EMLOYEE PERCEPTION OF LEADERSHIP
CONTRIBUTION TO THE BANK’S COMPETITIVENESS:
THE CASE OF NATIONAL BANK OF KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Project Submitted to the Chandaria School of Business in Partial Fulfillment for the Degree of Masters in Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________  Date: ________________________________
Eva Lochomoruk (ID No: 625493)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________  Date: ________________________________
Prof. Ciru Getecha

Signed: ___________________________  Date: ________________________________
Dean Chandaria School of Business
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ABSTRACT

The main objective of this study was to investigate the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya (NBK). The study was guided by the following specific objectives: employees’ perception of leadership contribution to innovation, perception of leadership contribution to the development of employee capabilities and the leaders’ contribution to organization competitive advantage.

The research adopted a descriptive research design. The population of the employees at National Bank of Kenya, Harambee Avenue was approximately 73 members of staff. The population comprised of 7 senior management staff, 25 middle management staff and 41 operational employees. The sampling frame for this study comprised of a list of NBK staff that was provided by the institution’s human resource manager. The study adopted a stratified sampling technique. For purpose of this study, the sample of 62 respondents was selected as a representative of the total population. Primary data collection method was done using questionnaires. In this study, descriptive statistics such as mean and percentages were applied. Inferential statistics was also utilized to analyze data using coefficient of correlation analysis. The data was then presented in the form of tables and graphs. The data was analyzed using SPPS.

On the contribution of leadership to innovation, the findings established that the bank needs a leader with an innovative approach to succeed in the turbulent business environment. The findings indicated that the role of leadership in enhancing innovation was based on their ability to take unique and different ways to implement changes. The results also revealed that the leaders at NBK inspire employees with a purpose and a greater sense of mission where their work environment promoted creativity. The leaders at NBK were capable of cultivating innovative culture to bring out new ideas. The bank leaders are able to cope and handle conflicts in most situations and adapt to the rapidly changing business trends.

On the leadership contribution to the development of human capabilities, the findings revealed that the leaders at NBK invested heavily in continued professional development of the employee career to meet the organizational needs. The leaders at NBK also encouraged creativity among the followers in the organization. NBK leaders believe that the employees
are motivated by reward. NBK leaders also give the followers clear instructions on what they are expected to achieve and when these expectations should be fulfilled.

On the contribution of leadership in achieving competitive advantage, the findings revealed that NBK leaders promote organizational diversity that in turn helps the bank to remain competitive. The leaders at the bank implement their strategic plans to the achievement of the organization goals. The bank leaders have a clear vision and the ability to turn the vision into reality. The bank leaders adjust their strategies in order to manage crises so as to achieve sustainable competitive advantage.

The study concludes that NBK has leaders with the potential to take an innovative approach to succeed in the turbulent business environment. NBK has invested heavily in continued professional development of the employee career to meet the organizational needs. The leaders develop and satisfy the employees for organization effectiveness. NBK leaders promote organizational diversity that in turn helps the bank to remain competitive.

The study recommends that the leadership at NBK should sustain an innovative approach to succeed in the turbulent business environment. The senior managers at NBK are expected to sense unexpected conditions before time and to cope with them by their innovative approach. The leaders at NBK should invest heavily in continued professional development of the employee career to meet organizational needs. The study recommends that NBK leadership must meet market demands faster and better than before in the dynamic market environment for competitive advantage. The vision and strategic goals at NBK should nurture creativity for the bank competitiveness.
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DEDICATION

This project is dedicated to my dear children and husband who endured long periods of my absence and offered all kinds of support to ensure it became a reality.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Leadership is required to help firms successfully navigate the dynamic and uncertain environment in which they compete today (Sorcher and Brant, 2002). The leadership needed in 21st century firms is involved with building company resources and capabilities with an emphasis on intangible human capital and social capital. Human capital refers to the employees of the organization who are vital for the growth and success of the company. The employees are significant contributors to the achievement of the organization goals (Miller, 2002).

Leaders must effectively manage the employees of the organization to achieve sustainable competitive advantage for the firm. The competitive advantage in the banking sector involves achieving overall bank efficiency, enhancing productivity, financial stability and effective regulation and supervision (Sirmon and Hitt, 2003). Achieving this involves evaluating current resource stocks and making changes such as developing or acquiring external human resources and laying-off human resources and external relationships (Field, 2001). To create value, the resources must be configured to develop capabilities that can be leveraged in ways to create competitive advantages. Hence, an understanding of how these resources are managed to achieve the advantage is critical (Sirmon and Hitt, 2003).

The quality and performance of leaders are the key criteria in deciding organizational success. An organization without leadership is not able to transmute input resources into competitive advantage. It is clear that the leadership style has a close relation to the development of an organization. The study made by Swanepoel et al. (2000) shows that 45% to 65% of the total factors causing success or failure of organization are decided by leaders. Leaders have the ability to influence a group towards the achievement of goals (Robbins, 1993). Tannenbaum et al. (1964) considered leadership as an influence of human relations. Leadership guides the followers to achieve specific goals through communication. In most situations, leadership is complex as many organizations are caught in the middle of a web of authoritarian hierarchies and traditional leadership approaches, as well as bureaucratic hierarchies mixed with modern approaches to leadership (Grobler et al., 2002).
Today, leaders within the organization realize that they face a future of rapid and complex change (Mester, Visser and Roodt, 2003). Carrell et al. (1998) are of the opinion that many organizations are over-managed and under-led. Furthermore, Swanepoel, Erasmus, van Wyk and Schenk (2000) believe that organizations that are over-managed and under-led inhibit organizations from growth and from being competitive. As organizations and their environments have transformed quickly over the past years, a new style of leadership, one that is less bureaucratic and more democratic, is required in order to ensure the organization’s survival and performance (Johnson, 1995). It is on this basis that the study aims to look at the employee perception of leadership contribution to the bank’s competitiveness.

Leadership means focusing on the future, to create excitement for the future, as well as for what is happening today. Hitt, Ireland and Hoskisson (2005) describe leadership as the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary. A primary goal of a leader is to gain a better understanding of the business conditions, the environment and other aspects that identify the challenges of the future. In the view of Boal and Hooijberg (2001), leadership is marked by a systemic concern for the whole organization, its evolution, changing aims as well as the selection, development and maintenance of the requisite resources and human development capabilities for competitiveness. Boal and Hooijberg (2001) proposed a direct link between strategic effectiveness and organizational competitiveness.

Alvesson and Sveningsson (2003) argue that leadership creates results. It therefore follows that effective leadership will have a positive influence on organizational performance as well as competitiveness (Charlton, 2000). According to Taylor (2005), leadership is about managing radical change to achieve a dramatic improvement in the organization’s performance. Other views suggest that organizational performance is the culmination of the performances of many individuals driven by an effective strategic leader (Hellreigel, Jackson, Slocum, Staude and Associates, 2001).

A new type of strategic leadership is required to help firms successfully navigate the dynamic and uncertain environment in which they compete today (Sorcher and Brant, 2002). The strategic leadership needed in 21st century requires that organizations build its
resources and capabilities around intangible human and social capital. Human capital refers to the organization’s capacity of valuable knowledge and skills. While social capital provides access to critical resources for organization competitiveness. This makes intangible human capital and social capital significant contributors to the achievement of organization competitive advantage (Miller, 2002). In this regards, strategy leaders must effectively manage these important resources (capital and social capital) to create value and to develop capabilities that can be geared towards creating a competitive advantage.

Dubrin (2001) suggests that the broad assumption underlying the study of leadership is that strategic leaders affect organizational performance. Dubrin (2001) explains that strategic leadership is the ability to inspire confidence amongst employees who are required to achieve organizational goals. Hitt and Ireland (1999) believe that strategic leadership is one of the most critical issues facing organizations. Hitt and Ireland further explain that without strategic leadership, the probability that an organization can achieve superior or even satisfactory performance when confronted with the challenges of the global economy will be greatly reduced. However, in addition to driving the desired performance, a strategic leader must have the ability to develop an appropriate balance between the firm’s strategic and financial controls (Kaplan and Norton, 1996).

Hence, strategic leadership is every bit as crucial in Kenyan organisations as it is throughout the world. So as organisations and their environments have transformed quickly over the past years, a new style of leadership, one that is less bureaucratic and more democratic, is required in order to ensure the organisation’s survival and competitiveness (Johnson, 1995).

In today’s dynamic business environment, attaining organization competitiveness has become more essential as result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies. Companies that offer products that are adapted to the needs and want of target customers and that market them faster and more efficiently than their competitors are in a better position to create a sustainable competitive advantage. Competitive advantage is increasingly derived from knowledge and technological skills and experience in the creation of new products through innovation (Alegre, 2006).
It is assumed that the organization’s competitiveness is a reflection of its leaders. The values and beliefs show how issues are interpreted, and acted upon. The choices that leaders make affect the organizational competitiveness which is an important concern for most businesses (Boal, 2000). In such a situation, where competition is so fierce, organizations have to develop a sustainable competitive advantage to survive. The increase of the number of banks has resulted in high competition among banks. As a result, banks managements have to market their banking services in different and attractive ways to satisfy and fulfill customer needs and desires which are continuously innovating (Kumar et al., 2011).

In this case, it is critical that managers identify and understand strategic orientations to enable a firm to achieve competitive advantage that leads to greater organizational performance (Al-alak and Tarabieh, 2011). The bank competitiveness is based on the financial and operational indicators. The financial measures are related to accounting measures and economic performance (such as profit, sales) while the operational measures are related to operational success factors that might lead to financial performance like customer satisfaction, quality, market share, new product development or innovations (Bass, 1997).

As it is argued that effective leadership has a positive influence on the competitiveness of organization (Charlton, 2000). A successful leader understands the limits of its organization and tries to achieve its goals. These limits may include innovation and development of human capabilities that leads to organization competitiveness. For this case, the study will focus on the role of leadership towards the achievement of the bank’s competitive advantage using the case of National Bank of Kenya (NBK). NBK has been a major player in Kenya’s banking industry since 1968. It is one of the largest banks in the country giving financial services to all sectors of the economy. The bank aims to provide comprehensive financial solutions in the region. The bank is dedicated to excellence in providing competitive financial solutions, meeting the changing needs of the customers, being a responsible corporate citizen, providing attractive opportunities to employees and improving shareholders values which are critical through effective leadership (NBK, 2013). Like any other industry, NBK requires leadership that drives innovation and development of human capabilities to achieve competitive advantage.
1.2 Statement of the Problem
Leadership is every bit as crucial in organisations as it is throughout the world. So as organisations and their environments have transformed quickly over the past years, leadership is required in order to ensure the organisation’s survival and performance (Johnson, 1995). Organizations need innovation to survive and thrive; they need leaders who excel at driving innovation but many of them fall short when it comes to fostering ideas. On the other hand, few would refute that leaders are the major influencers of innovation for every organization. Leaders must bring a culture that reinforces ideation and brings the best ideas to fruition.

There is substantial evidence that companies that focus on innovation enjoy better business performance. According to Agbor (2008), companies that have reported high innovation effectiveness had a 76 percent product success ratio versus 54 percent for companies with medium or low effectiveness ratings. Highly innovative companies enjoy better sales and profits from new products when compared to their less innovative counterparts (48 percent vs. 21 percent and 49 percent vs 21 percent respectively. In this case, leaders think that they exhibit behaviours associated with driving innovation; but in most occasions, leaders do not exhibit innovative behaviours to move an organization towards sustainable competitive advantage.

Currently, there is a wide disparity between leadership and the organization competitiveness. While some leaders may have pursued innovation and human resource development to achieve a competitive advantage, others have been less focused in achieving sustainable competitive advantage. In fact, many leaders lack the capabilities to measure up to world class standards (Agbor, 2008). The leaders’ ability to foster innovation will likely fail without an organization-wide commitment. It is critical for senior leaders to help develop new skills, behaviours, as well as provide the systems, structures, support and autonomy to achieve competitive advantage throughout the organization (Al-alak and Tarabieh, 2011).

Leaders must learn how to create an organizational climate where employees can apply their innovative skills and thinking through human resource development for sustainable competitive advantage in the organization (Agbor, 2008). A strong culture of innovation and human development can be developed through effective leadership (Kumar et al.,
Those in leadership positions must drive innovation within the organization. In consideration to these empirical studies, there is a need for sufficient evidence to address the knowledge gap that needs to be filled in regards to the perception of leadership contribution to the bank innovation, development of human capabilities and competitive advantage. Hence, it was crucial for the leaders raise their level of competence among industry players so to compete effectively with others and build a competitive advantage in the banking sector.

1.3 General Objective
The main objective of this study was to investigate the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya.

1.4 Specific Objective
The study was guided by the following specific objectives:
1.4.1 Employees perception of leadership contribution to innovation
1.4.2 Employees’ perception of leadership contribution to employee capabilities.
1.4.3 Employee perception of their leaders’ contribution to organization competitive advantage.

1.5 Importance of the Study
The study can be of benefit to National Bank of Kenya management, employees, scholars and academicians.

1.5.1 National Bank of Kenya Management
The study can assist the management in addressing the areas of leadership that are overlooked in improving the organization performance. This can foster a drive towards achieving the organization goals and objectives for the banking sector to maintain its competitive edge in enhancing the performance of the employees who are the lifeblood of the organization. The study can also help management measure the different types of leadership in enhancing organization performance.
1.5.2 Employees
The top management can be able to motivate and inspire the employees to successfully achieve their goals and objectives. This can help leaders to diagnose, where performance improvement can best be targeted. This can also enable employees to understand the type of leadership that is necessary in helping them give their best at the workplace. Additionally, the employees can benefit from this analysis as it can help them understand the best type of leadership for them that can improve the supervisor and employee relationship.

