INFLUENCE OF COACHING MANAGERS ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

This study examined the influence of coaching managers on organizational performance of commercial banks in Kenya. The study reached a total of 384 employees, sampled on a stratified random sampling method, from the two strata: top and middle cadre employees. Respondents were presented with descriptive statements in a 5-point and 4-point Likert scale on which they were required to rate by scoring the extent to which they perceived a particular statement as descriptive of the force in the corporations. The study used questionnaires to collect data. The questionnaires were coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). Analysis involved descriptive statistics and inferential analysis. The study concluded that the organization managers usually have a vision to improve the financial performance of the commercial banks and that the organization chooses transformational leaders from internal and external labour markets, captivate extraordinary performance of the employees and lastly communicate effectively. The study concluded that managers direct the business affairs of the organization towards enhancing business prosperity. The study recommended future researches to be done to establish the specific areas of employee engagement influenced by transformational leadership behaviors, as well as their contribution to organizational performance. Studies may also be done to establish why idealized influence of supervisor was found to be negatively related to both employee engagement and organizational performance as per this study finding. Since majority of empirical studies reveal that there is an enormous return on investment for organizations and even Governments when employees are fully engaged, there's need to establish other factors that may influence employee engagement levels which will further boost organizational performance.

Key Words: Coaching, Managers, Commercial Banks

INTRODUCTION

Effective leaders and managers are vital to ensuring employees are fully engaged at work. Organizations believe that creating the opportunity for each individual to do his or her work every day will improve business performance and make working life enjoyable. The concept of leadership has received considerable public and institution's attention both in developed and developing world. There is a fundamental assumption in today's business environment that leadership is central to business. This idea is core to the way we structure and manage our organizations. It is of no great surprise that most companies are heavily engaged in a war for leadership talent and that leadership succession has become a major boardroom topic, (House & Aditya 2007).

Idealized influence represents role-modeling behavior where the leader instills pride, faith, and respect, and has a gift for seeing what is really important, and transmits a sense of mission. Inspirational motivation represents the use of images and symbols that enable the leader to raise the expectations and beliefs of their follower concerning the mission and vision. Individualized consideration represents providing experiential learning and occurs when the leader delegates a project, provides coaching and teaching, and treats each follower as an individual. Intellectual stimulation represents cognitive development of the follower and occurs when the leader arouses followers to think in new ways and emphasizes problem solving and the use of reasoning before taking action (Johnson, 2006).

There is a relationship between transformational leadership and organization's success. The relationship is central to business success core to the way we structure and manage business organizations. Transformational leaders have been suggested to have an impact on institutions performance across the globe. The trade in services is growing enormously worldwide. World-class service providers like American Express alongside other small service firms are exporting information through advertisements, knowledge, creativity and innovation that the world badly needs. Key elements of Companies are that they are characterized by a dominant role of top management on the firm Hambrick (2007) argues that the top management of a company has a considerable impact on the company's strategic orientations: "executives' experiences, values, and personalities affect their (1) field of vision (the directions they look and listen), (2) selective perception (what they actually see and hear) and (3) interpretation (how they attach meaning to what they see and hear)." (Hambrick, 2007).

A few of the local banks have grown strongly to gain a significant share of their domestic banking market. Some of the larger local banks have also established subsidiaries in other African countries. But most of the local banks are small with only a few branches. Very few have shareholder capital of more than $5 million. They are predominantly urban-based. Their lending is mainly short-term and directed to local businesses, mainly small- and medium-scale, and especially traders: most do not have the capital base to lend to larger corporate clients. The growth of local banks was mainly due to a combination of low entry requirements and the perception that banking provides opportunities for profit not available in many other sections of the economy. In all of the countries where local banks were set up in significant numbers, the regulatory barriers to entry were low. Before they were revised (which in most Anglophone African countries was not until the late 1980s or early 1990s) the banking laws did not impose stringent requirements on applicants for bank licenses in terms of relevant expertise, and did not specify grounds for rejection of applications. Political interference subverted prudential criteria in the granting of license, notably in Nigeria, where retired military officers were directors of many banks (Lewis and Ster, 1997), and in Kenya where many banks had prominent politicians on their boards.

