



LEADERSHIP DEVELOPMENT, TALENT MANAGEMENT AND COMPETITIVENESS IN BANKS IN LAIKIPIA COUNTY

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ABSTRACT

Leadership development refers to expanding the collective capacity of organizational members to engage effectively in leadership roles with or without formal authority. It is also a process to enable a group of people work together in a meaningful way. Talent management is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives. Business competitiveness therefore, is the advantage that an organization has over its competitors, that further allows it record greater sales /profits margins or retain most of its customers as compared to its competitors. Competitiveness is the ability of firm to produce, market and design products which are superior as compared to those provided by competitors. Thus, the main objective of this study was to find out how leadership development and talent management affect competitiveness in banks in Laikipia County. Resource based theory was used to explain the interrelationship between variables. Empirical literature reviewed scholarly studies on Leadership development, talent management and competitiveness in banks in Laikipia County. Cross sectional descriptive survey design was used. The unit of analysis was 38 branch and operation managers from all commercial banks in Laikipia County, Kenya. The research adopted a census study of all the 38 respondents since the population was relatively small and manageable. Structured questionnaires were used to collect primary data through self- administration method. Both content and construct validity were determined. The research therefore concluded that leadership development and talent management impacted how banks performed and gained a competitive edge in the market. Further, by examining the quantitative data through descriptive statistics, a correlation between leadership development, talent management and competitiveness in banks was found. The study found out that talent management and leadership development, impacted highly on how banks will increase their revenue and gain competitiveness as a business. In conclusion, the study recommended that commercial banks should aggressively work on the leadership styles they use in managing staff and business and should aggressively work on a competitive recruitment, hiring, selection and retention of the best talent to ensure increased revenue.

Key Words: Strategic capabilities, Business competitiveness, Commercial Banks

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INTRODUCTION

The banking industry has become increasingly competitive especially over the past two decades due to the dynamic environments they are operating in, an elite and sophisticated customer they have to deal with on a daily basis, the changing technological world which is advancing at a high rate, the high cost involved in maintaining these customers and the rivalry in the market due to the increased number of banks and financial institutions. Therefore, in order for banks to maintain a competitive edge there is a need to review the leadership employed to manage people and business as well as the talent management processes in place. Firms that are endowed with great leadership and best resources in terms of skilled, experienced, and knowledgeable employees are likely to attain relatively more competitive advantages. In Kenya specifically we have seen a trend of new bank entrance in the market which means that the market share is getting narrowed as everybody strives to win the customer. For instance, Laikipia County has four major urban centers: Nanyuki, Rumuruti, Nyahururu and Kinamba. The county measures approximately 8696km². There are 19 commercial banks each with two managers i.e. an operation and a branch manager respectively. All these banks are competing for the same client and market share which means for a single bank to command the highest market share it has to have a greater mix of the above two variables. These include, having the best and competent employees in place and embracing participatory kind of leadership which incorporates everyone in decisions touching service, products, market trends, competition and technological changes affecting competitiveness. Referencing prior studies, we learn that, firms with marginally valued competencies and resources will obtain only minor competitive advantages at most while organizations with significant competencies and resources are more likely to achieve competitive advantages (Barney, Ketchen, and Wright (2011).

Statement of the problem

Commercial banks in Kenya are experiencing a fast pace and dynamic business environment which is affecting how revenue, bank operations and costs are being measured. We are at an era where most clients are elite, knowledgeable and sophisticated and in order to serve them, you have to match their needs with your products. This has really impacted on banks who in ancient times, the trend was to wait for the customer in banking halls. This has changed to getting the customers at their premises. Again, the number of banks operating in a specific region targeting same customer are many thus banks are forced to invest heavily on their internal resources if they are to gain competitive business advantage. More changes include stringent regulation and oversight, technological advancements, and the liberalization of banking licenses which have all contributed to the industry's increasing internationalization. In the regulation part, CBK which governs all banks regulates the interest rates to be charged on loans, the capital requirements a specific bank should have in order to operate, interest rates on customer deposits and the impairment reserves of 5% on issued loans. Further, banks are expected to disclose and make public their financial positions so that customers can invest with them from a point of knowledge. In response to this, banks have had to identify and use leadership development and talent management capabilities that are unique and revenue generating. Studies in this area include the Porters (1991) competitive advantage drivers which include superior supervision, superior capabilities, and superior resources advantage. Also (Cavazotte & Chang, 2016) a study that emphasizes the need to use leadership development and talent management capabilities in banking if competitive advantage is to be achieved. However, the study only looked at one human resource strategic skill, knowledge management, resulting in a conceptual knowledge gap.