1.5.3 Scholars and Academicians
This study can be useful to academicians and researchers who might be interested in pursuing research in the same area. The study can help them understand the aspects of change within an institution.

1.6 Scope of the Study
The scope of the study was limited to National Bank of Kenya employees at Harambee Avenue. The respondents comprised of management, middle management and operational level employees who work for NBK. To solve the problems of having a high non-response rate, additional respondents were selected and asked to participate in the study. In addition, the researcher believed that the populations selected for the study had sufficient knowledge to answer the questionnaires as well as reveal the different types of leadership impact on their performance. The study was carried out for a period of one month between March 9th to April 9th 2014).

1.7 Definition of Terms
1.7.1 Effective
An effective process produces output that conforms to customer requirements. The lack of process effectiveness is measured by the degree to which the process output does not conform to customer requirements (Lewis and Smith, 1994).

1.7.2 Employee
Employee is a person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business (Nel et al., 2004).
1.7.3 Innovation
Innovation refers to the introduction of something new, a new idea, method, or device for the accomplishment of the organizational goals and objectives (Rosenbusch et al., 2011).

1.7.4 Leadership
Leadership is defined as the ability to influence a group towards the achievement of goals (Robbins, 1993).

1.7.5 Leadership Style
Hersey and Blanchard’s (1988) define leadership style as the manner and approach of providing direction, implementing plans, and motivating people. The possible leadership styles include: Selling; a high-task, high-relationship style, telling; a high-task, low-relationship style, participating; a low-task, high-relationship style and delegating; a low-task, low-relationship style.

1.7.6 Middle Management
They comprise of managers who head specific departments (such as accounting, marketing, production) or business units, or who serve as project managers in flat organizations (Ellis, 2005).

1.7.7 Operational Staff
They are staff employed in the organization to carrying out its functions so as to accomplish the set out goals (Rosenbusch et al., 2011).

1.7.8 Senior Management
They are employees in executive management, or management team which is generally referred to the highest level of organizational management who have the day-to-day responsibilities of managing a company or corporation (Hoskisson, 2005).

1.7.4 Strategic Leadership
Hoskisson (2005) defines strategic leadership as the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary. A primary goal of a strategic leader is to gain a better understanding of the business conditions, the environment and other aspects that identify the challenges of the future.
The middle managers are responsible for implementing the top management’s policies and plans and the operational staff are typically below them.

1.8 Chapter Summary
Chapter one presented the background information on the contribution of leadership on an organization competitive advantage. The section also defined the statement of the problem. The specific research objectives of this research were outlined, the importance of the study, the scope of the study as well as the working definitions of specific terms used in the project. Chapter two explained the literature review in relation to what other researchers have done on the contribution of leadership on employee innovation, development of human capabilities and organizational competitive advantage. Chapter three describes the research methodology and it highlighted the various methods and procedures that were used by the researcher in conducting the research. Chapter four presented the result and findings of the study. Chapter five presented the summary of the findings, discussion, conclusion and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The objective of this study was to determine the employee perception of leadership contribution to the bank’s competitiveness. The chapter analyzes the literature review in accordance to the stated research objectives in the first chapter. Section 2.2 of the literature review will look at the employee perception of leadership on innovation. Section 2.3 of the literature looks at the employee perception of leadership on the development of human capabilities, and section 2.4 analyzes the employee perception of leadership contribution to organization competitive advantage. The chapter ends with a chapter summary.

2.2 Contribution of Leadership to Innovation

2.2.1 Innovation in the Banking Industry

Innovation is an art of responding to the market and technological challenges and the future trends of business for organizations in most suitable way that can lead organizations towards long term success and sustainability. In other words, innovation refers to the act of producing something new that has never been there before (Prestwood and Schumann, 2002). For example, the Cairo Amman Bank has replaced the need for personal identification cards in banking transactions with the deployment of the Iris Recognition System. Customers will be scanned by the system and their personal details will appear on the screen of the financial advisor. As every person’s iris has an individual eye print, the Iris Recognition System is considered to be the most secure banking technology (Rosenbusch et al., 2011).

Locally, several financial and non-financial institutions have partnered to provide customers with e-banking and other e-commerce services such as M-banking, e-banking, internet banking, online banking and agent banking to transact through shared banks’ platforms (CBK, 2007). It can be disadvantageous for a bank not to adapt technological changes that have made services to be available to the customers at the touch of button. Some of the launched innovations by Kenyan banks include NIC now by NIC Bank, CashSend by Barclays Bank, M-Benki by Kenya Commercial Bank, M-shwari a product
of Safaricom with Commercial Bank of Africa, PesaMob by Family Bank and e-pay by NBK.

The NIC Online Banking is a secure web based delivery channel which makes it easy for someone to transact at their convenience. This product is tailor-made with the customer in mind. It has a wide range of functions making banking easy and convenient. A customer is able to make transactions from the comfort of their home, office or anywhere as long as they can access the internet (NIC, 2014). Cash Send is also a convenient service which allows someone to send and receive money at any Barclays ATM. To be able to send cash, all a customer needs is a Barclays ATM card. To receive money, they do not need a bank account and a card. The customer needs to do is visit any Barclays ATM and enter the voucher number ID and PIN code received from the sender. Withdrawing money is free with Cash Send (Barclays, 2014). An M-Benki account is owned by KCB which enables a customer to get a loan, transfer money direct to their bank account and much more, all from their mobile phone (KCB, 2014).

Another revolution in banking in the offing is M-Shwari. M-Shwari is the revolutionary new banking product for M-PESA customers that allow saving and borrowing money through their phone while earning the customer interest on money saved. With M-Shwari, the customer is entitled to affordable emergency loans (Safaricom, 2014). PesaMob is a virtual bank where a customer can open a mobile based account that allows them to conduct all their banking transactions (including account opening) via their mobile phone. The mobile based account allows customers to save, borrow and transact without ever visiting a branch (Family Bank, 2014). On the other hand, ePay also Kenya offers fast, reliable money transfers from the convenience of the customers (Kenya Post Office Savings Bank, 2014). These innovation platforms allow mobile phone users to deposit money with the bank with their phone numbers acting as their accounts. The users can also make money transfers, borrow loans, pay bills and buy insurance products without leaving the comfort of their location (Masinde, 2014).

Enhanced technology has enabled the banking industry to offer unique services and products via the Internet eventually transforming the customers’ way of life. Although innovation can imply risk, uncertainty, high initial and continuous investments, price premiums for innovative product, customer loyalty, entry barriers for potential imitators,
and differentiation from competition generally seem to outweigh the costs (Rosenbusch et al., 2011). In this case, the contribution of leadership in innovation will be their ability to take unique and different ways to see, understand and handle things (Prestwood and Schumann, 2002). The leaders must be capable to promote and cultivate the innovative culture within an organization, by motivating others to bring new ideas and provide a proper infrastructure to convert them into reality (Prestwood and Schumann 2002). To survive, in this age of global competition, organizations need an innovative approach for their business model and strategies.

For any organization aiming to achieve excellence and sustainability in the market, there has to be leadership with an innovative approach for turning the business concepts into reality (Carneiro, 2008). Nel et al. (2004) propose that innovation and change are critical factors for organizational survival, they also caution that “change” must be managed through strategic leadership interventions, because people (employees) generally fear and resist change. Nel et al. (2004) also advise that leaders who plan and implement changes must be able to predict the reasons why employees may resist the change. Leaders today are expected to sense unexpected conditions before time and to cope with them using innovation (Prestwood and Schumann 2002).

2.2.2 Leadership and Innovative Approach

The innovative approach of leadership may lead a company towards a sustainable success and can better formulate the organizational strategy for desirable future for organization, by using their vision. For this purpose, effective change and leadership go hand in hand (Nel et al., 2004). Krieg (2002) propose the following leadership approach when embarking on a process of organizational transformation: develop a need to change; develop a change vision; develop a communication strategy; communicate the vision; get worker leaders informed; get the transformational teams together; do an organizational audit; decide on the change process strategy; prepare the organization and also the stakeholders; implement the changes; remove hindrances; mainstream the changes, and allow for adjustments to the strategic plans.

In this regard, leaders are needed for the organization to cope and handle situations of more demanding and rapidly changing business trends. Leaders can transform their subordinates in various significant ways. These ways may lead to win the trust of
subordinates for leaders that can increase the output of their work and doing job activities which can help to achieve the organizational goals in better ways. Some main characteristics of some transformational leaders are that they increase the employee’s confidence and awareness so they can enhance their performance, and also make them able to understand their personal outgrowth and development (Burns 2003).

The transformational leadership also increases the level of dedication and motivation for employees to work for the betterment of organization in spite of their personal interest (Nel et al., 2004). The qualities of transformational leadership may include the ability to act as change agents, challenge the status quo, trust others, have value driven characteristics, good learning abilities, have strong mental model to work in complex situation and have a clear vision (Carneiro, 2008). An innovative approach of leadership can help foster the growth of innovative culture within an organization which at the later stage leads to innovations in organizations by motivating and inspiring followers (employees) to give the best of their abilities to complete allocated tasks within the given time (Bass, 1985).

2.2.3 Leadership and Information Technology

Although much is written about organizational innovation, relatively little addresses the influence of leadership on the design and implementation of information technology (Klenke, 1994). Few researchers address the link between innovation and leadership, and even fewer have explored the relationship between leadership and innovation. Tichy and Devanna (1986) refer to leaders as change oriented, but they give little attention to the relationship between new technology and transformational leadership. Contractor and Eisenberg (1990) argued that people knowledgeable about the communication network rise faster, but make no mention of the role of innovation and its impact on leadership.

Schein (1994) indicated that cultures could be assessed on their degree of innovativeness. Some cultures are built around information technology. Schein (1994) hypothesized that organizations innovate to the extent people are proactive, problem oriented and desire improvement. These characteristics are similar to the attributes of transformational leaders (Tichy and Devanna, 1986). Schein (1994) suggested that innovative leaders implement faster under conditions of groups or participation, or even authoritarian methods of decision making. Participative leaders use their innovations more
appropriately and sensitively. Schein (1994) concluded that managers who viewed innovation as a method of transformation and were positively focused on information technology had more successful transitions.

According to Klenke (1994), information technology and the actions of leaders create new organizational forms. Leadership is at the center of the interaction between task demands, people, technology, and organization structure. The relationship between innovation and leadership is difficult to articulate given the variety of functional leadership behaviours and the range of information technologies. Technology and leadership have reciprocal effects on each other; a change in one leads to a change in the other. Brown (1994) speculated that transformational leadership is needed in an evolving technological society. Organizations are moving from controlled change to accelerated change nearly beyond control. Both attitude and behaviour must be the target of transformational leaders. The primary reason for technological change failure was fear and the role of transformational leaders was to turn fear into motivation. Brown adopted a framework similar to Schein’s (1994). Transformational leaders must meet market demands faster and better than before, given the increasingly interdependent economy.

Limited research addressed the relationship between innovation and transformational leadership. Howell and Higgins (1990) contended that champions of innovation were significantly more transformational than non-champions. Champions operate in three ways: a rational method that promotes sound decision making based on organizational rules and procedures; a participative process, enlisting others’ help to gain approval and implementation of the innovation; go outside the formal channels of bureaucratic rules and engage in the renegade process. Howell and Higgins (1990) compiled a list of attributes of champions such as high self-confidence, persistence, energy, risk taking, credible and winning. They concluded that champions are found in all organizations and without champions organizations may have lots of ideas but few tangible innovations.

In attempting to understand the fuller relationship between leadership and innovation in Figure 2.1, Crawford (2001) explains that the attributes of a leader such as their charisma, reward or punishment influence and their ability to influence over a team have an impact on organization innovation. Also, other leadership attributes such as transformational leaders, transactional and Laissez-faire results in innovative behaviour. The central focus
of Crawford (2001) diagram is to show the relationship between leadership influences on innovation.

Figure 2.1: Model of Innovation, Leadership, and Influence
Source: Crawford (2001).

2.2.4 Leadership and Creativity
For creativity and the spirit of innovation to develop in any organization, it must recognize the role of the leaders. Leaders can successfully encourage organizational creativity and innovation by designing the organization to foster an environment that is conducive for creativity to flourish (Charlton, 2000). Leaders can do this by building friendly and inclusive working conditions for the members of the organization. When the social structure of the organization helps workers feel secure and accepted, it brings out their creativity. Consequently, organizational leaders must respect, value and harness the richness of ideas, backgrounds, and perspectives of every employee and allow them to use their unique personal assets and experiences to work for the organization (Ellis, 2005).

Moreover, the top leadership of the organization must value creativity themselves and be enthusiastic about encouraging new developments. This provides the needed challenge and opportunities for people in the organization to be creative. The vision and strategic goals of leadership determine if the organization actively nurtures creativity (Sirmon and
Hence, an exciting vision helps produce a work environment where everyone can participate fully and achieve professional and personal growth in the pursuit of a common vision. Here the leader motivates the rest of the people in the organization to bring out their creativity through creating a shared vision of the type of organization they should build (Grobler et al., 2002). The leader inspires others with a purpose and a greater sense of mission. This type of work environment is conducive to creativity, while these kinds of leadership causes changes in followers that eventually convert them into effective and creative leaders (Carneiro, 2008).