Statement of the Problem

The dominant role of transformational leadership, particularly in the context of commercial banks in Kenya is the result of the fact that many Chief Executive Officers have transformational ventures, which gives them visionary decision-making guidelines. Most companies nowadays are characterized by flat hierarchies which imply a large span of control. Additionally, most commercial banks in Kenya tend to be managed in an informal way (Mintzberg, 2004), which again opens up a large degree of discretion to decisions of top management. Ernst and Vitt, 2000; Hogg and Terry, 2000; and Nygaard and Dahlstrom, 2002 maintain that leadership issues can cause an exodus of talent, tardiness, absenteeism, lower productivity, reduced customer satisfaction, less innovation and, ultimately, reduced economic benefits. Therefore, it is vital that managers become transformational leaders because leader effectiveness determines the success levels of organizations. Whereas corporate leadership and success has been widely researched by scholars in Kenya such as Wambugu (2002) and Fourie (2007), they have been done based on the concept of transformational leadership and only on manufacturing industries in Kenya. The above studies did not indicate a clear link between the impact of transformational leadership on organizational performance of commercial banks in Kenya. As commercial banks in Kenya struggle to convert their future leadership needs into tangible business results, there is minimal information that clearly identifies exactly how valuable leadership is a source of organizational success. Again Kenya has Vision 2030 which is a long-term development blueprint for the country. It is motivated by a collective aspiration for a better society by the year 2030. One of the sectors which has strategic role to materialize this vision is financial institutions specifically commercial banks. Transforming Kenya to a financial hegemony in the region for the realization of the development blueprint requires transformational leadership, an area that is not explored by researchers. It is in this light that this study established the influence coaching managers on organizational performance of commercial banks in Kenya. The impact of transformational leadership on organizational performance of commercial banks in Kenya or else Vision 2030 will remain a pipe dream. Based on these studies and the varying gaps in literature, there was need to conduct similar studies in Africa and more so in Kenya where commercial bank's leadership styles have been varying in the past decade (Lipman, 2007).

Objective of the Study

The objective of the study was to investigate the influence of coaching managers on organizational performance of commercial banks in Kenya. The study was guided by the following hypothesis

- H_0: There is a positive significant influence of coaching managers on organizational performance of commercial banks in Kenya.

LITERATURE REVIEW

Theoretical Framework

Transformational Theory of Leadership

Transformational leadership is the leader's ability to motivate followers to rise above their own personal goals for the greater good of the organization (Bass, 2005, 2006 as cited by Murphy & Drodge, 2004). Bass (2005) theorized that transformational style of leadership comes from deeply held personal values which cannot be negotiated and appeals to the subordinates' sense of moral obligation and values (as cited by Chan, 2005). Transformational leaders go beyond transactional leadership and are characterized as visionary, articulate, assured, and able to engender confidence in others so as to motivate them to surpass their usual performance goals (Schwarzwald, Koslowsky and Agassi, 2001). The transformational leaders attempt to stimulate the undeveloped or dormant needs of their subordinates (Chan, 2005). Bass declared there were four types of transformational leadership behavior, namely idealized influence (charisma),

inspirational motivation, individualized consideration, and intellectual stimulation (Densten, 2010).

Idealized influence represents role-modeling behavior where the leader instills pride, faith, and respect, and has a gift for seeing what is really important, and transmits a sense of mission. In quintessence the idealized influence factor describes people who are special and make others want to follow the vision they put forward. Idealized leaders usually have very high moral standard and ethical conduct and a can be counted on to do the right thing. They provide followers with a vision and sense of mission. (Northhouse, 2010)

Inspirational motivation represents the use of images and symbols that enable the leader to raise the expectations and beliefs of their follower concerning the mission and vision. They also inspire through motivation so that the workers become motivated and committed to the organization. Team spirit is enhanced by this type of leadership. Above all leaders communicate high expectations to followers.

Individualized consideration represents providing experiential learning and occurs when the leader delegates a project, provides coaching and teaching, and treats each follower as an individual. Individualized consideration ranks among the major characteristics of transformational leadership. The transformational leader treats each follower as a "whole" individual rather than as an employee, and considers the individual's talents and levels of knowledge to decide what suits him or her to reach higher levels of attainment.

Intellectual stimulation represents cognitive development of the follower and occurs when the leader arouses followers to think in new ways and emphasizes problem solving and the use of reasoning before taking action (Johnson, 2006). This type of leadership supports followers as they try new approaches and develop innovative ways of

dealing with organizational issues. This leadership challenges not only their own believes and values, but also those of the organization they lead. (Northhouse, 2010)

