	Spends time teaching and coaching	0.730	0.724	0.872
Con4	Builds others capabilities	0.729	0.758	0.865
Con2	Treats others as individuals rather than just as members of a group	0.713	0.742	0.868

The *individualised consideration* sub-construct with its five items loaded successfully (Con1, Con5, Con1, Con4, Con2). With these loadings, the operationalisation definition given in the previous Chapters (1, 3 and 6) was retained since no alteration was done on the measuring items. *Individualised consideration* sub-construct meant that the leaders were able to diagnose and evaluate each employee's individual needs and gave personal attention rather than treating everyone the same.

8.8.3 Construct: Leadership tasks

The *leadership tasks* category was the second main category assessed for its influence on leadership effectiveness. The category was made up of eight main constructs and forty-one (41) items aimed at measuring the *leadership tasks* influence on relationship to leadership effectiveness. Each of the constructs had multiple measuring items. The constructs were subjected to confirmatory factor analysis (CFA) to establish how they related further to leadership effectiveness. In the use of factor analysis, the *leadership tasks* construct was not expected to be correlated. The average score resulting from factor

loading was 0.626 which was above acceptable score of between 0.3 and 0.4. Similarly, a Principal Component Analysis with a Varimax Rotation with Kaiser Normalisation was used as the extraction and rotation method in the confirmatory factor analysis. The test results to determine the adequacy of the data matrix for factor-analysability were Kaiser-Meyer-Olkin (KMO) = 0.905 and Bartlett's test (chi-square = 6317.2, *df* = 820, $p<0.001$) which confirmed the data were factor-analysable.

The *leadership tasks* category main constructs were: *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasis ethical practices* and *establish balanced organisational control.* Upon subjecting the eight constructs to a factor analysis, seven constructs loaded successfully while one construct (*emphasise ethical practices)* did not and consequently it was eliminated from further analysis. A few other items were also dropped from some constructs depending on their loading behaviour. For *build core competencies* construct, three items (Cor4, Cor5, Cor6) were eliminated from further analysis for loading in the different factors. Likewise, *manage change* construct which was made up of five measuring items had one item (Cha5) eliminated due to poor factor loading. Finally, *balance organisational control* construct had one item (Bal5) eliminated for non-loading. The final seven constructs' results explained 60.57% of the variance in the data. Also, all constructs had eigenvalues of more than one, making them significant (Farrington, 2009:388-389; Hair et al., 2006:103).The results are present in Table 8.31.

Table 8.31: Factor structure: Sub-model Construct/Leadership tasks

Item	Factor 1 (Strategic direction)	Factor 2 (Sustaina-ble culture)	Factor3 (Developing human capital)	Factor 4 (Balance organizati-onal control)	Factor5 (Manage change)	Factor 6 (Organisat-ional alignment)	Factor 7 (Core compete-ncies)
Sod3	0.810						
Sod4	0.766						
Sod2	0.750						
Sod5	0.715						
Sod1	0.682						
Sod6	0.545						
Cap4			0.658				
Cap5			0.641				
Cap3			0.632				
Cap4			0.594				
Cap5			0.531				
Cor2							0.727
Cor3							0.672
Cor1							0.486
Ali3						0.713	
Ali2						0.652	
Ali4						0.663	
Ali5						0.407	
Ali1						0.352	
Sus2		0.677					
Sus3		0.666					
Sus4		0.655					
Sus5		0.483					
Sus1		0.421					
Cha3					0.738		
Cha4					0.708		
Cha2					0.627		
Cha1					0.407		
Bal2				0.708			
Bal1				0.694			
Bal3				0.660			
Bal4				0.607			

8.8.3.1 Set organisational direction

The *set organisational direction* construct had six items subjected to factor analysis. The results showed that all six items loaded successfully on the *set organisational direction* factor, and also indicated that the six measuring items (Sod3, Sod 4, Sod2, Sod5, Sod1, Sod6) may be used for further analysis. The *set organisational direction* construct explained 35.8% of the variance in the data with an eigenvalue of 14.70. The factor loading values for *set organisational direction* ranged between 0.545 and 0.810 which were above the minimum requirement of 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The Cronbach alpha coefficient of 0.894 for *set organisational direction* showed for the study (Table 8.32).

Table 8.32: Validity and reliability of Set organisational direction

Eigenvalue: 14.70 **% of Variance:35.8**		**Cronbach-alpha:0.894**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Sod3	Has a clear mission that gives meaning and direction to our work	0.810	0.791	0.863
Sod4	Has clearly stated the objectives the bank try to achieve	0.766	0.764	0.868
Sod2	Has strategy that lead other organisations to change the way they compete in the industry	0.750	0.741	0.871
Sod5	Has a clear strategy for the future	0.715	0.704	0.877
Sod1	Has a long-term purpose and direction	0.682	0.681	0.881
Sod6	Has a long term viewpoint of where the bank is going	0.545	0.616	0.890

In the *set organisational direction* construct all six items loaded successfully and therefore making them analysable in further analysis. This means that the operationalisation definition for *set organisational direction* as discussed in Chapters 1, 4, 6 and 7 remain unchanged. The construct stated that organisational leaders must be in charge of their organisational activities, starting with visions, mission and daily operations if they had to lead their banks in the right direction.

8.8.3.2 Devloping human capital

The *developing human capital* construct had five items that were subjected to factor analysis. Upon analysis, all five items (Cap3, Cap2, Cap1, Cap4, Cap5) loaded into the *developing human capital* factor and therefore there was no need to eliminate any. This meant that all *developing human capital* construct measuring items were ready to be used in subsequently analysis. The *developing human capital* construct explained the 4.9% of data variance with an eigenvalue of 2.00. The factor loading values were between 0.531 and 0.658 which were above 0.3 and therefore making all the items significant (Farrington, 2009:388-389). The Cronbach alpha coefficient of 0.833 for *developing human capital* construct demonstrated that the instrument used to measure the sub-construct was reliable (Table 8.33).

Table 8.33: Validity and reliability of Developing human capital

Eigenvalue: 2.00 **% of Variance: 12.70%**		**Cronbach-alpha: 0.833**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Cap3	Encourages continuous investment in the skills of employees	0.658	0.695	0.782
Cap2	Ensures that the people's capability is constantly improving	0.641	0.677	0.787
Cap1	Ensures that authority is delegated so that people can act on their own	0.632	0.616	0.804
Cap4	Considers people capabilities as important source of competitive advantage	0.594	0.634	0.799
Cap5	Argues that problems often arise because employees lack necessary skills to do their jobs	0.531	0.545	0.824

In the *developing human capital* construct, all five measuring items successfully loaded. That indicated that the original meaning of the *developing human capital* construct as discussed Chapters 1, 5, 6 and 7 did not change. It implies that leaders must continue to ensure that all aspects of the organisations including the structures and people are aligned properly. Such leaders encourage continuous investment in the skills of employees, continue to improve employees' capability, delegate authorities, consider employees' capabilities as important source of competitive advantage and finally they recognise that

organisational problems resulted from lack of skills among employees to do their jobs effectively (Clark, 2013; Parker, 2001).

8.8.3.3 Build core competencies

The *build core competencies* construct was composed of five items that were subjected to factor analysis. While three measuring items (Cor4, Cor5, Cor3) successfully loaded, two items (Cor1, Cor2) failed to load in the correct factor. The two items were therefore eliminated from further analysis while the three successful items were accepted as significant to be used for further analysis (Hair et al., 2006:103). The *build core competencies* construct explained the 3.1% of the data variance with an eigenvalue of 1.28. The factor loading values for the successful items were between 0.486 and 0.727 which were above 0.3 minimum requirements for a loading to be acceptable in this study (Farrington, 2009:388-389). The Cronbach alpha coefficient of 0.787 for *build core competencies* construct also showed that the instrument used to measure the sub-construct was reliable (Table 8.34).

Table 8.34: Validity and reliability of Build core competencies

Eigenvalue: 1.28 **% of Variance: 3.1**		**Cronbach-alpha:0.787**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Cor5	Advocates the fact that business planning process is on-going and should involve everyone	0.727	0.722	0.600
Cor4	Make sure that information is widely shared so that everyone can get the appropriate information in time	0.672	0.597	0.742
Cor3	Encourages all bank employees to believe they have a positive impact	0.486	0.570	0.769

In the *build core competencies* construct factor analysis assessment, three out of five measuring items loaded successfully. However, two items were eliminated due to poor loading. This meant that the operationalisation definition for *build core competencies* was modified to reflect the study findings. The definition used for this study as discussed in Chapters 1, 4, 6 and 7 therefore termed *build core competencies* in the bank as involving

leaders who recognise that business planning is an on-going process that should involve everyone. To succeed, the leaders must also make sure that all information required by employees is attained in time. The leaders should also encourage their employees to believe they have a positive impact.

8.8.3.4 Create Organisational alignment

The *create organisational alignment* construct was made up of five measuring items which were subjected to factor analysis assessment. All the five items (Ali3, Ali2, Ali4, Ali5, Ali1) loaded well and none was discarded for poor loading. The items were therefore ready for further analysis (Hair et al., 2006:103). The *create organisational alignment* construct explained the 3.3% of data variance with an eigenvalue of 1.34. The factor loading values for the construct were between 0.352 and 0.713 thus above 0.3 and therefore meeting the minimum requirement for acceptance (Farrington, 2009:388-389; Hair et al., 2006:103). The Cronbach alpha coefficient of 0.802 for *create organisational alignment* construct showed that the instrument used to measure the construct was reliable (Table 8.35).

Table 8.35: Validity and reliability of Organisational alignment

Eigenvalue: 1.34 **% of Variance: 3.3**		**Cronbach-alpha:0.802**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Ali3	Believes that it is easy to coordinate projects across different parts of the organisation	0.713	0.665	0.740
Ali2	Sees working with someone from another part of the organisation as similar to working with someone from a different organisation	0.663	0.640	0.747
Ali4	Ensures that employees from different parts of the organisation share a common perspective	0.652	0.560	0.776
Ali5	Ensures that there is a good alignment of goals across levels	0.407	0.552	0.775
Ali1	Ensure that the bank approach to doing business is very consistent and predictable	0.352	0.552	0.775

The *create organisational alignment* construct had five items that successfully loaded in the right factor. The results indicated that the original operationalisation definition did not need to change. As discussed in Chapters 1, 4, 6 and 7, *create organisational alignment* focuses on ensuring that all organisational activities and manpower are well aligned to ensure efficiency and effectiveness of the organisations.

8.8.3.5 Sustain appropriate organisational culture

The *sustainable appropriate organisational culture* construct had five items (Sus2, Sus3, Sus4, Sus5, Sus1) subjected to factor analysis in order to measure the construct's reliability. All the five items loaded successfully on one factor and therefore there was no item eliminated. The five items were therefore ready to be used for further analysis (Hair et al., 2006:103). The factor loading values for *sustainable appropriate organisational culture* were between 0.421 and 0.677 and therefore met the minimum requirement of 0.3 for acceptance (Farrington, 2009:388-389; Hair et al., 2006:103). The *sustainable appropriate organisational culture* construct explained the 10.22% of data variance with an eigenvalue of 2.58. The Cronbach alpha coefficient of 0.812 for *sustainable appropriate organisational culture* showed that the instrument used to measure the construct was appropriate and reliable (Table 8.36).

Table 8.36: Validity and reliability of Sustainable culture

Eigenvalue: 2.58 **% of Variance:6.2**		**Cronbach-alpha: 0.812**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Sus2	Ensures that there is a "strong" culture	0.677	0.649	0.760
Sus3	Encourages all employees to reach consensus even on difficult issues	0.666	0.685	0.749
Sus4	Admits that there are times when it is difficult to reach agreement on key issues	0.655	0.547	0.792
Sus5	Spells out clearly that there is the right way and the wrong way to things	0.483	0.506	0.803
Sus1	Makes sure that when there is disagreement in the bank, everyone work hard to achieve win-win solutions	0.421	0.618	0.770

In the *sustainable appropriate organisational culture* construct factor analysis loading, all five items loaded successfully. This meant that the operationalisation definition for *sustainable appropriate organisational culture* as discussed in Chapters 1, 4, 6 and 7 remained unchanged. The definition indicated that leaders must maintain good cultures in their organisations if they expected to achieve their goals. This meant that for leaders to have strong culture, then, they need to encourage employees to have consensus on difficult issues. The leaders also agreed that there were times when it was difficult to reach agreement on key issues but they worked hard to achieve win-win solutions on disagreements that may arose in the banks.

8.8.3.6 Manage change

The *manage change* construct had five items that were analysed using factor analysis. While four of the items (Cha3, Cha1, Cha2, Cha1) loaded successfully, one item (Cha5) did not load correctly and was therefore eliminated from further analysis. The remaining items were therefore ready for further analysis. The factor loading values for *manage change* were between 0.407 and 0.738 and met the minimum requirement for acceptance of 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The *manage change* construct explained the 3.5% of data variance with an eigenvalue of 1.45. The Cronbach alpha coefficient of 0.813 for *manage change* construct also showed that the instrument used to measure the construct was reliable (Table 8.37).

Table 8.37: Validity and reliability of Manage change

Eigenvalue: 1.45 **% of Variance: 3.5**		**Cronbach-alpha: 0.813**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Cha3	Is aware that attempts to create change usually meet resistance	0.738	0.677	0.743
Cha4	Is aware that different parts of the bank must cooperate to create desired change	0.708	0.593	0.783
Cha2	Ensures that new and improved ways to work is adopted	0.627	0.691	0.738
Cha1	Responds well to competitors and other changes in the business environment	0.407	0.574	0.794

In the *manage change* construct, four out of the five items tested were able to load successfully while one was dropped for loading in the wrong factor. The fact that most of the items loaded as expected meant that the operationalisation definition for *manage change* as discussed in chapters 1, 4, 6 and 7 was slightly altered. The altered definition as used in the current study indicated that different parts of the bank must cooperate to create desired change while at the same time ensuring that new and improved methods are adopted in response to environmental changes.

8.8.3.7 Balanced organisational control

The *balanced organisational control* construct was composed of five measuring items. The five items were subjected to factor analysis assessment. Of the five items analysed, four items (Bal2, Bal1, Bal3, Bal4) loaded successfully while one item (Bal5) failed to load as expected and was eliminated. The four items that successfully loaded were therefore ready to be used in further analysis (Hair et al., 2006:103). The factor loading values for this construct were between 0.607 and 0.708 and therefore fulfilled the minimum requirement for acceptance of 0.3 (Farrington, 2009:388-389). The *balanced organisational control* construct also explained the 3.7% of data variance with an eigenvalue of 1.53. The Cronbach alpha coefficient of 0.767 for *balanced organisational control* construct showed that the instrument used to measure the construct was reliable (Table 8.38).

Table 8.38: Validity and reliability of Balance control

Eigenvalue: 1.53 **% of Variance:3.7**		**Cronbach-alpha: 0.767**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Bal2	Sets goals that are ambitious, but realistic	0.708	0.608	0.689
Bal1	Has widespread agreement about bank goals	0.694	0.573	0.708
Bal3	Has “gone on record” about the objectives we are trying to meet	0.660	0.567	0.712
Bal4	Has made people to understand what needs to be done for the bank to succeed in the long-run	0.607	0.521	0.736

In the *balanced organisational control* construct, five items were subjected to factor analysis assessment. While four items loaded successfully, one item failed to load as expected and was eliminated from the list of measurements. Since only one item was eliminated, then the operationalisation definition for *balanced organisational control* was slightly altered. As discussed in Chapters 1, 4, 6 and 7, the construct focused on the need to have leaders who are in charge of activities in their organisations. In the current study, *balanced organisational control* indicated that leaders are able to make people understand what needed to be done for the banks to succeed in the long-run. The leaders also ensured that they made realistic goals and got widespread agreement about bank goals from those involved.

8.8.4 Construct: Leadership effectiveness

The *leadership competency* and *leadership tasks* categories (independent variables) were expected to influence *leadership effectiveness* construct (intervening variable). Having shown the results of the independent variables, the *leadership effectiveness* construct was also subjected to a factor analysis assessment to establish its validity and that of its sub-constructs. The use of factor analysis to assess *leadership effectiveness* construct and associated sub-constructs was based on the expectation that the sub-constructs were not expected to be correlated. Therefore a Principal Component Analysis with a Varimax Rotation with Kaiser Normalisation was used as the extraction and rotation method in the confirmatory factor analysis. The test results to determine the adequacy of the data matrix for factor-analysability were Kaiser-Meyer-Olkin (KMO) = 0.881and Bartlett's test (chi-square = 2979.4, df = 300, p<0.001) which confirmed that the data were factor-analysable.

The *leadership effectiveness* construct was made up of five sub-constructs, namely c*ross-cultural competence, influence, follower commitment, versatility* and *group organisation.* The sub-constructs were assessed using Principal Component Analysis as part of performing confirmatory factor analysis. Upon subjecting the five sub-constructs to a factor analysis, four sub-constructs loaded accordingly while one (*group organisation*) failed to load successfully. The sub-construct that failed to load successfully was

eliminated from further analysis. There were also some adjustments to the other sub-constructs where some items were dropped, either because they did not load in the right factors or did not meet the minimum level of acceptable of number of factor loading on a single factor. The *leadership effectiveness* construct explained the 48.6% of the variance in the data. It is also notable that all *leadership effectiveness* sub-constructs had eigenvalues of more than 1, meaning that all sub-constructs were found to be significant (Farrington, 2009:388-389; Hair et al., 2006:103). The results of the four sub-constructs are presented in Table 8.39 while their discussion is done in the next section.

Table 8.39: Factor structure: Sub-model Leadership effectiveness

Item	Factor 1 (Influence)	Factor 3 (Versatility)	Factor 4 (Follower commitment)	Factor 5 (Cross-cultural competence)
Cul1				0.733
Cul3				0.672
Cul2				0.518
Inf2	0.680			
Inf3	0.665			
Inf5	0.553			
Inf4	0.536			
Inf1	0.432			
Fol1			0.616	
Fol2			0.472	
Fol3			0.425	
Ver4		0.655		
Ver2		0.641		
Ver1		0.609		
Ver 3		0.458		

8.8.4.1 Cross-cultural competence

The *cross-cultural competence* sub-construct was composed of five measuring items that were subjected to factor analysis, out of which three (Cul1, Cul3, Cul2) successfully loaded on a single factor while two items (Cul4, Cul5) did not load as expected. The two measuring items that failed to load as expected were consequently eliminated from further analysis. The three items that loaded successfully had factor loading values between 0.518 and 0.733 which were well above the minimum value of 0.3 and therefore

found significant to be analysed further in the present study (Hair et al., 2006:103). The *cross-cultural competence* sub-construct explained 4.6% of data variance with an eigenvalue of 1.16. The Cronbach alpha coefficient of 0.620 for *cross-cultural competence* indicated the instrument used to measure the sub-construct was reliable (Table 8.40).

Table 8.40: Validity and reliability of Cross-cultural competence

Eigenvalue: 1.16 **% of Variance: 4.6**		**Cronbach-alpha: 0.620**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Cult1	Presents cultural differences as a problem	0.733	0.592	0.259
Cult3	Normally chooses fellow tribesmen to network with	0.672	0.247	0.739
Cult2	Is respected across borders	0.518	0.479	0.445

The *cross-cultural competence* sub-construct was aimed at assessing bank leadership ability to manage different cultural issues in order to attain the desired performance. The new definition of *cross-cultural competence* denotes the leadership ability to present cultural differences as problems, recognizing diversity and the ability of the leaders to be respected across borders.

8.8.4.2 Influence

The *influence* sub-construct was made of five items that were subjected to factor analysis. All the items loaded well on one factor and no item needed to be eliminated. This meant that all items could be used for further analysis. The *influence* sub-construct explained the 33.5% of data variance with an eigenvalue of 8.39. The factor analysis values for the sub-construct ranged between 0.432 and 0.680 which were above 0.3, the minimum accepted (Hair et al., 2006:103). With a Cronbach alpha coefficient of 0.763, the *influence* sub-construct proved that the original instrument used to measure it was reliable (Table 8.41).

Table 8.41: Validity and reliability of Influence

Eigenvalue: 8.39 **% of Variance: 33.5**		**Cronbach-alpha: 0.763**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Inf2	Convinces employees of the opportunities that changes bring	0.680	0.532	0.721
Inf3	Puts personal effort into helping resolve major problems	0.665	0.611	0.695
Inf5	Is never satisfied with the status quo	0.553	0.607	0.694
Inf4	Acts swiftly and decisively when needed	0.536	0.557	0.712
Inf1	Is reluctant to face up to new threats and opportunities	0.432	0.391	0.779

The *influence* sub-construct had all the items (Inf2, Inf3, Inf5, Inf4, Inf1) which were subjected to factor analysis assessment loading well. This means that the operationalisation definition did not differ from that discussed in the literature (Chapters 1, 5 and 6). The *influence* sub-construct looked at a leader's ability to successfully impact others and achieve the desired results or goals.

8.8.4.3 Follower commitment

The *follower commitment* sub-construct was composed of five measuring items. The five items were subjected to factor analysis with three of them (Fol1, Fol2, Fol3) loading successfully on a single factor. Two items (Fol4, Fol5) did not load and were therefore not used for further analysis. The three items that successfully loaded as expected were then used for further analysis in the present study (Hair et al., 2006:103). The factor loading values were between 0.425 and 0.616 indicating their significance and acceptance. The *follower commitment* sub-construct explained 4.8% of the variance in the data with eigenvalue 1.19. The Cronbach alpha coefficient of 0.781 for *follower commitment* demonstrates that the instrument used to analyse the data was reliable (Table 8.42).

Table 8.42: Validity and reliability of Follower commitment

Eigenvalue: 1.19 **% of Variance: 4.8**		**Cronbach-alpha:0.781**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Fol1	Sees the success of the group as more important than individual members' success	0.616	0.592	0.733
Fol2	Sees members of the group as interested in knowing how well the group is performing	0.472	0.677	0.640
Fol3	Ensures that group members support the bank's overall leadership	0.425	0.589	0.735

Since two items were eliminated from the five items meant to measure *follower commitment*, the operationalisation definition changed slightly from that discussed in the literature (Chapters 1, 3 and 6). The original definition focused on group members' commitment and dedication to the group's goals and objectives. The current definition of *follower commitment* as applied to this study denotes the bank leadership view that a group's success is more important than individuals' success. The leadership also put group's interest above individuals' interest while at the same time emphasising the need for groups to support overall bank leadership.

8.8.4.4 Versatility

The *versatility* sub-construct was made up of five measuring items. Upon being subjected to factor analysis, four out of five successfully loaded on a single factor. However, one item (Ver5) did not load as expected and was therefore eliminated from further analysis. This meant that the four measuring items were ready to be used in further analysis significant (Farrington, 2009:388-389; Hair et al., 2006:103). The factor loading values ranged between 0.458 and 0.655 and were within the acceptable value of 0.3 (Farrington, 2009:388-389; Hair et al., 2006:103). The *versatility* sub-construct explained 5.7% the variance in data with an eigenvalue of 1.42. The Cronbach alpha coefficient of 0.712 for *versatility* also confirmed that the instrument used to measure the *versatility* sub-construct was reliable (Table 8.43).

Table 8.43: Validity and reliability of Versatility

Eigenvalue: 1.42 **% of Variance:5.7**		**Cronbach-alpha:0.712**		
Item	**Questions**	**Factor loading**	**Item-total correlation**	**Cronbach-alpha after deletion**
Ver4	Is consulted by others due to its expertise	0.655	0.503	0.647
Ver2	Is already involved in important issues outside its normal responsibilities	0.641	0.556	0.615
Ver1	Has multiple responsibilities of managing people and other bank activities	0.609	0.471	0.666
Ver3	Is responsible for leading project teams made up of people from other banks	0.458	0.467	0.668

The *versatility* sub-construct had five measuring items subjected to factor analysis. The fact that four out of five items (Ver4, Ver2, Ver1, Ver3) loaded well meant that there was need to slightly change the meaning advocated in the previous Chapters 1, 5 and 6. The operationalisation definition indicated that versatility implied the leadership was consulted by others due to its expertise, had multiple responsibilities of managing people and other bank activities, was responsible for leading project teams and responsible even for activities outside their normal activities. The sub-construct was defined as "the leader's ability to work with and obtain results from others with different line managers" (Green (2010:320).

8.8.4.5 Organisational effectiveness

The *organisational effectiveness* construct was subjected to factor analysis tests to establish how the different items used to measure it would load. It is notable that the construct did not have sub-constructs to measure items against. The *organisational effectiveness* construct was measured using nine items (productivity, sales/revenue, quality products, operation efficiency, innovativeness and adaptability, profitability, stability, market share, employees' satisfaction and commitment). The use of factor analysis to assess *organisational effectiveness* constructs is also based on assumption that the items were not expected to be correlated. In the process of conducting factor analysis various tests were used different among them Principal Component Analysis with a

VarimaxRotation with Kaiser Normalisation, KMO and other analytical tools that facilitated factor extraction and rotation. With the use of Principal Component Analysis only one component was extracted and therefore the solution could not be rotated. The Bartlett's Test of Sphericity which resulted a KMO value of 0.882 ($p<0.001$) was also used to assess *organisational effectiveness* sub-construct. The *organisational effectiveness* sub-constructs explained cumulative 60.37% in Initial Eigenvalue data variance. However, the fact that *organisational effectiveness* construct was measured by 9 items rather than sub-constructs may explain the Eigenvalues of less than 1 with some values being very low, meaning not all items would be significant (Farrington, 2009:388-389; Hair et al., 2006:103). However, since the items loaded on one factor (*organisational effectiveness*), the factor loading values were between 0.631 and 0.826 indicating that the items were significance and can used in further analysis (Hair et al., 2006:103). This is presented in the Table 8.44 below.

Table 8.44: Factor loading for Organisational effectiveness

Items measuring organisation effectiveness	Factor loading
Productivity (Eff1)	0.799
Sales/Revenue Growth(Eff2)	0.781
Quality Products and Services(Eff3)	0.802
Operation Efficiency(Eff4)	0.774
Innovativeness and Adaptability(Eff5)	0.826
Profitability(Eff6)	0.809
Stability(Eff7)	0.801
Market Share(Eff8)	0.753
Employees Satisfaction and Commitment(Eff9)	0.631

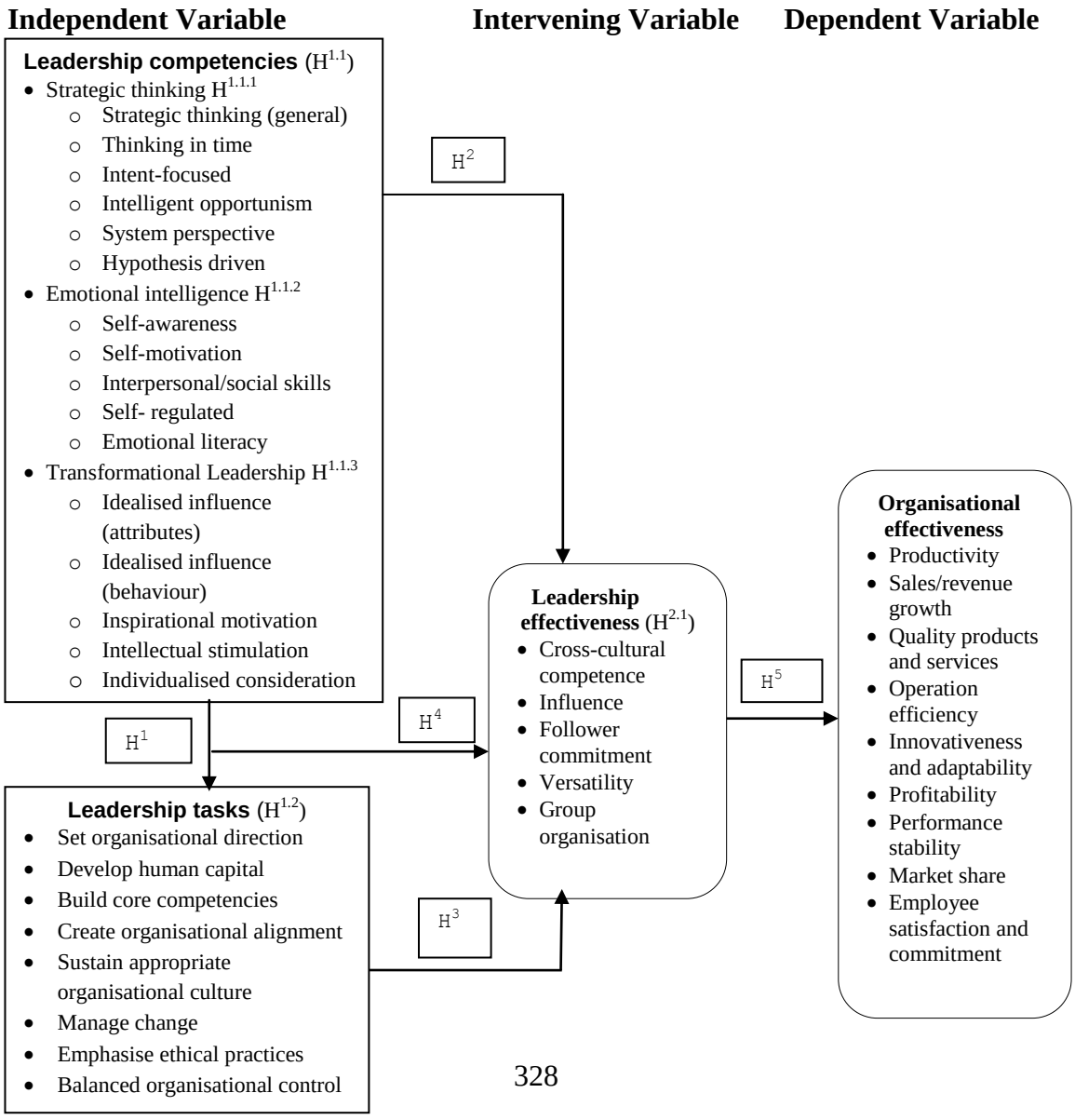
As shown in the table above, the factory analysis values of the measuring items was acceptable being above the minimum score of 3.0. It was also notable that all items loaded on one factor as expected. The results indicated that the operationalization definition given at the literature (Chapters 3, 4, 5 and 7) did not need to change. This means that the banking sector and specifically the indigenous banks still used productivity, sales/revenue growth, quality products/services, operation efficiency, innovativeness and adaptability, profitability, stability and market share to measure overall effectiveness.

PART THREE

8.9 REVISED THEORETICAL MODEL

The results of confirmatory factor analysis described in Section 8.8.2 indicated that not all latent variables were confirmed as intended in the proposed theoretical model as shown in Figure 8.1. Consequently, the original latent variables (independent variables, intervening variables and dependent variables) had some alterations as some constructs and sub-constructs were dropped from the original groupings. The alterations will be highlighted in the discussion that follows.

Figure 8.1: The proposed theoretical framework of the relationship between Leadership effectiveness and Organisational effectiveness



The proposed model, as shown in Figure 8.1, was made up of two independent variables, categorised as *leadership competencies* and *leadership tasks*. The first category, *leadership competencies* was composed of three main constructs, namely *strategic thinking, emotional intelligence* and *transformational leadership competencies*. *Strategic thinking competency* was composed of six sub-constructs. The second construct, *emotional intelligence competency* construct was composed of five sub-constructs while the third construct, *transformational leadership competency* was made up of five sub-constructs.

Following the numerous analyses, the *strategic thinking competency* construct's sub-constructs *thinking in time* and *system perspective* did not load adequately as expected and therefore were removed. The *strategic thinking* contruct was therefore reduced to four sub-constructs, namely s*trategic thinking* (general), *intent-focused, intelligent opportunism* and *hypothesis driven*. The second construct, *emotional intelligence competency,* had all the sub-constructs, namely *self-awareness self-motivation, interpersonal/social skills, self-regulated (self-management)* and *emotional literacy* accepted for further analysis and therefore confirming the proposed model. Finally, *transformational leadership* competency construct was made up of five sub-constructs, namely *idealised influence (attributes), idealised influence (behaviour), inspirational motivation, intellectual stimulation* and *individualised consideration.* From the analysis performed, all the sub-constructs were confirmed as originally intended in the theoretical framework indicating no need for alteration.