Furthermore, leaders can be more effective in encouraging creativity by treating organizations as living systems filled with the innovative dynamics and potential that exists in all people. It is this creative potential that the leaders engage to tackle and solve organizational issues (Burns 2003). In essence, leaders must stop treating people in the organization as machines, but rather as living beings who work in organizations as living systems. This worldview helps leaders create organizations filled with followers who are capable of adapting, alert to changes in their environment, and able to innovate purposefully (Nel et al., 2004).

However, the only way leaders can harness this innovative spirit is when they invite everyone to participate in solutions and the creation of the organizational processes. This means that the leaders must engage the whole system in order to harness the intelligence and creativity that exists throughout the organization (Prestwood and Schumann 2002). Additionally, leaders can help their organizations achieve creativity by stimulating it. They do this by challenging and freeing employees to produce fresh solutions to problems. Leaders ask questions that cause their followers to think freely. A stimulating leader creates challenges that make work in the organization imaginative (Prestwood and Schumann, 2002).
2.3 Contribution of Leadership to the Development of Human Capabilities

2.3.1 Motivating the Followers

Leadership plays a crucial role in the development of human resource capabilities. Human resource has been regarded as the most critical factor for an organization to gain competitive advantages and realize organizational targets (Barney, 2001). “Human” is the theoretical basis of establishing the important assets for an organization. The success of many organizations possibly results from the leadership sagacity and willpower, the technical prominence and innovation, the excellent quality or the distinguished reputation, but all these relate to human capabilities.

Choi and Mueller (1992) thought that an enterprise should simultaneously consider financial and nonfinancial indices for performance evaluation. In other words, qualification and quantification factors should be considered at the same time, because such non-financial indices as employee morale and product quality are very important for its long-term operation. In the research on financial performance indices, Van de Ven and Ferry (1980) thought that the traditional financial performance was the most common indices used to measure organizations by researchers, including return on investment, sales revenue and earning power and so on, in which sales revenue was the most common one.

The leadership style of a leader has a considerable influence on the work performance of employees. It further indicates that the leadership style also affects the organizational performance. The leadership style determines the organizational performance that subordinates need to realize, give suggestions and feedback for execution. In this course, subordinates can know the requirements of their role and executives can know demands of subordinates at the same time. Thus under the leadership style of executives, subordinates can make organizational requested performance and get their rewards. Elenkov (2002) suggests that the leadership style should be properly and carefully used to guide and motivate the subordinates.
2.3.2 Increase Self-Interests of Employees

Campbell (1977) thought that when executives use their leadership style for concern, care and respect to the employees, it would increase self-interests of employees in work as well as organizational promises. This would enable the employees to perform better at the work place and affect their job satisfaction. Howell and Frost (1989) and Bryman (1992) also presented that there is a positive relation between the leadership style and the organizational performance. Successful leaders should get rid of personal style and try their best to invite everyone to be part of leadership. The leadership style mainly with the human resource management strategy will generate suitable strategies in time (Guo, 2004). Therefore, the human resource management strategy that encourages and train staff can impel leaders to show their leadership style (Hewson, 1997).

Organizational leaders should play the role of tactician, that is, the leadership style ought to take the human resource management strategy as the core (Qin, 1998). As for management, leadership contents should express different styles or caring employees and productive efficiency. It is also a main point for the leadership style that, how leaders put forward human resource management strategy in the course of leading and organizing activities (Qiu, 2008). Hong (2005) expressed that leaders have to have the ability of using the human resource management strategy in addition to their leadership style if expecting to lead an organizations to the sustainable operation and management or ever-green foundation.

Strategy-oriented organizational leaders take the human resource management strategy as the core of organizational leadership. In an organizational environment, they are supposed to select a proper and effective human resource management strategy, and use a suitable leadership style to lead organizational members to their targets (Liao, 2005). Therefore, leaders take the human resource management strategy as the core of the leadership style and use the interaction of communication, excitement and integration to effectively implement the process of the human resource management strategy (Hong, 2005).

When discussing the relationship between the human resource management strategy and the organizational performance, Delaney and Huselid (1996) found that some of the more progressive human resource management strategies, including careful selection at appointment, training and incentive compensation, have a positive effect on the
organizational performance. Li (2000) also found that such human resource management strategies as training, information sharing and participative management are helpful in promoting the organizational performance.

Huselid (1995) proved by empirical study that a system with an optimal human resource management strategy (high-performance systems) can increase the organizational performance no matter what organizational strategic objectives of an enterprise are. Correspondingly, Delery and Doty (1996) claimed that an optimal human resource management strategy has a close relation with the organizational performance. In the past researches related to the human resource management strategy, it has been proved that human resource management strategy has a significant correlation with the management performance, productivity, financial performance and market value of an organization. In other words, the human resource management strategy has a positive correlation with the organizational performance (Huang, 2002).

2.3.3 Leadership and Effective Human Resource Management Strategy

Huselid (1995) thought that effective human resource management strategies, including recruitment and selection, performance evaluation, incentive compensation, information sharing, attitude assessment, complaint handling procedure, work design, labor participative management plans, performance rewards can promote organizational performance. Delaney and Huselid (1996) also indicated that innovative human resource management strategies such as careful selection, training and incentive compensation have a positive correlation with the organizational performance.

He (2009) indicated that organizational leaders have to apply methods or techniques to maintain an efficient business operation. Therefore, they have to show different leadership styles appropriately and take planned human resource management strategies. Only in this way, the organizational performance can be expected to be promoted. The effective use of the human resource management strategy cooperated with a suitable leadership style can certainly promote the organizational performance. Therefore, it would affect the organizational performance no matter how good or bad the leadership style is to the organization (Chen, 1997).
Kleiman (1997) tried to connect the human resource management strategy with the organizational performance so as to enable each organization to show a high performance through the leadership style. As viewed from the human resource management strategy, Chien (2004) carried out the study on how the organizational performance is improved. The result showed that both the leadership style and the human resource management strategy are important factors affecting the organizational performance. In other words, the human resource management strategy really affects the organizational performance through the leadership style.

According Kaur (2012), transactional leaders believe that employees are motivated by reward or punishment. These leaders give clear instructions to followers about what their expectations are and when those expectations are fulfilled, there are rewards in store for them and failure is severely punished. The attributes includes the contingent reward that is defined by the exchanges between what is expected from the follower and what the follower will receive in return. There is active management by exception that helps maintain the current performance status while the focus is on detecting and correcting errors, problems or complaints. Lastly, there is management by exception that passively address problems only after they have become serious and Laissez faire that abdicates responsibilities to avoid making decisions.

Most of the leadership theories like behavioural and situational approach are concerned with transactional leaders wherein leaders guide or motivated their followers in the direction of established goals by clarifying their role and task requirements. Although nothing may be wrong with this approach, Bass and others argued that it fails to lead to the kind of employee commitment and dedication necessary for greatness. To achieve this, the leader must exhibit transformational characteristics. According to Burns (1978), transforming leadership refers to the process whereby an individual engaged with others creates a connection that raises the level of motivation and morality in both the leader and the follower. Bass’ (1985) factor structure included four transformational leadership factors. One of them is individualized consideration that refers to the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs.
In addition, the leader gives empathy and support, keeps communication open and places challenges before the followers. Second, there is intellectual stimulation that refers to the degree to which the leader challenges assumptions takes risks and solicits followers’ ideas. Leaders with this style stimulate and encourage creativity in their followers. They nurture and develop people who think independently; Inspirational Motivation is the degree to which the leader articulates a vision that is appealing and inspiring to followers (Burns, 1978). Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Lastly, there is the idealized Influence where the leader provides a role model for high ethical behaviour as this instil pride in others for being associated to go beyond their self interests for the good of the group, acts in ways that build others’ respect, display a sense of power, competence and reassure others that obstacles will be overcome (Burns, 1985).

2.3.4 Effect on Employee Career
Transformational leaders invest heavily in continued professional development of the employee career to meet organizational needs. Transformational leadership promotes learning that challenges and keeps under constant review those organizational norms and values that are apt to be taken for granted, especially in times of rapid change (Dimmock and Walker, 2005). Hargreaves and Fink (2006) explain that transformational leadership means creating powerful, equitable learning opportunities for followers. The principle of followers’ learning comes through a shared vision and values rather than through rules.

Transformational leaders involve the followers in the organization decision-making processes and empower individuals to act by providing them with the information, training and parameters they need to make good decisions (DuFour and Eaker, 1998). According to Beattie (2002), the focus for transformational leaders is to create a learning environment which enables authentic self-expression, development of relationships and the development of individual’s personality as a whole within the organization. The process of leading and learning simultaneously facilitates the growth of the followers professionally.

The success of any organization is dependent on the leader’s ability to optimise the use of human resources (Charlton, 2000). To have an effective organization, one needs to
provide effective and stimulating relations for the people involved in the organization (Paulus, Seta and Baron, 1996). The employees or followers are of paramount importance to the success of any organization. According to Bartlett and Ghoshal (1995), modern organization has moved beyond the old doctrine of strategy structure and system to a soft, more organic model built on the development of purpose, process and people. This means that organizations need to respond to what their followers want. Rather than just working for a company, employees want to belong to an organization. More than just providing work, companies can help give meaning to their follower’s lives.

Flanagan and Finger (1998) argue that transformational leaders must correct their employee performance problems and help employees to grow professionally, in order to allow employees to contribute to the organization while advancing their own careers. According to the Competence Process developed by Hall (1993), transformational leaders need to value and properly manage employee competence if employee productivity is to be truly nurtured. Human competence is increasingly important in distinguishing average from excellent, and transformational leaders are a crucial element of developing people (Charlton, 1993).

Transformational leaders view the workforce as a critical resource on which many core competencies are built and through which competitive advantages are exploited successfully. Significant educational and skills upgrading investments in the workforce are required of transformational leaders. Individuals in the workforce appreciate the opportunity to learn continuously and feel greater involvement with the general workforce when encouraged to expand their knowledge base (Hitt et al., 2005). Empowerment of the workforce is vital. One of the essences of transformational leadership is transforming human capital in the organization to create value.

2.3.5 Fostering Employee Commitment

Most leaders strive to maximize the performance of their subordinates in order to achieve organizational goals. Indeed, leadership has been defined in terms of mobilizing the workforce towards attaining organizational goals (Yukl, 1998). The primary focus of leadership on organization efficiency is for the organization to achieve its goals and to create organization commitment among the employees. Transformational leadership is considered as one of the most influencing factor which has a positive effect on employee
commitment (Rai and Sinha, 2000). Various studies conducted on leadership style (Mathieu and Zajac, 1990) claimed that there is a strong positive relationship between leadership and organizational commitment. Aronold, Basling and Kelloway (2001) claimed that transformational leadership style helps the leader in enhancing their employees’ trust and commitment. Transformational leader gives the solution of the problems frequently, which enhances motivation and commitment of employee (Lawler, 2003).

If the management of the organization tries to satisfy the needs of its employees, their commitment will also increase and prefer to remain as part of the organization (Hamdia and Phadett, 2011). If the leadership style has greater importance on the organization in the context of increasing employee commitment (Blau, 1985), then transformational leadership style is considered as a prerequisite of employee commitment (Williams and Hazer, 1986). Riaz and Haider (2010) concluded that transformational and transactional leadership positively correlated with the job success and satisfaction while transformational leadership found more significant and strong relationship with job success and career satisfaction as compared to transactional leadership.

To bring the organizational commitment, transformational leaders have strong influence on employees as compared to transactional leaders. Sub-elements of transformational leadership such as intellectual stimulation, inspiration, idealized influence are significantly correlated with the organizational affective and normative commitment (Krishnan, 2005). Inspirational motivation and idealized consideration are not correlated significantly with continuous commitment while inspirational motivation and individual consideration have significant and positive relationship with organizational continuous commitment (Lo, Ramayah, Min and Songan, 2010). Most recent researches on the leadership style and organizational commitment show that transformational and transactional leadership have positive relationship with employees’ organizational commitment (Marmaya, Torsiman and Balakrishnan, 2011).

2.3.6 Management of Employee Crisis
Leadership has long been seen as a key factor in organizational effectiveness. Good leadership style improves good relations with co-workers and increases the job satisfaction (Nazir, 1988). For an organization to compete at the international market, one
of the key factors is that its employees should be satisfied. An increasing aid provided by peers causes decrease in role ambiguity and role conflict, which increases job satisfaction (Goldstein and Rockart, 1984). Hungra et al. (2005) argue that there is a positive relationship between autonomy, leadership behavior, teamwork environment and job satisfaction. Voon, Ngui and Ayob (2011) showed that there is a strong relationship between transformational leadership and job satisfaction as well as management of organizational crisis.

Krishnan (2005) expresses that transformational leadership is a key factor in managing management crisis and thus increases employee performance. Schaubroeck, Lam (2007) is of the view that there is a positive relationship between transformational leadership and employee performance and it creates a positive impact on team performance. Transformational leadership is effective in that it builds enthusiasm and a sense of vision that leads to higher job satisfaction (Kennedy, 2002). Brown and Yoshioka (2003) contend that leadership and job satisfaction are the most effective predictors of intentions to leave non-profit organizations.