A transformational leader applies such individual considerations by: listening to each follower's needs and concerns, expressing words of thanks or praise as a means of motivation, making public recognition of achievements and initiatives, making private notes of congratulations to boost self-confidence, ensuring fair workload distribution and undertaking individualized career counseling and mentoring.
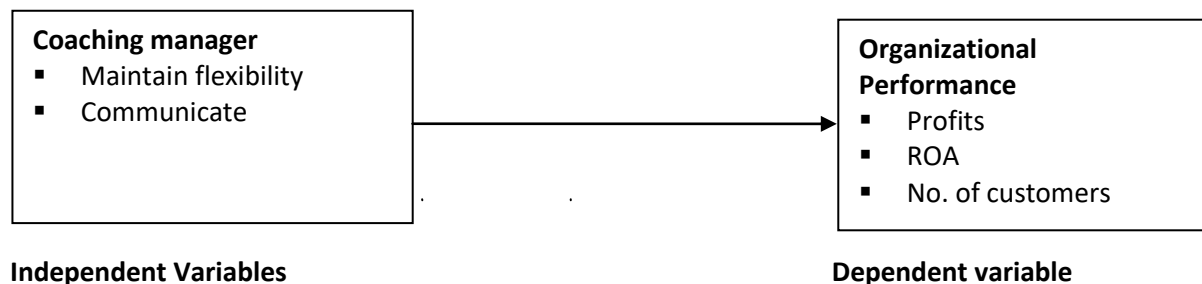
Transformational leaders encourage their subordinates to bring creative viewpoints to work and stimulate a team vision through positive motivation. With regard to the law enforcement arena, the transformational leader expects their subordinates to be more occupied with problem solving and community-oriented policing which more often than not equate to lower statistics. (Engel, 2003). Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Bass and Avolio, 2007). Transformational leaders continuously show concern for their subordinates' needs, treat them with respect and utilize a flexible approach towards them. This does not necessarily mean that the transformational leader never resorts to punishment or negative feedback. When these behaviors are used, they are perceived or may be interpreted as exceptional and required for completing the present task (Schwarzwald, Koslowsky, Agassi, 2001).

Transformational leadership behaviors alter the higher order needs of followers by changing their attitudes, beliefs, and values. Such behaviors are important to the leaders of organizations because they can directly influence workers and any process of change. Transformational leadership involves raising the consciousness of followers by appealing

to higher ideals and values, and moving the focus of followers away from their self-interests encouraged by transactional leadership. In other words, the leader encourages their followers to consider their actions beyond simply "what is in it for them." The transformational leader motivates subordinates by focusing them on a greater cause, such as justice.

Burns (2008) argued that transformational leaders have a more significant motivating effect on employees and are preferable to transactional leaders because they motivate employees to perform well even in situations that lack any chance of receiving formal recognition.

Conceptual Framework

Coaching manager • Maintain flexibility • Communicate	→	Organizational Performance • Profits • ROA • No. of customers

Independent Variables   Dependent variable

Figure 1: Conceptual Framework

Review of Literature on Variables

Coaching Managers

Transformational leadership requires the ability to integrate both internal and external business environments of the organization, and to manage and engage in complex information processing. Transformational leadership is therefore the leader's ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary (Hitt 2007). Transformational leadership demands leaders to develop and communicate the organization purpose (vision); tactfully organize the human resource capabilities and competencies with the task at hand; exercise high intensity of integrity and ethical standards; deliver extraordinary performance; and sustain a competitive advantage. These elements exist in dynamic tension, each demanding the leader's time and energy. The importance of top management becomes evident in a complex, rapidly changing environment that places many external demands on the CEO and in an organization with highly diverse but highly interdependent functional or business units, because a single leader may not possess all the expertise required to direct and integrate the activities of these units (Yukl, 2006).

Corporate governance

Another main responsibility of the board of directors is to make sure that shareholders and other stakeholders are provided with high-quality disclosures on the financial and operating results of the company that the board of directors have been assigned with governing it. Almost all corporate governance codes around the world, including the OECD and the ICGN Principles, the CACG Guidelines, the Cadbury Report, and the King II, specifically require the board of directors to provide shareholders and other stakeholders with information on the financial and operating results of a company to enable them to properly understand the nature of its business, its current state of affairs and how it is being developed for the future. (UNCTAD, 2006)

Empirical Review

There is continuing controversy on the differences between leadership and management and that the degree of overlap between these two concepts is a point of disagreement (Yukl, 2006). According to Warrick (2011), leadership and management are qualitatively different and are mutually exclusive. Other scholars (Bass & Avolio, 2004) view

leadership and management as different types of processes, but do not assume that leaders and managers must necessarily be different types of people. Kotter (2001) argues that management is about coping with complexity. Good managers facilitate order and consistency by formulating plans, designing organizational structures to support these plans, and controlling or monitoring results against these plans. Managers tend to be more analytical, structured and controlled, and view their work from a quantitative perspective. In contrast, leadership is about coping with change.

Leaders establish the strategic direction of an organization by developing a vision for the perfect future of the organization as well as a mission statement that serves as a means to accomplish the vision. Leaders then communicate this vision and mission in clear and concise terms and motivate and inspire employees on all levels of the organization to achieve this vision. Leaders tend to be more experimental, visionary, flexible and creative, and they value the intuitive aspect of their work. Mintzberg (2004) however insisted that the dysfunctional separation of leadership and management should be stopped, and that instead of isolating leadership, it should be diffused throughout the organization. Leadership is no better than management, neither is it a replacement for it. They complement each other, and expertise in both is required in order for organizations to achieve their planned goals.