The second independent variable, categorised as *leadership tasks* was composed of eight constructs, namely *set organisational direction, develop human capital, build core competencies, create organisational alignment, sustain appropriate organisational culture, manage change, emphasise ethical practices,* and *establish balanced organisational control*. Upon analysis, seven constructs were confirmed while *emphasising ethical practices* construct did not load adequately and therefore was removed. The seven constructs were therefore confirmed as originally intended and accepted as part of the revised model.

For the intervening variable, the construct, *leadership effectiveness*, was composed of five sub-constructs, namely *cross-cultural competence, influence, follower commitment, versatility*, and *group organisation* and analysed using various tests. The results indicated that three sub-constructs namely *influence, follower commitment* and *versatility* loaded successfully while two *cross-cultural competence* and *group organisation* failed to load adequately as expected and were therefore omitted. The final three sub-constructs, namely *influence, follower commitment* and *versatility* were accepted as part of the revised model. Finally, for the dependent variable, *organisational effectiveness,* it's measuring items namely *productivity, sales/revenue growth, quality products* and *services, operation efficiency, innovativeness and adaptability, profitability, performance stability, market share,* and *employee satisfaction* and *commitment* were all accepted and confirmed to be included in the revised model.

As a result of the factor analysis tests and Cronbach alpha coefficient scores, the original theoretical framework as depicted in Figures 1.1 in Chapter 1, 6.1 in Chapter 6 and 8.1 in this chapter and the hypotheses stated in Chapter 6 were revised to reflect the actual outcome of the analysis. The revised theoretical framework, henceforth referred to as the model, is shown in Figure 8.2. The revised hypotheses are also presented in Table 8.45. The revised model and subsequent hypotheses were further tested using SEM in order to determine the goodness-of-fit and formed the basis of the rest of this chapter.

Figure 8.2: Revised theoretical model of the relationship between Leadership effectiveness and Organisational effectiveness

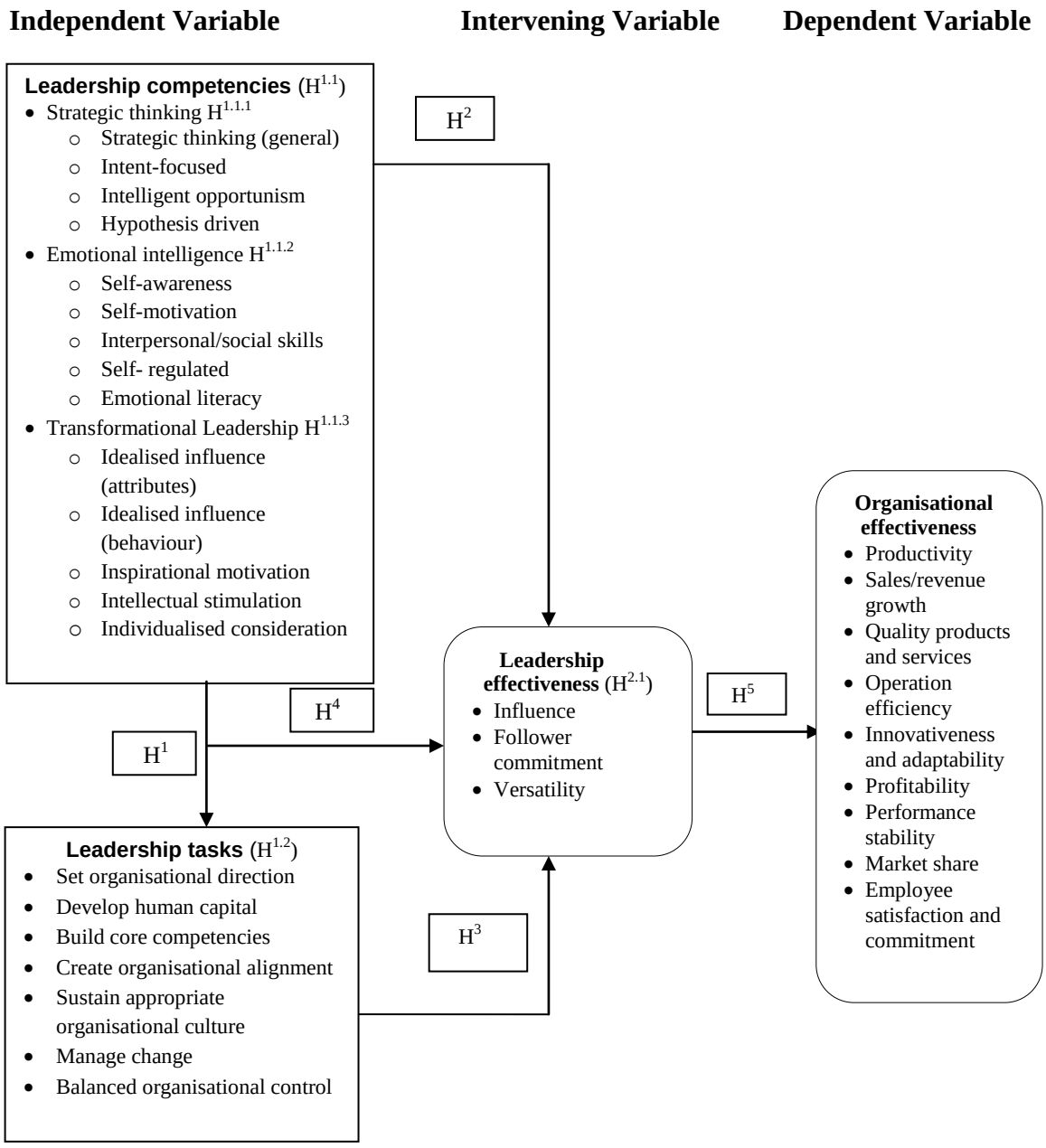


Table 8.45: Summary of revised hypothesis to be tested in the structural equation model

First set of hypotheses: Leadership competencies influences Leadership tasks

Sub hypotheses $H^{1.1}$

$H^{1.1}$: There is a relationship between *Leadership competencies* and its associated constructs
$H^{1.1.1}$: Strategic thinking
$H^{1.1.2}$: Emotional intelligence
$H^{1.1.3}$: Transformational leadership

Sub sub-hypotheses $H^{1.1.1}$

$H^{1.1.1}$: There is a relationship between *Strategic thinking* (construct) and the measured or observed sub constructs:
$H^{1.1.1a}$: Strategic thinking (general)
$H^{1.1.1b}$: Intent focused
$H^{1.1.1c}$: Intelligent opportunism
$H^{1.1.1d}$: Hypothesis driven

Sub sub-hypotheses $H^{1.1.2}$

$H^{1.1.2}$: There is a relationship between *Emotional intelligence* (construct) and the measured or observed sub constructs:
$H^{1.1.2a}$: Self-awareness
$H^{1.1.2b}$: Self-motivation
$H^{1.1.2c}$: Interpersonal/social skills
$H^{1.1.2d}$: Self-regulated
$H^{1.1.2e}$: Emotional literacy

Sub sub-hypotheses $H^{1.1.3}$

$H^{1.1.3}$: There is a relationship between *Transformational leadership* (construct) and the measured or observed constructs:
$H^{1.1.3a}$: Idealised influence (attributes)
$H^{1.1.3b}$: Idealised influence (behaviour)
$H^{1.1.3c}$: Inspirational motivation
$H^{1.1.3d}$: Intellectual stimulation
$H^{1.1.3e}$: Individualised consideration

Sub-hypotheses $H^{1.2}$

$H^{1.2}$: There is a relationship between *Leadership tasks* and its associated constructs:

$H^{1.2.1}$: Set organisational direction
$H^{1.2.2}$: Develop human capital
$H^{1.2.3}$: Build core competencies
$H^{1.2.4}$: Create organisational alignment
$H^{1.2.5}$: Sustain appropriate organisational culture
$H^{1.2.6}$: Managing change
$H^{1.2.7}$: Balanced organisational control

H^1: ***Leadership competencies*** **influences** ***Leadership tasks***

Second set of hypotheses: Leadership competencies influences Leadership effectiveness

Sub-hypotheses $H^{2.1}$

$H^{2.1}$: There is a relationship between *Leadership effectiveness* (construct) and its sub constructs:
$H^{2.1.1}$: Influence
$H^{2.1.2}$: Follower commitment
$H^{2.1.3}$: Versatility

H^2: ***Leadership competencies*** **influences** ***Leadership effectiveness***

Third hypothesis: Leadership tasks influences Leadership effectiveness

H^3: ***Leadership tasks*** **influences** ***Leadership effectiveness***

Fourth hypothesis: Leadership competencies and Leadership tasks influence Leadership effectiveness where Leadership competencies influences Leadership tasks

H^4: *Leadership competencies* and *Leadership tasks* influences *Leadership effectiveness* where *Leadership competencies* influences *Leadership tasks.*

Fifth hypothesis: Leadership effectiveness influences Organisational effectiveness

H^5: ***Leadership effectiveness*** **influences** ***Organisational effectiveness***

Sixth hypothesis: Leadership competencies and Leadership tasks influences Leadership effectiveness which influences Organisational effectiveness.

H^6: ***Leadership competencies*** **and** ***Leadership tasks influences Leadership effectiveness*** **which influences** ***Organisational effectiveness***

8.9.1 ASSESSMENT OF THE NORMALITY OF DATA

The data were assessed for normality by using univariate normality tests of skewness and kurtosis. The following hypotheses were tested.

H^0: The data are normally distributed.
H^1: The data are not normally distributed.

The critical ratio value (C.R.) of the test statistic was used using alpha = 0.05 indicating that, if C.R. > 1.96 or < -1.96, then the sub-construct/construct was not normally distributed. The results of the test indicated that many of the distributions of the sub-constructs/constructs failed skewness (measure of skewness) and kurtosis (measure of peakedness or flatness). It can therefore be concluded that the data were not normally distributed. The results of the normality test are shown in Table 8.46. It is notable that coded questionnaire data often fail tests of normality.

Table 8.46: Assessment of normality

Variable	skewness	C.R,	*P-value*	kurtosis	C.R.	*P-value*
OrgEff	**-1.071**	**-7.009**	*******	**1.660**	**5.431**	*******
Cul	.656	4.297	***	.555	1.817	ns
Inf	-.671	-4.389	***	1.005	3.288	***
Fol	-.631	-4.131	***	.598	1.958	ns
Ver	-.475	-3.110	***	.260	.851	ns
Sod	-.997	-6.527	***	1.713	5.604	***
Cap	-.489	-3.197	***	.414	1.355	ns
Cor	-.557	-3.648	***	.100	.328	ns
Ali	-.596	-3.901	***	.584	1.912	ns
Sus	-.683	-4.472	***	.856	2.800	***
Cha	-.797	-5.213	***	.890	2.914	***
Bal	-.776	-5.082	***	1.116	3.651	***
Strat_T	-.673	-4.402	***	1.070	3.501	***
Emot_Int	-.705	-4.616	***	.519	1.697	ns
Tran_L	-.831	-5.439	***	1.150	3.764	***

ns: not significant, ***p<0.001

The data were analysed using the maximum likelihood procedure for SEM in Amos (SPSS). This procedure has often been used in SEM for coded questionnaire data (Hoogland & Boomsma, 1998; Satorra & Bentler, 1994). SPSS Amos does not have a

SEM function procedure for non-normal data explaining why SPSS (Version 21, 2013) Amos maximum likelihood procedure for SEM was used.

8.9.2 EMPIRICAL RESULTS OF STRUCTURAL EQUATION MODELING ANALYSES

As discussed in Chapter 7, Structural Equation Modelling (SEM) is a multivariate statistical technique (Hair et al., 2006:724) that consists of aspects of confirmatory factor analysis (CFA), multiple regression and path analysis which are used to estimate numerous interrelated independent and dependent relationships simultaneously. SEM is useful to researchers as it allows them to concurrently examine both measurement and structural components of a model by testing the relationships among variables (Bagozzi, 1980; Geffen, Straub & Boudreau, 2000). Given the nature of the current study, SEM was found the appropriate statistical technique to assess the hypothesised relationship between leadership effectiveness and organisational effectiveness.

8.9.2.1 Goodness-of-fit indices

Goodness-of-fit indices are measures used to assess fitness of the actual or observed input correlation or covariance in relation to the prediction made by a theoretical model (Hair et al. 1998:610,620; Venter 2003:257). Goodness-of-fit tests aim at evaluating the theoretical models and research data against the structural equation modelling assumptions (See Chapter 7, Section 7.8). According to Hair et al. (2010:664-665), the use of goodness-of-fit tests is important in ensuring that the pattern of variance in the data is consistent with structural model proposed by a study. Accordingly, goodness-of-fit indices are good indicators of the degree to which SEM model fits given sampled data (Hair et al., 2010:664). Although there is no agreement as to the number of tests to be performed to obtain a good fit, Jaccard and Wan (1996:87) advocate that three tests are appropriate to measure the goodness-of-fit while Kline (1998:130) suggests at least four tests as suitable. Garson (2006), Grimm and Yarnold (2000) on the other hand argue that multiple criteria should be used as determinant of goodness-of-fit. For the current study, the model of fitness in terms of establishing the relationship between leadership and

organisational effectiveness was assessed based on four tests with three tests being accepted as minimum fit scores. Similar studies such as that by Farrington (2009) and Matchaba-Hove (2012) used four tests and picked the best three results. In order to ascertain the extent to which the proposed model represents an acceptable approximation of the sampled data, different fit indices were determined, namely the Normed Chi-square (the ratio of Chi-square to degrees of freedom ($_X^2$/df), the Root Mean Square Error of Approximation (RMSEA), The Goodness-of-fit index (GFI) and Comparative Fit Index (CFI). A brief description of each test is given below:

a) **The Normed Chi-square (the ratio of chi-square to degrees of freedom (x^2/df)**

The Normed Chi-square (x^2/df) or CMIN/DF is described as a statistic which takes into account the effect or the impact of the sample size on the model chi-square (Hair et al., 2010). The recommended chi-square cut-off values range between 2.0 and 5.0 (Hooper, Coughlan & Mullen, 2008; Tabachnick & Fidell, 2007; Wheaton et al., 1997). Ullman (2001) indicates that a value of between 0 and 2 shows a very good fit.

b) **The Root Mean Square Error of Approximation (RMSEA)**

The RMSEA test indicates how well a selected model with unknown chosen parameter estimates fits the population covariance matrix (Byrne, 1998). The test which is also termed as an absolute measure has been regarded as "one of the most informative fit indices" (Diamantopouolos & Siguaw, 2000:85). The recommended RMSEA cut-off value is below 0.06 (Hu & Bentler, 1999) although it can be stretched to 0.08 (Grimm & Yarnold, 2000; Steiger, 2007).

c) **The Goodness-of-fit index (GFI)**

As an alternative to the Chi-Square test, the Goodness-of-fit index, (GFI) calculates the proportion of variance arising from the estimated population covariance (Tabachnick & Fidell, 2007). This test assesses only the overall model fitness but does not adjust it for over fitting. GFI scores range between 0 and 1 where higher values indicate better model fits (Hu & Bentler, 1999). GFI values equal to 0.90 or greater signifies a good fit (Ghazali, Ahmad, Uli, Suandi & Hassan, 2013;

MacCallum & Hong, 1997). Hu and Bentler (1999) suggest that GFI indices are inconsistent in terms of sensitivity to model misspecification and sensitivity to sample size, and therefore should not be used. However, the measure is the most cited fit indices in the literature (Cunningham, 2008) and was therefore used in this study.

d) **Comparative fit index (CFI)**

The Comparative Fit Index (CFI) is an incremental index that takes into account the sample size (Bentler, 1990; Byrne, 1998; Tabachnick & Fidell, 2007). CFI assumes that the latent variables are uncorrelated (null/independence model) and therefore compares the given sample covariance matrix with the null model (Hooper et al., 2008:55). To be acceptable, the CFI value must range between 0.0 and 1.0, where values closer to 1.0 indicate a good fit. The most preferred cut-off criterion of CFI is greater than 0.90 (Hu & Buntler, 1999). Today, CFI is the most popular measure of fit indices and is included in all SEM programs since it is least affected by sample size (Fan, Thompson & Wang, 1999).

The criteria used to evaluate the fit indices for the sub-models are summarised in Table 8.47.

Table 8.47: Criteria for Goodness-of-fit indices

Goodness-of-fit measure	Types of Test	Criteria
Normed Chi-square (x^2/degree of freedom)	Absolute Fit and Model Parsimony	0.00 to < 1.90 indicates a very good fit (Politis, 2003; Ullman, 2001) 2.00 to 5.00 indicate a good fit. 5.0 indicates acceptable fit. >5.00 indicates poor fit (Hooper, Coughlan & Mullen, 2008; Tabachnick & Fidell, 2007; Wheaton et al., 1997).
The Root Mean Square Error of Approximation (RMSEA)	Absolute Fit	0.00 to <0.05 indicates a very good fit (Adendorff, 2004:435). 0.051 to <0.060 indicate a good fit (Hu & Bentler, 1999:1; Grimm & Yarnold, 2000:271; Hair et al., 1998:656). 0.061 to 0.08 indicates an acceptable or reasonable fit (Hu & Bentler, 1999:1). >0.08 indicates a poor fit (MacCullum, Browne & Sugawara, 1996).

Goodness-of-fit measure	Types of Test	Criteria
The Goodness-of-fit index (GFI)	Absolute Fit	0.91 to 0.95 is considered a very good fit (Ghazali et al., 2013:300). 0.90 to 0.84 indicates good fit (Keskin, 2014:802). 0.85 to ≤0.89 indicates acceptable fit (Keskin, 2014:802). 0.0 to 0.84, with higher values indicating better model fit (Hu & Bentler, 1999).
Comparative fit index (CFI)	Incremental Fit	0.90 to ≤ 0.95 indicates very good fit (Hair et al., 2006:750). Between 0.50 and 0.89 indicates good-fitting (Byrne, 1998; Hooper et al., 2008; Hu & Bentler, 1999). Between 0.3-0.5 is an acceptable fit (Fan, Thompson & Wang, 1999). 0 ≥ indicates poor fit (Li, 2007).

The indicators of goodness-of-fit used in the current study as derived from different studies (Hu & Bentler, 1999; Keskin, 2014; Kline, 2011; Meydan & Sesen, 2011; Simsek, 2007; Ullman, 2001) are summarised in Table 8.48. The criterion shown on Table 8.48 is used in the next section where each measure is stated and interpreted in the context of this study.

Table 8.48: Goodness-of-fit used in the current study

Fit indices	Very good fit	Good fit	Acceptable fit	Poor fit
Normed Chi-square ($_X^2$/degree of freedom)	Between 0.00 ≤ and 1.90	Between 2.00 and 5.0	5.00	>5.00
RMSEA	Between 0.00 and 0.05	Between 0.051and 0.060	Between 0.061 and .080	Between 0.081 and 0.10
GFI	0.91 and above	Between 0.90 and 0.84	Between 0.85 and 0.89	Between 0.00 and 0.84
CFI	0.90 and above	Between 0.51 and 0.89	Between 0.3 and 0.50	Between 0.0 and 0.29

In order to test the hypothesised relationships shown in Table 8.45 and to assess the model relevancy and goodness-of-fit, Structural Equation Modelling (SEM) was used. It is notable that the goodness-of-fit indices of the structural model and the measurement model are identical for all sub-models. The identical goodness-of-fit is based on the fact that a single direct relationship between constructs is estimated in all cases (Hair et al.,

2006: 847). For the purpose of this assessment, the following sub-hypotheses were formulated:

H0: The data fits the model.

H1 The data does not fit the model.

Upon subjecting the various sub-models to SEM, the goodness-of-fit indices of the structural model and measurement model were found to be identical. This resulted from the fact that a single direct relationship between the constructs was estimated in all sub-models (Hair et al., 2006:847). In order to ensure there was no redundant duplication, only the goodness-of-fit for structural models was assessed. According to Hair et al. (2006) and Farrington (2009), the goodness-of-fit indices of the measurement models can be determined from those of the structural model. As such, there is no need to find the goodness-of-fit indices for both structural models and measurement models.

The current study aimed at testing the various relationships in the models and sub-models while at the same time confirming theory (confirmatory analysis) rather than scale development. This meant that both steps 5 (the identification of model equations) and 7 (making the indicated modifications to the model) were not undertaken. Similarly, implementation of steps 5 and 7 arises when the estimation of a model or sub-models show poor fit or unacceptable fit (Cooper & Schindler, 2007:584). Since the results of goodness-of-fit indices for the present study indicated either very good fit, good fit or acceptable fit for the sub-models, there was no need for any modification. The next section discusses each sub-model and its findings.

8.10.1.1 Model analysis

To perform SEM successfully, the ratio of "sample size number of indicator" is critical and highly recommended (see Section 7.7). Based on the recommended ratio, the present study ration was too small for testing the model as a whole. However, according to Hair et al. (2006:741) it is still possible to test simple models with a small sample. To conduct the analysis using SEM, then, the model was divided into one main model and five sub-

models, namely *leadership competencies* versus *leadership tasks*, *leadership competencies* and *leadership effectiveness*, *leadership tasks* and *leadership effectiveness*, *leadership competencies* and *leadership tasks* in relation to *leadership effectiveness* where *leadership competencies* influences *leadership tasks*, *leadership effectiveness* and *organisational effectiveness*. Each of the sub-models was subjected to SEM for analysis.

To facilitate the process, the software programme Amos, SPSS version 21 (IBM Corp., 2013) was used. The process of performing SEM is fully discussed in Chapter 7, Section 7.8 while the application is done in the present chapter. In the next section, the theoretical model and subsequent sub-models are redefined and revised leading to hypothesised relationships which are represented in path diagrams. For each theoretical relationship, hypotheses were developed. The hypotheses were reformulated as a result of Cronbach alpha coefficient and confirmatory factor analysis loading and results (see Sections 8.4.2 and 8.4.8). In the next section, the model analysis is done starting with the sub-models and concluding with the main model.

8.10 Sub-models analysis

The next section focuses on the five sub-models analysed in this study. Each sub-model is individually analysed using SEM technique in order to establish its level of goodness of fit and hypothesised relationships. In order of presentation and analysis, the sub-models are:

1. Leadership competencies and leadership tasks.
2. Leadership competencies and leadership effectiveness.
3. Leadership tasks and leadership effectiveness.
4. Leadership competencies and Leadership tasks influences Leadership effectiveness where Leadership competencies influences Leadership tasks.
5. Leadership effectiveness and organisational effectiveness.

8.10.1 Leadership competencies and leadership tasks models

The first primary objective of the study was to establish the existence of a relationship between *leadership competencies* and *leadership tasks* categories (both latent constructs). It was hypothesised that a relationship existed between *leadership competencies* and *leadership tasks* categories, as stated as the first set of the hypotheses in Table 8.45 (H^{1}). Before the relationship between these categories is reported on in section 8.10.1.3, it is appropriate to present the findings pertaining to the relationship between *leadership competencies* and its associated constructs ($H^{1.1.1–1.1.3}$) and the relationship between *leadership tasks* and its associated constructs ($H^{1.2.1 –1.2.7}$).

8.10.1.1 Sub-model 1.1: Leadership competencies and its sub-constructs

Within the context of the first set of hypotheses posed for the current study, the first sub-sets of the hypotheses were aimed at establishing the relationship between *leadership competencies* and its constructs, namely *strategic thinking, emotional intelligence* and *transformational leadership.* Further analysis of each of these three constructs in terms of their sub-models was conducted using SEM technique and will be discussed in the following sections.

a) Sub sub-model 1.1.1: Strategic thinking competency

Four sub-constructs of *strategic thinking competency* that loaded successfully and accepted for further analysis are demonstrated in the revised theoretical framework (See Figure 8.2). The hypothesised relationships between *strategic thinking* competency and its sub-constructs are assessed in this section, indicated as $H^{1.1.1a\text{-}d}$ and the path diagram of structural relationships shown in Figure 8.3.

The revised hypotheses are stated in Table 8.45.

Figure 8.3: Path diagram of structural relationships on Strategic thinking competency

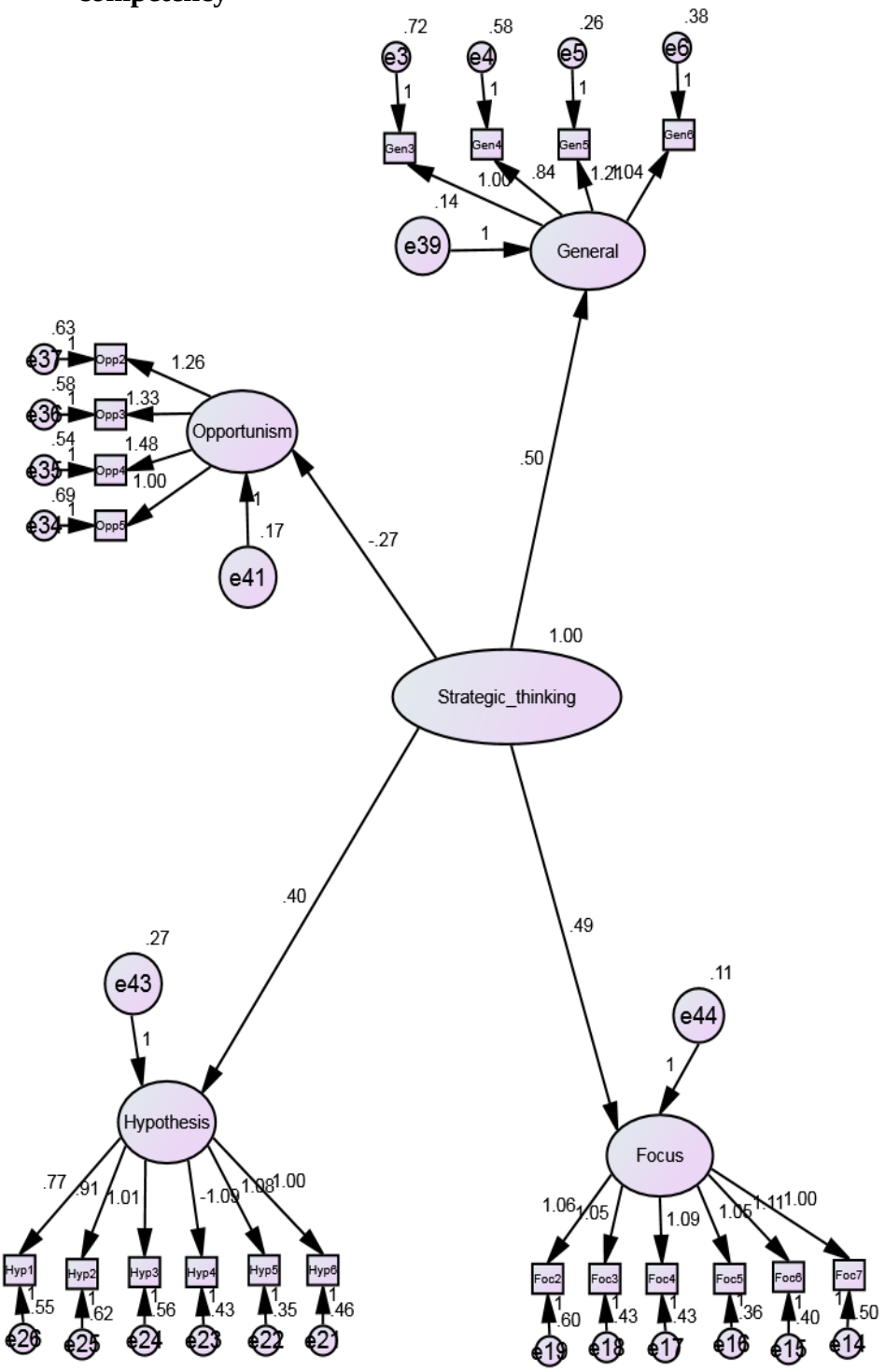


Table 8.49 defines the structural and measurement Sub sub-model *strategic thinking.*

Table 8.49: Definition of structural and measurement Sub sub-model Strategic thinking

Structural Sub sub-model	
Construct	**Sub-constructs**
Strategic thinking	Strategic thinking general, Intent-focused, Intelligent opportunism, Hypothesis driven
Measurement model	
Sub-constructs	**Measured or observed sub-constructs**
Strategic thinking general	Gen3, Gen4, Gen5, Gen6
Intent focused	Foc2, Foc3, Foc4, Foc5, Foc6, Foc7
Intelligent opportunism	Opp2, Opp3, Opp4, Opp5
Hypothesis driven	Hyp1, Hyp2, Hyp3, Hyp4, Hyp5, Hyp6

(i) Goodness-of-fit

The goodness-of-fit indices for the path diagram of structural relationships on *strategic thinking competency* are shown in Figure 8.3 and Table 8.50.

Table 8.50: Goodness-of-fit indices for the structural Sub sub-model Strategic thinking

Goodness-of-fit measure	Values
Sample size	257
Normed Chi-square ($_X^2$/degree of freedom)	3.157
The Root Mean Square Error of Approximation (RMSEA)	0.092
Goodness-of-fit index (GFI)	0.838
Comparative fit index (CFI)	0.819

From the results of various tests indicated in Table 8.50, the construct *strategic thinking competency* can be termed as fitting. The CMIN/DF value of 3.157 showed a good fit between the data and the Sub sub-model *strategic thinking competency*. However, the RMSEA value of 0.092 was greater than 0.080 and therefore indicated a poor fit (MacCullum, Browne & Sugawara, 1996) and did not reflect goodness of fit between data and the sub-model. The GFI value of 0.838 was less than 0.90 and therefore indicated a weak relationship. However, it was still acceptable as the value was closer to

0.900 (Hu & Bentler, 1999). The CFI value of 0.819 is well within what is considered good-fitting model as it iwas greater than 0.80 (Hooper et al., 2008).

The results from the analysis of goodness-of-fit showed that Normed Chi-square (CMIN/DF) and Comparative fit index (CFI) indicated a good fit while GFI results were within acceptable range. RMSEA on the other hand indicated a poor fitting. However, the fact that three of the tests were either good or acceptable meant that the *strategic thinking competency* sub-model was acceptable and agreed with the minimum number of tests required for this study (Jaccard & Wan, 1996:87). The goodness-of-fit results enhanced the acceptance of the four sub-constructs, namely *strategic thinking (general), intent-focused, intelligent opportunism* and *hypothesis driven.*

ii) Hypothesised relationship

The hypothesised relationship between *strategic thinking competency* and its sub-constructs was established. The results derived from the SEM analysis indicating both the parameters estimates and the p-values are summarised in Table 8.51 and in the Sub sub-model Figure 8.3.

Table 8.51: Structural model parameter estimates and *p*-values for strategic thinking

		Estimates	S.E	C.R	P
ST	<---- Strategic thinking (general)	0.497	0.064	7.725	***
ST	<---- Intent-focused	0.486	0.057	8.542	***
ST	<---- Intelligent opportunism	-0.271	0.051	-5.333	***
ST	<---- Hypothesis driven	0.402	0.055	7.344	***

***p<0.001

As shown in Table 8.51 and Figure 8.3, there was a significant positive relationship ($p < 0.001$) between *strategic thinking competency* and its three sub-constructs (*strategic thinking (general), intent-focused* and *hypothesis driven*) while there was a significant negative relationship between *strategic thinking competency* and *intelligent opportunism*. The negative relationship indicated that while *intelligence opportunism* was important for ensuring continuity and strategic focus, leaders must be sensitive to changes that might affect their effort negatively and therefore risk undermining their intended goal

(Burgelman, 1991; Jelenc, 2008). This finding indicated that the *strategic thinking competency* sub-constructs were important components of the *strategic thinking* competency. The findings provide support for $H^{1.1.1a-d}$.

In terms of importance, *strategic thinking* (general) was the most important components of the *strategic thinking competency* (estimate = 0.497; $p < 0.001$), followed by *intent-focused* (estimate = 0.486; $p < 0.001$), *hypothesis driven* (estimate = 0.402; $p < 0.001$) and finally, *intelligent opportunism* (estimate = -0.271; $p < 0.001$).