Kark et al. (2003) found that when leaders empowered employees, workers reported greater self-efficacy. Such feelings of self-efficacy, in turn, fostered greater levels of satisfaction, commitment, effectiveness, and high performance in the organization (Kark et al., 2003). Leaders behave ethically, and encourage and empower subordinates to grow and succeed, both personally and professionally (Ehrhart, 2004; Farling et al., 1999; Russell and Stone, 2002). Leaders desire to motivate and guide followers offer hope and provide a more caring experience through established quality relationships (Greenleaf and Spears, 2002). Whetstone (2002) argued that the imperative of servant leaders to serve the needs and desires of followers must supersede the leader’s personal interests. Servant leaders demonstrate a sense of moral responsibility and respect for followers as they inspire followers to grow and to develop (Greenleaf, 1997).

Transformational leadership is viewed as directly affecting organizational performance (Barling et al., 1996; Howell and Avolio, 1993) and indirectly affecting organizational performance through its effects on subordinates’ satisfaction with their leader (Hater and Bass, 1988). Further, performance is considered to be affected indirectly through the effects of leadership on subordinates’ affective commitment (Barling et al., 1996).
Organizations are increasingly recognizing the importance of supporting junior staff through mentoring programs (Sosik and Godshalk, 2000).

### 2.3.7 Encouraging Harmonious Relationships

Team orientation of transformational leaders reflects their awareness of the importance of teamwork and readiness to lean on the help of others. Complexity of the process of organizational transformation points out, in itself, that a transformational leader cannot independently bring the whole process of transformation to an end. Because of that, transformational leaders approach the creation of teams within which, together with the other members, make appropriate decisions and solve problems they come across (Hamdia and Phadett, 2011). In that sense, it is important to improve the functioning of the team to a level which ensures complete equality, without being afraid that they will suffer because of their actions from their leaders. Transformational leadership empowers individuals in an organization to create a collaborative culture that encourages employee development and problem solving among the followers (Hargreaves and Fink, 2006). Transformational leadership also encourages open dialogue, clear lines of communication and collaborative decision-making among the group.

### 2.3.8 Motivating Followers to Perform Beyond Contractual Expectations

Bass (1998) suggests that transformational leaders expand their followers’ “need portfolios”. Bass (1985) pointed that the followers’ extra effort shows how much a leader motivates them to perform beyond contractual expectations. Thus, emphasis on satisfying self-actualization needs reflects the type of need underlying followers’ motivation, and extra effort results from generating higher levels of motivation. Bono and Judge (2003) suggested that transformational leadership behaviours were positively related to the followers’ job motivation and performance. Piccolo and Colquitt (2006) found that transformational leadership had a significantly positive relationship with motivation and task performance. Piccolo and Colquitt (2006) also found that transformational leadership had a positive relationship with follower job satisfaction, follower leader satisfaction, follower motivation, leader job performance and effectiveness.

Transformational leaders teach their followers to become transformational leaders in their own right. By doing this, transformational leaders encourage subordinates to adopt the organizational vision as their own, through inspiration and motivation (Cacioppe, 1997).
In addition, it is widely accepted that transformational leadership occurs when people engage with each other in such a way that leaders and followers raise each other’s levels of motivation (Burns, 1978). Furthermore, these leaders attempt to elevate the needs of the follower motivation in line with the leader’s own goals and objectives. Transformational leadership communicates a vision that inspires and motivates people to achieve something extraordinary.

2.4 Leadership in Achieving Competitive Advantage

2.4.1 Leaders in Enhancing Organization Competitiveness

In many sectors today, work processes are changing at a much faster pace as organizations face the challenges of rapidly changing technology, globalization, uncertainty, unpredictability, and turbulence (Hamdia and Phadett, 2011). Due to the volatile environment in these sectors, many such organizations are failing and need creativity and constant innovation to remain competitive and successful (Marmaya, Torsiman and Balakrishnan, 2011). Leaders should recognize and harness their creativity in the organization. Leaders establish environments that are conducive to renewal, build organizational culture that encourages innovations, and establish organizational diversity that in turn helps these organizations remain competitive (Kaur, 2012).

Agbor (2008) has shown how organizational structure, strategy, technology, culture, and other management tools help bring effectiveness and competitive advantage to organizations. It has been shown that in the 21st-century that organizational environment, creativity and innovation are the primary sources of competitive advantage. However, little has been said on the role of leadership in enhancing organization competitiveness. Creative and effective organizations do not emerge by accident. They require leaders to drive and control deliberate changes in structure, culture, and process in order to transform them into creative, effective, and productive ones.

Leaders usually decide what happens in the organization and give direction, vision as well as the momentum that bring success. Therefore, leaders are the catalyst that create and manage the environment, organizational culture, and strategies that encourage sustained innovation, effectiveness and success in the organization (Kaur, 2012). When the organization establishes its strategy and work processes, the leaders direct the implementation that brings it to accomplishment (Lo, Ramayah, Min and Songan, 2010).
Technology, right culture, and strategy are necessary and contribute to the success of the organization. However, for any of these vital aspects to bring any real benefit, the leadership must support, sustain, encourage, and inspire followers to make it work (Hamdia and Phadett, 2011).

Organizations that operate from the authoritarian, hierarchical, command and control model, where the top leaders control the work, information, decisions, and allocation of resources, produce employees that are less empowered, less creative, and less productive (Askenas, Ulrich, Jick and Kerr, 2002). This kind of model focuses on leadership as an extension of the top leader’s actions and will. This heroic model of leadership was popular in the 19th century but continues even today in many organizations (Kuhn, 1993). Organizations express the modern version of this leadership approach in followers’ perceptions of leaders as those with all of the great ideas and who achieve great successes in the organization single-handedly. In such organizations, the leaders occupy central places and the followers believe these leaders are ultimately responsible for every outcome, as well as ensuring that the organizational processes work smoothly.

### 2.4.2 Developing Strategies for Innovation to Achieve Organization Competitiveness

For the innovation process to begin in any organization, that organization must first put the right leaders and leadership structure in place. Moreover, the leaders must themselves be interested in innovation; otherwise, they can stifle creativity and innovation in the organization (Duygulu and Ciraklar, 2008). The top leaders in the organization usually have the power and authority to develop strategies that lead to innovation, which means if they are unable to perceive opportunity for renewal, do not wish to exploit them, or are unable to respond to them, these leaders can impede innovation (Lo, Ramayah, Min and Songan, 2010). Conversely, if the leaders’ objectives are dynamic, ambitious, and innovative, and if they demonstrate proactive attitudes as well as a capacity to respond to change, this can help bring innovation, renewal, and success to the organization (Hamdia and Phadett, 2011).

Organizations with weak leadership tend to be less effective and are prone to constant restructuring and downsizing in order to solve their problems. On the other hand, organizations with creative and effective leaders work to avert the need for major restructuring and downsizing. These leaders run the organization effectively and therefore
prevent it from reaching the stage of having to undertake major restructuring (Tichy, 1997). According to Senge and Deming, many of the problems and failures that face organizations come from lack of creative leadership (Tichy, 1997). Consequently, leadership is the fundamental and foundational competitive advantage for success because without the right creative and effective leadership in organizations, the strategy, technology, and innovations will not help it succeed. Organizations need creative and effective leadership to manage the implementation of the strategy and encourage innovation in the organization (Hamdia and Phadett, 2011).

The top leadership of the organization must value creativity themselves and be enthusiastic about encouraging new developments. This provides the needed challenge and opportunities for people in the organization to be creative (Wheatley, 2001). The vision and strategic goals of leadership determine if the organization actively nurtures creativity. Hence, an exciting vision helps produce a work environment where everyone can participate fully and achieve professional and personal growth in the pursuit of a common vision. Here the leader motivates the rest of the people in the organization to bring out their creativity through creating a shared vision of the type of organization they should build. The leader inspires others with a purpose and a greater sense of mission. This type of work environment is conducive to creativity, while this kind of leadership causes changes in followers that eventually converts them into effective and creative leaders (Duygulua and Ciraklar, 2008).

Furthermore, leaders can be more effective in encouraging creativity by treating organizations as living systems filled with the innovative dynamics and potential that exists in all of the people. It is this creative potential that the leaders engage to tackle and solve organizational issues (Hamdia and Phadett, 2011). In essence, leaders must stop treating the people in the organization as machines, but rather as living beings who work in organizations that are living systems. This worldview helps leaders create organizations filled with followers who are capable of adapting, alert to changes in their environment, and able to innovate purposefully (Sonnenberg and Goldberg, 1992). However, the only way leaders can harness this innovative spirit is when they invite everyone to participate in solutions and in the creation of the organizational processes. This means that the leaders must engage the whole system in order to harness the intelligence and creativity that exists throughout the organization (Kaur, 2012).
2.4.3 Focus on Organizational Goals

Leadership is needed for the achievement for the organization vision. Vision is only 10% and the rest is its implementation (Jick, 2001). It is good for leaders to have a clear vision and the ability to turn the vision into reality. There are five qualities common among visionary leaders and they include: the ability to formulate strategies and plans to achieve vision (Bass, 1985); communicating the vision to promote changes and organization wide support of visions (Bass, 1985); aligning people and supporting systems that match the visions to make sure that there are no procedural and structural hurdles in the way of achieving vision and providing good atmosphere to employees to work with dedication to make the vision become a reality (Nanus, 1992). This indicates that the ability of the leaders to have both vision and innovative can play an important role in dealing with organizational matters.

With respect to understanding effective leadership in organizational settings however, the nature of the problems at hand and their associated performance demands provide important clues about the type of knowledge and skills likely to underlie effective performance in organizational settings (Mumford et al., 2000). Leaders must not only be able to formulate a plan that works within the context of organization, they must also be able to implement this plan within a distinctly social context, marshaling support, communicating a vision, guiding subordinates, and motivating others. Leaders must understand and work with others, another point which underscores the need for social skills through team orientation (Duygulu and Ciraklar, 2008).

According to Goleman et al. (2002), the true test of the efficacy of effective leadership lies in the results that are achieved by any organization. Effective leadership brings out, identifies and offers solutions to the needs of modern business leadership. It means effective leaders need to constantly re-evaluate themselves regarding the various factors attributed to creating and leading an organization to success. Effective leaders are those individuals who exploit to the fullest the spiritual, emotional, psychological and material resources available in an organization and its employees to best serve the interests of its stakeholders in achieving the organizational goals.
2.4.4 Creation of a New Perspective in the Organization

Transformational leader’s culture boosts both the organization and the employee’s performance (Bass and Avolio 1993) without enforcing extra burden (Schlotz, 2009). The transformational leadership is connected with high task performance and greater organization efficiency. Lyons and Schneider (2009) also provide guidance to their followers towards organizational objectives (Metcalfe and Metcalfe, 2005). Givens (2008) has demonstrated that followers who work under transformational leaders are motivated and committed which facilitates their satisfaction with jobs.

Khan, Ramzan, Ahmed and Nawaz (2006) carried out a research on transformational, transactional, and laissez-faire styles of leadership on teaching faculty as predictors of student satisfaction; they established that teachers must adopt transformational leadership style because it brings higher satisfaction among their students. Transformational leadership has proved to be more useful in a variety of businesses, military, engineering, hospital, and educational institutions (Bass 1998). Masi and Cook (2000) also have the same thoughts and believed that transformational leadership style is an important factor in creating a new perspective in the organization.

2.4.5 Information Technology

According to Klenke (1994), information technology and the actions of leaders create new organizational forms. Leadership is at the centre of the interaction between task demands, people, technology, and organization structure. The relationship between innovation and leadership is difficult to articulate given the variety of functional leadership behaviours and the range of information technologies. Technology and leadership have reciprocal effects on each other; a change in one leads to a change in the other.

Brown (1994) speculated that transformational leadership is needed in an evolving technological society. We are moving from controlled change to accelerated change nearly beyond control. Both attitude and behaviour must be the target of transformational leaders. The primary reason for technological change failure was fear and the role of transformational leaders was to reform fear into motivation. He adopted a framework similar to Schein’s (1994). Transformational leaders must meet market demands faster and better than before, given the increasingly interdependent economy.
A few cautions seem necessary. First, those “with” advanced leadership skills innovate; those “without” are relegated to a subsidiary status in the acquisition and use of technology. Some are limited by their ability to purchase and use technology (Marmaya, Torsiman and Balakrishnan, 2011). People who do not see the application of technology (for whatever reason) or those who are not able to acquire and hone their leadership skills suffer. As a social condition, there is need for more discussion over the process of innovation and how or why people are left out of the innovation process.

2.4.6 Performance of Banking Industry

According to Waldman et al. (2001), the global financial crisis greatly affected the performance of many companies in the United States, Europe, Asia and Africa. These developments not only affected companies but also banking institutions. Therefore, the top managers had to adjust their strategies in order to manage crises. The banks that managed the crises successfully survived and become high performing organizations. High performing banks that have survived the crises has attracted attention of so many researchers and characteristics of the leaders of the banks began to be surveyed. One of the most common characteristic was the change oriented leadership style, transformational and transactional leadership behaviors. The argument that leadership is the determining factor of firm performance has long been object of interest for management literature (Zhu, Chew and Spangler, 2005), a few studies have suggested a correlation between leadership behavior and some measures of organizational competitiveness (Baum, Locke and Kirkpatrick, 1998).