Some of the studies done prior to this one presented contextual gaps hence the need for this

research for instance Richard (2016) conducted research in Kenya on the impact of human resource capabilities on long-term organizational competitiveness of mobile phone service providers, highlighting the necessity for a similar study in the banking industry. This study therefore, aims to address previous research gaps and to answer the issue of research: Are leadership development, talent management impacting on the competitiveness of banks in Laikipia County?

Objectives of the study

This study was specifically guided by the following objectives;

- To investigate the effect of talent management on competitiveness in banks in Laikipia County
- To determine the effect of leadership development competitiveness in banks in Laikipia County

LITERATURE REVIEW

Theoretical Review

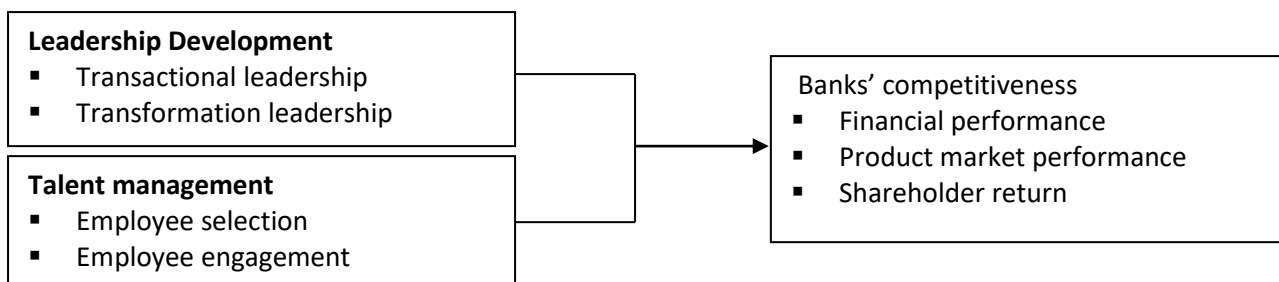
Talent management is the process of finding, shepherding, and cultivating a company's personnel at all levels of the organization. It benefits each employee and is plainly beneficial to the firm. Aligning personnel management with company strategy paves way for people to reach their full potential and indicates where they might fit in future (Traveler, 2019). Clearly, the company's future objectives provide the clearest indication of the skills that will be required and as a result, must be developed or brought on board where they are lacking. People at all levels must be able to present and develop their potential through this difficult process. The methodological procedure to detect a vacancy, employ an appropriate applicant, develop the qualifications and experiences of the applicant to satisfy the role and maintain it in order to fulfill long-term business goals is referred to as talent management

Leadership development, according to Kolzow (2014), is defined as " An organization's important source of sustainable competitive advantage which may lead to increased productivity and financial returns through investing in employees' human resources with or without formal authority. Also its a process to allow a group of people to operate meaningfully together. The theory used to expound on the above variables and their impact on bank competitiveness is The Resource-based view theory (RBV) which views unique resources and capabilities, as well as distinctive deployment patterns, as the foundation for a company's competitive advantage and the fundamental determinant of exceptional performance (Barney, 1991).

Empirical Review

Leadership development and talent management are a firm's strength and pillar which is crucial for creating bank competitiveness. Most banks strive to be unique either in products or services offered so as to have a competitive edge. Customers on the other hand will associate themselves with a certain bank either due to a superior service or product. Therefore, commercial banks need to identify the attractive feature that keeps their customers coming and enhance it. Therefore, proper leadership development and talent management if well thought of and used appropriately can improve the competitiveness of an organization (Chuang & Chen, 2015). There is also need to promote an environment that supports organizational strengths and improves employee competitiveness. Human capacity building is necessary for the sector's growth, De Winne and Sels (2010). A research scientist, McNamara and Parry (2012) noted that the leadership development and talent management capabilities and their traits lead to solid effectiveness and competitive advantage for businesses.

Conceptual framework



Independent variables

Dependent variable

Figure 1: Conceptual Framework

The above figure-conceptual framework outlines the linkages between variables in accordance with Mathooko & Mathooko (2011). An elaboration of these variables deals with why or how we expect relationships to be established. In this study banks' competitiveness is the dependent variable which was measured through financial performance, product- market performance and the shareholder's return. The independent variables are leadership development and talent management.