The support of the hypotheses ($H^{1.1.1a-d}$) meant that the four strategic thinking sub-constructs were important components of *strategic thinking competency* in the banking industry. The results further demonstrated that bank leaders had a general strategic view of their organisations, had intent-focused leadership and werehypothesis driven while at the same time practised intelligent opportunism. The validation of strategic thinking sub-constructs agrees with similar studies that pointed out that a lack of strategic thinking competencies in organisational leadership is one of the causes of executive ineffectiveness (Bonn, 2005; Jelenc, 2008; Liedtka, 1998; Rosche, 2003; See Chapter 7, Section 7.5.7.1a).

b) Sub sub-model 1.1.2: Emotional intelligence competency

The *emotional intelligence competency* sub sub-model was made up of five sub-constructs, namely *self-awareness, self-motivation, interpersonal/social skills, self-regulated* and *emotional literacy*. Following successful loading after confirmatory factor analysis assessment, all factors were accepted for further analysis and therefore the Sub sub-model was not revised. The hypothesized relationships between *emotional intelligence competency* and its sub-construct are assessed in this section as stated in sub-hypotheses $H^{1.1.2a-e}$ and the path diagram of structural relationships shown in Figure 8.4.

The hypotheses are outlined in Table 8.45.

Figure 8.4: Path diagram of structural relationships on emotional intelligence

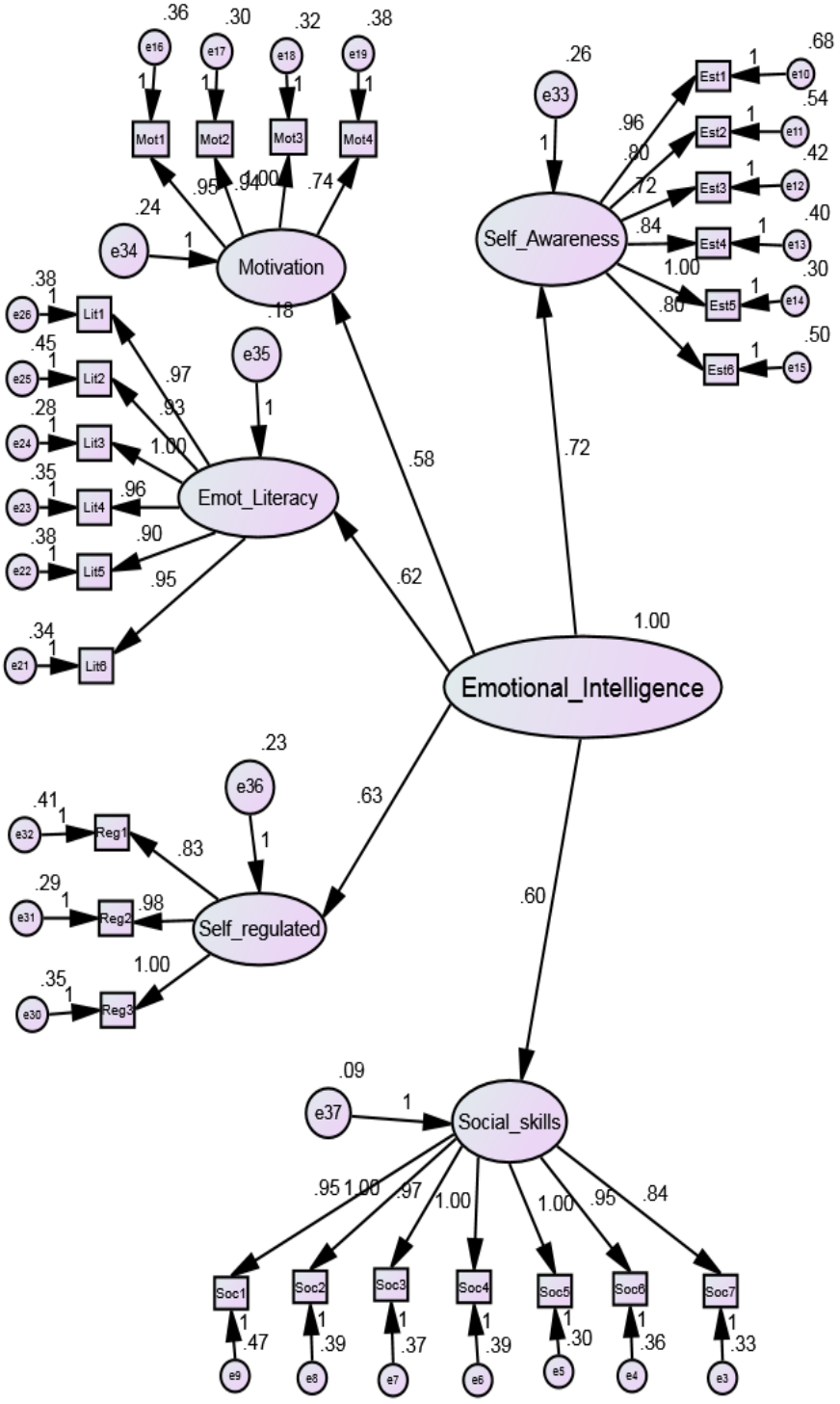


Table 8.52 defines the structural and measurement Sub sub-model Emotional Intelligence.

Table 8.52: Definition of structural and measurement Sub sub-model Emotional Intelligence

Structural model	
Construct	**Sub-constructs**
Emotional intelligence	Self-awareness, Self-motivation, Social skills, Self-regulated, Emotional literacy
Measurement model	
Sub-constructs	**Measured or observed sub-constructs**
Self-awareness	Est1, Est2, Est3, Est4, Est5, Est6
Self-motivation	Mot1, Mot2, Mot3, Mot4
Social skills	Soc1, Soc2, Soc3, Soc4, Soc5, Soc6, Soc7
Self-regulated	Reg1, Reg2, Reg3
Emotional literacy	Lit1, Lit2, Lit3, Lit4, Lit5, Lit6

(i) Goodness-of-fit

The resultant goodness-of-fit indices for structural emotional intelligence Sub sub-model are shown in Table 8.53.

Table 8.53: Goodness-of-fit indices for the structural model emotional intelligence

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square (χ^2/degree of freedom)	3.434
The Root Mean Square Error of Approximation (RMSEA)	0.098
Goodness-of-fit index (GFI)	0.767
Comparative fit index (CFI)	0.831

From Table 8.53, it is evidence that with CMIN/DF value of 3.434, there was a good fit between the data and the Sub sub-model *emotional intelligence competency*. The RMSEA on the other hand had a value of 0.098 which was above accepted range of between 0.05 and 0.08 and therefore had a poor fit (MacCallum et al., 1996). The GFI value of 0.767 was less than 0.90. However, a value of 0.767 was still acceptable or reasonable being close to 0.8 in a scale between 0.0 and 1.0 (Hu & Bentler, 1999). The CFI value of 0.831 was slightly above what was considered a well-fitting model as it is greater than 0.8 (Hooper et al., 2008). From the results, it can be concluded that the

emotional intelligence competency construct was within acceptable measure of goodness-of-fit having fulfilled the minimum three tests acceptable for the study (Jaccard & Wan, 1996:87). The results therefore showed that there was an acceptance fit between the data and the Sub sub-model *emotional intelligence competency.*

(ii) Hypothesised relationships

The hypothesised relationship between *emotional intelligence competency* and its sub-constructs was analysed using SEM technique for analysis. The results of the analysis demonstrating the parameters and p-values are summarised in Table 8.54 and the Sub sub-model in Figure 8.4.

Table 8.54: Structural model parameter estimates and p-values for Emotional intelligence

	Estimates	S.E	C.R.	P-value
EI <----Self-awareness	0.722	0.057	12.555	***
EI <----Self-motivation	0.578	0.054	10.788	***
EI <----Interpersonal/Social skills	0.596	0.048	12.461	***
EI <----Self-regulation	0.633	0.057	11.200	***
EI <----Emotional literacy	0.616	0.051	12.188	***

***p<0.001

Table 8.54 indicates that there were significant positive relationships ($p < 0.001$) between the *emotional intelligence competency* and its five sub-constructs. The findings from the analysis indicated that all the sub-constructs were important and significant ($p < 0.001$) to the *emotional intelligence competency*. The findings provide support for $H^{1.1.2\ a\text{-}e}$.

A further examination of the *emotional intelligence competency* sub-constructs revealed that *self-awareness* had the most significant impact on *emotional intelligence competency* construct (estimate = 0.722; $p < 0.001$). This was followed by *self-regulation* (estimate = 0.633; $p < 0.001$), *emotional literacy* (estimate = 0.616; $p < 0.001$), *interpersonal/social skills* (estimate = 0.596; $p < 0.001$) and *self-motivation* (estimate = 0.578; $p < 0.001$).

From the results attained, there was evidence that effective leaders were aware of their emotional levels which they use to strengthen their abilities to perform and achieve set goals. The findings correspond with other studied that have found strong relationship between *emotional intelligence competency* construct and its associated sub-constructs (Goleman, 1994, 1998, 2001; Gryn, 2010; Hayward, 2005; Hebert, 2011; Kerr, Garvin, Heaton & Boyle, 2006; Killian, 2007; Palmer & Jansen, 2004; Reilly & Karounos, 2009; Wolmarans & Martin, 2001).

c) Sub sub-model 1.1.3: Transformational leadership competency

The *transformational leadership competency* construct was made up of five sub-constructs, namely *idealised influence (attributes), idealised influence (behaviour), inspirational motivation*, *intellectual stimulation* and *individualised consideration*.

After successful factor analysis loading in the confirmatory factor analysis, all the sub-constructs were accepted for further testing. The hypothesised relationships between *transformational leadership competency* and its sub-constructs are assessed in this section, indicated as hypotheses $H^{1.1.3a\text{-}e}$ and the path diagram of structural relationships shown in Figure 8.5.

The revised hypotheses are stated in Table 8.45.

Figure 8.5: Path diagram of structural relationships on transformational leadership

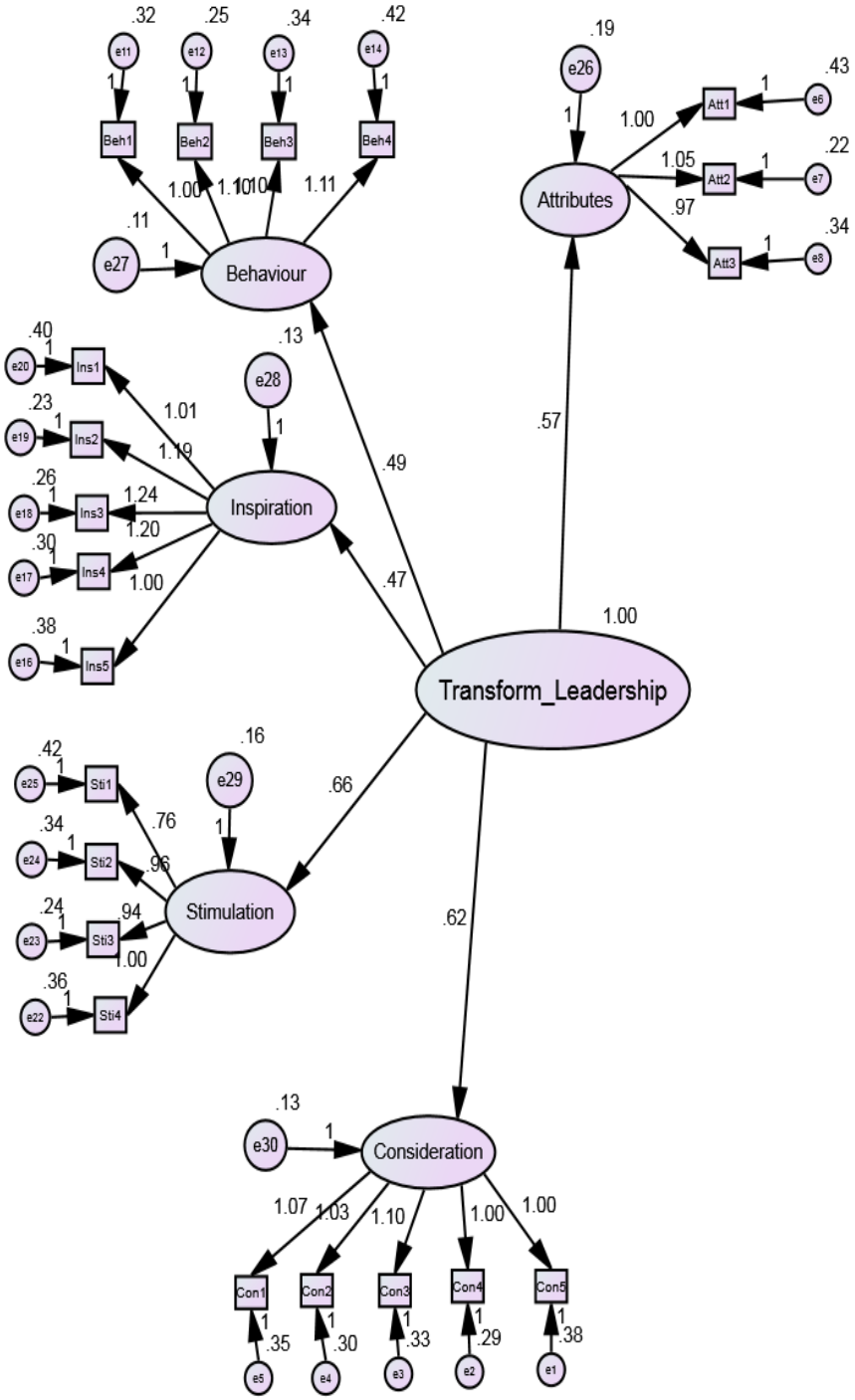


Table 8.55 defines the structural and measurement for the Sub sub-model *transformational leadership.*

Table 8.55: Definition of structural and measurement Sub sub-model Transformational leadership

Structural model	
Construct	**Sub-constructs**
Transformational leadership	Idealised influence (attributes), Idealised influence (behaviour), Inspirational motivation, Intellectual stimulation, Individualised consideration
Measurement model	
Sub-constructs	**Measured or observed sub-constructs**
Idealised influence (attributes)	Att1, Att2, Att3
Idealised influence (behaviour)	Beh1, Beh2, Beh3, Beh4
Inspirational motivation	Ins1, Ins2, Ins3, Ins4, Ins5
Intellectual stimulation	Sti1, Sti2, Sti3, Sti4
Individualised consideration	Con1, Con2, Con3, Con4, Con5

(i) Goodness-of-fit

The goodness-of-fit indices for the path diagram of structural model *transformational leadership* are shown in Figure 8.5 and Table 8.56.

Table 8.56: Goodness-of-fit indices for the structural model Transformational leadership

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_X^2$/degree of freedom)	3.599
The Root Mean Square Error of Approximation (RMSEA)	0.101
Goodness-of-fit index (GFI)	0.813
Comparative fit index (CFI)	0.861

Table 8.56 shows the various goodness-of-fit indices and their level of significance. The results show that the Normed Chi-square or CMID/DF value was 3.599 and fells between 2.0 and 5.0. According to Hooper et al. (2008), Tabachnick and Fidel (2007) and Wheaton et al. (1997), the value indicates a good fit. The RMSEA value was 0.101 and was far above the maximum acceptance value of 0.08 and can be termed as poor fit and therefore an unacceptable fit (Grimm & Yarnold, 2000:271). The GFI value of 0.813 was less than 0.85. A value of 0.813 was between 0.00 and 0.84 and therefore making fall

within a poor fit category (Hu & Bentler, 1999). The final measure of goodness-of-fit was CFI with a value of 0.861. According to Byrne (1998), Hooper et al. (2008) and Hu and Bentler (1999), results ranging between 0.5 and 0.8 indicate well-fitting model while those above 0.9 indicate very good fitting. The CFI result value of 0.861 can therefore be termed as a good fit.

The results from two of the measures of goodness-of-fit indicate that there was acceptable to good-fit between data and the sub-model *transformational leadership competency* construct.

(ii) Hypothesised relationship

The hypothesised relationship between *transformational leadership competency* construct and its sub-constructs based on the SEM analyses showing the parameters and the p-values are shown in Table 8.57 and in the Sub sub-model Figure 8.5.

Table 8.57: Structural model parameter estimates and p-values for Transformational leadership

	Estimates	**S.E**	**C.R**	**P**
Transfrm<---- Idealised influence (attributes)	0.570	0.055	10.416	***
Transfrm<---- Idealised influence (behaviour)	0.488	0.046	10.628	***
Transfrm<---- Inspirational motivation	0.465	0.046	10.003	***
Transfrm<---- Intellectual stimulation	0.663	0.054	12.179	***
Transfrm<---- Individualised consideration	0.616	0.057	11.858	***

***p<0.001

Table 8.57 demonstrates that there existed a positive relationship ($p < 0.001$) between all the sub-constructs and *transformational leadership* construct. The findings from the analysis indicated that all the Sub sub-constructs were important and significant ($p < 0.001$) to *transformational leadership competency*. These findings therefore support all sub-hypotheses $H^{1.1.3a-e}$.

In terms of importance, it was found that *intellectual stimulation* sub-construct (estimate = 0.663; $p < 0.001$) had the greatest influence on *transformational leadership* followed

by *individualised consideration* (estimate = 0.616; $p < 0.001$), *idealised influence* (attributes) (estimate = 0.570; $p < 0.001$), *idealised influence* (behaviour) (estimate = 0.488; $p < 0.001$), and *inspirational motivation* estimate = 0.465; $p < 0.001$ respectively.

From the results of the hypothesised relationships demonstrated and presented by the above hypothesis, it can be concluded that *transformational leadership competency* sub constructs influence effective leadership. As such, transformational leaders are aware of their specific intellectual stimulation and are able to inspire and stimulate others while at the same time giving individualised consideration to those under their authority. Similarly, the need for *idealised influence* (attributes and behaviour) and the need for leaders to inspire themselves and their followers are instrumental to transformational leadership. The findings are in agreement with similar studies where all the five sub-constructs were found to be significant to *transformational leadership competency* (Avolio & Bass, 2004; Hayward, 2005; Howell & Hall-Marenda, 1999).

8.10.2.2 Sub-model 1.2: Relationship between Leadership task and its constructs

The second part of the independent construct aimed at establishing the relationship between *leadership tasks category* and its *constructs.* In order to establish the relationship between *leadership tasks* category and its associated constructs, there was need to perform further statistical tests by use of SEM technique. The hypothesised relationships between *leadership tasks* and its constructs are assessed in this section and presented by sub-hypotheses $H^{1.2.1\text{-}7}$ and as shown in the path diagram of structural relationships in Figure 8.6.

The revised hypotheses are stated in Table 8.45.

Figure 8.6: Path diagram of structural relationships on Leadership tasks

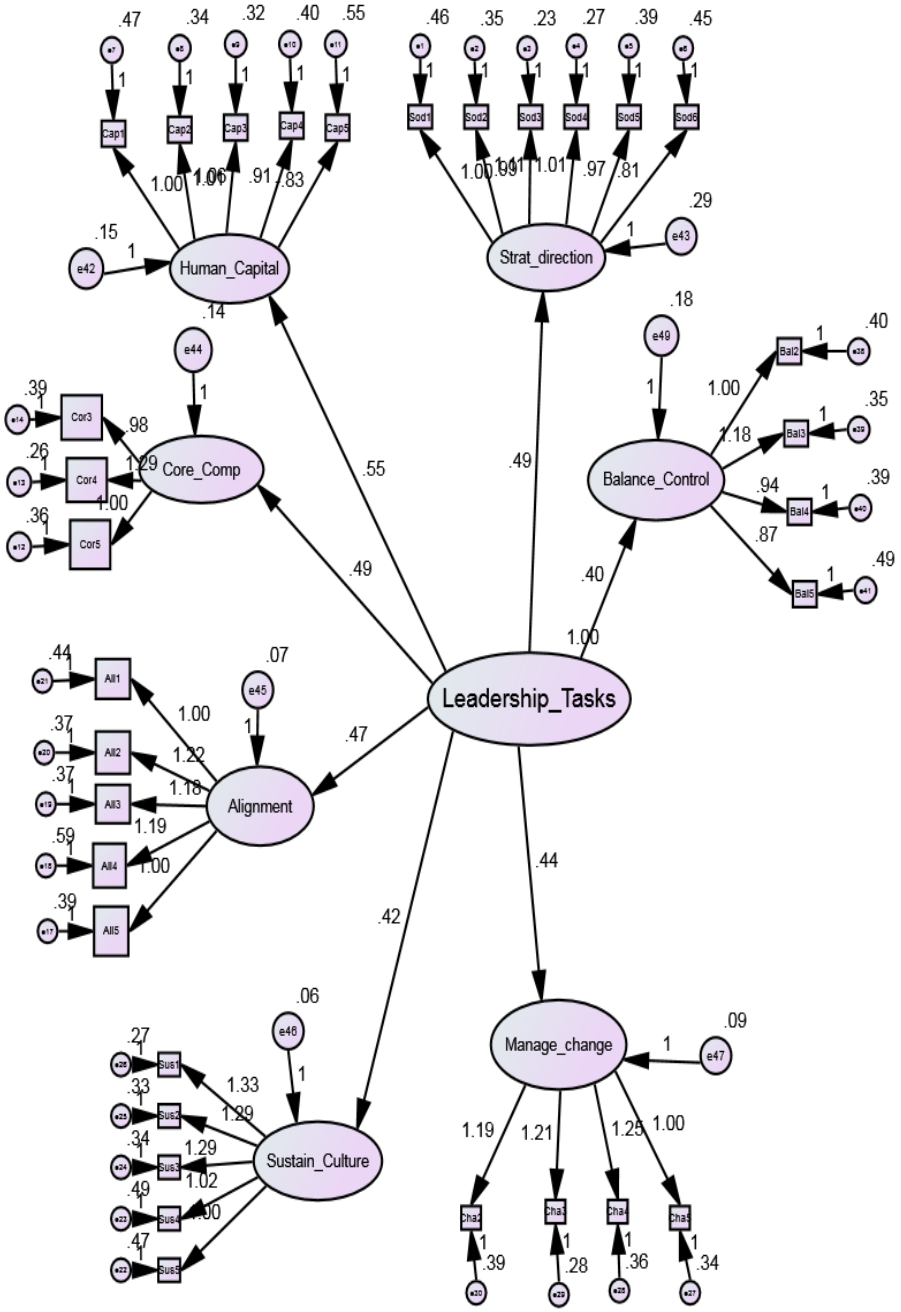


Table 8.58 defines the structural and measurement sub-model Leadership tasks category.

Table 8.58: Definition of structural and measurement sub-model Leadership tasks

Structural model	
Category	**Constructs**
Leadership tasks	Set organisational direction, Develop human capital, Build core competencies, Create organisational alignment, Sustain appropriate organisational culture, Manage change, Balanced organisational control
Measurement model	
Constructs	**Measured or observed measuring items**
Set organisational direction	Sod1, Sod2, Sod3, Sod4, Sod5, Sod6
Develop human capital	Cap1, Cap2, Cap3, Cap4, Cap5
Build core competencies	Cor3, Cor4, Cor5
Create organisational alignment	Ali1, Ali2, Ali3, Ali4, Ali5
Sustain appropriate organisational culture	Sus1, Sus2, Sus3, Sus4, Sus5
Manage change	Cha2, Cha3, Cha4, Cha5
Balanced organisational control	Bal2, Bal3, Bal4, Bal5

a) Goodness-of-fit

The results of goodness-of-fit indices for structural leadership task sub-model are shown in as shown in Figure 8.6 and Table 8.59.

Table 8.59: Goodness-of-fit indices for the structural model Leadership tasks

Goodness-of-fit measure	Criteria
Sample size	257
Normed Chi-square (χ^2/degree of freedom)	2.990
The Root Mean Square Error of Approximation (RMSEA)	0.088
Goodness-of-fit index (GFI)	0.754
Comparative fit index (CFI)	0.797

Table 8.59 shows that there was a fairly acceptable level of fitness among the different tests conducted. The CMIN/DF value of 2.990 signified a good fit between the data and the sub-model (Politis, 2003; Tabachnik & Fidell, 2007). The RMSEA on the other hand had a value of 0.088 which was slightly above 0.080 and can therefore be termed as acceptable fit. The GFI value of 0.754 falls within a poor fit (Hu & Bentler, 1999). The CFI value was 0.797 which according to Hooper et al. (2008) indicates a good-fitting model. The results indicate therefore that three results, CMIN/DF, GFI and CFI were

within acceptable to good fitness. It can therefore be concluded that the sub-model leadership tasks was acceptable.

b) Hypothesised relationship

In order to establish the hypothesised relationship between the *leadership tasks* category and its constructs, the results based on the SEM analyses showing the parameters and the p-values, are shown in Table 8.60 and in Figure 8.6.

Table 8.60: Structural model parameter estimates and p-values for Leadership tasks

	Estimates	**S.E**	**C.R**	**P**
Leadtask<---- Set organisational direction	0.494	0.053	9.319	***
Leadtask<---- Develop human capital	0.551	0.054	10.254	***
Leadtask<---- Build core competencies	0.492	0.049	10.020	***
Leadtask<---- Create organisational alignment	0.466	0.047	9.894	***
Leadtask<---- Sustain appropriate org. culture	0.420	0.048	8.775	***
Leadtask<---- Manage change	0.438	0.045	8.775	***
Leadtask<---- Balanced organisational control	0.403	0.049	8.298	***

***p<0.001

It is evidence from Table 8.60 that there was a positive relationship ($p < 0.001$) between *leadership tasks* and its seven constructs at the 1% level of significance. From these results, it is evident that the tasks of *setting organisational direction, developing human capital, building core competencies*, *creating organisational alignments*, *managing change*, *sustaining appropriate culture* and *ensuring balanced organisational controls* have been confirmed as being important to enhancing leadership. The positive results demonstrate a strong relationship between *leadership tasks* category and its constructs and therefore providing support for hypothesis $H^{1.2.1\text{-}1.2.7}$. These hypotheses are also supported by various studies (Denison, 1984; Denison et al., 2004; Denison & Mishra, 1995; Denison & Neale, 1996; Franck, 2005; Liu, 2006).

Further examination of the seven *leadership tasks* constructs showed that *developing human capital* was the leading task performed by leaders (estimate = 0.551; $p < 0.001$) followed by *setting organisational direction* (estimate = 0.494; $p < 0.001$) and *building core competencies* (estimate = 0.492; $p < 0.001$).

The fourth most influential construct was *creating organisational alignment* (estimate = 0.466; $p < 0.001$), followed by *managing change* (estimate = 0.438; $p < 0.001$) and *sustaining appropriate organisational culture* (estimate = 0.420; $p < 0.001$). *Balanced organisational control* construct was found to be the least important tasks performed by leaders.

From the results, it can be concluded that the more the bank leadership ensured it built core competencies, set organisational direction and developed human capital, the more effective it would be, an argument also supported by numerous studies (Amos, 2012; Collins & Porrass, 1996; Hitt, Ireland & Hoskisson, 2001; Samson & Daft, 2012; Stacey, 1993). The importance of paying specific attention to building core competencies and developing human capital is supported by numerous studies (such as Denison & Fey, 2003; Franck, 2005; Liu, 2006; Amos, 2012). According to Hitt et al. (2001:501), core competencies and human capital development are the most important source of sustainable competitive advantage for an organisation. Amos (2012:252) has further emphasised that focusing on developing human capital leads to value creation in an organisation.

8.10.1.3 Sub-model 1: Leadership competencies and leadership tasks

Before assessing the relationship between *leadership competencies* and *leadership tasks* categories (both latent constructs) it was necessary to examine if the proposed measurement and structural model represented acceptable approximation of the data. This was done using the goodness-of-fit indices and was made up of *leadership competencies* and *leadership tasks* categories. As noted earlier, identical goodness-of-fit assessment was based on a single direct relationship between constructs (Hair et al., 2006:847). In this case, the relationship was between the *leadership competencies* and *leadership tasks* categories. As dealt with in the previous Sub sub-models in section 8.10.1.1, it was assumed that *leadership competencies* which was made up three constructs, namely *strategic thinking* (Strat_T), *emotional intelligence (Emot_Int)* and *transformational leadership* (Tran_L), influenced *leadership tasks* category (dealt with in section 8.10.1.2) which was made up of seven constructs resulting from the factor analysis test. These

were: *set organisational direction (Sod), develop human capital* (Cap*), build core competencies* (Cor), *create organisational alignment* (Ali), *manage change* (Cha), *sustain appropriate culture* (Sus) and *balance organisational control* (Bal). The revised model and path diagrams signifying the structural relationships as hypothesised in the first set of hypotheses (H^{1} and sub-hypotheses $H^{1.1}$ - $H^{1.2}$), stated in Table 8.45 and as reported on in the previous sections 8.10.1.1 and 8.10.1.2 are shown in Figure 8.7.

The revised hypotheses are stated in Table 8.45.

Figure 8.7: Path diagram of structural relationships between Leadership competencies and Leadership tasks categories

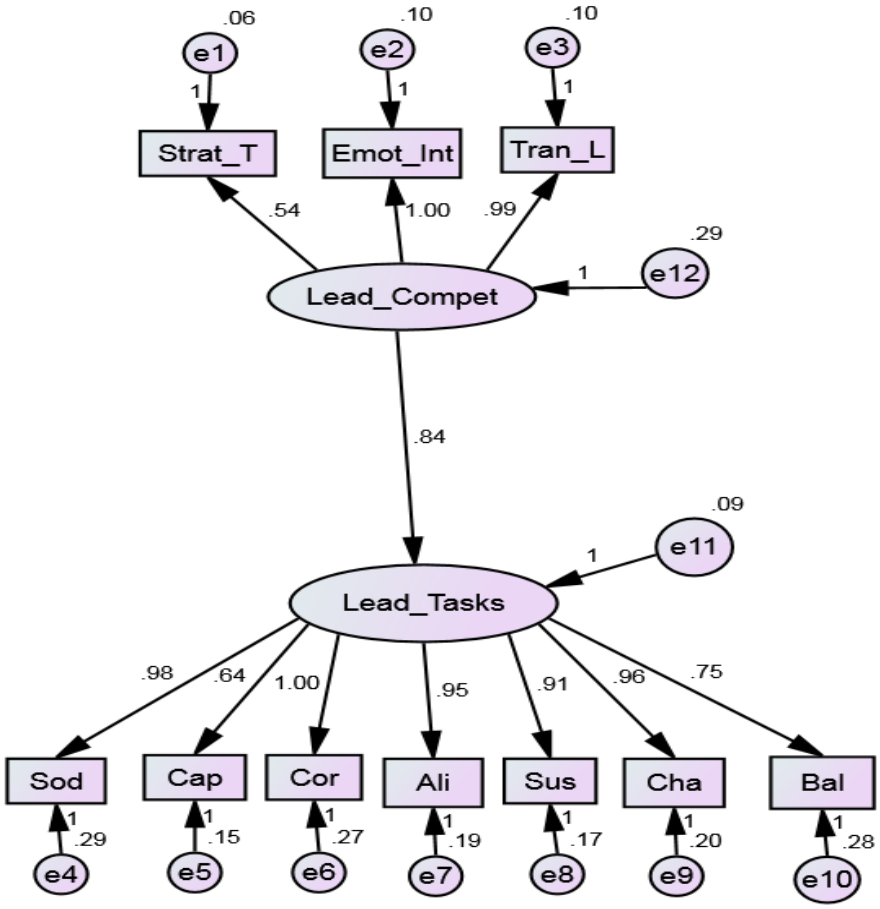


Table 8.61 defines the structural and measurement sub-model *leadership competencies* and *leadership tasks.*

Table 8.61: Definition of structural and measurement sub-model Leadership competencies and leadership tasks

Structural sub-model	
Categories	**Constructs**
Leadership competencies	Strategic thinking, Emotional intelligence, Transformational leadership
Leadership tasks	Set organisational direction, Develop human capital, Build core competencies, Create organisational alignment, Sustain appropriate organisational culture, Manage change, Balanced organisational control
Measurement model	
Constructs:	**Measured or observed sub-constructs/ items**
Leadership competencies (LC):	
Strategic thinking (ST)	Strat_T
Emotional intelligence (EM)	Emot_Int
Transformational leadership(TL)	Tran_L
Constructs: Leadership tasks (LT):	
Set organisational direction (Sod)	Sod1, Sod2, Sod3, Sod4, Sod5, Sod6
Develop human capital(Cap)	Cap1, Cap2, Cap3, Cap4, Cap5
Build core competencies(Cor)	Cor3, Cor4, Cor5
Create organisational alignment(Ali)	Ali1, Ali2, Ali3, Ali4, Ali5
Sustain appropriate organisational culture (Sus)	Sus1, Sus2, Sus3, Sus4, Sus5
Manage change(Cha)	Cha2, Cha3, Cha4, Cha5
Balanced organisational control(Bal)	Bal2, Bal3, Bal4, Bal5

a) Goodness of fit

The results of goodness-of-fit indices for structural emotional intelligence sub-model are shown in Table 8.62 and Figure 8.7.