Many authors have asserted relationships between leadership and organizational competitiveness through learning (Senge, 1990; Senge, Roberts, Ross, Smith and Kleiner, 1994) are linked to the introduction of new ideas into the organization, setting specific goals, encouraging subordinates for innovation and learning as well as competitiveness (Harbone and John, 2003; McDonough, 2000). Both transactional and transformational leadership style focus on encouraging employees to participate in collective decision making activities, provide teams with direction, energy, and support for process of change and organizational learning (Aragon-Correa et. al, 2007). Coad and Berry also argue that transformational leadership fuels organizational competitiveness by promoting intellectual stimulation, inspirational motivation, and self confidence among organization members (Coad and Berry, 1998).
Lowe and Galen Kroec (1996) also argue that transformational leadership enhances transactional leadership in such a way as to achieve a higher level of performance from employees or subordinates. As can be deduced from above, the primary differences between these leadership styles are the methods used by each leader to motivate subordinates, and the types of goals set out by each leader. As discussed, transactional leaders are concerned with the policies and procedures of an organization, whereas transformational leaders are concerned with the people and interpersonal relationships within the organization (Bennis and Nanus, 1985). According to Hall (1993), it is the process of strategic leadership, the induction and exercise of influence in order to connect people and performance in pursuit of an overall organizational goal that leaders have in common. Therefore, it can be argued that transactional leadership represents the managerial aspect of the person in charge, and transformational leadership represents the leadership qualities of the person in charge (Bass, 1985).

Bass and Avolio (1994) cited in Arnold, Barling and Kelloway (2001) argue that the most effective form of leadership is the combination of both transformational and transactional leadership styles. The managerial leadership model developed by Flanagan and Thompson (1993) provides an aid to assist management in selecting the appropriate leadership response that is, the correct combination of transactional management and transformational leadership (Carrell et al., 1997). The managerial leadership model encompasses transactional management and transformational leadership, and includes a third major component: situational sensitivity (Carrell et al., 1997). The style of leadership required in any organization depends on what the company wants to accomplish (Hart and McMillan, 1996). As mentioned previously, most modern organizations need to focus their attention on employees in an attempt to increase productivity. This makes transformational leadership the most suitable leadership style for any business undertaking today (Bass, 1994).

It is for this reason that transformational leadership that will become more prevalent and popular as a result of the chains of bureaucracy becoming flatter, and democracy in the workplace becoming a necessity (Elgood, 1993). An organization in modern times needs to increase productivity levels through internal quality. A less bureaucratic and more democratic leadership style is essential for organizational survival (Johnson, 1995). Transformational leadership allows employees to be more involved in the decision-
making process so that it nurtures organizational relationships and achieves results for the organization through committed people, and interdependence through a ‘common stake’ in the organization’s purpose.

A more transformational leadership style is essential for the survival of any organization today, because it is a democratic leadership style. Nevertheless, policies, procedures and production are still important aspects in the twenty-first century and, although less people centered, are important in ensuring that decision-making stays on track. Management is important for the direction and regulation of employees (Bennis and Nanus, 1985), and the best style of leadership is the correct combination of transactional and transformational leadership behaviors (Bass and Avolio, 1994).

**2.5 Chapter Summary**

The chapter reviewed literature in relation to the employee perception of leadership contribution to the bank’s competitiveness. The first section of the literature reviewed at the employee perception of leadership on innovation. The second section of the literature looked at the employee perception of leadership on the development of human capabilities and third section analyzed the employee perception of leadership contribution to organization competitive advantage. The next chapter is on the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This study intends to investigate the employee perception of leadership contribution to the bank’s competitiveness. The researcher adopted various methods and procedures in conducting the study to answer research objectives. The chapter was organized in the following structure: research design, population and sample design, data collection methods, research procedures, data analysis methods and lastly the chapter summary.

3.2 Research Design

The research adopted a descriptive research design. Johnson (2010) defines descriptive survey as a set of methods and procedures that describe particular characteristics of specific population of subjects. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. According to Wong (2003), descriptive design is a process of collecting data in order to test a hypothesis or to answer the questions of the current status of the subject under study. The advantage of using this method in this study was the extensive use to describe customer’s behavior, attitude, characteristic and values. The descriptive design was seen as the most suitable method to adopt because of the nature of the research objectives.

The case was chosen to enable the researcher to collect in-depth data on the population being studied and allow the research to be more focused on the topic for the sole purpose of giving relevant and specific recommendation. The researcher attempted to identify and explain variables that exist in a given situation and to describe the relationship that exists between these variables in order to provide picture of a particular phenomenon. The independent variables were as follows: the employees’ perception of leadership contribution to innovation, the employees’ perception of leadership contribution to employee capabilities and the employee perception of their leaders’ contribution to organization competitive advantage. While the dependent variable was the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya. According to Cooper and Schindler (2006), the study places more emphasis on a full contextual analysis of the relationships that exists.
3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2006) define population as the total collection of elements about which a research wishes to make inferences. The population of the employees at National Bank of Kenya, Harambee Avenue was approximately 73 members of staff. The population comprised of 7 senior management staff, 25 middle management staff and 41 operational employees. The population distribution is indicated as follows:

Table 3.1: Total Population Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>25</td>
<td>34</td>
</tr>
<tr>
<td>Operational Employees</td>
<td>41</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: NBK (2013).

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame is a complete list in which each unit of analysis in a research study is mentioned only once (Welman and Krugler, 2001). Cooper and Schindler (2003) also define the sampling frame as a list of elements from which the sample is actually drawn and is closely related to the population. The sampling frame for this study comprised of a list of NBK staff that was provided by the institution’s human resource manager.

3.3.2.2 Sampling Technique

Stratified sampling technique was used in this study. With stratified sampling, the population was divided into groups, based on some characteristic. Then, within each group, a probability sample (often a simple random sample) was selected. In stratified sampling, the groups are called strata (Cooper and Schindler, 2006). In this case, the employees were stratified into 3 levels based on their seniority: senior management staff, middle management staff and operational employees. The researcher relied on the human resources manager to obtain access to the samples based on the three job categories. Then the names of the respondents were written down on a separate piece of paper, put in a container and thoroughly mixed. Then, a blind-folded researcher selected 6 senior management staff, 21 middle management staff and 35 operational employees. Further, the sampling technique ensured selection of respondents with the requisite information to
address the specific research questions thereby enhancing the credibility of the findings of the study.

3.3.3 Sampling Size

Sampling means selecting part of the elements in a population so that conclusions may be obtained about the entire population. A sample is a finite part of a statistical population whose properties are studies to gain information about the whole (Merriam, 2003). To ensure that the sample accurately represents the population, the researcher determined the sample size using Yamane’s formula (Israel, 1992) as follows:

\[ n = \frac{N}{1 + N(e)^2} \]

Where \( n \) is the sample size, \( N \) is the population size and \( e \) is the margin of error. At a confidence level of 95%, the margin of error would be 5%. For the purpose of this study, the sample of 135 respondents was selected as a representative of the total population.

\[ n = \frac{73}{1 + 73(0.05)^2} = 62 \]

Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Percentage</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>7</td>
<td>86%</td>
<td>6</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>25</td>
<td>84%</td>
<td>21</td>
</tr>
<tr>
<td>Operational Employees</td>
<td>41</td>
<td>85%</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>85%</strong></td>
<td><strong>62</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

In this study, primary data was collected. The primary data collection method involved the use of questionnaires and interview questions. Questionnaires are one of the most efficient ways to collect data (Cooper and Schindler, 2003). Two questionnaires were designed based on the research objectives having both open-ended and closed-ended questions. With the open-ended questions, the respondent provided their own independent answers to the questions. For the closed-ended questions, a five-point Likert-type scale, ranging from 1 (Strongly agree) to 5 (Strongly disagree) and YES/NO options were
used. The closed-ended questions provide a greater uniformity of responses and are more easily processed than open ended ones (Bobbie, 2008).

The questionnaire covered a number of areas including section A which collected the demographic data, section B whose questions is related to the first research question (i.e. employee perception of leadership on innovation), section C whose questions is related to the second research question (i.e. employee perception of leadership on the development of human capabilities). Lastly, section D whose questions are related to the third research question (i.e. employee perception of leadership on organizational competitive advantage). The study also conducted in-depth interviews among three respondents. The researcher collected secondary data for the literature review on the leadership contribution to the bank’s competitiveness. The research procedure was checked for completeness and logical relationships before it was administrated and the data from the questionnaire were checked again for completeness and accuracy.

3.5 Research Procedures

The study questionnaire was developed by the researcher based on the study objectives. The researchers obtained permission from the relevant office at NBK in order to proceed with the collection of the data. A pilot questionnaire was prepared and administered to 15 employees. This acted as a pre-test questionnaire and the suggestions for improvement during the piloting process was incorporated in writing the final questionnaire in order to achieve the desired results.

To collect primary data, the researcher recruited a final year undergraduate student from the United States International University to act as a research assistant. The research assistant administered the questionnaires to the targeted employees during the appointment time agreed by the respondents. The period to collect the data was done in one month. The researcher continually checked the questionnaires for quality control. To improve the response rate, a cover letter explaining the reasons for the research, why the research was important, why the recipient was selected and a guarantee of the respondents’ confidentiality was provided.
3.6 Data Analysis Methods

The collected data was edited and transformed into quantitative form through coding, then entered into a computer using SPSS to eliminate errors in raw data and process data so that presentation could be done. The analyzed data was presented in form of frequency distribution tables. Percentages serve two main purposes in data presentation: Firstly, they simplify the data by reducing all numbers from 0 to 100 and secondly, they translate the data into a standard form, with a base of 100 for relative comparisons (Cooper and Schindler, 2003). In this study, descriptive statistics such as mean and percentages were applied. Inferential statistics was also utilized to analyze data using coefficient of correlation analysis. The data was then presented in the form of tables with the aid of SPSS.

3.7 Chapter Summary

This chapter described the research methodology that was used in conducting the research study. Firstly, the research design applied descriptive research design using the case of NBK. The population that was sampled included employees at NBK. Primary data was collected with a help of a research assistant who administered the questionnaire to the targeted respondents and the secondary data from literature review. The data was then analyzed using descriptive statistics using SPSS. The data was presented in the form of tables. The findings are presented in the next chapter.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The questionnaires were distributed to the sample of employees who were identified with the help of administrative officers in each department. In selecting employees for participation, effort was made to include people from different hierarchical levels that are from the senior management level, middle management and staff operational employees. Each questionnaire was distributed accompanied with a cover letter providing explanations on the purpose of the research and providing assurance that all individual responses would be treated confidentially. A number of call backs to the respondents were made to ensure maximum response of the questionnaires. A total of 62 questionnaires were distributed to the employees in different hierarchical levels and 42 questionnaires were retrieved, providing a response rate of 68 per cent.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Respondents</th>
<th>Response</th>
<th>Response Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>6</td>
<td>5</td>
<td>83</td>
</tr>
<tr>
<td>Middle Management Staff</td>
<td>21</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>Operational Employees</td>
<td>35</td>
<td>32</td>
<td>91</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>42</td>
<td>68</td>
</tr>
</tbody>
</table>

4.2 General Information

The general information is organized in the following areas: gender of respondents, age bracket, work experience, respondents’ position in the hierarchy and the role of leadership in promoting organization competitiveness.

4.2.1 Gender of Respondents

The study aimed to determine the gender of the respondents from those involved in the study. It was established that 39% of the respondents were females as compared to 61% males. This indicated that majority of the respondents were male. The findings are presented in Figure 4.1.
4.2.2 Age Bracket

The study aimed to determine the age bracket of the respondents from those involved in the study. It was established that 33% of the respondents were aged between 20 to 35 years, 29% between 36 to 45 years another 29% between 46 to 55 years and 9% were above 56 years. This indicated that majority of the respondents were below 46 years. The findings are presented in Figure 4.2.
4.2.3 Work Experience
The study aimed to determine the respondents work experience. Figure 4.3 indicated that majority of the respondents (35%) had worked between 11 to 15 years, 23% of the respondents had worked between 1 to 5 years, 18% between 6 to 10 years another 18% had worked for less than 1 year and 8% of the respondents had worked between 16 to 20 years. This indicates that majority of the respondents were relatively experienced.

Figure 4.3: Work Experience

4.2.4 Management Level
The study sought to determine the respondents’ position in the hierarchical level from those involved in the study. Figure 4.4 indicated that 12% of the respondents were from middle management level, another 12% from middle management level and 76% of the respondents from non-managerial positions. The findings indicated that majority of the respondents were from non-managerial positions.
4.2.5 Role of Leadership in Promoting Organization Competitiveness

The study aimed to investigate whether the respondents were satisfied with the role of leadership in promoting organization competitiveness. Figure 4.5 indicated that majority of the respondents (71%) were not satisfied with the role of leadership in promoting organization competitiveness as compared to 29% who agreed. The findings indicated that majority of the respondents disagreed with the role of leadership in promoting organization competitiveness.
4.3 Contribution of Leadership to Innovation

4.3.1 Leadership and Innovative Approach

The study intended to investigate the role of leadership on innovation from the respondents who participated in the study. The findings revealed that most of the respondents agreed that the senior leaders take an innovative approach to drive the organization forward at a mean of 3.25. This was followed by a large number of the respondents who agreed that the senior leaders’ come up with new ways of doing things in the organization at a mean of 3.21. Third, a significant proportion of the respondents agreed that the senior leaders in our organization have a thorough knowledge of continuous improvement principles at a mean of 2.94. Fourth, the senior leaders promote and cultivate the innovative culture within the organization at a mean of 2.79 and the respondents agreed that the senior leaders’ are ready to reward for employee innovation at a mean of 2.73.