Leadership can be defined as a process designed to influence a group of individuals to work together to achieve a common goal. No other single entity has more control or influence over an organization than its leader and the leadership they demonstrate. Strategic leadership is a practice in which executives develop a vision for their organization that enables it to adapt to or remain competitive in a changing economic and technological climate. Leadership development is enhancement of abilities and creating perspective for motivating and directing of individuals towards determined purposes. Talent management variable focused on employee selection and engagement. Talent management is the pool of activities which are concerned with attracting, selecting, developing and retaining the best employees in the strategic roles

METHODOLOGY

A research design is a plan that demonstrates how the problem is solved (Orodho, 2008). Descriptive design was selected because it concentrates on

data rather than theory. In this study, questionnaires were supplied to employees at their workplace to give them time to respond thus increasing the answer rate. A cross-sectional survey design was used. This form of investigation is acceptable, given that data is collected at one point from several commercial banks which helped in defining how commercial banks in Laikipia County implement and manage their leadership and talent resources.

The study's target population was the 19 branch managers and 19 operations managers of commercial banks in Laikipia County who are involved in the implementation and management of leadership development and talent management strategies. Due to the small size of the target group, this study adopted a census technique. According to (Saunders, Lewis and Thornhill, 2009), a census technique improves the validity of the data collected, since it is used when the number of respondents is minimal. A total of 38 respondents, representing 100% of the population was targeted to collect primary data. The branches of the commercial banks were distributed in Laikipia County's three major cities.

Sampling techniques include a variety of approaches that help minimize the amount of data collected by only taking data from a sub group that represents the target population. A population of less than 200, a census is recommended (Mugenda

& Mugenda, 2013). This study therefore used census approach.

Questionnaires were administered to the respondents through drop and pick method. The researcher allowed the respondents a period of 7 days noting the employee's tight work schedules in order for them to participate fully.

Prior to data collection, the researcher applied for an authorization permit from NACOSTI after obtaining the data collection authorization letter from Kenyatta University. A written application from authorities to conduct research was submitted to the Commercial Banks HQ. The researcher went to the selected branches in Laikipia County to obtain permission from the operations managers or branch managers to conduct the research. Later, the administration and collection of questionnaires was done.

Quantitative data was analyzed using descriptive statistics by use of version 21 of the Statistical Social Sciences Pact (SPSS). This was done by calculation of respondents, calculation of percentages of changes in response and description and the interpretation of the data according to the objectives of the study. The independent p-value variables less than 0.05 were deemed to be significantly linked to the dependent variable, while the variables with a P-value of over 0.05 were considered not to be significantly related to the dependent variable. The study also examined the significance level for each independent variable with the dependent variable through the Model Summary Variance Analysis (ANOVA) and the Regression coefficient. Multiple regression model to determine the strength of the linkage between dependent and independent variables was developed. The analysis was guided by the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where:

Y= Bank Competitiveness

X₁ = Leadership Development

X₂ = Talent Management

ε= Error Term.

β₀= Constant

FINDINGS AND DISCUSSION

The results of the study based on the explanatory variables; leadership development, talent management, were presented. The variables were used in the study to help predict changes in competitiveness in commercial banks in Laikipia County, Kenya. The study presented the results based in the subsequent subsections. The focus of this article narrowed down to two sections namely: response rate and descriptive analysis.

The study targeted 38 respondents out of which 36 questionnaires were filled and returned. This represented a 97 % response rate which was considered very good, according to Mugenda & Mugenda (2003), as referenced by Theuri, Mugambi, and Namusonge (2015). The 97% response rate obtained in this survey is sufficient for analysis, drawing conclusions, and making suggestions.

Descriptive Analysis

Under this section a five-point Likert's scale was used as the measure where 1 was strongly disagree, 2 disagree, 3 uncertain, 4 agree and 5 strongly agree. The values of 1 to 5 were coded in SPSS then converted into mean and standard deviation. The mean ranges from 1 to 5, 5 representing very high agreement rate by majority of the respondents and 1 representing a very low rate by majority of the respondents.

Analysis Based on Leadership Development

The respondents were asked to respond to statements that were formulated based on the variable's sub-constructs.; transactional leadership and transformation leadership.