Table 8.62: Goodness-of-fit indices for the structural sub-model Leadership competencies and tasks

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_X^2$/degree of freedom) (CMIN/DF)	2.155
The Root Mean Square Error of Approximation (RMSEA)	0.067
Goodness-of-fit indices (GFI)	0.945
Comparative fit index (CFI)	0.971

Table 8.62 above indicates that a CMIN/DF value of 2.155 ranged between 2.0 and 0.5 and was therefore considered a good fit. The RMSEA value of 0.067 was less than 0.080 and was within acceptable fit (Grimm & Yarnald, 2000; Hair et al., 1998). The GFI value of 0.945 was between 0.91 and 0.95 was therefore termed as very good fit (Ghazali et al., 2013). Finally, the CFI value of 0.971 showed a very good fit. The results indicated that three of the four tests were good or very good. This meant that the sub-model fitted well and can be said to have a good fit. The results further indicated that the proposed hypothesis (H^1) was supported.

b) Hypothesised relationship

The hypothesised relationship between the *leadership competencies* and *leadership tasks* categories based on the SEM analyses showing the parameters and the p-values are shown in Table 8.63 and in Figure 8.9.

Table 8.63: Structural model parameter estimates and p-values of Leadership competencies and tasks

		Estimates	S.E	C.R	P
Leadtasks	**<--Leadcompet**	**0.842**	**0.076**	**11.059**	***
Strategic thinking	<--Leadcompet	0.537	0.039	13.735	***
Emotional intelligence	<--Leadcompet	1.000			***
Transformation leadership	<--Leadcompet	0.991	0.060	16.418	***
Set organisational direction	<--Leadtasks	0.977	0.092	10.645	***
Develop human capital	<--Leadtasks	0.642	0.063	10.246	***
Build core competence	<--Leadtasks	1.000			***
Create organisational alignment	<--Leadtasks	0.946	0.081	11.674	***
Sustain appropriate culture	<--Leadtasks	0.907	0.087	11.690	***
Manage change	<--Leadtasks	0.964	0.083	11.617	***
Balance org. control	<--Leadtasks	0.745	0.081	9.201	***

***P<0.001

From Table 8.63 it is evident that *leadership competencies* category (independent latent variable) significantly influences *leadership tasks* category (dependent latent variable, (estimate: 0.842, $p < 0.001$). Similarly, there was a positive relationship between *leadership competencies* construct and its sub-constructs as demonstrated by the three constructs, namely *strategic thinking* (estimate: 0.537, $p < 0.001$), *emotional intelligence* (estimate: 1.000, $p < 0.001$) and *transformational leadership* (estimate: 0.991, $p < 0.001$).

The results showed that *emotional intelligence competency* construct was considered the most significant followed by *transformational leadership competency* construct while *strategic thinking competency* was the least significant. This is line with prevailing literature that sees the three as critical to leadership and organisational effectiveness (Amos, 2012; Bass, 1981; Goleman, 1999, 2001; Hitt et al., 1997; Kaiser et al., 2008; Kubicek, 2011).

On the other hand, there was a positive relationship between *leadership tasks* category, and its associated constructs. The main tasks conducted by leaders were to *building core competence* (estimate: 1.000, $p < 0.001$), *set organisational direction* (estimate: 0.977, $p < 0.001$) and *manage change* constructs (estimate: 0.964, $p < 0.001$) respectively. In order of importance the other *leadership tasks* constructs were: *creating organisational alignment* (estimate: 0.946, $p < 0.001$), *sustaining appropriate culture* (estimate: 0.907, $p < 0.001$), *balancing organisational control* (estimate: 0.745, $p < 0.001$); *developing human capital* (estimate: 0.642, $p < 0.001$) and The importance of these tasks is supported by scholars who see them as critical to leadership effectiveness (Amos, 2012; Hitt, Ireland & Hoskisson, 1997; Ireland, Hoskisson & Hitt, 2011; Noe, Hollenbeck, Gerhart & Wright, 2000).

To summarise, as shown in Table 8.63, there were significant positive relationships ($p < 0.001$) between all constructs measuring the relationship between *leadership competencies* and *leadership tasks.* The findings provide support for H^1.

In terms of specific tasks influenced by leadership competencies, all tasks identified in both the factor analyses and reliability tests were found to be appropriate and having high positive estimates.

8.10.2 Leadership competencies and Leadership effectiveness models

The findings pertaining to the second objective of this study, aimed at establishing the hypothesised relationship between *leadership competencies* and *leadership effectiveness,* will be discussed in this section. The assumption was that *leadership competencies*

category influenced *leadership effectiveness*, of which the latter was made up of three sub-constructs namely *influence* (Inf), *follower commitment* (Fol), and *versatility* (Ver). However, before this relationship can be discussed, it is necessary to firstly examine the relationship between *leadership effectiveness* construct and its sub-constructs in the next section.

8.10.2.1 Sub-model 2.1: Relationship between Leadership effectiveness and its sub-constructs

The hypothesised relationships between *leadership effectiveness* and its sub-constructs are assessed in this section. The hypothesised relationship is indicated as $H^{2.1.1\text{-}2.1.3}$ and the path diagram of structural relationships as shown in Figure 8.8.

The revised hypotheses are presented in Table 8.45

Figure 8.8: Path diagram of structural relationships on leadership effectiveness and its sub-constructs

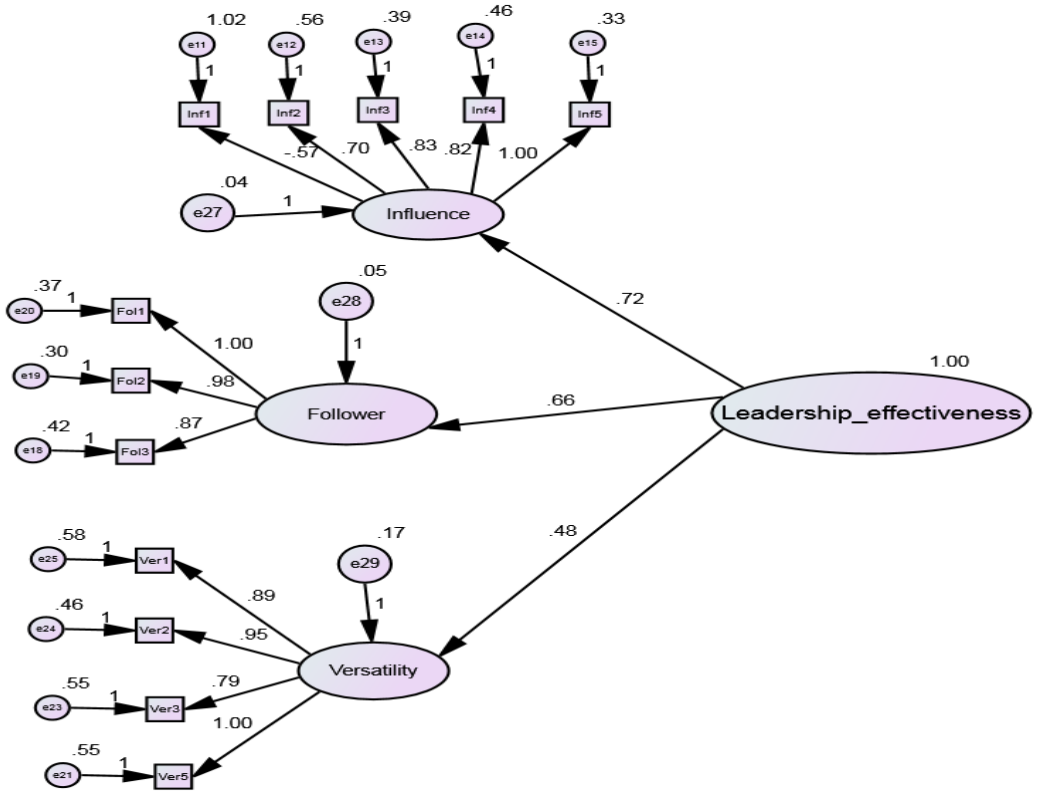


Table 8.64 defines the structural and measurement sub-model leadership effectiveness.

Table 8.64: Definition of structural and measurement sub-model Leadershipeffectiveness and its constructs

Structural model	
Construct	**Sub-constructs**
Leadership effectiveness	Influence, Follower commitment, Versatility
Measurement model	
Sub-constructs	**Measured or observed measuring items**
Influence	Inf1, Inf2, Inf3, Inf4, Inf5
Follower commitment	Fol1, Fol2. Fol3
Versatility	Ver1, Ver2, Ver3, Ver5

(a) Goodness-of-fit

The goodness-of-fit indices for the sub-model *leadership effectiveness* and its constructs indicated that there was a good fit between the proposed measurement and structural sub-model. These therefore represented acceptable approximation of the data as shown in Figure 8.8 and Table 8.65.

Table 8.65: Goodness-of-fit indices for the structural model Leadership effectiveness and its constructs

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square (χ^2/degree of freedom) (CMIN/DF)	2.671
The Root Mean Square Error of Approximation (RMSEA)	0.081
Goodness-of-fit index (GFI)	0.924
Comparative fit index (CFI)	0.921

From Table 8.65, it is notable that the CMIN/DF value was 2.671 which signified a good fit between data and the sub-model. According to Hooper et al. (2008) and Wheaton et al. (1997), a value between 2.0 and 5.0 indicates a good fit. The RMSEA value of the other hand was 0.081 was slightly higher than the accepted fit of between 0.61 and 0.08 indicating a poor fit (Grimm & Yarnold, 2000). The GFI value of 0.924 was between 0.90 and 0.95 and was therefore considered to be very good fit (Ghazali et al., 2013). Finally, the CFI value of 0.921 was greater than 0.90 and was termed as very good (Hair et al., 2006) and well fitting (Byrne, 1998; Hooper et al., 2008; Hu & Bentler, 1999).

From the result of analysis, it is evident that three of the tests (CMIN/DF, GFI and CFI) were successful while one (RMSEA) failed the test. All the three tests had good fit thereby indicating a goodness-of-fit between the sub-model and approximation of the data (Jaccard & Wan, 1996:87). It can therefore be concluded that the results were good and agree with goodness-of-fit criteria.

(b) Hypothesised relationship

The hypothesised relationship between the *leadership effectiveness* construct and its sub-constructs (*influence, follower commitment* and *versatility*) was confirmed by use of SEM. The results derived from SEM analyses and showing the parameters and the p-values are shown in Table 8.66 and in Figure 8.8.

Table 8.66: Structural model parameter estimates and p-values for Leadership effectiveness and its constructs

	Estimates	S.E	C.R	P
Leadeff <---- Influence	0.717	0.056	12.747	***
Leadeff <---- Follower commitment	0.664	0.056	11.850	***
Leadeff <---- Versatility	0.483	0.058	8.372	***

***P<0.001

The results from Table 8.66 indicated that there was a positive relationship ($p < 0.001$) between the *leadership effectiveness* construct and its sub-constructs and therefore the finding support for sub-hypotheses $H^{2.1.1-2.1.3}$.

The results shown in Table 8.66 also indicate that influence sub-construct had the greatest influence as a measure of *leadership effectiveness* (estimate = 0.717; $p < 0.001$) and therefore finding support for Hypothesis $H^{2.1.1}$. The second most important leadership effectiveness sub-construct influencing *leadership effectiveness* is *follower commitment* (estimate = 0.664; $p < 0.001$) and supports hypothesis $H^{2.1.2}$. Finally, *versatility* sub-construct had positive influence on *leadership effectiveness* construct (estimate = 0.483; $p < 0.001$) and therefore finding support for $H^{2.1.3}$.

The support for *influence*, *follower commitment* and *versatility* sub-constructs as important measures of *leadership effectiveness* construct is also found in other studies such as those done by Green (2010) and NCRVE (1994). The results meant that the more bank leaders exercised their influence, ensured follower commitment and versatility (the leadership ability to be consulted by others due to expertise), the more effective they would become. The findings are further supported by other scholars who argue that *leaders' influence, follower commitment* and *versatility* are major determinants of whether leaders are effective or not and the kind of results to expect (Bass & Avolio, 2004; Green, 2010; Judge & Bono, 2000; Samson & Daft, 2012). The findings were also in agreement with Green (2010) who argues that leaders who influence their employees and gain their commitment are able to impact the whole organisations. The effect of such influence is commitment from all corners of the organisations leading to members support for overall organisational goal achievement. In support of this argument, Norma (1997) defined leadership effectiveness a process where leaders influence other people's behaviour in order to increase the probability of attaining organisational goals. If done well, this leads to great bank effectiveness, an argument also supported by Green (2010). In the next section, the relationship between *leadership competencies* and *leadership effectiveness* is examined.

8.10.2.2 Sub-model 2: Relationship between Leadership competencies and Leadership effectiveness

Before assessing the relationship between *leadership competencies* category and *leadership effectiveness* construct, it was necessary to examine if the proposed measurement and structural model were good presentation of approximation of the data. To do this, the goodness-of-fit indices test was conducted for *Leadership competencies* and *leadership effectiveness* constructs. It is also notable that the identical goodness-of-fit assessment was based on a single direct relationship between constructs (Hair et al., 2006:847). The relationship in this case was between the *leadership competencies* and *leadership effectiveness.* The assumption was that *leadership competencies* which was composed of three constructs, namely *strategic thinking* (Strat_T), *emotional intelligence (*Emot_Int) and *transformational leadership* (Tran_L) influence *leadership effectiveness*

which was made up of three sub-constructs (*influence* (Inf), *follower commitment* (Fol) and *versatility* (Ver)).

The hypothesised relationships between *leadership competencies* and *leadership effectiveness* are assessed in this section and indicated as H^2 and the path diagram of structural relationships shown in Figure 8.9 and Table 8.45. The results further indicated that the proposed hypothesis (H^2) was supported. The hypothesis as outlined in Table 8.45, pertinent to this sub-model is stated as follows:

H^2: *Leadership competencies* influences *Leadership effectiveness*

Figure 8.9: Path diagram of structural relationships between leadership competencies and Leadership effectiveness

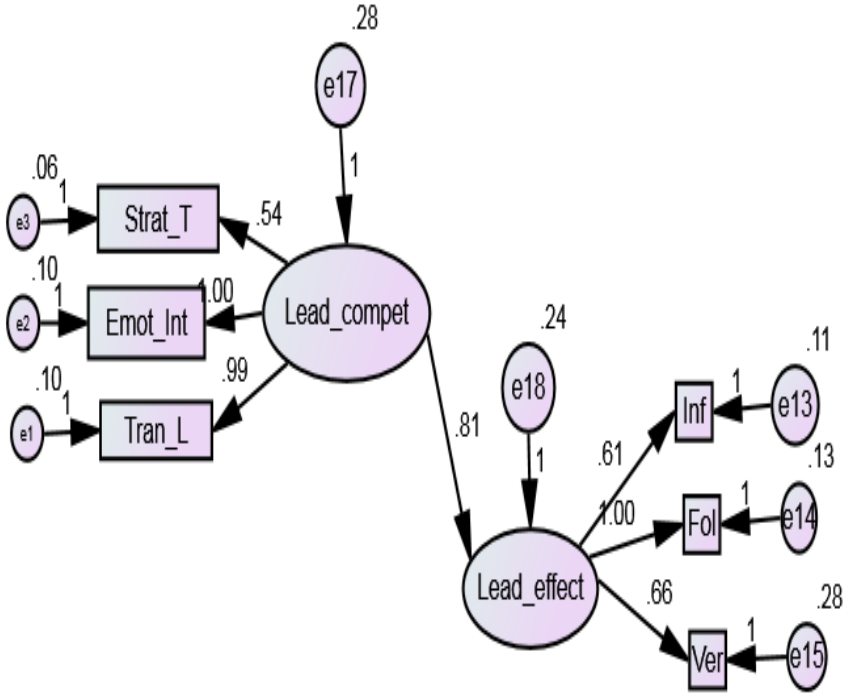


Table 8.67 defines the structural and measurement sub-model leadership competencies and leadership effectiveness.

Table 8.67: Definition of structural and measurement sub-model Leadership competencies and leadership effectiveness

Structural model	
Category:	**Constructs**
Leadership competencies	Strategic thinking, Emotional intelligence, Transformational leadership
Leadership effectiveness competencies	Influence, Follower commitment, Versatility
Measurement model	
Constructs:	**Measured or observed sub-constructs/ items**
Leadership competencies (LC):	
Strategic thinking (ST)	Strat_T
Emotional intelligence (El)	Emot_Int
Transformational leadership(TL)	Tran_L
Leadership effectiveness (LE)	**Measured or observed sub-constructs/ items**
	Inf1, Inf2, Inf3, Inf4, Inf5
	Fol1, Fol2. Fol3
	Ver1, Ver2, Ver3, Ver5

a) Goodness-of-fit

The goodness-of-fit results for *leadership competencies* and *leadership effectiveness* sub-model which represented acceptable approximation of the data are shown in Figure 8.9 and Table 8.68.

Table 8.68: Goodness-of-fit indices for the structural model Leadership competencies and Leadership effectiveness

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_X^2$/degree of freedom)	1.704
The Root Mean Square Error of Approximation (RMSEA)	0.052
Goodness-of-fit index (GFI)	0.982
Comparative fit index (CFI)	0.992

Table 8.68 shows that there was a very good level of fitness arising from the different tests conducted. The CMIN/DF value of 1.704 signified a very good fit between the data and the sub-model (Politis, 2003; Tabachnik & Fidell, 2007). The RMSEA value was

0.052 which signified a good fit. The GFI value of 0.982 indicated a very good fit (Hu & Bentler, 1999). Likewise, The CFI value of 0.992 showed a very good fitting model (Hooper et al., 2008). From the results, the four tests (CMIN/DF, GFI and CFI) indicated good fit to very good fit. This showed that the structural sub-model and the measurement agreed with acceptable data approximation. This also denoted a strong relationship between *leadership competencies* and *leadership effectiveness*.

b) Hypothesised relationship

In order to establish the hypothesised relationship between *leadership competencies* category and *leadership effectiveness* construct, SEM analysis was conducted. The results of the analysis indicating the parameters and the p-values are shown in Table 8.69 and in Figure 8.9.

Table 8.69: Structural model parameter estimates and p-values for Leadership competencies and Leadership effectiveness

		Estimates	S.E	C.R	P
Lead_effect	**<---- Lead_compet**	**0.809**	**0.084**	**9.666**	*******
Tran_L	<---- Lead_compet	0.992	0.065	15.268	***
Emot_Int	<---- Lead_compet	1.000			***
Strat_T	<---- Lead_compet	0.544	0.040	13.452	***
Inf	<---- Lead_compet	0.612	0.051	12.052	***
Fol	<---- Lead_compet	1.000			
Ver	<---- Lead_compet	0.660	0.660	9.963	***

***p<0.001

Table 8.69 shows a strong a positive relationship ($p < 0.001$) between all the leadership competencies and leadership effectiveness construct. From these results, it is evident that all the *leadership competencies* constructs (*strategic thinking, emotional intelligence* and *transformational leadership*) were important and significant ($p < 0.001$) to leadership effectiveness. The resultant findings support hypotheses H^2.

In order of influence, *emotional intelligence* construct (estimate = 1.000; $p < 0.001$) had the greatest influence on *leadership effectiveness* followed by *transformational leadership* construct (estimate = 0.992; $p < 0.001$) and *strategic thinking* construct

(estimate = 0.544; $p < 0.001$). The results of the analysis indicated that the *leadership competencies* category influenced *leadership effectiveness* construct. This meant that for leaders to be effective, *emotional intelligence, transformational leadership and strategic thinking* are critical. Other similar studies have supported this finding and emphasis the need for leaders with the right competencies (Avolio & Bass, 2004; Hayward, 2005; Howell & Hall-Marenda, 1999; Rowe, 2007; Samson & Daft, 2012).

8.10.2.3 Sub model 3: Leadership tasks and leadership effectiveness

Prior to assessing the relationship between *leadership tasks* category and *leadership effectiveness* construct, it was important to examine if the proposed measurement and structural model were good presentation of approximation of the data. To do this, the goodness-of-fit indices test was conducted for *leadership tasks category* and *leadership effectiveness* constructs. The identical goodness-of-fit assessment was based on a single direct relationship between constructs (Hair et al., 2006:847). The relationship in this case was between the *leadership tasks category* and *leadership effectiveness construct.*

Further to establishing the relationship between *leadership tasks* category and *Leadership effectiveness* construct, SEM was used for analysis. The hypothesised relationships between *leadership tasks* and *leadership effectiveness* are assessed in this section.
The hypothesis as outlined in Table 8.45, pertinent to this sub-model is stated as follows:

H^3: *Leadership tasks* influences *Leadership effectiveness*

Figure 8.10: Path diagram of structural relationships between Leadership tasks and Leadership effectiveness

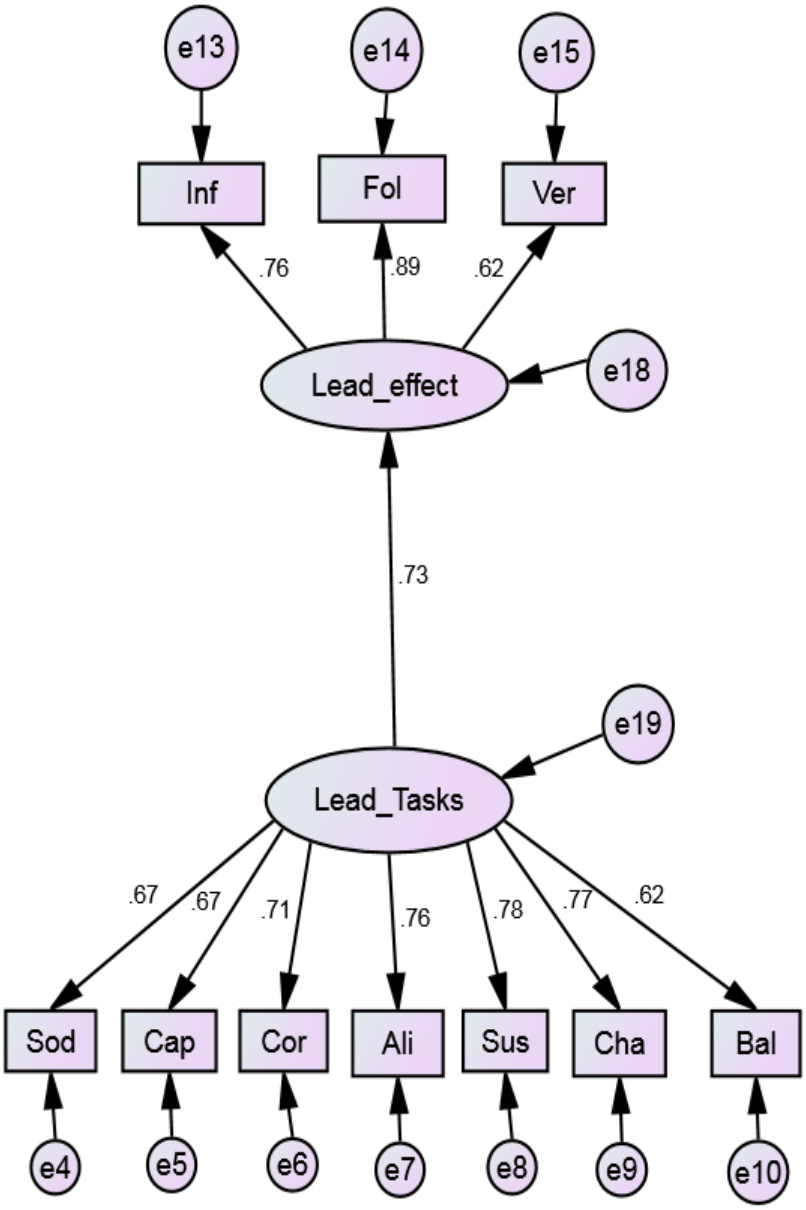


Table 8.70 defines the structural and measurement sub-model Leadership competencies and Leadership effectiveness.

Table 8.70: Definition of structural and measurement sub-model for Leadership tasks and Leadership effectiveness

Structural sub-model	
Categories	**Constructs**
Leadership tasks	Set organisational direction, Develop human capital, Build core competencies, Create organisational alignment, Sustain appropriate organisational culture, Manage change, Balanced organisational control
Leadership effectiveness	Influence, Follower commitment, Versatility
Measurement model	
Constructs	**Measured or observed sub-constructs/items**
Leadership tasks (LC)	Sod, Cap, Cor, Ali, Sus, Cha, Bal
Leadership effectiveness (LE)	Inf, Fol, Ver

a) Goodness-of-fit

The goodness-of-fit indices for the path diagram of structural relationships between the *leadership tasks* category and *leadership effectiveness* construct are shown in Table 8.71.

Table 8.71: Goodness-of-fit indices for the structural model for Leadership tasks category and Leadership effectiveness

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_x^2$/degree of freedom)	2.027
The Root Mean Square Error of Approximation (RMSEA)	0.063
Goodness-of-fit index (GFI)	0.948
Comparative fit index (CFI)	0.970

Table 8.71 shows that there was good fit from all tests conducted thereby indicating existence of relationship between *leadership tasks* category and *leadership effectiveness* construct. The CMIN/DF value of 2.027 denoted a good fit as it ranged between 2 and 5 and therefore signifying a good fit between the data and the sub-model (Hu & Bentler, 1999; Politis, 2003; Tabachnik & Fidell, 2007). The RMSEA value of 0.063 indicated an acceptable fit while GFI value of 0.948 showed a very good fit (Hu & Bentler, 1999). Likewise, the CFI value of 0.970 indicates that the sub-model fitted very well (Hooper et al., 2008). From the results, it is notable that three of the four tests (CMIN/DF, GFI and

CFI) had scores ranging from good fit to very good fit. The results demonstrated clearly that the structural sub-model and the measurement agreed with acceptable data approximation. This meant that there was a strong relationship between *leadership tasks* category and *leadership effectiveness* construct. That is, there existed a strong relationship between the tasks performed by leaders and their effectiveness.

b) Hypothesised relationship

In order to establish the hypothesised relationship between *leadership tasks* and *leadership effectiveness* constructs, SEM analysis was conducted. The results of the analysis indicating the parameters and the p-values are shown in Table 8.72 and Figure 8.10.

Table 8.72: Structural model parameter estimates and p-values

		Estimates	**S.E**	**C.R**	**P**
Lead_effect	<----Lead_tasks	0.919	0.094	9.830	***
Sod	<----Lead_tasks	0.951	0.095	10.003	***
Cor	<----Lead_tasks	1.000			
Cap	<----Lead_tasks	0.649	0.065	10.009	***
Ali	<----Lead_tasks	0.958	0.084	11.368	***
Sus	<----Lead_tasks	0.940	0.081	11.624	***
Cha	<----Lead_tasks	0.990	0.086	11.456	***
Bal	<----Lead_tasks	0.782	0.084	9.343	***
Inf	<----Lead_tasks	0.599	0.047	12.634	***
Fol	<----Lead_tasks	1.000			
Ver	<----Lead_tasks	0.641	0.064	10.075	***

***p<0.001

Table 8.72 shows a strong a positive relationship ($p < 0.001$) between leadership tasks category and leadership effectiveness construct. From these results, it is evident that all the *leadership tasks* (*set organisational direction, develop human capital, build core competencies, create organisational alignment, manage change, sustain appropriate culture* and *balanced organisational control*) were important and significant ($p < 0.001$) for leadership effectiveness to be attained by leaders. Likewise, leadership effectiveness sub-constructs showed significant and positive relationships. The results therefore find support for hypotheses H^3.

In order of significance level, *building core competence* construct (estimate = 1.000; $p < 0.001$) had the greatest influence on *leadership effectiveness* followed by *manage change* (estimate = 0.990; $p < 0.001$), *create organisational alignment* (estimate = 0.958; $p < 0.001$) and *set organisational direction* (estimate = 0.951; $p < 0.001$). Other important tasks in order of importance were *sustain appropriate organisational culture* (estimate = 0.940; $p < 0.001$) and *balanced organisational control* (estimate = 0.782; $p < 0.001$) and lastly *develop human capital* (estimate = 0.649 $p < 0.001$). In terms of *leadership effectiveness* sub-constructs being influenced by *leadership tasks* category, *follow commitment* (estimate = 1.000; $p < 0.001$) ranked the most important, followed by *versatility* (estimate = 0.641; $p < 0.001$) and *Influence* (estimate = 0.599; $p < 0.001$) respectively. Again the findings find support for H^3.

Upon analysis of the relationship between *leadership tasks* category and *leadership effectiveness* construct, the results indicated existence of a relationship. This meant the tasks performed by leaders were very important and influenced their effectiveness. It is also important that to point out that such effectiveness can only be attained when there is *follower commitment,* strong leadership *versatility* and *influence*. The findings are in agreement with similar studies that show that the tasks performed by leaders and their followers determine leadership effectiveness for organisations (Amos, 2012; Bartol et al., 2003; Higgins, 2005; Ireland et al., 2011; Rumelt, 2011; Thompson, 2002).

8.10.2.4 Sub model 4: Leadership competencies and Leadership tasks influences Leadership effectiveness where Leadership competencies influences Leadership tasks

As indicated previously, the *leadership competencies* category influenced *leadership tasks* category (see Section 8.10.1.3). In this section, it is hypothesised that both *leadership competencies* and *leadership tasks* categories influenced *leadership effectiveness* where *leadership competencies* influences *leadership tasks*. The results of the tests showed that a strong relationship exists between *leadership competencies* and *leadership tasks* categories which in turn influence *leadership effectiveness* construct.

The hypothesis as outlined in Table 8.45, pertinent to this sub-model is stated as follows:

H^4: *Leadership competencies* and *Leadership tasks* influences *Leadership effectiveness* where *Leadership competencies* influences *Leadership tasks*

The relationship is presented by H^4 and in path diagram of structural relationships shown in Figure 8.11.

The revised hypotheses are stated in Table 8.45.