Table 4.2: Leadership and Innovative Approach

<table>
<thead>
<tr>
<th>Leadership and Innovative Approach</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders’ are ready to reward for employee innovation.</td>
<td>37</td>
<td>2.73</td>
<td>5</td>
</tr>
<tr>
<td>The senior leaders’ new ways of doing things in the organization.</td>
<td>39</td>
<td>3.21</td>
<td>2</td>
</tr>
<tr>
<td>The senior leaders promote and cultivate the innovative culture within the organization.</td>
<td>39</td>
<td>2.79</td>
<td>4</td>
</tr>
<tr>
<td>Senior leaders in our organization have a thorough knowledge of continuous improvement principles</td>
<td>32</td>
<td>2.94</td>
<td>3</td>
</tr>
<tr>
<td>Senior leaders take an innovative approach to drive the organization forward.</td>
<td>38</td>
<td>3.25</td>
<td>1</td>
</tr>
</tbody>
</table>

4.3.2 Leadership and Clear Goals on Innovation

The study intended to investigate the role of leadership in outlining clear organization goals on innovation from the respondents who participated in the study. The findings revealed that most of the respondents agreed that the organization’s goals and objectives are clearly communicated at a mean of 3.08. This was followed by a large number of the respondents who agreed that the senior leaders of our organization help create clear goals for the institution at a mean of 3.07. Third, a significant proportion of the respondents agreed that the senior leaders’ remains focused on vision and goals at a mean of 3.05 and
a number of the respondents agreed that the senior leaders emphasize the importance of having a collective sense of mission at a mean of 2.58.

Table 4.3: Leadership and Clear Goals on Innovation

<table>
<thead>
<tr>
<th>Leadership and Clear Goals</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders emphasize the importance of having a collective sense of mission</td>
<td>40</td>
<td>2.58</td>
<td>4</td>
</tr>
<tr>
<td>The senior leaders of our organization help create clear goals for the institution</td>
<td>42</td>
<td>3.07</td>
<td>2</td>
</tr>
<tr>
<td>The senior leaders remains focused on vision and goals</td>
<td>40</td>
<td>3.05</td>
<td>3</td>
</tr>
<tr>
<td>The organization’s goals and objectives are clearly communicated</td>
<td>40</td>
<td>3.08</td>
<td>1</td>
</tr>
</tbody>
</table>

4.3.3 Leadership and Creativity

The study intended to investigate the role of leadership in promoting organization creativity from the respondents who participated in the study. The findings revealed that most of the respondents agreed that the supervisors are willing to take on challenges at a mean of 2.84. This was followed by a large number of the respondents who agreed that the supervisors are open to new ideas at a mean of 2.68. Third, a significant proportion of the respondents agreed that the leaders encourage sharing of ideas for organization success at a mean of 2.64 and a number of the respondents agreed that the senior leaders have the ability to cope and handle situations of more demanding and rapidly changing business trends at a mean of 2.62.

Table 4.4: Leadership and Creativity

<table>
<thead>
<tr>
<th>Leadership and Creativity</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior leaders have the ability to cope and handle situations of more demanding and rapidly changing business trends</td>
<td>39</td>
<td>2.62</td>
<td>4</td>
</tr>
<tr>
<td>The leaders encourage sharing of ideas for organization success</td>
<td>39</td>
<td>2.64</td>
<td>3</td>
</tr>
<tr>
<td>My supervisor is willing to take on challenges</td>
<td>37</td>
<td>2.84</td>
<td>1</td>
</tr>
<tr>
<td>My supervisor is open to new ideas</td>
<td>40</td>
<td>2.68</td>
<td>2</td>
</tr>
</tbody>
</table>
4.3.4 Correlation of Between Leadership Factors and Innovation

This section intended to measure the correlation between the leadership factors and innovation. The findings in Table 4.5 suggested that there was a strong correlation between senior leaders in the organization having a thorough knowledge of continuous improvement principles and the senior leaders in the organization helping create clear goals for the institution at \( r=0.290, p>0.01 \). The organization’s goals and objectives are clearly communicated and the supervisor willingness to take on challenges were strongly correlated at \( r=0.212, p>0.01 \). There was also a significant relationship between the organization’s goals and objectives are clearly communicated and the supervisors being open to new ideas at \( r=0.303, p>0.01 \).

| Table 4.5: Correlation of Between Leadership Factors and Innovation |
|-----------------------------|-----------------------------|-----------------------------|
| The senior leaders’ new ways of doing things in the organization. | Pearson Correlation | My supervisor is willing to take on challenges. | My supervisor is open to new ideas |
| | -.079 | -.162 | .068 |
| Sig. (2-tailed) | 0.393 | 0.08 | 0.462 |
| Senior leaders in our organization have a thorough knowledge of continuous improvement principles | Pearson Correlation | .290** | .197* | 0.038 |
| | 0.001 | 0.033 | 0.682 |
| The organization’s goals and objectives are clearly communicated. | Pearson Correlation | .075 | .212** | .303** |
| | 0.43 | 0.025 | 0.001 |

4.3.5 Interview Response

Considering the results from the interview, the respondents indicated that National Bank of Kenya leadership has introduced technology that has greatly improved the standards of service delivery in the financial institution sector. For instance, the Point of Sale (POS) terminals have been used mainly at service points like hotels, petrol stations and supermarkets. Recently this has changed due to establishment of agent banking where the main equipment for facilitating transaction is the POS terminal. Due to the increased use
of POS terminals National Bank together with Equity Bank has managed to reach out to
the unbanked segment of the society and hence improving on their commission income.

Also, the introduction of Internet banking at National Bank of Kenya has been used to
compliment other service delivery channels in order to create convenience to the
customers. Internet banking is used as a competitiveness tool in order to attract and retain
mainly the corporate clients. At National Bank of Kenya, internet banking is mainly used
by corporate clients who would be given the service at highly subsidized rates due to the
fact that corporate customers have several ways of contributing to the banks’ profitability
like through loans, overdrafts, letters of credit and cheques processing. In addition,
through the bank’s innovation, there are Automated Teller Machines (ATM), debit and
credit cards and electronic funds transfer. The interview quotes are presented in Table
4.6.

| Table 4.6: Representative Quotes for the Effect of Leadership on Innovation |
|---------------------|----------------------|--------------------------------------------------|
| Category            | Sub-category         | Quotes                                           |
| Leadership on       | Technology           | We have new technology in place to improve the    |
| Innovation          |                      | effectiveness of the banking transactions. A good |
|                     |                      | example is the Point of Sale (POS) terminals that |
|                     |                      | have been used mainly at service points like      |
|                     |                      | hotels, petrol stations and supermarkets.         |
| Serving Unbanked    |                      | The recently introduced POS terminals National    |
| population          |                      | Bank have increased the geographic distribution   |
|                     |                      | of the underserved customer segments.             |
| New Methods of      |                      | The introduction internet banking at National    |
| Banking             |                      | Bank of Kenya has attracted many corporate clients|
|                     |                      | who enjoy the services at an affordable rate and  |
|                     |                      | convenience in process banking transactions.      |
4.4 Contribution of Leadership to the Development of Human Capabilities

4.4.1 Leadership and Employee Growth

The study intended to investigate the role of leadership in promoting employee growth from the respondents who participated in the study. The findings in Table 4.7 revealed that most of the respondents agreed that the senior leaders create opportunities for personal growth for its employees at a mean of 2.97. This was followed by a large number of the respondents who agreed that the senior leaders encourage employee training helps in promoting the organizational performance at a mean of 2.74. Third, a significant proportion of the respondents agreed that the senior leaders correct their employee performance problems and help employees to grow professionally at a mean of 2.64 and a number of the respondents agreed that the senior leaders create opportunities for personal growth for its employees at a mean of 2.62.

Table 4.7: Leadership and Employee Growth

<table>
<thead>
<tr>
<th>Leadership and Employee Growth</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders create opportunities for personal growth for its employees</td>
<td>40</td>
<td>2.25</td>
<td>4</td>
</tr>
<tr>
<td>The senior leaders creates opportunities for personal growth for its employees</td>
<td>39</td>
<td>2.97</td>
<td>1</td>
</tr>
<tr>
<td>The senior leaders encourage employee training helps in promoting the organizational performance.</td>
<td>38</td>
<td>2.74</td>
<td>2</td>
</tr>
<tr>
<td>The senior leaders correct their employee performance problems and help employees to grow professionally.</td>
<td>39</td>
<td>2.59</td>
<td>3</td>
</tr>
</tbody>
</table>

4.4.2 Leadership and Employee Development

The study intended to investigate the role of leadership in promoting employee development from the respondents who participated in the study. The findings in Table 4.8 revealed that most of the respondents agreed that the senior leaders build team spirit at a mean of 2.96. This was followed by a large number of the respondents who agreed that the senior leaders play a crucial role in the development of human resource capabilities at a mean of 2.84. Third, a significant proportion of the respondents agreed that senior leaders have a caring attitude towards their employees and productive efficiency at a mean of 2.73 and a number of the respondents agreed that the senior leaders treat followers as individuals, supports and encourage their development at a mean of 2.53.
Table 4.8: Leadership and Employee Development

<table>
<thead>
<tr>
<th>Leadership and Employee Development</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders play a crucial role in the development of human resource capabilities</td>
<td>37</td>
<td>2.84</td>
<td>2</td>
</tr>
<tr>
<td>The senior leaders treat followers as individuals, supports and encourage their development.</td>
<td>38</td>
<td>2.53</td>
<td>4</td>
</tr>
<tr>
<td>The senior leaders have a caring attitude towards their employees and productive efficiency.</td>
<td>40</td>
<td>2.73</td>
<td>3</td>
</tr>
<tr>
<td>The senior leaders build team spirit.</td>
<td>38</td>
<td>2.96</td>
<td>1</td>
</tr>
</tbody>
</table>

4.4.3 Leadership and Employee Conducive Environment for Productivity

The study intended to investigate the role of leadership in creating conducive environment for productivity from the respondents who participated in the study. The findings in Table 4.9 revealed that most of the respondents agreed that the senior leaders maintain a work environment that is conducive to the well being of staff at a mean of 3.05. This was followed by a large number of the respondents who agreed that the senior leaders understand the impact of change on people at a mean of 2.95 and a number of the respondents agreed that the senior leaders seek feedback from employees on satisfactions with the work environment at a mean of 2.89.

Table 4.9: Leadership and Employee Conducive Environment

<table>
<thead>
<tr>
<th>Leadership and Employee Conducive Environment</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders seek feedback from employees on satisfactions with the work environment.</td>
<td>37</td>
<td>2.89</td>
<td>3</td>
</tr>
<tr>
<td>The senior leaders maintain a work environment that is conducive to the well being of staff.</td>
<td>38</td>
<td>3.05</td>
<td>1</td>
</tr>
<tr>
<td>The senior leaders understand the impact of change on people.</td>
<td>39</td>
<td>2.95</td>
<td>2</td>
</tr>
</tbody>
</table>
4.4.4 Correlation Between the Factors of Leadership and Human Capabilities

This section intended to measure the correlation between the factors of leadership and development of human capabilities. There was a strong correlation between the senior leaders creating opportunities for personal growth for its employees and a work environment that is conducive to the well being of staff (r=0.297, p>0.01). The same relationship was extended to the senior leaders understanding the impact of change on people (r=0.277, p>0.01). There was also a strongly correlation between the senior leaders building the team spirit and the leaders maintaining a work environment that is conducive to the well being of staff (r=0.278, p>0.01). The findings are indicated in Table 4.10.

Table 4.10: Correlation Between the Factors of Leadership and Human Capabilities

<table>
<thead>
<tr>
<th></th>
<th>The senior leaders play a crucial role in the development of human resource capabilities</th>
<th>The senior leaders maintain a work environment that is conducive to the well being of staff.</th>
<th>The senior leaders understand the impact of change on people.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders creates opportunities for personal growth for its employees</td>
<td>Pearson Correlation: -0.039</td>
<td>.297**</td>
<td>.277**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): 0.672</td>
<td>0.001</td>
<td>0.002</td>
</tr>
<tr>
<td>The senior leaders encourage employee training helps in promoting the organizational performance</td>
<td>Pearson Correlation: 0.168</td>
<td>0.032</td>
<td>0.254**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): 0.068</td>
<td>0.733</td>
<td>0.005</td>
</tr>
<tr>
<td>The senior leaders build team spirit.</td>
<td>Pearson Correlation: 0.146</td>
<td>.278**</td>
<td>-0.116</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): 0.125</td>
<td>0.003</td>
<td>0.222</td>
</tr>
</tbody>
</table>
4.4.4 Interview Response

Considering the results from the interview, the respondents indicated that National Bank of Kenya leadership efforts help create diverse workforce and inclusive workplaces. One great example of National Bank's diversity initiatives is the fact that women fill 49% of senior management positions; the leaders offer an exceptional work environment for innovation; in addition, the bank leaders drive employee engagement and perception of senior management, the efficiency of human resources management, productivity boosting initiatives, as well as employee recognition and appreciation for the employees hard work.