Table 1: Leadership Development

	Mean	Std. Deviation
Leadership programs focus on the growth of high potential personnel	4.8919	.99398
We have a strong management team of our organization	4.2162	.41734
By cultivating its talents, the Organization guarantees strong leadership	4.3243	.47458
There is a list of possible leadership candidates in the file	4.5676	.55480
I'm routinely updated of score of every employee	4.4865	.69208
I spend time training and mentoring my team members	3.6081	.61390
Average	4.3491	0.6244

Source: Survey Data (2021)

The findings in table 1 portrayed that leadership programs focus on the growth of high potential personnel and the banks have a strong management team. In addition, the study indicates that; by cultivating its talents, the organization guarantees strong leadership, there is a list of possible leadership candidates in the banks file and both branch and operations manager are routinely updated of score of every employee. The statements were supported by very high means of 4.8919, 4.2162, 4.3243, 4.5676 and 4.4865. On average its clearly indicated that there is effective leadership development in commercial banks in Laikipia County, Kenya. The concept of a competitive long-term advantage made it necessary for banks to remain competitive and profitable through selecting the best leaders. Banks are not left behind in attempt to drive the shareholders' wealth to another level. The leaders and the leadership they exhibit have more authority and

influence over an organization than any other single element (Gandolf & Stone, 2018).

The findings were supported by Nayab (2011) that leadership is developed through what leaders do on a daily basis and their environmental perception. The author also noted that, leadership development helps in improving one's abilities and gaining a new perspective in order to motivate and steer others toward certain goals. It comprises elements like education and growth, individual decision-making participation, coaching, job empowerment, and authorization (Carter & Greer, 2013). These statements were echoed by Hernez-Broome and Hughes (2019) that, leadership is more than just management.

Talent Management

The respondents to the following statements relating to talent management which included; employee selection and employee engagement are shown below:

Table 2: Talent Management

	Mean	Std. Deviation
We have a talent strategy, which guides the company in the way it acquires, develops and retains its personnel.	3.7027	1.15145
The talent plan is official, clearly defined and communicated with all staff.	3.8919	.93642
Senior managers spend considerable time controlling talent management concerns	2.5135	.90128
Talent Strategy is part of the Strategic Plan as a whole	3.7838	1.00375
The recruitment and selection of our organization draws the best talents	4.1892	.70071
Recruitment methods have previously been developed and ready to identify and consider qualified employee from within	3.9189	.95389
Our organization has a culture that promotes conservation and talent development	4.1053	.79829
Average	3.7293	0.9208

Source: Survey Data (2021)

The study results based on talent management summarized in table 2 presented that the bank branches contacted had a talent strategy, which guides in the way banks acquires, develops and retain its personnel (Mean=3.7027, Std Deviation=1.15145). Majority of the respondents agreed that the talent plan is official, clearly defined and communicated with all staff (mean=3.8919). They however disagreed that senior managers spend considerable time controlling talent management concerns (mean=2.5135). In addition, majority opined that talent Strategy is part of the strategic plan as a whole, that the recruitment and selection draws the best talents and that recruitment methods have previously been developed and ready to identify and consider qualified employee from within the banks. Further, a mean of 4.1053 indicates that the banks have a culture that promotes conservation and talent development.

The results were supported by Al Nsour and Tayeh (2018) that high amount of talent management practice as well as a high level of quality, flexibility, difference and cost pertaining to the recruitment, development, retaining and deployment of talent is significant in presenting the competitiveness of any business. Further, Wandia (2013) agreed that statistically meaningful combination of talent management and competitive advantage is vital for the success of many businesses. AL-Hadid (2017) echoed the results from Wandia’s research that the talent development has the greatest impact on competitive advantage.

Analysis Based on Bank Competitiveness

The dependent variable was on bank competitiveness and proxies such as financial performance, product market performance and shareholder return.

Table 3: Bank Competitiveness

	Mean	Std. Deviation
The bank was able to focus considerably more efficiently on its customers	3.8421	.94515
The bank has been able to make the prices of its products comparable with others	4.2105	.96304
Our items were better differentiated and hence our consumers were retained	4.5789	1.34830
We can properly foresee and improve market performance indicators	4.3947	.49536
Over the years, our overall profitability have increased	4.0526	.65543
Satisfaction of customers and market share have improved over time	4.5263	.50601
Average	4.2675	0.8189

Source: Survey Data (2021)

The table 3 indicated that the bank was able to focus more efficiently on its customers. Banks have been able to make good prices of products comparable with others and that bank services/products were better differentiated and hence their customers remained loyal (Mean=3.8421, 4.2105 and 4.5789). The study also indicated that banks can properly foresee and improve market performance indicators. Over the years, their overall profitability has increased and satisfaction of customers plus market share have

greatly improved (Mean=4.3947, 4.0526 and 4.5263).