Figure 8.11: Path diagram of structural relationships between Leadership competencies and Leadership tasks influences Leadership effectiveness where Leadership competencies influences Leadership tasks

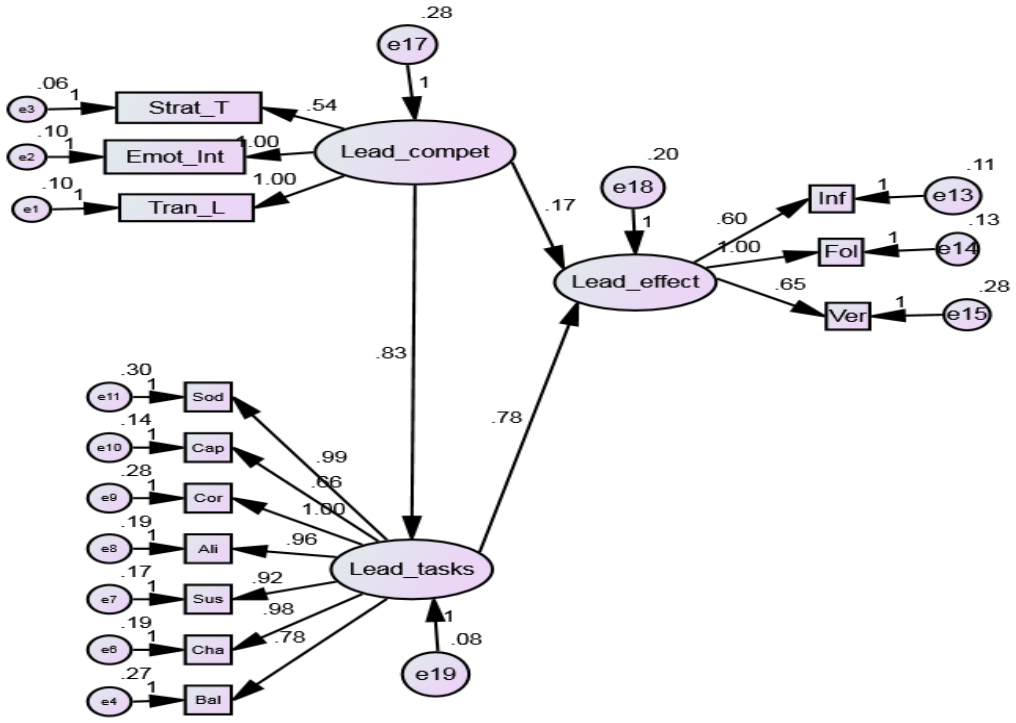


Table 8.73 defines the structural and measurement sub-model *Leadership competencies* and *leadership tasks* influences *leadership effectiveness* where *leadership competencies* influence *leadership tasks.*

Table 8.73: Definition of structural and measurement sub-model for Leadership competencies and Leadership tasks influence on Leadership effectiveness

Structural sub-model	
Categories	**Constructs**
Leadership competencies	Strategic thinking, Emotional intelligence, Transformational leadership
Leadership tasks	Set organisational direction, Develop human capital, Build core competencies, Create organisational alignment, Sustain appropriate organisational culture, Manage change, Balanced organisational control
Leadership effectiveness	Influence, Follower commitment, Versatility
Measurement model	
Constructs	**Measured or observed constructs/sub constructs**
Leadership competencies	Strat_T, Emot_Int, Tran_L
Leadership tasks	Sod, Cap, Cor, Ali, Sus, Cha, Bal
Leadership effectiveness	Inf, Fol, Ver

a) Goodness-of-fit

The goodness-of-fit indices for the path diagram of structural relationships for the *leadership competencies* and *leadership tasks* categories and their influence on *leadership effectiveness* construct are shown in Table 8.74.

Table 8.74: Goodness-of-fit indices for the structural model for Leadership competencies and Leadership tasks categories and their influence on Leadership effectiveness

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_x^2$/degree of freedom)	1.850
The Root Mean Square Error of Approximation (RMSEA)	0.058
Goodness-of-fit index (GFI)	0.936
Comparative fit index (CFI)	0.970

As shown in Table 8.74, the goodness-of-fit indices gave very good results thereby denoting that a strong relationship existed between *leadership competencies* and *leadership tasks* categories in relation to *leadership effectiveness* construct. The CMIN/DF value of 1.850 denoted a very good fit as it ranged between 0 and 2. This meant that there was a very good fit between the data and the sub-model (Hu & Bentler,

1999; Politis, 2003; Tabachnik & Fidell, 2007). The RMSEA value of 0.058 indicated a good fit while GFI value of 0.936 and CFI value of 0.970 indicated very good fit (Hooper et al., 2008; Hu & Bentler, 1999). From the results, it is clear that all tests (CMIN/DF, GFI and CFI) scores ranging from good fitted to very good fit. From the results, it can be concluded that the proposed measurement and structural sub-model showed acceptable approximation of the data and the sub-model.

b) Hypothesised relationship

In order to establish the hypothesised relationship between *leadership competencies* and *leadership tasks* and their influence on *leadership effectiveness* constructs, SEM analysis was conducted. The results based on the SEM analyses showing the parameters and the p-values, are shown in Table 8.75 and in Figure 8.11.

Table 8.75: Structural model parameter estimates and p-values for Leadership competencies and Leadership tasks categories and their influence on Leadership effectiveness

		Estimates	S.E	C.R	P
Lead_tasks	**<----Lead_compet**	**0.833**	**0.077**	**10.891**	*******
Lead_effect	**<----Lead_compet**	**0.166**	**0.159**	**1.046**	**0.296**
Lead_effect	**<----Lead_tasks**	**0.778**	**0.167**	**4.648**	*******
Trans_L	<----Lead_compet	1.000			***
Emot_L	<---- Lead_compet	1.002	0.061	16.476	***
Strat_T	<---- Lead_compet	0.541	0.039	13.769	***
Sod	<---- Lead_tasks	0.991	0.094	10.495	***
Cor	<---- Lead_tasks	1.000			
Cap	<---- Lead_tasks	0.657	0.064	10.208	***
Ali	<----Lead_tasks	0.958	0.083	11.473	***
Sus	<----Lead_tasks	0.923	0.080	11.543	***
Cha	<---- Lead_tasks	0.985	0.086	11.512	***
Bal	<----Lead_tasks	0.776	.0830	9.345	***
Inf	<----Lead_tasks	0.603	0.047	12.730	***
Fol	<----Lead_tasks	1.000			
Ver	<----Lead_tasks	0.652	0.064	10.235	***

***p<0.001

Table 8.75 shows a significant positive relationship ($p < 0.001$) between *leadership competencies* and *leadership tasks* categories which in turn influenced *leadership effectiveness* (estimate = 0.833; $p < 0.001$) (See Figure 8.13). However there was no significant relationship between *leadership competencies* and *leadership effectiveness* (estimate = 0.166; $p = 0.296$). There was also a significant positive relationship between *leadership tasks* category and *leadership effectiveness* construct (estimate = 0.778; $p < 0.001$). The findings showed that there was a strong relationship between *leadership competencies* and *leadership tasks;* and between *leadership task* and *leadership effectiveness*. However, no significant relationship was indicated between *leadership competencies* and *leadership effectiveness*.

The results indicate that *leadership competencies* influenced how the *leadership tasks* are performed. However, *leadership competencies* did not directly influence *leadership effectiveness*. *Leadership effectiveness* was influenced by *leadership tasks* which in turn were influenced by *leadership competencies*. These have shown that despite the lack of direct relationship between *leadership competencies* and *leadership effectiveness*, there was significant positive relationship between *leadership competencies* and *leadership tasks* categories which in turn influenced *leadership effectiveness* construct. The findings provide support for hypotheses H^4. The findings are in agreement with other similar studies that support the existence of the relationships (Amos, 2012; Ashkanasy et al., 2000; Barney, 1991; Collis & Montgomery, 1998; Goleman, 1998; Goleman et al., 2002; Hayward, 2005; Hogan & Warrenfeltz, 2003; Jones, 2008; Laan, 2010; Mckee, 2005; Mogamad, 2010; Samson & Daft, 2012).

8.10.3 Sub-model 5: Relationship between Leadership effectiveness and Organisational effectiveness

The fourth objective of this study aimed at establishing the relationship between *leadership effectiveness* and *organisational effectiveness*. The results of the tests indicate that there existed a strong relationship between *leadership effectiveness* constructs and *organisational effectiveness* construct. From the analysis it was evident that *leadership effectiveness* construct influence *organisational effectiveness* construct. The study has

indicated that effective leadership leads to organisational effectiveness. It is therefore hypothesised that *leadership effectiveness* construct influences *organisational effectiveness* construct and therefore agree with the study objective stated above. The hypothesised relationship is presented by H^5 and Figure 8.12, as is stated as follows:

H^5: Leadership effectiveness influences Organisational effectiveness

The revised hypothesis is stated in Table 8.45.

Figure 8.12: Path diagram of structural relationships between leadership effectiveness and organisational effectiveness

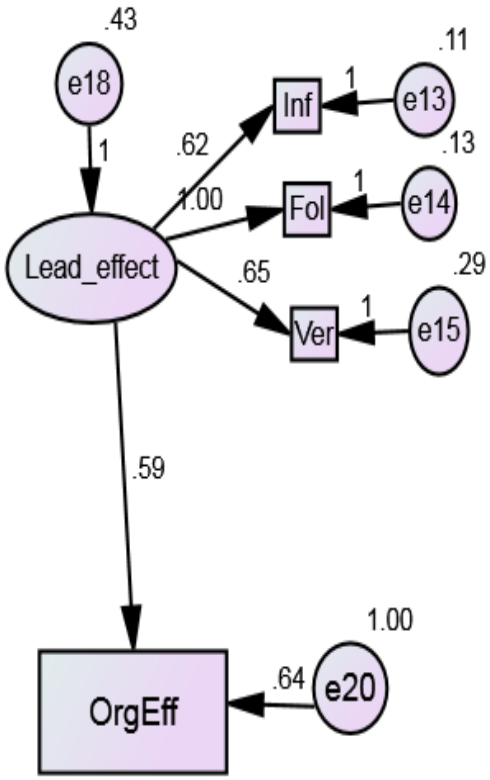


Table 8.76 defines the structural and measurement sub-model Leadership effectiveness and Organisational effectiveness

Table 8.76: Definition of structural and measurement sub-model for Leadership effectiveness and Organisational effectiveness

Structural sub-model	
Construct	**Sub-constructs**
Leadership effectiveness	Influence, Follower commitment, Versatility
Organisational effectiveness	Productivity, Sales/revenue, growth, Quality product and services, Operation efficiency, Innovativeness and adaptability, Profitability, Performance stability, Market share, Employee satisfaction and commitment
Measurement model	
Constructs	**Measured or observed sub-constructs/items**
Leadership effectiveness (LE)	Inf, Fol, Ver
Organisational effectiveness(OE)	Eff1, Eff2, Eff3, Eff4, Eff5, Eff6, Eff7, Eff8, Eff9

8.10.3.1 Goodness-of-fit

The goodness-of-fit tests were aimed to establish the goodness-of-fit indices for the *leadership effectiveness* construct and *organisational effectiveness* construct. It was hypothesised that *leadership effectiveness* influenced *organisational effectiveness* (See Figure 8.12). The results of the goodness-of-fit indices tests are shown in Table 8. 77.

Table 8.77: Goodness-of-fit indices for the structural model for Leadership effectiveness and Organisational effectiveness

Goodness-of-fit measure	**Criteria**
Sample size	257
Normed Chi-square ($_X^2$/degree of freedom)	1.533
The Root Mean Square Error of Approximation (RMSEA)	0.046
Goodness-of-fit index (GFI)	0.994
Comparative fit index (CFI)	0.997

As shown in Table 8.77, the goodness-of-fit indices showed very good results thereby indicating good fitness between the sub-model and the data. The CMIN/DF value of 1.533 showed a very good fit as it ranged between 0 and 2 and demonstrated that good fiteness between the data and the sub-model (Hu & Bentler, 1999; Politis, 2003;

Tabachnik & Fidell, 2007). The RMSEA value of 0.046 also indicated a very good fit. Similar results were attained from GFI value of 0.994 and CFI value of 0.977 all showing very good fit (Hooper et al., 2008; Hu & Bentler, 1999). The results therefore showed that all the four tests had very good fit indicating a strong relationship. From the results, it can be concluded that the proposed measurement and structural sub-model indicate acceptable approximation of the data and the sub-model.

8.10.3.2 Hypothesised relationship

Although the goodness-of-fit indices gave very good results, it was also important to establish the hypothesised relationship between *leadership effectiveness* construct and *organisational effectiveness* construct. The relationship was analysed using SEM technique and results presented. The results of the analysis demonstrating both the parameters and the *p*-values are summarised in Table 8.78 and Figure 8.12.

Table 8.78: Structural model parameter estimates and p-values for leadership effectiveness and organisational effectiveness

		Estimates	S.E	C.R	P
OrgEff	**<----- Lead_effect**	**0.588**	**0.075**	**7.857**	*******
Inf	<----- Lead_effect	0.619	0.054	11.518	***
Fol	<----- Lead_effect	1.000			
Ver	<----- Lead_effect	0.649	0.068	9.543	***

***p<0.001

Table 8.78 indicates that there was a significant strong positive relationship ($p < 0.001$) between *leadership effectiveness* construct and *organisational effectiveness* construct (See Figure 8.14). The specific relationships were: *leadership effectiveness* construct and *organisational effectiveness* construct (estimate = 0.588; $p < 0.001$); *influence* sub-construct (estimate = 0.619; $p < 0.001$); *follow commitment* sub-construct (estimate = 1.000; $p < 0.001$) while *versatility* sub-construct had (estimate = 0.649; $p < 0.001$). The results demonstrated that a relationship existed between *leadership effectiveness* and *organisational effectiveness* constructs.

The findings from the above analysis showed clearly that effective leadership is important for organisational effectiveness to be realised. The results therefore find support for hypotheses H^5**.** The demonstrated relationship is also well supported by other studies that emphasise the importance of leadership paying much attention to their follow commitment, versatility and ability to influence and gain followers commitment (Butterfield & Powell, 1981; Cooper, Fenimore & Nirenberg, 2012; Hawkins, 2012; Hesselbein Goldsmith & Beckford, 1996; Jones, 2008; Lewin, Lippit & White, 1939; Nyabadza, 2008: Shakespeare, 2004).

8.10.4 Main model: Leadership competencies and leadership tasks influence Leadership effectiveness which influence Organisational effectiveness

The main model of this study focused on how both *leadership competencies* and *leadership tasks* influence *leadership effectiveness* which in turn influenced *organisational effectiveness*. As already provided and discussed, the main model was divided into five sub models in order to ease analysis and discussion. In this section, the main model and associated hypothesised relationships are discussed. The hypothesized relationships are assessed in this section as stated in hypothesis H^6 in Table 8.45, and shown in the path diagram of structural relationships in Figure 8.13.

H^6: Leadership competencies and Leadership tasks influences Leadership effectiveness which influences Organisational effectiveness

Figure 8.13: Final path diagram of structural relationships between leadership effectiveness and organisational effectiveness model

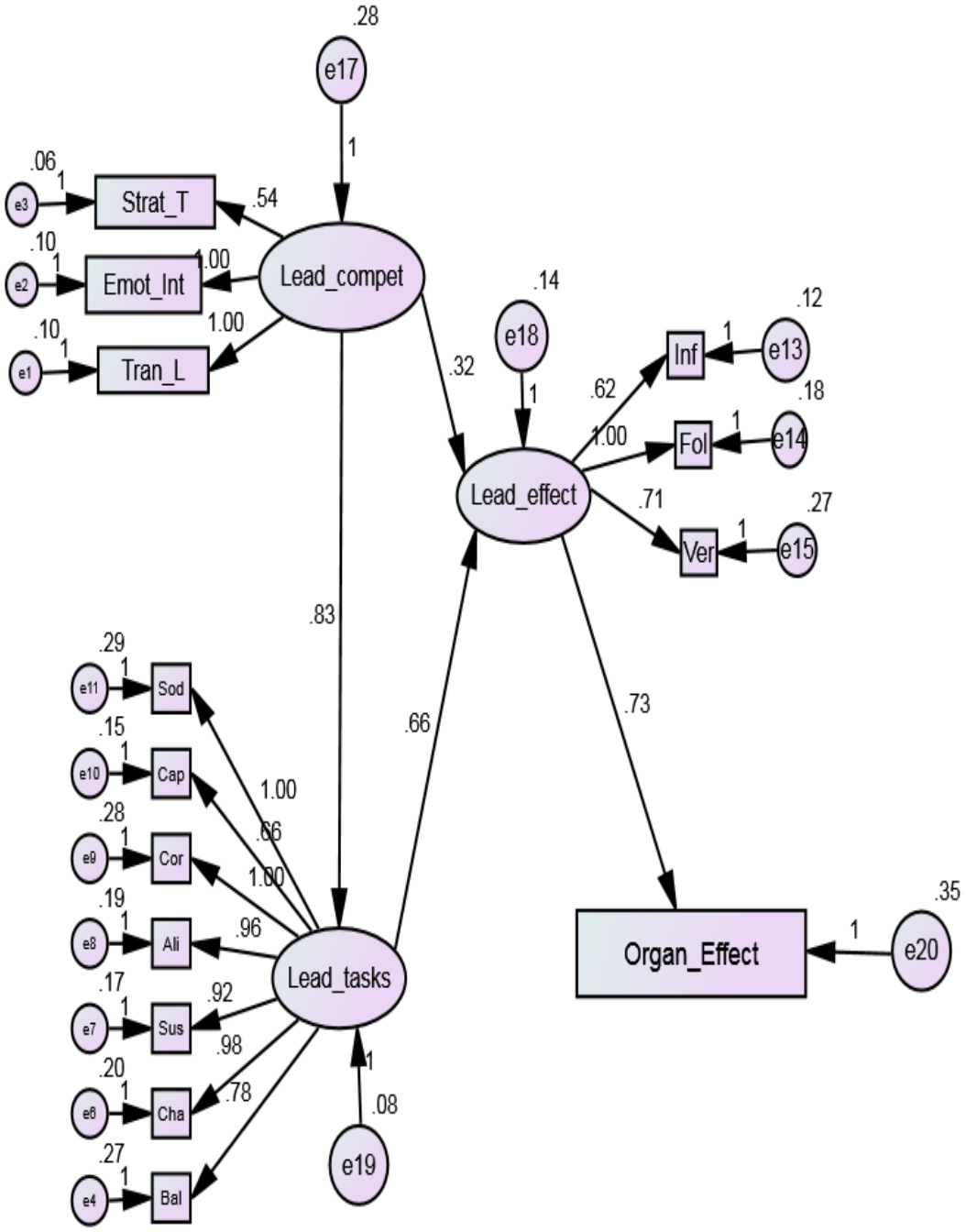


Table 8.79 defines the structural and measurement model Leadership effectiveness and Organisational effectiveness.

Table 8.79: Definition of structural and measurement sub-model for Leadership effectiveness and Organisational effectiveness

Structural model	
Categories	**Constructs**
Leadership competencies(LC)	Strategic thinking, Emotional intelligence, Transformational leadership
Leadership tasks(LT)	Set organisational direction, Develop human capital, Build core competencies, Create organisational alignment, Sustain appropriate organisational culture, Manage change, Balanced organisational control
Leadership effectiveness(LE)	Influence, Follower commitment, Versatility
Organisational effectiveness(OE)	Productivity, Sales/revenue, growth, Quality product and services, Operation efficiency, Innovativeness and adaptability, Profitability, Performance stability, Market share, Employee satisfaction and commitment
Measurement model	
Constructs	**Measured or observed sub-constructs/ items**
Leadership competencies (LC)	Strat_T, Emot_Int, Tran_L
Leadership tasks (LT)	Sod, Cap, Cor, Ali, Sus, Cha, Bal
Leadership effectiveness (LE)	Inf, Fol, Ver
Constructs	**Measured /items**
Organisational effectiveness (OE)	Eff1, Eff2, Eff3, Eff4, Eff5, Eff6, Eff7, Eff8, Eff9

8.10.4.1 Goodness-of-fit indices

The assessment of the goodness-of-fit for the structural model indicated that the model is within acceptable fit indices as shown in Table 8.80.

Table 8.80: Goodness-of-fit indices for the structural model

Goodness-of-fit measure	**Values**
Sample size	257
Normed Chi-square (x^2/degree of freedom)	2.725
The Root Mean Square Error of Approximation (RMSEA)	0.082
Goodness-of-fit index (GFI)	0.897
Comparative fit index (CFI)	0.933

Table 8.80 shows that a CMIN/DF value of 2.725 was within what was considered to be a good fit being of between 2.0 and 5.0. The RMSEA value of 0.082 was slightly higher

than 0.080 indicating a poor fit (MacCallum et al., 1996; Grimm & Yarnold, 2000; Hair et al., 1998). The GFI value of 0.897 was slightly less than 0.90 which was considered a good fit (Ghazali et al., 2013). Finally, CFI value from the SEM result indicated a value of 0.933 was between 0.090 and 0.95 and was termed as a very good fit. The findings therefore find support for H^6. This indicated that the goodness-of-fit was based on a single direct relationship between constructs as hypothesised (Hair et al., 2006: 847). Given the results of the goodness-of-fit indices, the main model was accepted as shown Figure 8.13.

Similarly, the results derived from the SEM analysis indicating both the parameter estimates and the *p*-values are summarised in Table 8.81.

Table 8.81: Structural model parameter estimates and *p*-values for the Main model

			Estimate	S.E.	C.R.	P
Lead_tasks	**<---**	**Lead_compet**	**0.831**	**0.076**	**10.916**	*******
Lead_effect	**<---**	**Lead_compet**	**0.320**	**0.142**	**2.253**	**0.024**
Lead_effect	**<---**	**Lead_tasks**	**0.657**	**0.150**	**4.392**	*******
Tran_L	<---	Lead_compet	1.000			
Emot_Int	<---	Lead_compet	0.996	0.060	16.558	***
Strat_T	<---	Lead_compet	0.540	0.039	13.864	***
Bal	<---	Lead_tasks	0.777	0.083	9.357	***
Cha	<---	Lead_tasks	0.984	0.086	11.493	***
Sus	<---	Lead_tasks	0.925	0.080	11.553	***
Ali	<---	Lead_tasks	0.956	0.084	11.442	***
Cor	<---	Lead_tasks	1.000			
Cap	<---	Lead_tasks	0.655	0.064	10.176	***
Sod	<---	Lead_tasks	0.996	0.094	10.543	***
Inf	<---	Lead_effect	0.623	0.051	12.257	***
Fol	<---	Lead_effect	1.000			
Ver	<---	Lead_effect	0.710	0.068	10.374	***
OrgEff	**<---**	**Lead_effect**	**0.735**	**0.075**	**9.762**	*******

***p<0.001

As shown in Table 8.81, there was a significant positive relationship between *leadership competencies* and *leadership tasks* (estimate = 0.831; p < 0.001). However, the relationship between *leadership competencies* and *leadership effectiveness* was

significant but weak (estimate = 0.320; p = 0.024). However, the relationship between *leadership tasks* and *leadership effectiveness* was significant (estimate = 0.657; p < 0.001). Finally, there was a positive relationship between *leadership effectiveness* and *organisational effectiveness* (estimate = 0.735; p < 0.001). The result showed that: *leadership competencies* and *leadership tasks* were significant to *leadership effectiveness* which in turn affects *organisational effectiveness*. It is however notable that the relationship between *leadership competencies* and *leadership effectiveness* though significant was weak. With the relationship being positively significant, this provides support for H^6 and agrees with the purpose of the current study as discussed in Chapter 1 and Chapter 7.

8.11 TESTING THE HYPOTHESES IN THE STRUCTURAL MODELS –

The results of the assessment indicate that the tested hypotheses were all supported and therefore accepted. However, although all the hypotheses were supported, some variations in the level of influence were found in relation to *leadership competencies* and *leadership effectiveness* where the relationship though significant was found to be weak. The relationships between *leadership competencies* and *leadership tasks; leadership tasks* and *leadership effectiveness; and* finally *leadership effectiveness* and *organisational effectiveness* were all significant.

It can be concluded that *leadership competencies* and *leadership tasks* categories are important determinants of *leadership effectiveness* which in turn leads to *organisational effectiveness*. With a positive and significant relationship between *leadership competencies* and *leadership tasks*, it then means that leaders must have the appropriate competencies to perform the required tasks. It is these tasks when performed well that lead to *leadership effectiveness* and eventually to *organisational effectiveness*. The various analyses conducted and supported with empirical literature support the relationship and therefore making the final model applicable to the indigenous banking sector in Kenya.

8.12 SUMMARY

In the present Chapter, the empirical results of the current study were analysed and presented. The Chapter was divided into three main parts, namely Part One, Part Two and Part Three. In Part One, the demographic and bank development analyses were performed using frequencies and percentages in order to measures the respondents' views in relation to the purpose of the study. The section concentrated on respondents' gender, age, level of education, years worked in the banking industry and in the specific banks where they were currently employed. The section also covered the banks' historical development, current performance, challenges and expected future performance. Other analysis related to assessment of respondents views in terms of leadership competencies, leadership tasks, leadership effectiveness and overall bank effectiveness (organisational effectiveness).

In Part Two, the overall reliability tests were performed in order to establish the level of data reliability in relation to the purpose of the study. The reliability tests were conducted using Cronbach alpha coefficient followed by confirmatory factor analysis (CFA).

In Part Three, the variables in the theoretical framework were confirmed, modified or removed. The results also led to modification of the original theoretical framework. It is the revised theoretical framework that was further analysed using Structural Equation Model tests in order to establish the existence or lack of relationships between various constructs and test the hypotheses. To perform the tests, one main model and five sub-models were constructed and subjected to SEM analysis.

The goodness-of-fit tests were performed to establish the fitness of the model and sub-models. To demonstrate the relationships between the final discriminant constructs, path diagrams were developed which showed the path coefficient of the relations among the constructs. The final results led to the modification and development of the final theoretical model as derived from the results of the current study.

In Chapter 9 which is also the final chapter, a summary of the study will be presented. This will be followed by the interpretations, implications and recommendations of the empirical findings resulting from the current chapter (Chapter 8). Finally, Chapter 9 will state the major contributions coming from this study as well as the limitations and future research areas.

CHAPTER 9

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

In this final chapter, an overview of the study is given followed by a discussion of the most significant findings. The main findings are also interpreted in relation to the purpose and objectives of the study. Recommendations are given based on empirical findings and views of the Kenyan indigenous banking managers and non-managers. The recommendations are followed by a discussion of the main study contributions, limitations, and areas of possible future research.

9.2 OVERVIEW OF THE STUDY

The future survival of the banking industry is pegged onto the type of leadership exercised (Donnelly, 1994; Kubicek, 2011). Ineffective leadership leads to poor performance, while effective leadership results in improved performance (Kubicek, 2011). In the past several decades, the Kenyan indigenous banking sector experienced severe challenges relating to poor performance and continued crises in the banking industry. However, in the last ten years, it has seen tremendous growth, and the need to continue the positive growth is crucial given the industry's role as a driver of economic growth (Njuguna, 2013; PWC 2011:85). Because of the importance of leadership effectiveness in the Kenyan indigenous banks' overall effectiveness, the purpose of this study was first, to examine the relationship between leadership effectiveness and bank effectiveness; secondly to add to the body of knowledge in relation to leadership and organisational effectiveness; and finally, to develop recommendations useful to the Kenyan indigenous banks in relation to key leadership competencies and leadership tasks in order to enhance their effectiveness.

With the purpose of this study in mind, the primary objective was to develop, identify, investigate and empirically test the possible relationship between *leadership effectiveness* and *organisational effectiveness* (bank effectiveness). The study specifically focuses on

the relationship between *leadership competencies* and *leadership tasks* and their influence on *leadership effectiveness* which in turn affects banks' overall effectiveness. In order to attain the primary objective of the study, five secondary objectives were developed, namely:

1. to develop a theoretical framework based on a thorough literature review of leadership, leadership competencies, leadership tasks, leadership effectiveness, and organisational effectiveness;
2. to propose hypotheses and construct a path diagram depicting the relationships between the independent and dependent constructs;
3. to develop a measuring instrument to empirically test the proposed relationships between the constructs indicated in the theoretical framework;
4. to empirically test the theoretical framework and the stated hypotheses' relevance to the indigenous banking industry in Kenya, by collecting primary data from indigenous banks in Kenya and statistically analysing the obtained data;
5. to propose recommendations based on the findings of this study.

To achieve both the primary and secondary objectives, the study thoroughly examines and integrates theories, models and empirical literature addressing the relationship between *leadership effectiveness* and *organisational effectiveness*, first in general and then within the banking industry. From the existing theories, models and empirical literature, the researcher was able to synthesise the results into a comprehensive theoretical framework. This theoretical framework was tested to determine its generality, relevancy and application to the Kenyan indigenous banking sector.

To establish the relationship, the literature review focused on *leadership competencies*, *leadership tasks*, *leadership effectiveness* and *organisational effectiveness*. The review of secondary sources was derived from different disciplines, among them management, strategic management, organisational studies, leadership theories, communication, psychology, and opinions of experts. This review and analysis culminated in the development of a theoretical framework depicting constructs thought to influence leadership effectiveness in relation to organisational effectiveness. The analysis further

led to distinguishing two main categories in the independent variables (*leadership competencies* and *leadership tasks* categories), one intervening variable (*leadership effectiveness*) and one dependent variable (*organisational effectiveness*). The independent variables were made up of eleven constructs (three for *leadership competencies* and eight for *leadership tasks*) which were hypothesised as influencing leadership effectiveness. The *leadership effectiveness* construct itself was made up of five sub-constructs, while the *organisational effectiveness* construct was measured using nine items. Hypotheses were formulated to establish possible relationship between *leadership competencies* and *leadership tasks, leadership effectiveness* and *organisational effectiveness*.

By the study examining various literatures and empirical findings, developing a theoretical framework and eventually formulating hypotheses to represent the relationship between *leadership effectiveness* and *organisational effectiveness*, the first and second secondary objectives were accomplished.

In order to accomplish the third secondary objective, all the constructs and subsequent sub-constructs were clearly defined and operationalised to fit the study purpose. For the constructs and sub-constructs to be operationalised, various reliable and valid items were sourced and adopted from validated measuring instruments from related studies. For the measuring items adopted for the current study, permission was sought and granted from the copyright holders. Secondary sources were also used to provide required information that was used to generate additional measuring items as found necessary. The final research instrument developed was used to empirically test the relationships indicated in the theoretical framework (See Chapter 1, Figure 1.1).

For the nature of the problem addressed in this study, a positivistic research paradigm was found to be the most appropriate. The final research instrument was developed after adjustments done following a pilot study. Using probability and non-probability sampling methods, the appropriate sample size of 494 respondents was established. Finally, 257 usable returned questionnaires were statistically analysed, using Statistical Package for the Social Sciences IBM SPSS Statistics, Version 21 (2013) and the software programme

AMOS was used for the Structural Equation Modelling (SEM). This led to the attainment of the third secondary objective.

To make use of the data obtained from the usable questionnaires, several statistical tests and analyses were conducted as explained in Chapter 8, parts 1, 2 and 3. To assess the reliability of the instrument, Cronbach alpha coefficients (CA) were used. In this study, all scores had CAs of above 0.600, therefore making the instrument used to measure the various constructs reliable (Hair et al., 1995:618; Nunnally, 1978).

Another test conducted to determine the measuring instrument's validity was confirmatory factor analysis (CFA). The test assessed the correlation between specific constructs with data items measuring the same factors with factor loadings above 0.3 and 0.4 being accepted for further analysis (Farrington, 2009:389; Hair et al., 2006). For the case of *leadership competencies* category, the various constructs understudy gave different factor loading results. For instance, the *strategic thinking* construct with six sub-constructs had only four sub-constructs loading successfully. Both *emotional intelligence* and *transformational leadership* constructs had all the sub-constructs loading successfully while *leadership tasks* category had seven out of eight constructs loading successfully. With regard to *leadership effectiveness* construct, three out of five sub-constructs loaded successfully. Finally, the *organisational effectiveness* construct had nine measuring items subjected to analysis and accepted.

Following the results attained from the confirmatory factor analysis (CFA), the original proposed theoretical framework and hypotheses were revised before being subjected to further statistical tests using the software package AMOS for SEM. The relationships identified in this study are summarised in Figure 8.2 (See Chapter 8).

In this study, SEM analysis was the main statistical technique used to test the significance of the hypothesised relationships between the various constructs investigated on the relationship between *leadership effectiveness* and *organisational effectiveness*. Based on the ratio of "sample size to number of indicators" (see Chapter 7, Section 7.6.1) the

current sample size of 257 was too small to test the model in its entirety, and therefore the main model was divided into sub-models (Hair et al., 2006:741). This resulted in using SEM to analyse five sub-models and one main model.

To establish the goodness-of-fit indices, the revised theoretical framework was further subjected to goodness–of-fit tests. This enabled establishing if the measurement and structural models indicated an acceptable approximation of data (Farrington, 2009:382-383; Hair et al., 2006). The results indicated goodness-of-fit for all sub-models ranging from 'acceptable' to 'very good-fit'.

Following the goodness-of-fit test results, the hypothesised relationships between the constructs were further tested for their level of significances. To do this, the various sub-constructs making up the sub-models and their respective hypotheses were tested. The significant relationships identified in the current study are summarised in Figures 9.1. All the hypothesised relationships were significant at 1% ($p<0.001$).

Figure 9.1: Summary of significant relationship in the structural model used to determine the relationships between leadership effectiveness and organisational effectiveness model.