Table 4.11: Representative Quotes for the Effect on Human Resource Capabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-category</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution of Leadership on Development of Human Capabilities</td>
<td>Diverse workforce</td>
<td>Our bank has a policy for providing equal employment opportunities in terms of gender and disabilities.</td>
</tr>
<tr>
<td></td>
<td>Conducive Work Environment</td>
<td>Our managers recognize the efforts of the employees by presenting rewards for exceptional performance. Also the working conditions are great.</td>
</tr>
</tbody>
</table>

4.5 Contribution of Leadership in Achieving Competitive Advantage

4.5.1 Leaders in Enhancing Organization Competitiveness

The study intended to investigate the role of leadership in enhancing organization competitiveness from the respondents who participated in the study. The findings in Table 4.12 revealed that most of the respondents agreed that the senior leaders recognize and harness their creativity in the organization at a mean of 3.08. This was followed by a large number of the respondents who agreed that the senior leaders establish organizational diversity that in turn helps these organizations remain competitive at a mean of 2.98. Third, a significant proportion of the respondents agreed that the senior leaders encourage constant creativity and innovation to remain competitive and successful at a mean of 2.86 and a number of the respondents agreed that the senior leaders introduce technology necessary to the success of the organization at a mean of 2.78.
Table 4.12: Leaders in Enhancing Organization Competitiveness

<table>
<thead>
<tr>
<th>Leaders in Enhancing Organization Competitiveness</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders encourage constant creativity and innovation to remain competitive and successful.</td>
<td>37</td>
<td>2.86</td>
<td>3</td>
</tr>
<tr>
<td>Senior leaders introduce technology necessary to the success of the organization.</td>
<td>40</td>
<td>2.78</td>
<td>4</td>
</tr>
<tr>
<td>The senior leaders recognize and harness their creativity in the organization.</td>
<td>40</td>
<td>3.08</td>
<td>1</td>
</tr>
<tr>
<td>The senior leaders establish organizational diversity that in turn helps these organizations remain competitive.</td>
<td>40</td>
<td>2.98</td>
<td>2</td>
</tr>
</tbody>
</table>

4.5.2 Focus on Competitive Organizational Goals

The study intended to investigate the role of leadership in promoting a focus on competitive organizational goals from the respondents who participated in the study. The findings in Table 4.13 revealed that most of the respondents agreed that the senior leaders implement their strategic plans to the achievement of the organization goals at a mean of 3.18. This was followed by a large number of the respondents who agreed that the senior leaders have a clear vision and the ability to turn the vision into reality at a mean of 2.95 and a number of the respondents agreed that the senior leaders give the direction, vision, and momentum that bring success to the organization at a mean of 2.68.

Table 4.13: Focus on Organizational Goals

<table>
<thead>
<tr>
<th>Focus on Organizational Goals</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders give the direction, vision, and momentum that bring success to the organization.</td>
<td>40</td>
<td>2.68</td>
<td>3</td>
</tr>
<tr>
<td>Senior leaders have a clear vision and the ability to turn the vision into reality.</td>
<td>40</td>
<td>2.95</td>
<td>2</td>
</tr>
<tr>
<td>Senior leaders implement their strategic plans to the achievement of the organization goals.</td>
<td>40</td>
<td>3.18</td>
<td>1</td>
</tr>
</tbody>
</table>

4.5.3 Creation of a New Perspective in Organization Competitiveness

The study intended to investigate the role of leadership in creating a new perspective in organization competitiveness from the respondents who participated in the study. The findings in Table 4.14 revealed that most of the respondents agreed that the senior leaders have the capability of meeting market demands faster and better than before at a mean of 3.30. This was followed by a large number of the respondents who agreed that the senior leaders adjust their strategies in order to manage crises at a mean of 3.13. Third, a significant proportion of the respondents agreed that the senior leaders adjust their strategies in order to manage crises at a mean of 2.82 and a number of the respondents...
agreed that the senior leaders provide the needed challenge and opportunities for people in the organization to be creative at a mean of 2.76.

### Table 4.14: Creation of a New Perspective in the Organization

<table>
<thead>
<tr>
<th>Creation of a New Perspective in the Organization</th>
<th>N</th>
<th>Average</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior leaders provide the needed challenge and</td>
<td>40</td>
<td>2.76</td>
<td>4</td>
</tr>
<tr>
<td>opportunities for people in the organization to be creative.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior leaders adjust their strategies in order to manage crises.</td>
<td>38</td>
<td>2.82</td>
<td>3</td>
</tr>
<tr>
<td>Senior leaders have the capability of meeting market demands faster and better than before.</td>
<td>40</td>
<td>3.30</td>
<td>1</td>
</tr>
<tr>
<td>Senior leaders adjust their strategies in order to manage crises.</td>
<td>40</td>
<td>3.13</td>
<td>2</td>
</tr>
</tbody>
</table>

### 4.5.4 Correlation between Leadership and Factors of Organization Competitiveness

This section intended to measure the correlation between leadership and factors of organization competitiveness. There was a strong correlation between the senior leaders recognizing and harnessing their creativity in the organization and having a clear vision and the ability to turn the vision into reality at (r=0.353, p>0.01). There was also a strong relationship was extended to the senior leaders establishing organizational diversity that in turn helps these organizations remain competitive (r=0.284, p>0.01). In addition, there was a strong relationship between the senior leaders establishing organizational diversity that in turn helps these organizations remain competitive and the leaders adjusting their strategies in order to manage crises (r=-0.257, p>0.01). There was a strong relationship between the senior leaders implementing their strategic plans to the achievement of the organization goals and the leaders having the capability of meeting market demands faster and better than before at (r=0.309, p>0.01). The findings are indicated in Table 4.15.
Table 4.15: Correlation between Leadership and Organization Competitiveness

<table>
<thead>
<tr>
<th>Description</th>
<th>Pearson Correlation</th>
<th>Significance (2-tailed)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The senior leaders recognize and harness their creativity in the organization.</td>
<td>0.353**</td>
<td>0</td>
<td>Senior leaders have a clear vision and the ability to turn the vision into reality</td>
</tr>
<tr>
<td></td>
<td>0.016</td>
<td>0.859</td>
<td>Senior leaders have the capability of meeting market demands faster and better than before</td>
</tr>
<tr>
<td></td>
<td>-0.177</td>
<td></td>
<td>Senior leaders adjust their strategies in order to manage crises.</td>
</tr>
<tr>
<td>The senior leaders establish organizational diversity that in turn helps these organizations remain competitive</td>
<td>0.284**</td>
<td>0.081</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>0.257**</td>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>0.002</td>
<td>0.377</td>
<td>Senior leaders establish organizational diversity that in turn helps these organizations remain competitive</td>
</tr>
<tr>
<td></td>
<td>0.005</td>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>Senior leaders implement their strategic plans to the achievement of the organization goals.</td>
<td>0.028</td>
<td>.309**</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>0.117</td>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>0.761</td>
<td>0.001</td>
<td>Senior leaders implement their strategic plans to the achievement of the organization goals.</td>
</tr>
<tr>
<td></td>
<td>0.203</td>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

4.5.5 Interview Response

Considering the results from the interview, the respondents indicated that the safe and efficient payment systems enhance the effectiveness of National Bank of Kenya financial system, which boosts customer confidence and facilitate the functioning of commerce as well as the competitive advantage. Competitive from other leading banks such as Equity, KCB, Barclays and Standard Chartered Bank triggers creativity and innovation for sustainable competitive advantage. To survive in a competitive market firms National Bank of Kenya requires new financial products and services. The sustained presence of mobile products being floated to customers on a consistent basis depicts high standards of innovativeness and the bank’s competitiveness. Continuous innovation not only yields new products but rather promotes efficiently in performance of activities. As a result, the sustainable competitive advantage of the bank is improved. The interview quotes are presented in Table 4.16.
Table 4.16: Representative Quotes for the Effect on Human Resource Capabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-category</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving Competitive</td>
<td>Efficiency</td>
<td>Securing an efficient payment systems encourages the customers to use our facilitate something that can never be imitated by our competitors</td>
</tr>
<tr>
<td>Advantage</td>
<td>Creativity and</td>
<td>New financial products such as e-pay supplement the competitive of our financial products and services.</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td></td>
</tr>
</tbody>
</table>

4.6 Chapter Summary

On the contribution of leadership to innovation, the findings established that the organization needs a leader with an innovative approach to succeed in the turbulent business environment. The findings indicated that the role of leadership in enhancing innovation was based on their ability to take unique and different ways to implement changes. The results also revealed that the leaders at NBK inspire employees with a purpose and a greater sense of mission where their work environment promoted creativity. The leaders at NBK were capable of cultivating innovative culture to bring out new ideas. The bank leaders are able to cope and handle conflicts in most situations and adapt to the rapidly changing business trends.

On the leadership contribution to the development of human capabilities, the findings revealed that the leaders at NBK invested heavily in continued professional development of the employee career to meet the organizational needs. The leaders at NBK also encouraged creativity among the followers in the organization. NBK leaders believe that the employees are motivated by reward. NBK leaders also give the followers clear instructions on what they are expected to achieve and when these expectations should be fulfilled.

On the contribution of leadership in achieving competitive advantage, the findings revealed that NBK leaders promote organizational diversity that in turn helps these organizations remain competitive. The leaders at the bank implement their strategic plans to the achievement of the organization goals. The bank leaders have a clear vision and the ability to turn the vision into reality. The bank leaders adjust their strategies in order to manage crises so as to achieve sustainable competitive advantage.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this section, the researcher provides a discussion on the findings of the research as compared to the findings in the literature review, the summary of the study and recommendations for further improvement on identifying the measures to be taken in improving employee performance appraisal for career advancement. The research is concluded on the basis of the conclusions drawn from the research questions.

5.2 Summary

The main objective of this study was to investigate the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya. The study was guided by the following specific objectives: employees’ perception of leadership contribution to innovation, perception of leadership contribution to the development of employee capabilities and the leaders’ contribution to organization competitive advantage.

The research adopted a descriptive research design. The population of the employees at National Bank of Kenya, Harambee Avenue was approximately 73 members of staff. The population comprised of 7 senior management staff, 25 middle management staff and 41 operational employees. The sampling frame for this study comprised of a list of NBK staff that was provided by the institutions human resource manager. The study adopted a random sampling method. For the purpose of this study, the sample of 135 respondents was selected as a representative of the total population the primary data collection method using questionnaires was utilized. In this study, descriptive statistics such as mean and percentages were applied. The data was then presented in the form of tables and graphs. The data was analyzed using SPPS.

On the contribution of leadership to innovation, the findings established that the organization needs a leader with an innovative approach to succeed in the turbulent business environment. The findings indicated that the role of leadership in enhancing innovation was based on their ability to take unique and different ways to implement
changes. The results also revealed that the leaders at NBK inspire employees with a purpose and a greater sense of mission where their work environment promoted creativity. The leaders at NBK were capable of cultivating innovative culture to bring out new ideas. The bank leaders are able to cope and handle conflicts in most situations and adapt to the rapidly changing business trends.

On the leadership contribution to the development of human capabilities, the findings revealed that the leaders at NBK invested heavily in continued professional development of the employee career to meet the organizational needs. The leaders at NBK also encouraged creativity among the followers in the organization. NBK leaders believe that the employees are motivated by reward. NBK leaders also give the followers clear instructions on what they are expected to achieve and when these expectations should be fulfilled.

On the contribution of leadership in achieving competitive advantage, the findings revealed that NBK leaders promote organizational diversity that in turn helps these organizations remain competitive. The leaders at the bank implement their strategic plans to the achievement of the organization goals. The bank leaders have a clear vision and the ability to turn the vision into reality. The bank leaders adjust their strategies in order to manage crises so as to achieve sustainable competitive advantage.

5.3 Discussion
5.3.1 Contribution of Leadership on Innovation
To survive, in this age of global competition, organizations need leadership with an innovative approach to succeed in the turbulent business environment. The findings revealed that most of the respondents agreed that the senior leaders take an innovative approach to drive the organization forward at a mean of 3.25. Leaders today are expected to sense unexpected conditions before time and to cope with them by their innovative approach. For instance, in November 2013, Equity Bank Group Chairman Peter Munga was named Chairman of the Year during the 4th edition of the annual Capital Markets Awards. Munga was celebrated for laying the vision that became Equity Bank and promoting inclusivity in the financial sector. Similarly, Carneiro (2008) notes that for any organization aiming to achieve excellence and sustainability in the market, there has to be
leadership with an innovative approach for turning the business innovative concepts into reality. In addition, Nel et al. (2004) propose that innovation and change are critical factors for organizational survival, they also caution that “change” must be managed through strategic leadership interventions, because people (employees) generally fear and resist change.

The role of leadership in innovation will be their ability to take unique and different ways to implement changes (Prestwood and Schumann 2002). A large number of the respondents agreed that the senior leaders’ come up with new ways of doing things in the organization at a mean of 3.21. Leaders must be capable to promote and cultivate the innovative culture within an organization. Similarly, Prestwood and Schumann (2002) propose that the role of leadership in innovation will be their ability to take unique and different ways to see, understand and handle things. This argument is supported by Prestwood and Schumann (2002) study that leaders must be capable to promote and cultivate the innovative culture within an organization, by motivating others to bring new ideas and provide a proper infrastructure to convert them into reality. In comparison, in April 2013 Equity Bank was voted Best Bank in Kenya at the Think Business Banking Awards for emerging ahead of 42 other banks for the second year running because of strengthening its regional reach, strong brand pull and innovation.