METHODOLOGY

This study adopted a cross sectional survey design. This ensured ease in understanding ideas about the problem. The study was done as a census. The population of this study included all the 43 commercial banks in Kenya's banking industry. (Kenya Bankers Association, 2014) Due to the dynamism and environmental changes as influenced by the government decisions to review, merger or discontinue some financial institutions, the number was likely to keep on changing as new

ones were created and others merged or discontinued altogether depending on their purpose, performance and government development agenda. The selection of respondents involved purposive sampling so as to obtain information from the relevant departments dealing directly with customers. The study used questionnaires to collect data. The questionnaires were semi-structured in nature, with both open and close-ended questions, employing the MLQ approach as proposed by Bass and Avolio (2004). The study used both primary and secondary data which were largely quantitative and descriptive in nature.

From the semi-structured questionnaires both quantitative and qualitative data was produced. The questionnaires was coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 20). Analysis involved descriptive statistics and inferential analysis.

FINDINGS

Coaching Managers

The reseacher sought to establish if coaching managers influence the performance of commercial banks in Kenya. The results of the findings as indicated in Table 1 below shows that empowering other employees improves organizational performance as indicated by a mean of 4.15, that Communicating the organization purpose envisions employees as indicated by a mean of 4.18, that Organizing the human resource capabilities and competencies ensures efficient performance as indicated by a mean of 4.27 and lastly that Changing environment enable top management to train their employees as indicated by a mean of 4.03. This is in line with Hitt (2007) that transformational leadership is therefore the leader's ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary.

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Table 1: Coaching Managers

Coaching managers	Mean	Standard Deviation
Empowering other employees improves organizational performance.	4.15	1.003
Communicating the organization purpose envisions employees	4.18	0.734
Organizing the human resource capabilities and competencies ensures efficient performance	4.27	0.597
Changing environment enable top management to train their employees	4.03	0.802

Organizational performance

The researcher study sought to establish if coaching managers influences organizational performance of commercial banks in Kenya. The results of the findings as indicated in Table 2 above show that most of the Company's profitability have increased for the last three years due to transfromational leadership as indicated by a mean of 3.83, that the organizations have audited their financial reports as indicated by a mean of 3.94, that the organization is able to achieve objectives within their budgets as indicated by a mean of 3.91 and that Over the past three years, most of the organizations have shown steady, measurable cost reduction due to transformational leadership as indicated by a mean of 3.78. Yukl (2006) stated that research does demonstrate that leaders have less influence over organizational events than is often assumed but emphasized that the research in no way supports the conclusion that leadership is unimportant to organizational success. Thus, despite all the internal and external constraints, individual transformational leaders and top teams still have substantial influence on organizational performance and effectiveness. Also that the decisions and actions of transformational leaders have a strong influence on organizational success (Bass, 2007).

Table 2: Organizational Performance

Organizational performance	Standard	Standard Deviation
Company's profitability has increased for the last three years	3.83	.928
The organization currently has audited financial reports	3.94	.980
The organization is able to achieve objectives within their budgets	3.91	.949
Over the past three years, the organization has shown steady, measurable cost reduction	3.78	.898

CONCLUSIONS AND RECOMMENDATIONS

The study findings showed that empowering other employees improves organizational performance while communicating the organization purpose envisions employees. Organizing the human resource capabilities and competencies ensures efficient performance. Lastly, Changing environment enables top management to train their employees as indicated by a mean of 4.03. Transformational leadership is therefore the leader's ability to envision, anticipate and maintain flexibility and to empower others to create strategic change as necessary.

Lastly the study also concluded that empowering other employees improves organizational performance while communicating the organization purpose envisions employees. Organizing the human resource capabilities and competencies ensures efficient performance. Lastly that Changing environment enables top management to train their employees.

Based on the findings above, the following were the recommendations that were made for managerial policy and managerial practice

Managers should consider acquiring the transformational leadership skills because they are very important in the revolutionizing of the commercial banks in Kenya. Managerial policies formulated should call for greater involvement in guiding subordinates to achieve organizational goals.

Areas for Further Research

This study focused on the influence of coaching managers on organizational performance of commercial banks in Kenya. There is however still need for future researches to be done to establish the specific areas of employee engagement influenced by transformational leadership behaviors, as well as their contribution to organizational performance. Studies may also be done to establish why idealized influence of supervisor was found to be negatively related to both employee engagement and organizational performance as per this study finding. Since majority of empirical studies reveal that there is an enormous return on investment for organizations and even Governments when employees are fully engaged, there's need to establish other factors that may influence employee engagement levels which will further boost organizational performance.

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