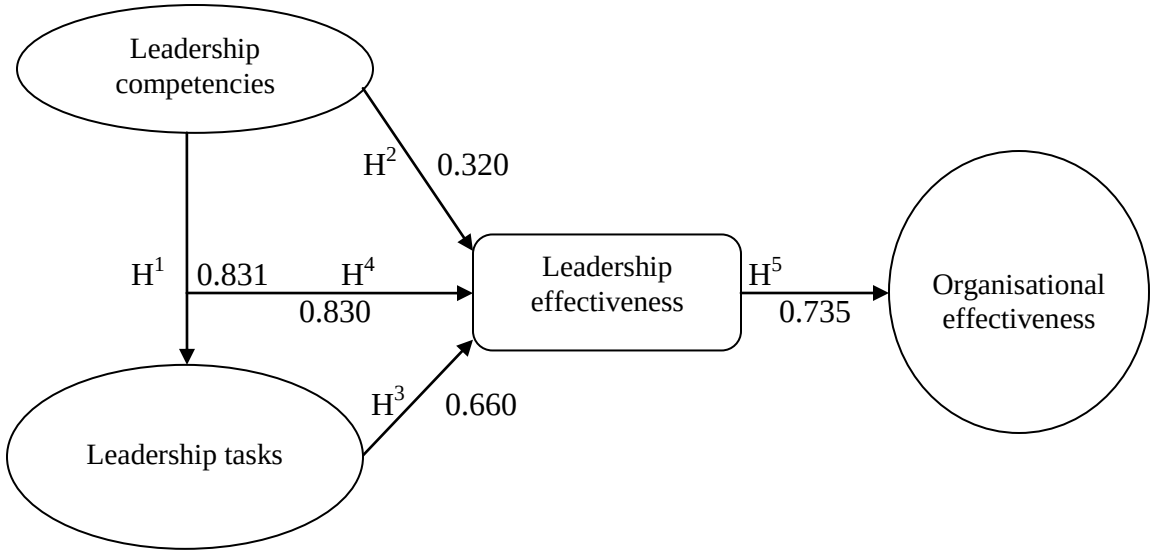


Figure 9.1 indicates that there is a significant positive relationship between the following constructs: *leadership competencies* and *leadership tasks* categories (estimate = 0.831; p

< 0.001); *leadership tasks* and *leadership effectiveness* (0.660; p < 0.001); *leadership effectiveness* and *organisational effectiveness* (estimate = 0.735; p < 0.001) and leadership competencies and leadership tasks and leadership effectiveness (0.830; p < 0.001). The relationship between *leadership competencies* and *leadership effectiveness* though significant (estimate = 0.320; p = 0.024) is weak (See Table 8.81). The positive relationship between the constructs provides support for H^6 which stated that *leadership competencies* and *leadership tasks* influences *leadership effectiveness* which in turn influences *organisational effectiveness* and therefore supports the purpose of this study.

The above analysis ensured that the theoretical framework and associated hypotheses were tested in relation to the indigenous banking industry in Kenya. The revised model for this study arising from all the analysis is shown in Figure 8.2 (See Chapter 8, Section 8.9). The constructs defined in the model form the basis of this chapter's interpretations and conclusions. The analysis also accomplished the fourth objective of this study which aimed to empirically test the theoretical framework and the stated hypotheses' relevance to the indigenous banking industry in Kenya (See Section 9.2). The recommendations arising from the results are discussed in the next section, which is aimed at fulfilling the fifth and last secondary objectives.

9.3 INTERPRETATIONS OF THE EMPIRICAL RESULTS AND RECOMMENDATIONS

The purpose of the next section is to interpret and give appropriate recommendations for each sub-model analysed in this study. The following order of presentation is followed based on the sub-models analysis done in Chapter 8:

- Leadership competencies and leadership tasks;
- Leadership competencies and leadership effectiveness;
- Leadership tasks and leadership effectiveness;
- Leadership competencies and leadership tasks influences leadership effectiveness where leadership competencies influence leadership tasks;
- Leadership effectiveness and organisational effectiveness.

9.3.1 Leadership competencies and leadership tasks

In Chapter 8, both *leadership competencies* (LC) and *leadership tasks* (LT) categories were reported to have influence on *leadership effectiveness,* which in turn influences *organisational effectiveness* (bank effectiveness). However, before this relationship is further discussed, the focus will be on discussing the interpretation of the main results on *leadership competencies* and *leadership tasks* (See Chapter 8, Sub models 1.1 and 1.2).

9.3.1.1 Leadership competencies

Leadership competencies, in this study were measured by *strategic thinking* (Strat_T), *emotional intelligence* (Emot_int) and *transformational leadership* (Tran_L) constructs.
In relation to specific competencies required by leaders to perform the required tasks, the study showed that there were statistically significant relationships between the *leadership competencies* category and its constructs. Of the three *leadership competencies'* constructs, the *emotional intelligence competency* construct was found have the most significant impact, followed by the *transformational leadership competency* construct and the *strategic thinking competency* construct. The findings indicate that bank leadership must enhance their emotional ability, both for themselves and others. Only then can they use *transformational leadershi*p competency and *strategic thinking competency* to perform the right tasks. The implications of these findings will be discussed in the order of most significant impact, namely *emotional intelligence, transformational leadership and strategic thinking competencies.*

a) Emotional intelligence)

   The second *leadership competencies'* construct is *emotional intelligence*. The hypothesised relationship between *emotional intelligence* and its sub-constructs were assessed and presented by sub-hypotheses $H^{1.1.2a\text{-}e}$ (See Table 8.45 and Figure 8.6).The study finding was that there is a significant positive relationship ($p < 0.001$) between *emotional intelligence competency* and all its five sub-constructs, namely *self-awareness, self-motivation, interpersonal/social skills, self-regulated* and *emotional literacy,* supporting $H^{1.1.2a\text{-}e}$ (See Chapter 8, Table 8.54). In order of significance, *self-awareness* had the most influence on *emotional intelligence*

competency followed by *self-regulation*, *emotional literacy*, *interpersonal/social skills* and *self-motivation*. The result showed the need to have leaders being aware of their *emotional intelligence* levels in order to perform effectively. Bank leaders should pay specific attention to the five *emotional intelligence* sub-constructs, which are discussed below according to their order of importance in this study.

The first important component of *emotional intelligence competency* found to be relevant to the indigenous banking industry in Kenya was *self-awareness.* Leaders who possess *self-awareness* are said to have outstanding performance and effectiveness in their operations (Goleman, 1998; 2001. Such leaders are well aware of their strengths and weaknesses, and often look for opportunities to improve their weaknesses or take advantage of their strengths. This competency is critical for the bank leadership to be able to relate well with employees, customers, suppliers and other stakeholders. These leaders also work hard to make their employees aware of their individual *self-awareness* abilities and how to improve such abilities. To be effective, bank leaders should demonstrate *self-awareness* by attending to the following recommendations:

- publicly admitting mistakes and demonstrating willingness to change;
- willingness to take on challenges arising from tasks or from employees;
- taking responsibility for their thoughts, feelings and actions;
- acting according to set values and as models of good examples to others;
- ensuring integrity is exercised even at their own expense.

The second component of *emotional intelligence competency* was *self-motivation*. In relation to bank leadership, *self-motivation* indicates that the leaders have a desire to achieve, initiate ideas, and be optimistic and courageous to venture into new areas. The competence is important to bank leadership effectiveness as it means that both leaders and employees are self-driven and therefore require need little supervision. For leadership effectiveness, being self-motivated also means the desire to lead, take risks and explore opportunities. When banks have self-driven leaders and employees, then they are able to perform effectively. It is important for banks to take measures to

create self-motivated employees who are willing to sacrifice self-goals for the sake of achieving both *leadership effectiveness* and *organisational effectiveness*. To be *self-motivated*, then, bank leadership and employees need to follow these recommendations:

- the banks should remain focused on their visions and goals;
- the banks must remain committed to their course in spite of obstacles, and should encourage employees to follow suit;
- the bank leaders should encourage generation of new ideas and support such ideas with resources and sound leadership;
- the banks need to create conducive positive moods and cultures that promote self-confidence, initiate new ideas, and take the risk to accomplish them.

The third sub-construct of *emotional intelligence competency* was *interpersonal/social skills*. For bank leaders to gain *interpersonal/social skills* and become effective, they must have the ability to intuitively understand other people. The leaders should be seen as having concern, care and compassion for the bank's members. Similarly, to attain *interpersonal/social skills*, those involved must value personal opinions of others, set high expectations in terms of goals for others, and create an environment where the goals are achieved. Bank members, both management and employees with good *interpersonal skills*, will be able to deal effectively with one another, their customers and other interested parties. The end result is demonstration of trust, loyalty and long-term relationships among all those involved. This approach definitely increases customers' confidence, which translates into customer satisfaction, and in turn high revenue for the bank. In the midst of challenges, banks can depend on their customers to continue supporting them and therefore overcome critical crises. To attain the required *interpersonal/social skills*, it is recommended that bank leadership:

- maintain long-term trusting relationships with employees and other stakeholders;
- take an interest in the opinion of others;
- acknowledge the contribution of others;

- express positive expectations of their employees and seek their input;.
- stimulate enthusiasm and commitment in all team players;
- train leaders and employees on appropriate interpersonal and social skills.

The fourth sub-construct of *emotional intelligence* competence was *self-regulated*. By *self-regulated*, the bank leaders are expected to be self-managed. This means that they are good managers of their time, activities, emotions and behaviour, and if under pressure, they maintain great resilience. Such persons are said to have a well-balanced life. In today's banking environment, the demand for *self-regulated* leaders and employees is important. Without good self-management ability, bank employees become victims of stress and poor health. The banks should however create an atmosphere conducive to wellness of body, mind and soul. When there is a good and well-regulated personnel, there is less conflict because employees are able to divert their energies into the right activities. Some recommendations to bank leadership in order to be *self-regulated* include:

- developing self-regulated ability and skills;
- developing self-trust and integrity among all members;
- ability to guide others in the midst of ambiguity;
- being open to prevailing changes and challenges;
- having the ability to set priorities according to leadership knowledge, abilities and skills;
- avoiding procrastination and remaining on course to achieve set goals.

The last sub-construct of *emotional intelligence competency* is *emotional literacy*. For bank leaders to practise *emotional literacy*, they must have the ability to assess and understand other people's emotions and treat them accordingly. The competence also would make the leaders able to empathise with others and therefore respond to their needs, desires and diversity. The attainment of emotional literacy is difficult due to different emotional needs of bank leaders and employees. Yet, without the ability to understand and respond to such emotions, the leaders or their employees cannot actively empathise or use emotions to the benefit of the organisation. Whether in the

indigenous banks or any other organisations, emotional literacy is an important determinant of leadership effectiveness. To attain the *emotional literacy* sub-construct and make good use of it, it is recommended that bank leaders:

- develop expertise in identifying and managing the emotions of others;
- be sensitive to other people's emotions and act accordingly;
- recognise there is value in using others' emotions positively;
- make use of emotions of others in a more positive manner.

The conclusion from the study is that there is a strong relationship between the *emotional intelligence* construct and its sub-constructs. The findings also indicate that effective leaders are aware of their emotional levels which they use positively to enable them to achieve set goals. The findings agree with similar studies that have found strong relationship between the *emotional intelligence competency* construct and its associated sub-constructs (See Chapter 7, Section 7.5.7.1b).

b) Transformational leadership

The third *leadership competencies'* construct is *transformational leadership*. The findings derived from this study show that there is a significant positive relationship ($p < 0.001$) between the *transformational leadership competency* and all its five sub-constructs, namely *idealised influence (attributes), idealised influence (behaviour), inspirational motivation, intellectual stimulation,* and *individualised consideration.* The relationship is hypothesised by sub- constructs $H^{1.1.3a\text{-}e}$ (See Chapter 8, Table 8.45 and Figure 8.7). The results indicated there was support for the sub-hypotheses $H^{1.1.3a\text{-}e}$ (See Chapter 8, Table 8.54). In order of importance, *intellectual stimulation* sub-construct had most influence on *transformational leadership competency,* followed by *individualised consideration, idealised influence* (attributes),*idealised influence* (behaviour),and finally *inspirational motivation.* The findings indicate the importance of the sub-constructs to *transformational leadership competency*. This means that transformational leaders exercise intellectual stimulation, inspire, stimulate, and pay attention to individual attributes, behaviour and individualised consideration in their leadership. The findings indicate that bank leadership must

recognise and appreciate the five sub-constructs as essential for their effectiveness as transformational leaders. The specific sub-constructs are discussed below.

The first sub-construct of *transformational leadership competency* is *intellectual stimulation.* This competence focuses on the leaders' creative and innovative ability, which is critical in the hostile and dynamic banking environment. By being creative, leaders are able to encourage their followers to emulate them and create an environment where all collaborate to determine the destiny of their bank. Such an environment also encourages employees to independently analyse new ideas, test them, and develop them into final products. The results of such efforts include increased productivity and overall employee satisfaction. Some of the recommended ways to encourage *intellectual stimulation* are:

- indigenous banks' leadership practising intellectual stimulation as a way to make their employees creative and innovative, resulting in new ideas and products that can give banks a competitive edge over their competitors;
- allowing different perspectives from bank members when faced with problems;
- encouraging bank members to examine from different angles issues facing the banks;
- encouraging members to look at new ways of solving problems and other issues facing the banks;
- rewarding very creative and innovative ideas;
- having idea campaigns where new ideas are initiated and developed into final products.

The second component of *transformational leadership competency* is *individualised consideration.* This component entails the leaders' ability to relate with employees on a one-to-one basis so as to develop individual skills. Accordingly, the leaders recognise that each employee has unique needs, capabilities, desires and concerns, and therefore tailor their attention to such demands. *Individualised consideration* enables leaders to mentor their employees by giving personal attention and encouraging others to take new responsibilities. The leaders also play the role of

mentoring and coaching members to encourage them to face challenges and provide solutions without punishment or discouragement. The end result is empowered employees willing to take risks and to sacrifice for the sake of the bank. As a guide, it is recommended that bank leadership:

- spend time teaching and coaching their employees;
- treat each employee as an individual with unique needs, talents and aspirations;
- identify and build managers and employees' capabilities and core competencies.

The third important sub-construct of *transformational leadership competency* is *idealised influence (attributes)*. The *idealised influence* relates to leaders' charismatic character, which translates into instilling pride and confidence in others. At the workplace, leaders are said to sacrifice personal interest in order to provide support to those led. Because of their perceived and actual commitment to make a difference and provide direction among employees, the leaders are able to gain confidence and loyalty from their followers. The leaders are also very good at handling crises and tackling challenges that may hinder organisational goal attainment. In the banking industry, especially in the indigenous banking sector, it is important for leaders to ensure they go beyond their call of duty and serve their followers by providing the right direction, information and values, while at the same time encouraging them to pursue goals that benefit their banks. In the long run, the employees gain confidence in the leaders and increase their loyalty and commitment. To achieve this fully, it is recommended that bank leadership:

- instils pride in their followers;
- is committed to developing others;
- goes beyond self-interest into sacrifice to support their followers and bank performance;
- empowers their followers in order to gain their confidence and trust.

The fourth sub-construct of *transformational leadership competency* is *idealised influence (behaviour)*. Bank leadership possessing *idealised influence* competency provides a sense of purpose and direction to its employees. The leaders also reflect

moral and ethical behaviour in decision making and in how they treat their employees. Their charismatic nature, good values and beliefs make their followers or employees emulate them. The desire to have *idealised influence* is reflected in the study results where the findings indicated that such leaders are desired. However, to have such leaders, it is recommended that bank leadership:

- develop and communicate the most important values and beliefs of their banks;
- promote common purpose for all concerned;
- specify the importance of having a strong sense of purpose or direction;.
- consider the moral and ethical consequences of decisions made;
- emphasise the importance of having a collective sense of mission.

The fifth sub-construct of *transformational leadership competency* is *inspirational motivation.* To be *inspirational motivators,* bank leaders need good mentorship and communication skills. *Inspirational motivation* competence goes beyond charisma and focuses on leadership abilities to inspire the whole workforce from top management down. The competence is also attained by leaders with the right skills and knowledge to handle crises and create optimism in others during difficult times. A look at the indigenous banking industry in Kenya reveals that the past poor performance was associated with greed and selfishness among leaders. For the banks to move forward and achieve their desired goals, teamwork is essential, and leadership must also have *inspirational motivational* competence. To be *inspirational motivators,* it is recommended that bank leadership:

- be self-inspiring so as to inspire employees;
- be optimistic about the bank's future;
- be enthusiastic about what managers and employees need to accomplish;
- ensure that they articulate compelling visions of the future;
- encourage and express confidence among employees in order to encourage them that goals are achievable;
- be confident about the direction the bank is taking.

In conclusion, the study has found that there is a relationship between *transformational leadership competency* and its sub-constructs. The findings from this study are in agreement with other similar studies that have found all five sub-constructs to be significant components of *transformational leadership competency*.

c) Strategic thinking

The first *leadership competency* is *strategic thinking*. The hypothesised relationship between *strategic thinking* and its sub-constructs were assessed and presented by sub-hypotheses ($H^{1.1.1a-d}$) (See Chapter 8, Table 8.45 and Figure 8.5).The findings relating to the *strategic thinking* construct indicate that there is a significant positive relationship ($p < 0.001$) between *strategic thinking competency* and its sub-constructs (*strategic thinking (general), intent-focused, hypothesis-driven* and *intelligent opportunism*). However, there was a significant negative relationship between *strategic thinking competency* and *intelligent opportunism* sub-construct. These findings provide support for all strategic thinking sub-hypotheses ($H^{1.1.1a-d}$) (See Chapter 8, Table 8.51).In order of importance, *strategic thinking* (general) is the most important component of the *strategic thinking competency*, followed by *intent-focused, hypothesis-driven* and *intelligent opportunism* respectively. Of the four components, three (*strategic thinking* (general), *intent-focused* and *hypothesis-driven*) had positive relationships while one (*intelligent opportunism*) had a negative relationship with *strategic thinking.* The bank leaders should pay specific attention to the four sub- constructs as discussed below.

For *strategic thinking (general)* to be realised, bank leaders must be able to contemplate future development of the banks. This is done by focusing on banks' important attributes such as their strengths and capabilities, while at the same time focusing on the past, present and external dynamics facing the banks in a complex environment. This will enable the leaders to systematically analyse their strategic positions in order to formulate long-term directions and perspectives. In the Kenyan indigenous banking situation, such leaders are needed if the banking industry is to

continue with its current positive growth (Njuguna, 2013). To do this effectively, it is recommended that bank leaders:

- design long-term perspectives of the bank;
- be able to synthesise relevant information and creatively develop strategic direction;
- have a holistic understanding of the bank's visions and environment, both internal and external;
- have particular well-thought-out methods of solving strategic problems, identifying opportunities and threats;
- encourage exchange of ideas and solutions to the prevailing banks' dynamic challenges.

The second most important sub-construct of *strategic thinking competency*, *intent-focused* implies that the bank leaders need to concern themselves with attaining a particular position in their long-term performance. To attain such a position, the bank leadership must be more future-orientated, and committed to make the bank survive in the distant future. This is only achieved if the bank has a unique competitive position, sense of identity, and clear sense of direction. *Intent-focused* is greatly needed in the Kenyan banking industry given its turbulent past associated with poor management, lack of vision and poor internal control measures. With leaders who are *Intent-focused* the banking leadership is able to strategically position itself for future happenings, a challenge that has plagued the bank industry worldwide, leading to numerous banking crises. To achieve this, it is recommended that bank leadership:

- clearly define the bank's visions, missions, objectives and strategic directions;
- work as a team where both management and employees marshal their efforts and resources in order to achieve organisational goals;
- create a culture where members are future- orientated, and strive to uniquely position their banks ahead of competition.

The third *strategic thinking competency* is being *hypothesis-driven*, which supports leadership ability to generate and test hypotheses (Liedtka, 1998). Given the nature of business's competitive environment, unavailability of information and little time to do critical thinking, *hypothesis-driven* leaders have the capacity to develop and test crucial hypotheses relating to their business. The fact that hypothesis testing is scientific in nature means that bank leaders must also possess the right analytical skills. The uncertain environment calls for leaders who are disciplined to ensure that all ideas are tested before implementation. It is strongly recommended that bank leaders:

- embrace and encourage hypothesis generating and testing among its team;
- acquire scientific knowledge of research and in particular hypothesis testing;
- be driven by desire to be creative, and be critical thinkers in dealing with bank decision making;
- be practical, and use relevant information in decision making.

The last *strategic thinking* competency is *intelligent opportunism* which indicates a negative relationship. This competency enables leaders to identify possible activities and emerging strategies in the organisational sector that are aligned with its intent-driven context (Liedtka, 1998). The negative relationship indicates that bank leaders must be sensitive and alert to changes that impact their efforts negatively thereby leading to failure. The findings from this study indicated that *intelligent opportunist* leaders have the abilities and the willingness to source and receive ideas from all levels of the organisations, an approach that enables them to participate with organisational members who may have valuable information. To succeed in this area, it is recommended that bank leadership:

- gather and intelligently utilise information attained strategically;
- introduce mechanisms that will encourage intelligent thinking.

The conclusion for this section indicates that there is a relationship between *strategic thinking competency* and its sub-constructs. As derived from this study, strategic *thinkers* must possess the four strategic thinking sub-competencies discussed in order

to be effective in the banking industry. The results demonstrate that bank leaders have a general strategic view of their organisations, have intent-focused leadership and are hypothesis-driven. However, the negative relationship between *strategic thinking competency* and *intelligence opportunism* component indicates the need for leaders to be aware of tasks that undermine their efforts and act accordingly.

9.3.1.2 Leadership tasks

Leadership tasks are specific activities performed by leaders in their effort to attain effectiveness. Having indicated that leaders need certain competencies in order to perform assigned tasks, it is important to examine the tasks identified in this study and their significance. The hypothesised relationships between *leadership tasks* category and its constructs were assessed and presented by sub-hypotheses $H^{1.2.1\text{-}7}$ (See Chapter 8, Table 8.45 and Figure 8.8). The results showed a positive relationship ($p < 0.001$) between *leadership tasks* and all its constructs (*set organisational direction, develop human capital, build core competencies, create organisational alignments, manage change, sustain appropriate culture,* and *ensure balanced organisational controls*). The results demonstrate a strong positive relationship between *leadership tasks* and its constructs, thus providing support for sub hypotheses $H^{1.2.1\text{-}7}$. In order of importance, *develop human capital* was the leading task followed by *set organisational direction, build core competencies, create organisational alignment, manage change, sustain appropriate organisational culture,* and *balanced organisational control* respectively. From the findings it is clear that bank leaders must perform these tasks which have a direct link to their effectiveness. The next section discusses these tasks and their implications for the banking industry.

The first *leadership tasks* construct is *developing human capital. Human capital* denotes the knowledge, skills and competencies possessed by an organisation's entire workforce. According to the findings derived from this study *developing human capital* scored highest as the most important task performed by bank leadership. It should be emphasised that *developing human capital* is a source of sustainable competitive advantage and can either build or break a bank. When it is well developed, the *human capital* contributes to

value creation since the workforce feels motivated and willing to contribute to make the banks attain competitive positions. As such, the indigenous banks are encouraged to have well- thought-out human capital plans with the aim to empower their employees who in turn contribute to banks' optimal performance. It is the responsibility of the banks' top leadership to *develop human capital* in order to position the banks competitively in the industry. Some of the recommendations to the bank leadership include:

- ensuring that the plans encompass room for continually improving employees' capabilities and competencies;
- encouraging continuous investment in knowledge and skills of employees in order to empower them;
- establishing staff training and development programmes that equip employees with appropriate state-of-art knowledge and skills;
- developing mechanisms for retaining bank workforce through well-though-out retention programmes;
- creating an atmosphere of openness, fairness, honesty and trust, thereby instilling confidence and loyalty among bank members.

The second *leadership tasks* construct is *set organisational direction*. If a bank leadership clearly defines its *organisational direction* it guides its long-term performance. Through a clearly defined vision, banks are able to develop their missions, objectives and strategies which if well implemented lead to banks' effectiveness. A well formulated direction for a given bank also gives motivation, empowerment and guidance to employees who must implement set missions, objectives and strategies. It is essential that banks' leadership *set organisational direction* as this will enable them to focus their attention on the future. It is therefore recommended that bank leadership:

- develop clear visions, missions and objectives that are relevant to banks' existence and provide meaning and direction to all activities;
- have clearly spelled out long-term purpose and direction;
- develop clear strategies that give the banks competitive advantage in the industry;
- allocate resources in the context of organisational direction and opportunities.

The third *leadership tasks* construct is *building core competencies*. In this study, *building core competencies* denotes the ability of bank leaders to build appropriate competencies. In an organisational setting and especially in the banking industry, core competencies are mostly associated with functional skills such as marketing, information technology, finance, accounting, research, and human resources. For the banks to perform effectively, they must identify and build core competencies among their employees in relation to banks' needs. To do this effectively, the banks must invest in the right technology, acquire the right resources, and strategically align themselves with like-minded partners who can enhance their competitive positioning in the industry. It is further recommended that the banks' leaderships:

- encourage teamwork among their employees and stakeholders;
- make sure the right information is provided to the right persons at the right time;
- involve employees in identifying the main core competencies and their value to the banks;
- build or develop identified key core competencies;
- encourage cross-departmental sharing of competencies either through regular meetings, rotating employees or enlarging responsibilities;
- encourage all bank employees to believe that they have a positive impact in their areas of responsibilities;
- ensure there is renewal of knowledge and skills in order to keep ahead of the competition;
- protect and defend attained core competencies.

The fourth *leadership tasks* construct is *creating organisational alignment*. In the context of this study, *creating organisational alignment* indicated the ability to ensure that all organisational parts or units work in harmony, are aligned and in support of the overall goals and strategies. According to findings from this study, *creating organisational alignment* is an important task performed by leaders. The alignment includes process, procedure, resources, skills, staff, leadership style, strategy, sections, resources, jobs and people assigned different tasks. When there is alignment of all required activities, organisations including banks, experience harmony and work cohesion. The process also

creates synergy throughout the organisation since everyone sees value in pursuing a common goal. However, like in other organisations, banks require strong leadership to achieve the level of alignment that results in positive performance and attainment of goals. It is therefore recommended that bank leadership:

- ensures that there is good alignment of vision, mission, objectives and goals across different banks' hierarchies and departments;
- has the ability to coordinate their employees from different parts of the banks and align them with the right activities and work stations;
- has no difficulties coordinating projects across different parts of the organisation;
- treats all employees fairly in relation to tasks performed.

The fifth *leadership tasks* construct is *manage change.* The concept of managing change denotes banks' ability to respond to changes taking place in their environment. The ability of bank leadership to respond and *manage change* is essential in the bank industry's turbulent environment. According to findings arising from this study, *managing change* is seen as one of the tasks that Kenyan bank leaders must address as it is vital for the successful performance of the Kenyan indigenous banks. This means that bank leadership must clearly understand the importance of change and adjust their activities accordingly. Only through proper management and anticipation of change can the banks survive and retain their leadership in the midst of high competition. To *manage change* effectively, it is recommended that bank leadership:

- remains open and flexible to changes that may affect their bank;
- be aware of competitors' action and other changes in the business environment and respond accordingly;
- prepares employees on mechanisms of assessing, handling and managing change;
- prepares to handle resistance to change in healthy ways;
- creates bank cultures that are open to changes;
- establishes change management divisions to address desired changes.

The sixth *leadership tasks* construct is *sustaining appropriate organisational culture*. The culture of an organisation binds members together as it defines the way they think, feel and behave. Each bank has its unique culture that defines its thought systems, management styles, interactions and overall behaviour patterns. For bank leaders to be effective, they must cultivate and shape the type of culture that is desired to achieve high performance. It has been argued in this study that bank culture is the product of leadership. This means that leaders must understand the norms, assumptions, beliefs and values that they need to align with organisational mission and objectives in order to attain desired effectiveness both as leaders but also for their banks. To *sustain appropriate organisational culture*, it is recommended that bank leadership:

- develop a culture based on strong bank values and beliefs;
- develop mechanisms to instil and maintain bank culture to all bank employees;
- need to understand their responsibility of determining banks' cultures and how to shape them to the benefit of banks' effectiveness.

The seventh leadership tasks construct is *balanced organisational control*. Control is the process of regulating organisational activities to ensure that actual performance conforms to required standards and goals (Samson & Daft, 2012). *Balanced organisational control* ensures that there is efficient use of resources as per the required standards. Such control focuses on having clear-set strategic direction, agreement of goals, and having appropriate mechanisms to weigh required standards against. It is through well *balanced organisational control* that leadership effectiveness is realised, because set objectives and resources are well utilised. In the current study, the ability of organisations to ensure there is *balanced organisational control* of appropriate activities was found to be a task that leaders must pay attention to in order to be considered effective. To ensure such *balanced organisational control,* it is recommended that bank leadership:

- set clear strategic objectives and direction of the bank;
- set standards to measure objectives attainment against;
- link control mechanisms to organisational strategies;
- take corrective measures to ensure standards are attained and maintained;

- communicate clearly required standards or measures to all employees;
- ensure that the control measures are accurate, flexible, timely and actionable;
- set standards or measures that are understandable to those responsible for implementing objectives and strategies.

To summarise, the study has established that a significant positive relationship exists between *leadership competencies* and *leadership tasks*. The significant positive relationship indicates that bank leadership must have the appropriate competencies in order to perform their tasks, which in turn would lead to *leadership effectiveness*. This study found that there is a strong correlation between *leadership competencies* and *leadership tasks* categories, an argument also supported by literature (Amos, 2012; Barney, 1991) (See also Chapter 4, Section 4.1; Chapter 6, Section 6.2). According to the theory, this means that *leadership tasks* are dependent on *leadership competencies*. As such, the hypothesised relationship (H^1) that was tested in this study was that *leadership competencies* influence *leadership tasks*. The findings showed that a statistically significant relationship exists between *leadership competencies* and *leadership tasks* categories, both being independent variables in this study, as shown in Table 8.63 and Figure 8.9 (See Chapter 8). The results therefore provide support for H^1.

9.4 LEADERSHIP COMPETENCIES AND LEADERSHIP EFFECTIVENESS

Having presented the interpretation of the main findings pertaining to *leadership competencies* and *leadership tasks* categories and the relationship between the two independent variables, the relationship between *leadership competencies* and *leadership effectiveness* will be assessed.

Before establishing the existence of a relationship between *leadership competencies* and *leadership effectiveness*, an assessment of the relationship between *leadership effectiveness* and its sub-constructs (*influence*, *follower commitment*, and *versatility*) was done. It was hypothesised in that a relationship existed between *leadership effectiveness* and its sub-constructs, which was represented by sub-hypotheses$H^{2.1.1-\ 2.1.3}$(See Chapter 8, Table 8.45 and Figure 8.10). The findings indicated that there was a significant positive

relationship ($p < 0.001$) between the *leadership effectiveness* construct and all its sub-constructs, which therefore provided support sub-hypotheses $H^{2.1.1- 2.1..3}$ (See Chapter 8, Table 8.66).The results further found that the sub-construct *influence* was the most important component, followed by *follower commitment* and *versatility* respectively. The findings showed the need for bank leaders to ensure they understand these components that act as measures of their effectiveness. The next section discusses these components and their implications for the banking industry.

The first most important sub-construct for *leadership effectiveness* is *influence*. *Influence* is the ability of a leader to impact followers in order to realise set goals. For leaders to influence their followers in the banking industry, they must develop strong relationship with them. The leaders' influence is also felt not only by employees but also in the whole organisation and outside. It is important that leaders understand the impact of their influence on their employees and other managers and the effect of such action on the whole organisational effectiveness. It is only when leaders are able to influence their followers are they termed effective. For bank leadership to be influential then the following recommendations are essential the leaders:

- recognise their followers as important contributors to their effectiveness;
- work with their followers or employers to identify opportunities where their influence will be felt;
- act swiftly and decisively when called upon on matters relating to organisational effectiveness;
- be prepared to drive change, handle challenges and overcome crises and convince their followers of the need to do the same;
- empower and support those under their authorities who in turn gain confidence and are willing to perform better.