Correlation Analysis

The correlation analysis presents the results on strength and nature of relationship amongst variables. The study used Pearson correlation coefficient to determine the strength of the relationships. The closer the value is to 1 (+1 or -1), the stronger the relationship between variables and the closer the value is to 0 the weaker the relationship. The value of 0 indicates there are no relationship amongst variables.

Table 4: Correlation Coefficient

		LD	TM	BC
LD	Pearson Correlation	1		
	Sig. (2-tailed)			
TM	N	38		
	Pearson Correlation	.358*	1	
	Sig. (2-tailed)	.130		
BC	N	38	38	
	Pearson Correlation	.671**	.818**	1
	Sig. (2-tailed)	.000	.000	
	N	37	37	37

*. Correlation is significant at the 0.05 level (2-tailed).
 **. Correlation is significant at the 0.01 level (2-tailed).

Table 4 results indicated that the relationship between leadership development (LD) and bank competitiveness (BC) was positive and significant (P=0.671, Sig=0.000). The correlation between talent management (TM) and bank competitiveness(BC) was strong and significant (P=0.818, sig=0.000)

The regression results present the coefficient of determination (adjusted R squared) which shows the extent with which the dependent variable is explained by changes in independent variables. The coefficient of correlation (R) presents the strength of relationship between dependent variable and explanatory variable.

Model Summary

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 ^a	.951	.945	1.08401

a. Predictors: (Constant), Leadership Development, Talent management.

The R value of 0.975 indicates that the variables were strongly correlated or there was a strong relationship between the explanatory and dependent variable. The adjusted R squares of 94.5 indicates that 94.5% changes in the bank

competitiveness was explained by changes in leadership development and talent management.

Regression coefficients

This section presents the analysis on the linear relationship amongst variables.

Table 6: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-3.491	1.486		-2.349	.025
1 Leadership Development	1.428	.082	.284	17.390	.000
Talent management	.377	.095	.082	3.952	.000

a. Dependent Variable: Bank competitiveness

The model adopted was $Y = -3.491 + 1.428X_1 + 0.377X_2 + \epsilon$

Where, Y is the dependent variable (bank competitiveness), X1 is Leadership development and X2 is talent management. The results indicate that the relationship between bank competitiveness and leadership development was positive and significant ($\beta=1.428$, sig =0.000). According to the regression equation established, taking all factors constant, bank competitiveness will be -3.491. The data findings analyzed also show that taking all other independent variables at zero, a unit increase in leadership development lead to a change in bank competitiveness by 1.428. On talent management, the results indicate that a change in talent management had a significant change in bank competitiveness. A unit change in talent management had a change in bank competitiveness by 0.377. The relationship between talent management and bank competitiveness was positive and significant ($\beta =0.377$, sig=0.000).

CONCLUSIONS AND RECOMMENDATIONS

The study aimed at determining the effect Leadership Development and Talent management on competitiveness in commercial bank branches in Laikipia County, Kenya. The summary sought to find answers on research questions, i.e is there any relationship between leadership development and competitiveness in banks in Laikipia County? Also, does talent management in banks in Laikipia County affect competitiveness? The results and findings of

the study finally indicated that banks competitiveness was to be achieved if proper leaders and leadership was to be employed and that banks' management had to nurture its employees' talents and strengths if competitiveness and revenue maximization were to be achieved.

Based on the summary of findings the study concludes that; The relationship between leadership development and bank competitiveness was positive and significant. The relationship between talent management and bank competitiveness was positive and significant.

There is no one-size-fits-all approach to leadership. It's therefore important and critical for all managers and banks' heads to adopt the most efficient leadership style that includes all the employees and this should be participatory leadership which yields the highest results while making the employees feel part and parcel of the organization. That is, a win-win strategy leadership. Talent management is crucial to every company's success. Branch managers and CEOs could have the most talented personnel on the planet, if only they could manage well their talent resource. Providing sufficient opportunity for banks staff to learn and grow within the organization is one of the key ways to success in talent management. This will enable banks retain people, resulting in a highly skilled and contented workforce. If new skills are required within the firm, it may be more cost-effective to work on training existing employees than acquiring new employees.

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