The second most important *leadership effectiveness* component is *follower commitment*. *Follower commitment* denotes the commitment and dedication of organisational follower or group members in order to attain set goals and objectives. According to findings from this study, for leaders to be considered effective, they must gain the commitment and

dedication of their followers. This includes groups, individuals and other members under their authorities. The *follower commitment* has been ranked as a major requirement for leadership effectiveness and therefore bank leaders must strive to achieve it. The leaders are said to gain *follower commitment* through well-defined objectives, building enthusiastic workforces and instilling confidence among their followers. Without *follower commitment*, even the most brilliant leader will not succeed. In order to attain such level of *follower commitment*, it is encouraged that the bank leadership:

- encourage and reward group activities more compared to individual achievement;
- provide feedback to employees and other members interested in knowing how well they are performing;
- facilitate bank members to work as a team and provide appropriate logistics and resources required;
- encourage team members to focus their energy on matters impacting on the bank effectiveness;
- put in place mechanisms to reward and appreciate well performing group members.

The last important *leadership effectiveness* component is *versatility*. The component *versatility* emphasiseson the leader's ability to work with and obtain results from others.*Versatility* is a major determinant of leadership effective or ineffectiveness. Bank leaders are in charge of their followers and resources within their respective departments or professional areas. The current study singled out *versatility* as a key measure of leadership effective which in turn leads to overall bank effectiveness. To attain the level of *versatility* desired, the study recommends that bank leadership must:

- have ability to handle multiple responsibilities associated with managing people;
- be able to manage teams as a measure of personal and banks' effectiveness;
- value and respect employees as work partners in enabling achievement of organisational effectiveness;
- attain appropriate interpersonal skills essential for working with others including their managers and non-managers.

Having established that a relationship existed between *leadership effectiveness* construct and its sub-constructs, the relationship between *leadership competencies* category and *leadership effectiveness* construct was also assessed. The study assumed that a significant relationship existed between *leadership competencies* and *leadership effectiveness*. In this relationship, *leadership competencies* category was composed of three constructs, namely *strategic thinking, emotional intelligence* and *transformational leadership* while *leadership effectiveness* was made up of another three sub-constructs (*influence, follower commitment* and *versatility.* The hypothesised relationship was represented by (H^2) which indicated that *leadership competencies* category influences *leadership effectiveness* construct (See Chapter 8, Table 8.45 and Figure 8.11). From the findings of the study, a significant positive relationship ($p < 0.001$) existed between the *leadership competencies* category constructs and the *leadership effectiveness* construct. The findings indicated that all the *leadership competencies* category constructs are important and significant to *leadership effectiveness* and therefore supports hypothesis H^2. In order of importance, *emotional intelligence* construct had the greatest influence on *leadership effectiveness,* followed by *transformational leadership* and *strategic thinking*. It is also notable that while both *emotional intelligence* and *transformational leadership* constructs had strong relationship, *strategic thinking* construct has a weak relationship (See Chapter 8, Table 8.69). This means that for leaders to be effective, *emotional intelligence, transformational leadership and strategic thinking* are essential. In terms of specific *leadership effectiveness* sub-constructs influenced by *leadership competencies*, *follower commitment* showed a strong positive relationship. However, both *influence* and *versatility* had weak relationship. This indicated that a rather weak relationship in terms of specific components of *leadership effectiveness* affected by *leadership competencies*. From the findings it is clear that for bank leadership to be effective, then, it must pay specific attention to the emotional intelligence and of both the leaders and their employees use transformational leadership style and be strategic thinkers. They must also think carefully of the specific components of leadership effectiveness they need to influence which much focus being to follower commitment.

As seen from the findings and from literature, *leadership competencies* category is an ingredient to *leadership effectiveness.* In the banking industry, it is therefore recommended that the leadership ensures that the relationship between *leadership competencies* and *leadership effectiveness* is maintained by:

- identifying the appropriate competencies required for all employees;
- training the identified employees in order to enhance these competencies;
- identify the appropriate leadership effectiveness components and matching them with appropriate leadership competencies;
- regularly evaluating the relationship between leadership competencies and leadership effectiveness in order to ensure leadership effectiveness.

9.5 LEADERSHIP TASKS AND LEADERSHIP EFFECTIVENESS

Leadership tasks are the activities that are performed by leaders. It is argued that organisations need leaders who are able to perform required tasks in order to attain effectiveness. Having indicated that leadership effectiveness is realised by leaders who have certain competencies, this section focuses on the specific tasks that such leaders must perform to be effective. It is hypothesised that a relationship exists between *leadership tasks* and *leadership effectiveness* (See Chapter, Table 8.45 and Figure 8.12). From the findings obtained in this study, there is a strong significant positive relationship ($p < 0.001$) between the *leadership tasks* category and the *leadership effectiveness* construct.

The results indicated that all seven *leadership tasks* are important and significant ($p < 0.001$) for *leadership effectiveness* to be realised. In order of importance, *develop human capital* construct was found to have the greatest influence on *leadership effectiveness,* followed by *manage change, create organisational alignment, set organisational direction, sustain appropriate organisational culture*, and *balanced organisational control*. In terms of *leadership effectiveness* sub-constructs being influenced by *leadership tasks* category, *follow commitment* was highly influenced followed by *versatility* and then *influence* respectively. The results support hypothesis H^3. It is also important for leadership effectiveness to be achieved, that the three indicators of

effectiveness are essential, namely *follower commitment*, *versatility* and *influence*. Other similar studies have shown that the tasks performed by leaders determine leadership effectiveness (See Chapter 5, Section 5.3).

Having established that there is a relationship between *leadership tasks* and *leadership effectiveness*, it is recommended that bank leadership:

- identifies tasks that require to be performed in order for them to be effective;
- equips and empower their employees to perform the identified tasks effectively;
- takes the responsibility of ensuring that tasks identified are performed optimally in order to attain desired goals;
- identifies indicators of effective leadership as identified in this study.

9.6 LEADERSHIP COMPETENCIES INFLUENCE LEADERSHIP EFFECTIVENESS WHERE THESE COMPETENCIES INFLUENCE LEADERSHIP TASKS

Having identified the specific competencies and tasks required by leader and the relationship between these two categories in order to be effective, this section focuses on the influence of leadership competencies on leadership effectiveness where these competencies also influence leadership tasks.. Based on the findings in this study leadership competencies influence the tasks performed, which in turn influence *leadership effectiveness*. It is hypothesised that *leadership competencies* influence *leadership effectiveness* where these competencies influence *leadership tasks* as presented by hypothesis H^4 (See Chapter 8, Table 8.45 and Figure 8.13). The results showed that there was a significant positive relationship ($p < 0.001$) between *leadership competencies* and *leadership tasks categories* and also between *leadership tasks* and *leadership effectiveness.* However, the findings indicate that there is no significant relationship between *leadership competencies* and *leadership effectiveness*. The results also indicate that there exists a weak relationship between *leadership competencies* category and its *strategic thinking* construct. This means that having the required competencies may not necessary mean a leader is a strategic thinker. Despite lack of

direct relationship between *leadership competencies* and *leadership effectiveness*, the fact that there is significant positive relationship between *leadership competencies* and *leadership tasks* categories which in turn influence *leadership effectiveness* construct provides support for hypotheses H^4 (See Chapter 8, Table 8.75 and Figure 8.13). From the findings it can emphasised that *leadership competencies* influence the *leadership tasks* performed which in turn affect overall leadership performance. This demonstrates that the bank leaders must pay specific attentions to their competencies and their impact of tasks performed. It is also important for leaders to understand that there is significance relationship between competencies and leadership effectiveness. Based on these findings, it is recommended that bank leadership:

- identifies the required competencies necessary effective task performance ;
- empower their followers with required skills to help them identify associated tasks which would lead to leadership effectiveness;
- ensures that employees understand their tasks in order to perform them well;
- understand that having leadership competencies may not make a leader a strategic thinker;
- understand that to attain leadership effectiveness is a process of acquiring the appropriate competencies, identifying the right tasks, and then working towards effectiveness.

9.7 LEADERSHIP EFFECTIVENESS AND ORGANISATIONAL EFFECTIVENESS

From the prevailing literature and results derived from this study, *leadership effectiveness* is central to achievement of *organisational effectiveness*. Having examined the various relationships, namely the relationship between *leadership competencies* and *leadership tasks*; *leadership competencies* and *leadership tasks*; *leadership competencies* and *leadership effectiveness*; *leadership tasks* and *leadership effectiveness*, it is important to assess whether there is a relationship between *leadership effectiveness* and *organisational effectiveness*. The hypothesised relationship between *leadership effectiveness* and *organisational effectiveness* was assessed and presented by hypothesis H^5 (See Chapter 8, Table 8.45 and Figure 8.14). The results showed that there was a significant positive

strong relationship ($p < 0.001$) between *leadership effectiveness* and *organisational effectiveness* constructs. The results therefore find support for the hypothesised relationship as presented by H^5. In terms of the impact a leader has in being effective in the organisation, *follow commitment* had the most influence on *organisational effectiveness*. This is followed by *versatility* and *influence* sub-constructs respectively. From the results of the findings, it is clear that *leadership effectiveness* is an important determinant of *organisational effectiveness*. The next section discusses these components of *leadership effectiveness* and their effect on *organisational effectiveness*.

The first component of leadership effectiveness in relation to organisational effectiveness is *follower commitment*. In order for leaders to remain effective and attain organisational effectiveness, then they must gain the commitment of their followers. It only then will the leaders gain the *follower commitment* and devotion to perform assigned tasks well. To gain such commitment, it is recommended that bank leadership:

- have well defined objectives for each follower;
- build an enthusiastic and trusted workforce;
- establish specific measures of bank performance
- reward good performance attained as per set goals.

The second component of leadership effectiveness in relation to *organisational effectiveness* was *versatility*. Through *versatility*, leaders are able to put mechanism in place that enables them to work and achieve their objectives. Without *versatility*, employees don't see commitment from their leaders and as a result they put little effort to the overall performance of an organisation or bank. To attain the level of *versatility* required, it is recommended that bank leadership:

- must have ability to handle multiple responsibilities associated with managing people;
- must be able to manage teams as a measure of personal and banks' effectiveness;
- must value and respect employees as work partners in organisational effectiveness.

Lastly, the third component of *leadership effectiveness* influence *organisational effectiveness* is *influence*. To be influential, leaders must impact their followers positively and gain their support to attain the desired level of *leadership effectiveness* and organisational *effectiveness*. The effect of positive *influence* is banks' effectiveness and overall improvement and performance of the bank. To achieve the desired level of influence, it is recommended that bank leadership:

- understand the employees or followers and what influence them;
- acquire the required skills in order to influence followers;
- be a term player and work with followers toward a common goal;
- empowers and supports those under its authority who in turn gain confidence and are willing to perform better.

In conclusion, it is notable that in contemporary business world, employees are recognised as the most important asset in enabling businesses attain a competitive edge, and therefore it is necessary to take care of them by creating an appropriate and conducive environment. By bank leadership ensuring that they have paid attention to following their commitments, being versatile and being influential as their measures of effectiveness, the implication is that they will realise their desired goal, which is *organisational effectiveness* or overall bank effectiveness.

9.8 MAINMODEL: LEADERSHIP COMPETENCIES AND LEADERSHIP TASKS INFLUENCE LEADERSHIP EFFECTIVENESS WHICH INFLUENCES ORGANISATIONAL EFFECTIVENESS

The overall purpose of the current study was to assess the relationship between *leadership effectiveness* and *organisational effectiveness*. This led to the development and testing of the main model which focused on how both *leadership competencies* and *leadership tasks* influence *leadership effectiveness*, which then influences *organisational effectiveness*. The main model was divided into five sub-models which have already been discussed. This section discusses the main model and associated hypothesised

relationships. According to the hypothesised relationship, there exists a relationship between *leadership competencies* and *leadership task* categories that *influence leadership* effectiveness, which in turn influences *organisational effectiveness*. The hypothesised relationship is stated in hypothesis H^6 and shown in Chapter 8, Table 8.45 and Figure 8.13.

The findings from the current study signify significant relationships ($p < 0.001$) among constructs and sub-constructs demonstrating the relationship between *leadership effectiveness* and *organisational effectiveness*. Although some constructs and sub-constructs demonstrated weaker relationships, majority of the constructs showed strong relationship and therefore supporting all the study hypotheses. The findings indicated that *leadership competencies* and *leadership tasks* are important determinants of *leadership effectiveness,* which in turn influences *organisational effectiveness* (in this case bank effectiveness). More specifically, *leadership competencies* influence *leadership effectiveness* where these competencies influence *leadership task.* The findings from the study provide support for H^6 and agree with the purpose of the current study. The findings have indicated that there exists direct relationship between *leadership competencies* and *leadership tasks effectiveness* which in turn affected *leadership effectiveness* and *organisational effectiveness respectively*. The findings of this study are in line with other studies that have explored the relationship between *leadership competencies, leadership tasks* and *leadership effectiveness* as discussed in Chapters 5, 6 and 7. From the study findings, the following recommendations are made to bank leadership:

- identify the three *leadership competencies* as recommended in this study among bank employees and relate them to both leadership effectiveness and bank effectiveness;
- develop mechanisms to ensure that these *leadership competencies* are promoted as essential determinants of leadership effectiveness;
- identify the seven *leadership tasks* arising from the findings of this study as essential to *leadership effectiveness* and match them with appropriate *leadership competencies*;

- empower employees with essential skills through relevant trainings and other courses geared toward personal development which is critical to attaining desired leadership effectiveness and bank effectiveness;
- emphasise the relationship between *leadership tasks* and *leadership effectiveness* as important for attaining bank effectiveness.

The outcome of implementing the above recommendations will be the achievement of the desired goal of the banks, which is *leadership effectiveness* and *organisational effectiveness*. The result should be the attainment of a competitive position in the industry, which is the ultimate goal of indigenous banks.

9.9 CONTRIBUTIONS OF THE STUDY

This study has contributed positively to the body of information about leadership and organisations by specifically investigating the area of literature relating to *leadership effectiveness* and *organisational effectiveness*. The study was able to identify key constructs that contribute to *leadership effectiveness* which in turn affects *organisational effectiveness* in the banking industry. By first examining the existing literature and empirical findings from other studies to identify key indicators contributing to *leadership effectiveness,* the study was eventually able to scale down the constructs to those having a major impact on the Kenyan indigenous banking effectiveness. Using these constructs, the study developed a theoretical model which was tested for its validity, reliability and practically to the banking industry, especially the indigenous banks in Kenya. Finally, a revised theoretical framework was developed based on those constructs and sub-constructs found applicable to the Kenyan indigenous banking sector. This particular model forms the basis of further research within the banking industry, whether in Kenya or any other part of the world.

The second contribution of this study relates to the development of a measuring instrument to empirically test the proposed relationships between the constructs indicated in the theoretical framework. The instrument was developed from a combination of existing tools and empirical literature. It was pilot-tested to ensure its reliability and

validity before it was finally administered to the target respondents. This instrument is a major contribution to literature in the area of *leadership effectiveness* and *organisational effectiveness.* More specifically it highlighted that *leadership competencies* influence *leadership effectiveness* where these competencies influence *leadership tasks.* The instrument can be used in similar studies.

The third contribution of this study relates to the reliability and validity of data analysed using SEM. By using advanced statistical analytical approaches such as Cronbach alpha coefficient, confirmatory factor analysis and Goodnes-of-fit indices, included in SEM, the study was able to develop well refined results and recommendations. This study analysed a sizeable amount of data as required by SEM, thereby making the results more reliable and therefore useful to future research in the areas of leadership effectiveness and organisational effectiveness.

A fourth contribution is the identification of *organisational effectiveness* (bank effectiveness) measures. For over fifty years, there has been no agreement on the best measures to determine *organisational effectiveness*. By the current study providing indicators to measure bank effectiveness has not only contributed to the debate of organisational effectiveness literature, but has provided answers on how to measure bank effectiveness. The study has also introduced a wide variety of measures so as to enhance the overall measure of organisational effectiveness. These measures can also be used to measure *organisational effectiveness* of financial and non- financial institutions.

A fifth contribution is that the study has integrated numerous theories and empirical studies relating to the influence of *leadership tasks* by *leadership competencies* and how *leadership tasks* influences *leadership effectiveness* which in turn influences *organisational effectiveness*. Besides benefiting the banking industry in Kenya, it has also added a wealth of knowledge to areas of management, organisational behaviour, general psychology, statistics, and research having a wide range of application and usage.

Finally, by the study identified and developed theoretical framework that included the significant *leadership competencies* and *leadership tasks* that determine *leadership effectiveness,* which in turn influences *organisational effectiveness*, a contribution has been made towards understanding the main determinants of *leadership effectiveness* and overall *organisational effectiveness* within Kenyan indigenous banking sector. The results therefore provide direction and basis for effectiveness in a sector that has been plagued with financial crisis for several decades. By carefully implementing the recommendations given in this study, the sector and the industry in general will improve its performance and avoid similar past mistakes.

9.10 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

The current study has come up with significant contributions to the body of knowledge and literature relating to *leadership effectiveness* and *organisation effectiveness* in the banking industry. However, like all empirical studies, it is important to consider some limitations when interpreting the findings and making conclusions and implications for future research.

The first limitation of the study concerned the type of data received. In order to conceal the identity of respondents for confidentiality of the data, the study used an anonymous questionnaire (Zikmund, 2003). This meant that the questionnaires received were not particularly identifiable to a particular bank. As such, the information attained relates to all the indigenous banks in general and does not apply to a particular bank. For future studies, case studies of individual indigenous banks would be helpful in establishing if the results agree with those found in this study.

Another limitation to this study relates to the respondents' honesty and sincerity in completing the questionnaires. Although the research instrument was made objective and anonymous to ensure only relevant information was collected, it cannot be said with confidence that all respondents were free from personal bias and personal distortion. It is

recognised that individual responses may have been affected by their personal bias and mind-set at the time of answering the questionnaires.

The third limitation relates to the use of SEM technique as a method of analysis. For SEM to be implemented effectively, the sample size used is critical. SEM demands large samples in order to test models under study (Hair et al., 2006). Although the sample for this study of 257 respondents was substantial, the presence of too many variables or constructs made it difficult to test the whole model at once, and it was divided into five sub-models. Though the use sub-models is highly recommended for large models (Hair et al., 2006), it is recommended that future studies use large samples but reduce the number of variables tested. This would make any proposed model better tested as a whole (Hair et al., 2006).

It is notable that this study focused on certain *leadership competencies* and *leadership tasks* deemed necessary for *leadership effectiveness* and *organisational effectiveness*. However, from the literature and other empirical findings, there were other competencies and tasks identified which did not fit the scope of this study. Some of these competencies were vision and goal setting, technical ability, decision-making, team leadership, communication ability, self-confidence, integrity and honesty, problem solving, team leadership, entrepreneurial ability, diversity-consciousness and empowering (See Chapter 3, Table 3.2). As regarded tasks, possibilities could have been maintaining and improving the creative capacity of the organisation, creating an environment conducive to employees' performance, determining customer value, developing competitive advantage, communicating direction and determining priorities, staff management, staff development and management, team management, quality management, operational management, leadership development, and teaching/learning (See Chapter 4, Table 4.1). These competencies and tasks could be studied and results compared to those identified and recommended by this study. The findings from such studies would enrich the *leadership competencies* and *leadership tasks* debate thereby enriching the literature and benefiting the banking industry.

Finally, this study focused on the indigenous banking sector in Kenya and its leadership effectiveness in relation to overall bank effectiveness. Future studies could focus on other banks in Kenya, for instance, multinational banks and non-banking financial institutions, in terms of their *leadership effectiveness* and *organisational effectiveness*. Such studies would add to the findings from the current study and therefore add a further understanding of required *leadership competencies* and *leadership tasks* in the banking industry.

Despite the limitations identified, the findings of this study have provided insights into the type of *leadership competencies* and *leadership tasks* needed for leaders in the Kenyan indigenous banks in order to be effective and make their banks effective. The study also adds knowledge to *leadership effectiveness* and *organisational effectiveness* literature especially in relation to the indigenous banking sector in Kenya, an area where little if any research had been conducted prior to this research.

9.11 CONCLUDING REMARKS

For banks to perform effectively, they need effective leadership. To be effective, the leadership needs to have the right competencies and perform appropriate tasks. This study has found that *leadership competencies* influence *leadership effectiveness* where these competencies influence *leadership tasks,* which in turn influence *leadership effectiveness*. This implies that there is direct relationship between *leadership competencies* and *leadership tasks;* and between *leadership tasks* and *leadership* and *effective leadership*. It is through *leadership competencies* influencing *leadership tasks* which in turn influence *leadership effectiveness* that *organisational effectiveness* is realised.

The model developed and tested in this study showed a strong relationship between *leadership effectiveness* and *organisational effectiveness,* therefore fulfilling both the primary objective and secondary objectives of this study.

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ANNEXURE A: COVER LETTERS AND QUESTIONNARE

September 2012

Dear Sir,

My name is Samuel Muriithi, a Senior Lecturer at Daystar University where I teach courses relating to strategic management and leadership. I am currently a PhD student at Rhodes University, South Africa where I am pursuing a course on leadership.

As part of my course requirement, I am doing a dissertation entitled *"The relationship between leadership effectiveness and organisational effectiveness within the indigenous banks in Kenya."* The study aims to assess bank leadership effectiveness and how this affect bank overall performance. The study does not target a specific bank but aim at getting general information from both managers and non-managerial staff. Since much of the leadership policies are implemented at the headquarters of the bank, the study is targeting employees at the headquarters (HQ) although other branches can still participate. The questionnaire is anonymous and the employees do not need to put their names.

I am writing to request your authority to conduct my study in your bank. The questionnaire which I have attached with this email takes about 30 minutes and can be filled online or as a hardcopy. I would greatly appreciate if I am granted the permission to collect this data which will help me accomplish the final phase of my study. Please don't hesitate to contact me in case of a question or the Dean of School of Business and Economics, Daystar University. My contact is: 0722-349324 while that of my Dean is Dr. David Wachira:0721-668390. I look forward to your response.

Yours faithfully,

Samuel Muriithi
Senior Lecturer, School of Business and Economics

RHODES UNIVERSITY
Grahamstown • 6140 • South Africa

September 2012

Dear Bank Employee,

RE: Relationship between Leadership and Organisational Effectiveness

The purpose of this study is to assess the relationship between leadership effectiveness and organisational effectiveness within the Kenyan indigenous banks. The study is significant since the tasks and involvement of leaders in an organisation determines its success or failure. It is anticipated that this study will contribute positively to the Kenyan bank industry on matters relating to leadership and organisational effectiveness.

I therefore appeal to you to share your views by completing the attached questionnaire. The questionnaire will take 30 minutes to complete. There are no right or wrong answers. All your opinions are important. The structure of the questionnaire is as follow:

Section ONE: The Kenyan banking history
Section TWO: Leaders' competencies
Section THREE: Leaders' tasks
Section FOUR: Leadership effectiveness
Section FIVE: Organisational effectiveness
Section SIX: Demographic information

Please note that your participation in this survey is voluntary, completely anonymous and no confidential information is required. Each questionnaire is however assigned an ID number for the purpose of verifying receipt of the returned questionnaire from a particular bank. All data will be used for research purposes only. Once the research has been completed, the data will be handed to the Research Supervisor, Professor L. Louw of the Department of Management at Rhodes University for private storage. This research has been approved by the Faculty of Commerce Higher Degrees Committee and the Department of Management Human Research Ethics Committee.

After completing the questionnaire, fold it and put it in a confidential box provided by the researcher.

Thank you again for sharing your views on these important issues.

Samuel Muriithi, PhD student
Department of Management, Rhodes University

QUESTIONNAIRE ID:_____

PARTICIPANT CONSENT

I hereby certify that my response to the information in this document is correct to the best of my knowledge.

I hereby give consent to the researcher to use the information contained in this document for the purpose of completing his research project. I accept that I will not be identified and my personal results will be kept confidential. I understand the purpose of the research and my involvement in it. **My participation in this survey is voluntary and I understand that I could withdraw from the research at any stage**.

Based on the above, I hereby agree to participate in this survey. Yes/No

SECTION ONE: GENERAL STATEMENTS RELATING TO INDIGENOUS BANKS

The following statements relate to the Kenyan indigenous banks' historical development and challenges. Please indicate the extent to which you agree or disagree with these statements by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes you strongly agree with the statement. Please note that the first five statements are YES or NO statements.

Statements relating to indigenous banks		**YES**	**NO**
1.1	My current bank is amongst the oldest indigenous banks in Kenya		
1.2	My current bank is among the fairly old (about 20 years old) indigenous banks in Kenya		
1.3	My current bank is amongst the youngest (less that 10 years) indigenous banks in Kenya		
1.4	My current bank was severely affected by the 1980-2003 financial crisis		
1.5	My current bank successfully went through the 1980-2003 financial crisis		

Statements relating to indigenous banks		**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1.6	The financial crises of indigenous banks are due to leadership incompetence	1	2	3	4	5
1.7	The financial crises of indigenous banks are due to lack of strong internal control measures	1	2	3	4	5
1.8	The financial crises of indigenous banks are due to poor governance	1	2	3	4	5
1.9	The financial crises of indigenous banks are due to poor planning	1	2	3	4	5
1.10	Poor performance of indigenous banks is associated with non-performing loans	1	2	3	4	5
1.11	Poor performance of indigenous banks is due to a lack of well-structured laws and regulations	1	2	3	4	5
1.12	Poor performance of indigenous banks can be blamed on the Central Bank of Kenya's inadequate policies	1	2	3	4	5

Statements relating to indigenous banks					YES	NO
1.13	Poor performance of indigenous banks is often associated with political pressure	1	2	3	4	5
1.14	Poor performance of indigenous banks is due to lack of qualified personnel	1	2	3	4	5
1.15	Poor performance of indigenous banks is blamed on government interference	1	2	3	4	5
1.16	The positive growth among indigenous banking sector is related to aggressive debt recovery methods	1	2	3	4	5
1.17	Effective leadership among indigenous banks has been associated with the current growth	1	2	3	4	5
1.18	The recent positive growth in the indigenous banking sector is due to strong internal control mechanisms	1	2	3	4	5
1.19	The positive current growth within the indigenous banking sector is related to strict laws and regulations	1	2	3	4	5

SECTION TWO: LEADERSHIP COMPETENCY

To be effective, leaders require certain competencies. In this study a competency is defined as the ability of a leader to use knowledge, skills, behaviour and other attitudes to be effective in performing various tasks. This study focuses on three key competencies, namely strategic thinking, emotional intelligence and transformational leadership. For the following statements, select the most appropriate response in relation to **your** indigenous bank's leadership strategic thinking competency by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement.

Statements relating to my bank's leadership strategic thinking competency		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
2.1	Top management is usually responsible for 85% of the mistakes in the banks	1	2	3	4	5
2.2	Effective leaders think ahead about problems to be encountered and possible solutions	1	2	3	4	5
2.3	The bank leadership encourages employees' participation in the planning process	1	2	3	4	5
2.4	The bank leaders often question the logic of commonly agreed facts	1	2	3	4	5
2.5	Before making a decision, the bank leaders think about the worst and the best possible options	1	2	3	4	5
2.6	The leadership reserve time for planning about the future of the bank	1	2	3	4	5
2.7	The leadership consciously separate operative and strategic activities	1	2	3	4	5
2.8	The leaders are often aware of their mistakes and try to correct them	1	2	3	4	5
2.9	Most leaders devote more time to current problems than to strategic decisions and plans	1	2	3	4	5
2.10	The bank leadership consider its clients to be very important for the bank's future survival	1	2	3	4	5
2.11	The leaders' boost, develop and support different views of the employees	1	2	3	4	5
2.12	The bank owners and board of directors put much pressure on leadership	1	2	3	4	5

	performance					
2.13	Often the bank leaders are influenced by outside political powers in their decision making	1	2	3	4	5
2.14	There is no difference between the way we operate and how our competitors operate	1	2	3	4	5
2.15	There is an optimistic atmosphere within the bank	1	2	3	4	5
2.16	The bank leaders are well informed and understand the technical processes in the bank	1	2	3	4	5
2.17	The bank leaders ensure that the bank's mission and vision statements are well aligned	1	2	3	4	5
2.18	When confronted with an obstacle, the leaders switch to alternative plans	1	2	3	4	5
2.19	The bank leaders are quick to comprehend complex problems faced by the bank	1	2	3	4	5
2.20	The leaders handle disputes and misunderstandings that may arise between departments	1	2	3	4	5
2.21	The leaders are instrumental in facilitating required changes within the bank's plans	1	2	3	4	5
2.22	The bank leaders make decisions based on limited information that may/may not be perfect	1	2	3	4	5
2.23	Contradictory results of analysis do not hinder decision making in the bank	1	2	3	4	5
2.24	Departments in the bank concentrate their efforts on themselves and not on the bank	1	2	3	4	5
2.25	Disequilibrium and instability are unpleasant and leaders try to either avoid or ignore them	1	2	3	4	5
2.26	Strategic orientation derives from the analysis of external factors and factors within the firm	1	2	3	4	5
2.27	Good strategy is a prerequisite of business strategy	1	2	3	4	5
2.28	In the bank, planning is by the book, i.e. step-by-step from formulation through implementation to control	1	2	3	4	5
2.29	The decision of the top management team is the most dominating in the process of bank strategy development	1	2	3	4	5
2.30	The bank uses SWOT analysis	1	2	3	4	5
2.31	Mentality and culture directly influence the bank	1	2	3	4	5
2.32	The key to survival is to adapt to the environment	1	2	3	4	5
2.33	Firms receives the impetus to change from the environment	1	2	3	4	5
2.34	We try to be the first to launch the product on the market in order to gain advantage	1	2	3	4	5
2.35	We focus our energy on the new challenges and not the problems from the past	1	2	3	4	5
2.36	The market is a battlefield were we fight out wars	1	2	3	4	5
2.37	The most successful managers are the source of innovations and ideas that lead to changes	1	2	3	4	5
2.38	Idea and work are crucial features of a successful business	1	2	3	4	5

Statements relating to emotional intelligence competency

Please indicate the extent to which you agree or disagree with these statements pertaining to the emotional intelligence competency of your indigenous banks' leadership by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement (note: statements removed as required by the copyright owner).

	Statements relating to emotional intelligence competency of my indigenous bank's leaders. My bank's leadership:	**Strongly disagree**	**Disagree**	**Neutral /no opinion**	**Agree**	**Strongly agree**
2.39		1	2	3	4	5
2.40		1	2	3	4	5
2.41		1	2	3	4	5
2.42		1	2	3	4	5
2.43		1	2	3	4	5
2.44		1	2	3	4	5
2.45		1	2	3	4	5
2.46		1	2	3	4	5
2.47		1	2	3	4	5
2.48		1	2	3	4	5
2.49		1	2	3	4	5
2.50		1	2	3	4	5
2.51		1	2	3	4	5
2.52		1	2	3	4	5
2.53		1	2	3	4	5
2.54		1	2	3	4	5
2.55		1	2	3	4	5
2.56		1	2	3	4	5
2.57		1	2	3	4	5
2.58		1	2	3	4	5
2.59		1	2	3	4	5
2.60		1	2	3	4	5
2.61		1	2	3	4	5
2.62		1	2	3	4	5
2.63		1	2	3	4	5
2.64		1	2	3	4	5
2.65		1	2	3	4	5
2.66		1	2	3	4	5
2.67		1	2	3	4	5
2.68		1	2	3	4	5
2.69		1	2	3	4	5
2.70		1	2	3	4	5

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Statements relating to transformational leadership competency*

Please indicate the extent to which you agree or disagree with these statements pertaining to the transformational leadership competency of your indigenous bank's leadership by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement.

	Statements pertaining to transformational leadership competency of my indigenous bank's leaders. My bank's leadership:	**Strongly disagree**	**Disagree**	**Neutral /no opinion**	**Agree**	**Strongly agree**
2.71	Instills pride in others for being associated with it	1	2	3	4	5
2.72	Is committed to developing others	1	2	3	4	5
2.73	Goes beyond self-interest for the good of the group or groups	1	2	3	4	5
2.74	Acts in ways that build others' respect for it	1	2	3	4	5
2.75	Displays a sense of power and confidence	1	2	3	4	5
2.76	Talks about the most important values and beliefs of the bank	1	2	3	4	5
2.77	Specifies the importance of having a strong sense of purpose	1	2	3	4	5
2.78	Considers the moral and ethical consequences of its decisions	1	2	3	4	5
2.79	Emphasizes the importance of having a collective sense of mission	1	2	3	4	5
2.80	Promotes common purpose for all employees	1	2	3	4	5
2.81	Talks optimistically about the future	1	2	3	4	5
2.82	Talks enthusiastically about what needs to be accomplished	1	2	3	4	5
2.83	Articulates a compelling vision of the future	1	2	3	4	5
2.84	Expresses confidence that goals will be achieved	1	2	3	4	5
2.85	Is confidence about the direction the bank is taking	1	2	3	4	5
2.86	Re-examines critical assumptions to question its appropriateness	1	2	3	4	5
2.87	Seeks differing perspectives when solving problems	1	2	3	4	5
2.88	Gets others to look at problems from many different angles	1	2	3	4	5
2.89	Suggests new ways of looking at how to complete assignments	1	2	3	4	5
2.90	Is open to new ideas and opinions	1	2	3	4	5
2.91	Spends time teaching and coaching	1	2	3	4	5
2.92	Treats others as individuals rather than just as members of a group	1	2	3	4	5
2.93	Considers individuals to have different needs, abilities, and aspirations	1	2	3	4	5
2.94	Builds others capabilities	1	2	3	4	5
2.95	Helps others to develop their strength	1	2	3	4	5

*****Survey includes 20 items of the MLQ, altered by permission of the publisher"

SECTION THREE: LEADERSHIP' TASKS

This Section relates to leaders' tasks necessary for effectiveness. Please indicate the extent to which you agree or disagree with these statements pertaining to the task played by your indigenous bank's leadership by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement.

Statements pertaining to the tasks played by my indigenous bank's leadership. My bank's leadership:		**Strongly disagree**	**Disagree**	**Neutral /no opinion**	**Agree**	**Strongly agree**
3.1	Has a long-term purpose and direction	1	2	3	4	5
3.2	Has strategy that lead other organisations to change the way they compete in the industry	1	2	3	4	5
3.3	Has a clear mission that gives meaning and direction to our work	1	2	3	4	5
3.4	Has clearly stated the objectives the bank try to achieve	1	2	3	4	5
3.5	Has a clear strategy for the future	1	2	3	4	5
3.6	Has a long term viewpoint of where the bank is going	1	2	3	4	5
3.7	Ensures that authority is delegated so that people can act on their own	1	2	3	4	5
3.8	Ensures that the people's capability is constantly improving	1	2	3	4	5
3.9	Encourages continuous investment in the skills of employees	1	2	3	4	5
3.10	Considers people capabilities as important source of competitive advantage	1	2	3	4	5
3.11	Argues that problems often arise because employees lack necessary skills to do their jobs	1	2	3	4	5
3.12	Ensures that employees are highly involved in their work	1	2	3	4	5
3.13	Ensures decisions are usually made at the levels where the best information is available	1	2	3	4	5
3.14	Encourages all bank employees to believe they have a positive impact	1	2	3	4	5
3.15	Advocates the fact that business planning process is ongoing and should involve everyone	1	2	3	4	5
3.16	Make sure that information is widely shared so that everyone can get the appropriate information in time	1	2	3	4	5
3.17	Ensure that the bank approach to doing business is very consistent and predictable	1	2	3	4	5
3.18	Ensures that employees from different parts of the organisation share a common perspective	1	2	3	4	5
3.19	Believes that it is easy to coordinate projects across different parts of the organisation	1	2	3	4	5
3.20	Sees working with someone from another part of the organisation as similar to working with someone from a different organisation	1	2	3	4	5
3.21	Ensures that there is a good alignment of goals across levels	1	2	3	4	5
3.22	Makes sure that when there is disagreement in the bank, everyone work hard to achieve win-win solutions	1	2	3	4	5
3.23	Ensures that there is a "strong" culture	1	2	3	4	5
3.24	Encourages all employees to reach consensus even on difficult issues	1	2	3	4	5
3.25	Admits that there are times when it is difficult to reach agreement on key issues	1	2	3	4	5
3.26	Spells out clearly that there is the right way and the wrong way to things	1	2	3	4	5
3.27	Make sure that the way things are done is very flexible and easy to change	1	2	3	4	5

3.28	Responds well to competitors and other changes in the business environment	1	2	3	4	5
3.29	Ensures that new and improved ways to work is adopted	1	2	3	4	5
3.30	Is aware that attempts to create change usually meet resistance	1	2	3	4	5
3.31	Is aware that different parts of the bank must cooperate to create desired change	1	2	3	4	5
3.32	Practices what it preaches in terms of core values	1	2	3	4	5
3.33	Ensures that the bank has uses certain management style and a distinct set of management practices	1	2	3	4	5
3.34	Ensures that there is a clear and consistent set of values that governs the way the bank does business	1	2	3	4	5
3.35	Knows that ignoring core values will get the bank into trouble	1	2	3	4	5
3.36	Ensures here is an ethical code that guides the behaviour and tells the employees right from wrong	1	2	3	4	5
3.37	Strategic direction is unclear to the bank leadership	1	2	3	4	5
3.38	Has widespread agreement about bank goals	1	2	3	4	5
3.39	Sets goals that are ambitious, but realistic	1	2	3	4	5
3.40	Has "gone on record" about the objectives we are trying to meet	1	2	3	4	5
3.41	Has made people to understand what needs to be done for the bank to succeed in the long-run	1	2	3	4	5

SECTION FOUR: LEADERSHIP EFFECTIVENESS

This Section relates to the leadership effectiveness of indigenous banks. Carefully reflect on each statement and select the rating that best describes how bank leadership manages or influences others. Please indicate the extent to which you agree or disagree with these statements pertaining to leadership effectiveness in your indigenous banks by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement.

Statements pertaining to my bank's leadership effectiveness. My indigenous bank's leadership:		**Strongly disagree**	**Disagree**	**Neutral /no opinion**	**Agree**	**Strongly agree**
4.1	Presents cultural differences as a problem	1	2	3	4	5
4.2	Is respected across borders	1	2	3	4	5
4.3	Normally chooses close friends to network with	1	2	3	4	5
4.4	Gets the best out of people no matter what their background	1	2	3	4	5
4.5	Builds effective multi-cultural teams	1	2	3	4	5
4.6	Is reluctant to face up to new threats and opportunities	1	2	3	4	5
4.7	Convinces employees of the opportunities that changes bring	1	2	3	4	5
4.8	Puts personal effort into helping resolve major problems	1	2	3	4	5
4.9	Acts swiftly and decisively when needed	1	2	3	4	5
4.10	Is never satisfied with the status quo	1	2	3	4	5
4.11	Sees the success of the group as more important than individual members' success	1	2	3	4	5
4.12	Sees members of the group as interested in knowing how well the group is performing	1	2	3	4	5

4.13	Ensures that group members support the bank's overall leadership	1	2	3	4	5
4.14	Encourages members to focus their attention on issues which impact on the success of the group	1	2	3	4	5
4.15	Is accused of ignoring individual group members contribution	1	2	3	4	5
4.16	Has multiple responsibilities of managing people and other bank activities	1	2	3	4	5
4.17	Is already involved in important issues outside its normal responsibilities	1	2	3	4	5
4.18	Is responsible for leading project teams made up of people from other banks	1	2	3	4	5
4.19	Spends little time trying to achieve results through matrix structures or projects	1	2	3	4	5
4.20	Is consulted by others due to its expertise	1	2	3	4	5
4.21	Is accused of not balancing division of tasks within groups	1	2	3	4	5
4.22	Takes action to correct any group's competence gaps	1	2	3	4	5
4.23	Does not understand the tasks and responsibilities of groups	1	2	3	4	5
4.24	Ensures that group performance is reviewed regularly	1	2	3	4	5
4.25	Manages group resources to ensure they balance with its objectives	1	2	3	4	5

SECTION FIVE: ORGANISATIONAL (INDIGENOUS BANK) EFFECTIVENESS

This Section pertains to the organisational effectiveness of your indigenous bank. Please indicate the extent to which you agree or disagree with these statements pertaining to how your indigenous bank measures its effectiveness by circling your response on the 5-point scale, where 1 (one) denotes that you strongly disagree with the statement while 5 (five) denotes strongly agree with the statement.

Statements pertaining to my bank's effectiveness. My bank measures its effectiveness through:		**Strongly disagree**	**Disagree**	**Neutral /no opinion**	**Agree**	**Strongly agree**
5.1	**Productivity** (This is defined as the ratio of outputs produced by the bank in relation to resources consumed in the process)	1	2	3	4	5
5.2	**Sales/revenue growth** (increase in banks income resulting from successful business)	1	2	3	4	5
5.3	**Quality products and services** (This relate to valuable products and services)	1	2	3	4	5
5.4	**Operation efficiency** (This is defined as the extent to which time or effort is well utilised for the intended task or goal of the bank)	1	2	3	4	5
5.5	**Innovativeness and adaptability**(this is the ability to alter behaviour, systems or structures and generate new ideas in an effort to survive in a changing environment)	1	2	3	4	5
5.6	**Profitability** (This is defined as the money a business or a bank earns above its costs)	1	2	3	4	5
5.7	**Performance stability** (This mean the bank's ability to remain stable in the midst of challenges and competition)	1	2	3	4	5
5.8	**Market share** (expansion of the bank business both in numbers and geographically	1	2	3	4	5
5.9	**Employees satisfaction and commitment** (This means the bank's ability to satisfy its staff and retain them)	1	2	3	4	5

SECTION SIX: DEMOGRAPHIC INFORMATION

The following section focuses on demographic information. Please circle the answer that is most applicable to you.

6.1 Please indicate your gender: Male [1] Female [2]

6.2 Please indicate the age bracket that is applicable to you:

Below 25	1	46-50	6
25-30	2	51-55	7
31-35	3	56-60	8
36-40	4	Above 60	9
41-45	5		

6.3 Please indicate your highest level of education:

Primary school	1	Higher national diploma	5
Secondary school	2	University – first degree	6
Certificate	3	University—master degree	7
Diploma	4	University-Phd/Doctoral degree	8

6.4 Please indicate the number of years you have worked in the banking industry:

Below 1 year	1	15-20	6
1-2	2	20-25	7
2-5	3	25-30	8
5-10	4	Above 30	
10-15	5		

6.5 Please indicate the number of years you have worked in the current bank:

1-2	1	15-20	5
2-5	2	20 25	7
5-10	3	25-30	8
10-15	4	Above 30	9

6.6 Please indicate your current position in the bank:

Chief executive office (CEO)	1	Forex and treasury manager	10
Chief financial officer (CFO)	2	Credit manager	11
Human resource manager	3	Operations manager	12
Finance manager	4	Administrative manager	13
Corporate manager	5	Logistic manager	14
Insurance manager	6	Small and medium enterprise manager (SMEs) manager	15
Marketing manager	7	Non-managerial employee	16
Capital share manager	8	Others, specify:	17
IT manager	9		

6.7 According to you, how would you rate your bank's leadership?

Very effective	1
Effective	2
Neutral	3
Ineffective	4
Very ineffective	5

6.8 According to you, how would you rate your bank's overall effectiveness?

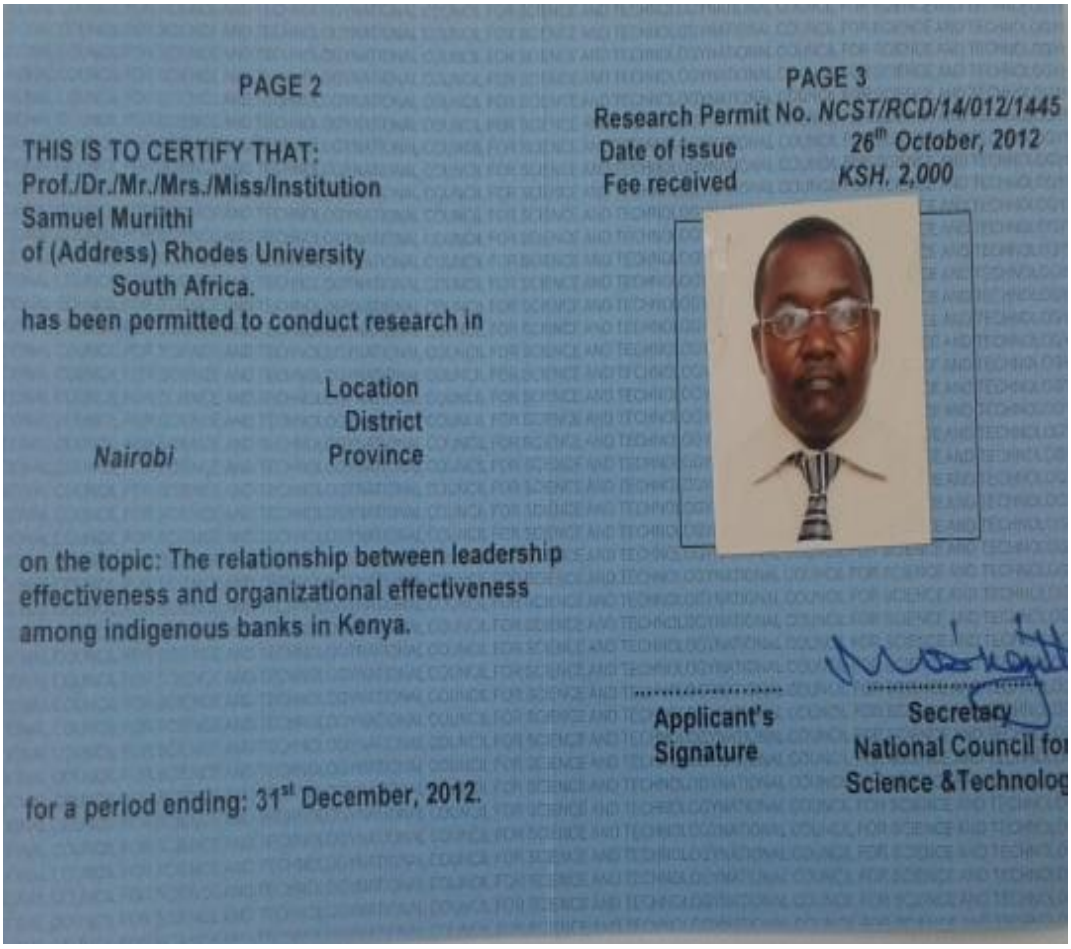
Very effective	1
Effective	2
Neutral	3
Ineffective	4
Very ineffective	5
Other, specify	6

6.9 Please make any comments relating to how your bank's leadership has improved performance

_____

THANK YOU FOR YOUR TIME AND VALUED RESPONSES, GOD BLESS

ANNEXURE B: NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY



PAGE 2

THIS IS TO CERTIFY THAT:
Prof./Dr./Mr./Mrs./Miss/Institution
Samuel Muriithi
of (Address) Rhodes University
South Africa.
has been permitted to conduct research in

Location
District
Nairobi Province

on the topic: The relationship between leadership effectiveness and organizational effectiveness among indigenous banks in Kenya.

for a period ending: 31st December, 2012.

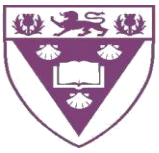
PAGE 3

Research Permit No. *NCST/RCD/14/012/1445*
Date of issue *26th October, 2012*
Fee received *KSH. 2,000*

Applicant's Signature

Secretary
National Council for
Science &Technolog

ANNEXURE C: DEPARTMENT OF MANAGEMENT HUMAN RESEARCH ETHICS COMMITTEE



RHODES UNIVERSITY

Grahamstown • 6140 • South Africa

DEPARTMENT OF MANAGEMENT • Tel: (046) 603 8250 • e-mail: t..amos@ru.ac.za

4 September 2012

Dear Mr Samuel Muriithi

We are pleased to inform you that your PhD research project proposal, entitled "The relationship between leadership effectiveness and organisational effectiveness among indigenous banks in Kenya" has been approved by the Department of Management Human Research Ethics Committee. Your supervisor, Prof Lynette Louw, will discuss any comments and suggested changes with you.

You may proceed with your research project.

Sincerely

Mr Trevor L Amos (or designate)
Head: Department of Management
Chair: Department of Management Human Research Ethics Committee

Mr Mark Maritz
Member: Department of Management Human Research Ethics Committee

ANNEXURE D: GRANTED PERMISSIONS

Ann Arbor
Zurich
Shanghai

Bringing Organizational Culture and Leadership to the **Bottom Line**.

August 30, 2012

To whom it may concern:

Sam Muriithi has received permission to use Denison Consulting materials for publication and presentations with the understanding that these materials be used solely for research purposes. The details of this agreement are recorded in the Denison Consulting Terms of Use for Researchers.

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Multifactor Leadership Questionnaire Instrument (Leader and Rater Form) and Scoring Guide (Form 5X-Short)

by Bruce Avolio and Bernard Bass

Published by Mind Garden, Inc.

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MLQ Multifactor Leadership Questionnaire Leader Form (5x-Short)

My Name: _____ Date:_____

Organization ID #: _____ Leader ID #: _____

This questionnaire is to describe your leadership style as you perceive it. Please answer all items on this answer sheet. **If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank.**

Forty-five descriptive statements are listed on the following pages. Judge how frequently each statement fits you. The word "others" may mean your peers, clients, direct reports, supervisors, and/or all of these individuals.

Use the following rating scale:

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

1.	I provide others with assistance in exchange for their efforts	0	1	2	3	4
2.	I re-examine critical assumptions to question whether they are appropriate	0	1	2	3	4
3.	I fail to interfere until problems become serious	0	1	2	3	4
4.	I focus attention on irregularities, mistakes, exceptions, and deviations from standards	0	1	2	3	4
5.	I avoid getting involved when important issues arise	0	1	2	3	4
6.	I talk about my most important values and beliefs	0	1	2	3	4
7.	I am absent when needed	0	1	2	3	4
8.	I seek differing perspectives when solving problems	0	1	2	3	4
9.	I talk optimistically about the future	0	1	2	3	4
10.	I instill pride in others for being associated with me	0	1	2	3	4
11.	I discuss in specific terms who is responsible for achieving performance targets	0	1	2	3	4
12.	I wait for things to go wrong before taking action	0	1	2	3	4
13.	I talk enthusiastically about what needs to be accomplished	0	1	2	3	4
14.	I specify the importance of having a strong sense of purpose	0	1	2	3	4
15.	I spend time teaching and coaching	0	1	2	3	4

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

16.	I make clear what one can expect to receive when performance goals are achieved	0	1	2	3	4
17.	I show that I am a firm believer in "If it ain't broke, don't fix it."	0	1	2	3	4
18.	I go beyond self-interest for the good of the group	0	1	2	3	4
19.	I treat others as individuals rather than just as a member of a group	0	1	2	3	4
20.	I demonstrate that problems must become chronic before I take action	0	1	2	3	4
21.	I act in ways that build others' respect for me	0	1	2	3	4
22.	I concentrate my full attention on dealing with mistakes, complaints, and failures	0	1	2	3	4
23.	I consider the moral and ethical consequences of decisions	0	1	2	3	4
24.	I keep track of all mistakes	0	1	2	3	4
25.	I display a sense of power and confidence	0	1	2	3	4
26.	I articulate a compelling vision of the future	0	1	2	3	4
27.	I direct my attention toward failures to meet standards	0	1	2	3	4
28.	I avoid making decisions	0	1	2	3	4
29.	I consider an individual as having different needs, abilities, and aspirations from others	0	1	2	3	4
30.	I get others to look at problems from many different angles	0	1	2	3	4
31.	I help others to develop their strengths	0	1	2	3	4
32.	I suggest new ways of looking at how to complete assignments	0	1	2	3	4
33.	I delay responding to urgent questions	0	1	2	3	4
34.	I emphasize the importance of having a collective sense of mission	0	1	2	3	4
35.	I express satisfaction when others meet expectations	0	1	2	3	4
36.	I express confidence that goals will be achieved	0	1	2	3	4
37.	I am effective in meeting others' job-related needs	0	1	2	3	4
38.	I use methods of leadership that are satisfying	0	1	2	3	4
39.	I get others to do more than they expected to do	0	1	2	3	4
40.	I am effective in representing others to higher authority	0	1	2	3	4
41.	I work with others in a satisfactory way	0	1	2	3	4
42.	I heighten others' desire to succeed	0	1	2	3	4
43.	I am effective in meeting organizational requirements	0	1	2	3	4
44.	I increase others' willingness to try harder	0	1	2	3	4
45.	I lead a group that is effective	0	1	2	3	4

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MLQ Multifactor Leadership Questionnaire Leader Form (5x-Short)

My Name: _____ Date:_____

Organization ID #: _____ Leader ID #: _____

This questionnaire is to describe the leadership style of the above-mentioned individual as you perceive it. Please answer all items on this answer sheet. **If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank.** Please answer this questionnaire anonymously.

IMPORTANT (necessary for processing): Which best describes you?

___ I am at a higher organizational level than the person I am rating.
___ The person I am rating is at my organizational level.
___ I am at a lower organizational level than the person I am rating.
I do not wish my organizational level to be known.

Forty-five descriptive statements are listed on the following pages. Judge how frequently each statement fits the person you are describing. Use the following rating scale:

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
0	1	2	3	4

THE PERSON I AM RATING. . .

1.	Provides me with assistance in exchange for my efforts	0	1	2	3	4
2.	Re-examines critical assumptions to question whether they are appropriate	0	1	2	3	4
3.	Fails to interfere until problems become serious	0	1	2	3	4
4.	Focuses attention on irregularities, mistakes, exceptions, and deviations from standards	0	1	2	3	4
5.	Avoids getting involved when important issues arise	0	1	2	3	4
6.	Talks about their most important values and beliefs	0	1	2	3	4
7.	Is absent when needed	0	1	2	3	4
8.	Seeks differing perspectives when solving problems	0	1	2	3	4
9.	Talks optimistically about the future	0	1	2	3	4
10.	Instills pride in me for being associated with him/her	0	1	2	3	4
11.	Discusses in specific terms who is responsible for achieving performance targets	0	1	2	3	4
12.	Waits for things to go wrong before taking action	0	1	2	3	4
13.	Talks enthusiastically about what needs to be accomplished	0	1	2	3	4
14.	Specifies the importance of having a strong sense of purpose	0	1	2	3	4
15.	Spends time teaching and coaching	0	1	2	3	4

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not
0	1	2	3	4

16.	Makes clear what one can expect to receive when performance goals are achieved	0	1	2	3	4
17.	Shows that he/she is a firm believer in "If it ain't broke, don't fix it."	0	1	2	3	4
18.	Goes beyond self-interest for the good of the group	0	1	2	3	4
19.	Treats me as an individual rather than just as a member of a group	0	1	2	3	4
20.	Demonstrates that problems must become chronic before taking action	0	1	2	3	4
21.	Acts in ways that builds my respect	0	1	2	3	4
22.	Concentrates his/her full attention on dealing with mistakes, complaints, and failures	0	1	2	3	4
23.	Considers the moral and ethical consequences of decisions	0	1	2	3	4
24.	Keeps track of all mistakes	0	1	2	3	4
25.	Displays a sense of power and confidence	0	1	2	3	4
26.	Articulates a compelling vision of the future	0	1	2	3	4
27.	Directs my attention toward failures to meet standards	0	1	2	3	4
28.	Avoids making decisions	0	1	2	3	4
29.	Considers me as having different needs, abilities, and aspirations from others	0	1	2	3	4
30.	Gets me to look at problems from many different angles	0	1	2	3	4
31.	Helps me to develop my strengths	0	1	2	3	4
32.	Suggests new ways of looking at how to complete assignments	0	1	2	3	4
33.	Delays responding to urgent questions	0	1	2	3	4
34.	Emphasizes the importance of having a collective sense of mission	0	1	2	3	4
35.	Expresses satisfaction when I meet expectations	0	1	2	3	4
36.	Expresses confidence that goals will be achieved	0	1	2	3	4
37.	Is effective in meeting my job-related needs	0	1	2	3	4
38.	Uses methods of leadership that are satisfying	0	1	2	3	4
39.	Gets me to do more than I expected to do	0	1	2	3	4
40.	Is effective in representing me to higher authority	0	1	2	3	4
41.	Works with me in a satisfactory way	0	1	2	3	4
42.	Heightens my desire to succeed	0	1	2	3	4
43.	Is effective in meeting organizational requirements	0	1	2	3	4
44.	Increases my willingness to try harder	0	1	2	3	4
45.	Leads a group that is effective	0	1	2	3	4

Continued =>

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MLQ Multifactor Leadership Questionnaire Leader Form (5x-Short)

My Name: _____ Date:_____

Organization ID #: _____ Leader ID #: _____

Scoring: The MLQ scale scores are average scores for the items on the scale. The score can be derived by summing the items and dividing by the number of items that make up the scale. All of the leadership style scales have four items, Extra Effort has three items, Effectiveness has four items, and Satisfaction has two items

Not at all	Once in a	Sometime	Fairly often	Frequently, if not always
0	1	2	3	4

Idealized Influence (Attributed) total/4 =

Idealized Influence (Behavior) total/4 =

Inspirational Motivation total/4 =

Intellectual Stimulation total/4 =

Individualized Consideration total/4 =

Contingent Reward total/4 =

Management-by-Exception (Active) total/4 =

Management-by-Exception (Passive) total/4 =

Laissez-faire Leadership total/4 =

Extra Effort total/3 =

Effectiveness total/4 =

Satisfaction total/2 =

1.	**Contingent Reward**	0	1	2	3	4
2.	**Intellectual Stimulation**	0	1	2	3	4
3.	**Management-by-Exception (Passive)**	0	1	2	3	4
4.	**Management-by-Exception (Active)**	0	1	2	3	4
5.	**Laissez-faire**	0	1	2	3	4
6.	**Idealized Influence (Behavior)**	0	1	2	3	4
7.	**Laissez-faire**	0	1	2	3	4
8.	**Intellectual Stimulation**	0	1	2	3	4
9.	**Inspirational Motivation**	0	1	2	3	4
10.	**Idealized Influence (Attributed)**	0	1	2	3	4
11.	**Contingent Reward**	0	1	2	3	4
12.	**Management-by-Exception (Passive)**	0	1	2	3	4
13.	**Inspirational Motivation**	0	1	2	3	4
14.	**Idealized Influence (Behavior)**	0	1	2	3	4
15.	**Individualized Consideration**	0	1	2	3	4

Continued =>

Not at all	Once in a	Sometime	Fairly often	Frequently, if not always
0	1	2	3	4

16. **Contingent Reward** 0 1 2 3 4
17. **Management-by-Exception (Passive)** 0 1 2 3 4
18. **Idealized Influence (Attributed)** 0 1 2 3 4
19. **Individualized Consideration** 0 1 2 3 4
20. **Management-by-Exception (Passive)** 0 1 2 3 4
21. **Idealized Influence (Attributed)** 0 1 2 3 4
22. **Management-by-Exception (Active)** 0 1 2 3 4
23. **Idealized Influence (Behavior)** 0 1 2 3 4
24. **Management-by-Exception (Active)** 0 1 2 3 4
25. **Idealized Influence (Attributed)** 0 1 2 3 4
26. **Inspirational Motivation** 0 1 2 3 4
27. **Management-by-Exception (Active)** 0 1 2 3 4
28. **Laissez-faire** 0 1 2 3 4
29. **Individualized Consideration** 0 1 2 3 4
30. **Intellectual Stimulation** 0 1 2 3 4
31. **Individualized Consideration** 0 1 2 3 4
32. **Intellectual Stimulation** 0 1 2 3 4
33. **Laissez-faire** 0 1 2 3 4
34. **Idealized Influence (Behavior)** 0 1 2 3 4
35. **Contingent Reward** 0 1 2 3 4
36. **Inspirational Motivation** 0 1 2 3 4
37. **Effectiveness** 0 1 2 3 4
38. **Satisfaction** 0 1 2 3 4
39. **Extra Effort** 0 1 2 3 4
40. **Effectiveness** 0 1 2 3 4
41. **Satisfaction** 0 1 2 3 4
42. **Extra Effort** 0 1 2 3 4
43. **Effectiveness** 0 1 2 3 4
44. **Extra Effort** 0 1 2 3 4
45. **Effectiveness** 0 1 2 3 4

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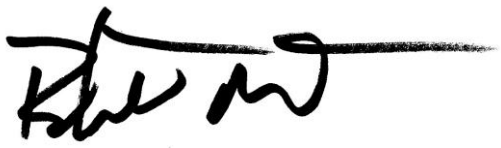
Sincerely,



Robert Most
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RE: Permission to use research instrument
1 message

Lara Jelenc <lara.jelenc@efri.hr> Mon, Jun 25, 2012 at 6:33 PM
To: smuriithi@ausied.com

Dear Smuri,

I am glad that you can find some part of my research instrument helpful and gladly give persmission to adopt it for your reserach. Just make sure that the statement 75 is not part of strategic thinking, rather schools of strategic management.
Just a food for thought ... would it be more helpfull if you contunue with the archetypes of strategic thinking. What I found is that the questionare is consisted out of the constructs that are theory based and should be more practise-based.

Have a word with your mentor... I wish you all the best and good luck with results. It would be of a great joy for me to read the final version of your PhD thesis.

Good luck!

Bets regards
Lara Jelenc

-----Original Message-----
From: smuriithi@ausied.com [mailto:smuriithi@ausied.com]
Sent: Wednesday, June 20, 2012 11:05 AM
To: ljelenc@efri.hr
Cc: Lynette Louw
Subject: Permission to use research instrument

Dear Dr. Jelenc
Re: Permission to use part of your research instrument

I am a PhD student at Rhodes University (Student No. 608M6606). Currently I am doing my dissertation entitled: The relationship between Leadership effectiveness and Organisational Effectiveness, A case study of indigenous banks in Kenya.

I am now developing my research instrument to be used in data collection. To measure my variables, I have found your tool to be appropriate. I am therefore writing to seek permission to adopt part of your questionnaire to measure strategic thinking variables and its various components.

The specific statements I need to adopt are found in page 172-173 of your thesis. The statements are: Numbers: 2, 3,4,5,6,7,8,9,10,11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 24,24,26,27,28,29,33,34,37,38,39,40,41,42,43,44,46,75. The statements have been modified to fit the study purpose but there is need to acknowledge the original source thus the need for permission. I look forward to your response. My Thesis supervisor is Professor Lynette Louw, Raymond Ackerman Chair in Management, Department of Management,
Rhodes University (Lynette Louw <L.Louw@ru.ac.za>).

RE: Permission to use part of your research instrument
1 message

Michael Green (NBS)
<michael.j.green@northumbria.ac.uk>

Fri, Aug 31, 2012 at 11:59 AM

To: smuriithi <smuriithi@ausied.com>

Hi Sam

Many thanks for your mail - your PhD subject looks very exciting! I am happy for you to use my questionnaire as indicated in your mail. Please let me know how your study goes and, in the meantime, I wish youthe best of luck.

Best regards

Michael

Dr Michael J. Green

-----Original Message-----
From: smuriithi@ausied.com [mailto:smuriithi@ausied.com]
Sent: 22 August 2012 19:37
To: Michael Green (NBS)
Subject: Permission to use part of your research instrument

Dr. Michael John Green (Phd)
Permission Department

Re: Permission to use part of your research instrument (in PhD Dissertation entitled: Factors affecting perceptions of leadership effectiveness in an organization)

My name is Samuel Muriithi. I am a PhD student at Rhodes University (Student No. 608M6606). Currently I am doing my dissertation entitled: The relationship between Leadership effectiveness and organizational effectiveness among indigenous banks in Kenya.

I am now developing my research instrument to be used in data collection. To assess leadership effectiveness in the banking industry, have found your instrument/questionnaire to be very appropriate. I am therefore writing to seek permission to adopt this instrument in my study. From this instrument, I have adopted 25 statements though with some modification to fit the study purpose. The statements adopted are part of a large questionnaire that is composed of different variables among them strategic thinking, transformational leadership, leadership effectiveness and organizational effectiveness. I only seek permission for the section on leadership effectiveness from your questionnaire. Attached please find the section adopted from your instrument. I look forward to your response. My Thesis supervisor is Professor Lynette Louw, Raymond Ackerman Chair in Management, Department of Management, Rhodes University (Lynette Louw <L.Louw@ru.ac.za>).

Sam Muriithi

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