A clear communication of strategies leads to the increase of output at work and job activities which help to achieve the organizational goals in better ways. A significant proportion of the respondents agreed that the organization’s goals and objectives are clearly communicated at a mean of 3.08. Vision and strategic goals of leadership determine if the organization actively nurtures creativity. The findings also established that the senior leaders in the organization help create clear goals for the institution at a mean of 3.07. Sirmon and Hitt (2003) explains that an exciting work environment where everyone can participate fully and achieve professional and personal growth in the pursuit of a common vision. Grobler et al. (2002) argues that the leader motivates the rest of the people in the organization to bring out their creativity through a shared vision. Carneiro (2008) propose that leader inspires others with a purpose and a greater sense of mission where the work environment is conducive to creativity.
A well formulated organization strategy needs an innovative leader for desirable organization success. The findings established that the respondents agreed that the senior leaders’ remains focused on vision and goals at a mean of 3.05. The success of National Bank of Kenya in remaining focused to the vision and goals are exhibited Equity Bank award for the Most Innovative Bank in Africa Award at the African Bankers Awards held in Arusha, Tanzania. This means that innovative leaders at NBK may lead a company towards a sustainable success by using their vision. Krieg (2002) proposes that an innovative leader transforms the organization by developing a need for change; develop a change vision; develop a communication strategy; communicate the vision; get worker leaders informed; get the transformational teams together; do an organizational audit; decide on the change process strategy; prepare the organization and also the stakeholders; implement the changes; remove hindrances; mainstream the changes, and allow for adjustments to the strategic plans.

Innovative leaders must be capable of cultivating innovative culture to bring out new ideas (Prestwood and Schumann 2002). Very respondents agreed that the leaders encourage sharing of ideas for organization success at a mean of 2.64. It seems that the leaders do not promote and cultivate the innovative culture within an organization. Ellis (2005) note that innovative leaders bring out new ideas, by building friendly and inclusive working conditions for the members of the organization. This helps workers feel secure and accepted that brings out their creativity. Consequently, organizational leaders must respect, value, and harness the richness of ideas, backgrounds, and perspectives of every employee and allow them to use their unique personal assets and experiences to work for the organization (Prestwood and Schumann 2002).

Leaders are needed for the organization to cope and handle situations of more demanding and rapidly changing business trends. A small number of the respondents agreed that the senior leaders have the ability to cope and handle situations of more demanding and rapidly changing business trends at a mean of 2.62. Leaders can transform their subordinates by winning the trust of subordinates for leaders. That can increase the output of their work which can help to achieve the organizational goals in better ways. Some main characteristics of some transformational leaders are that they increase the employee’s confidence and awareness so they can enhance their performance, and also make them able to understand their personal outgrowth and development (Burns 2003).
Very few respondents agreed that the leaders advocate imperatively for change and innovation at a mean of 2.51. Nel et al. (2004) propose that innovation and change are critical factors for organizational survival, they also caution that “change” must be managed through strategic leadership interventions, because people (employees) generally fear and resist change. Nel et al. (2004) also advise that leaders who plan and implement changes must be able to predict the reasons why employees may resist the change. Leaders today are expected to sense unexpected conditions before time and to cope with them by their innovative approach (Prestwood and Schumann 2002).

5.3.2 Contribution of Leadership on the Development of Human Capabilities

Leadership has long been seen as a key factor in organizational effectiveness. The findings revealed that most of the respondents agreed that the senior leaders maintain a work environment that is conducive to the well being of staff at a mean of 3.05. Nazir (1988) proposed that good leadership style improves good relations with co-workers and increases the job satisfaction. For an organization to compete at the international market, one of the key factors is that its employees should be satisfied. An increasing aid provided by peers causes decrease in role ambiguity and role conflict, which increases job satisfaction (Goldstein and Rockart, 1984). Hungra et al. (2005) also argue that there is a positive relationship between autonomy, leadership behavior, team work environment and job satisfaction.

Transformational leaders invest heavily in continued professional development of the employee career to meet organizational needs. The findings established that a large number of the respondents who agreed that the senior leaders create opportunities for personal growth for its employees at a mean of 2.97. The principle of followers’ learning comes through a shared vision and values rather than through rules. Hargreaves and Fink (2006) explain that transformational leadership means creating powerful, equitable learning opportunities for followers. Dimmock and Walker (2005) proposed that transformational leadership promotes learning that challenges and keeps under constant review those organizational norms and values that are apt to be taken for granted, especially in times of rapid change.
Schaubroeck (2007) claimed that there is a positive relationship between transformational leadership and team performance. A significant proportion of the respondents agreed that the senior leaders build team spirit at a mean of 2.96. Team orientation of transformational leaders reflects their awareness of the importance of teamwork and readiness to lean on the help of others as reflected in Equity bank. Dr. Mwangi of Equity bank had revolutionized the banking sector in Kenya from a technically insolvent institution to become one of the leading banks, which offered affordable and accessible banking to ordinary Kenyans. Hamdia and Phadett (2011) explain that transformational leaders approach the creation of teams within which, together with the other members, make appropriate decisions and solve problems they come across. Transformational leadership empowers individuals in an organization to create a collaborative culture that encourages teacher development and problem solving among the followers (Hargreaves and Fink, 2006). Transformational leadership also encourages open dialogue, clear lines of communication and collaborative decision-making among the group.

Transformational leaders encourage creativity among the followers in the organization. The findings revealed that the senior leaders understand the impact of change on people at a mean of 2.95. This type of leadership is inspirational and it motivates the followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Burns (1985) reveals that transformational leaders provides a role model for change and high ethical behaviour by instilling pride in others for being associated, go beyond their self interests for the good of the group, acts in ways that build others’ respect, display a sense of power and competence, and reassure others that obstacles will be overcome.

According Kaur (2012), transactional leaders believe that employees are motivated by reward or punishment. Very respondents agreed that the senior leaders correct their employee performance problems and help employees to grow professionally at a mean of 2.59. At National Bank of Kenya the senior management drive the efficiency of human resources management by encouraging staff productivity boosting initiatives, as well as employee recognition and appreciation for the employees hard work. These leaders give clear instructions to followers about what their expectations are and when those expectations are fulfilled, there are rewards in store for them and failure is severely punished. A small number of the respondents agreed that the senior leaders treat followers
as individuals, supports and encourage their development at a mean of 2.53. The leader at KCB gives empathy and support, keeps communication open and places challenges before the followers. DuFour and Eaker (1998) explain that transformational leaders involve the followers in the organization decision-making processes and empower individuals to act by providing them with the information, training and parameters they need to make good decisions.

5.3.3 Contribution of Leadership in Achieving Competitive Advantage

Transformational leaders must meet market demands faster and better than before, given the increasingly interdependent economy. The findings revealed that most of the respondents agreed that the senior leaders have the capability of meeting market demands faster and better than before at a mean of 3.30. Brown (1994) speculated that transformational leadership is needed in changing the organization to meet market demands and expectations as well enhancing organization competitiveness. For instance, Equity bank under Dr. Mwangi’s stewardship underwent through a dramatic transformation from a loss making microfinance lender to a fully fledged and publicly listed commercial bank with operations in Kenya, Uganda and South Sudan. Leading business schools such as Stanford, Columbia and Lagos have made Equity Bank business model a case study. This indicates that the leader reformed the organization from fear into a motivational one for sustainable competitive advantage (Schein, 1994).

The vision and strategic goals of leadership determine if the organization actively nurtures creativity for organization competitiveness. The findings indicated that the senior leaders implement their strategic plans to the achievement of the organization goals at a mean of 3.18. An exciting vision helps produce a work environment where everyone can participate fully and achieve professional and personal growth in the pursuit of a common vision. In achieving organization competitiveness, Duyguluua and Ciraklar (2008) proposed that the leader motivates the rest of the people in the organization to bring out their creativity through creating a shared vision of the type of organization they should build. This type of work environment is conducive to creativity, while this kind of leadership causes changes in followers that eventually converts them into effective and creative leaders for organization competitiveness.
According to Waldman *et al.* (2001), the global financial crisis greatly affected the performance of many companies and also the banking institutions. A significant proportion of the respondents agreed that the senior leaders adjust their strategies in order to manage crises at a mean of 3.13. Top managers have to adjust their strategies in order to manage crises. In comparison to Equity Bank, Dr. Mwangi is a visionary leadership who transformed Equity Bank from a technically insolvent institution to become one of the leading banks in Kenya, which has made banking affordable and accessible to ordinary Kenyans. This is a true reflection of change oriented leader. Zhu, Chew and Spangler (2005) assert that the characteristic of change oriented leaders enable the organization manage the crises successfully to survive and become high performing organizations. High performing banks with good leadership have survived market crises to become successful. Baum, Locke and Kirkpatrick (1998) study suggested a correlation between leadership behavior and some measures of organizational competitiveness.

Due to the volatile environment in banking sector, many organizations need creativity and constant innovation to remain competitive and successful (Marmaya, Torsiman and Balakrishnan, 2011). The findings revealed that the senior leaders recognize and harness their creativity in the organization at a mean of 3.08. This shows that leaders should recognize and harness their creativity in the organization. Kaur (2012) proposes that leaders should establish environments that are conducive to renewal, build organizational culture that encourages innovations, and establish organizational diversity that in turn helps these organizations remain competitive.

Top managers have to adjust their strategies in order to manage crises. Very respondents agreed that the senior leaders adjust their strategies in order to manage crises at a mean of 2.82. The banks that managed the crises successfully survived and become high performing organizations, however, the findings established that the leaders do not adjust their strategies in order to manage crises. Zhu, Chew and Spangler (2005) suggest that there is a correlation between leadership behavior and some measures of organizational competitiveness. A small number of the respondents agreed that the senior leaders introduce technology necessary to the success of the organization at a mean of 2.78. Agbor (2008) has shown how organizational technologies tools help bring effectiveness and competitive advantage to organizations.
The top leadership of the organization that value creativity enthusiastically encourages new developments. Fewer respondents agreed that the senior leaders provide the needed challenge and opportunities for people in the organization to be creative at a mean 2.76. It seems that few leaders provide the needed challenge and opportunities for people in the organization to be creative. Wheatley (2001) effective leadership actively nurtures creativity. According to Duygulu and Ciraklar (2008), the leader has an exciting vision that helps produce a work environment where everyone can participate fully and achieve professional and personal growth in the pursuit of a common vision. The leader motivates the rest of the people in the organization to bring out their creativity through creating a shared vision of the type of organization they should build.

Leaders usually decide what happens in the organization and give the direction, vision, and momentum that bring success. Very few respondents agreed that the senior leaders give the direction, vision, and momentum that bring success to the organization at a mean of 2.68. This shows that the leaders play a small role in creating and managing the environment, organizational culture, and strategies that encourage and sustain innovation, effectiveness, and success in the organization (Kaur, 2012). When the organization establishes its strategy and work processes, the leaders direct the implementation that brings it to accomplishment (Lo, Ramayah, Min and Songan, 2010). Visionary leadership is necessary and contributes to the success of the organization.

5.4 Conclusions

5.4.1 Contribution of Leadership on Innovation

On the contribution of leadership to innovation, the findings established that the organization needs a leader with an innovative approach to succeed in the turbulent business environment. The findings indicated that the role of leadership in enhancing innovation was based on their ability to take unique and different ways to implement changes. The results also revealed that the leaders at NBK inspire employees with a purpose and a greater sense of mission where their work environment promoted creativity. The leaders at NBK were capable of cultivating innovative culture to bring out new ideas. Therefore, the leaders at NBK were able to cope and handle conflicts in most situations and adapt to the rapidly changing business trends.
5.4.2 Contribution of Leadership on the Development of Human Capabilities

On the leadership contribution to the development of human capabilities, the findings revealed that the leaders at NBK invested heavily in continued professional development of the employee career to meet the organizational needs. The leaders at NBK also encouraged creativity among the followers in the organization. NBK leaders believe that the employees are motivated by reward or punishment. Therefore, NBK leaders give clear instructions to followers about what their expectations are and when those expectations are fulfilled.

5.4.3 Contribution of Leadership in Achieving Competitive Advantage

On the contribution of leadership in achieving competitive advantage, the findings revealed that NBK leaders must meet market demands faster in the dynamic market environment to make their organizations competitive. The vision and strategic goals of NBK leadership determine if the organization actively nurtures creativity for organization competitiveness. Top managers NBK have to adjust their strategies in order to manage crises. Therefore, visionary leadership at NBK contributes to the success of the organization.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Contribution of Leadership on Innovation

The study recommends that NBK needs leadership with an innovative approach to succeed in the turbulent business environment. NBK managers are expected to sense unexpected conditions before time and to cope with them by their innovative approach. NBK managers should be innovative to take unique and different ways to implement changes. A clear communication of strategies should increase the output at work and job activities which help to achieve the organizational goals in better ways. NBK managers should inspire others with a purpose and a greater sense of mission where the work environment is conducive to creativity. Innovative NBK managers should be able of cultivate innovative culture to bring out new ideas. NBK managers should be able to cope and handle situations of more demanding and rapidly changing business trends. The leaders should plan and implement changes for organization competitiveness.
5.5.1.2 Contribution of Leadership on the Development of Human Capabilities

The study recommends that leadership at NBK should ensure that the employees are well satisfied for organization effectiveness. NBK managers should invest heavily in continued professional development of the employee career to meet organizational needs. NBK managers should be oriented towards teamwork to encourage creativity among the followers in the organization. NBK managers should be inspirational and motivated the followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. NBK managers should motivate employee performance with rewards. NBK managers should give clear instructions to followers about what their expectations are and meeting of the organizational goals as well as objectives.

5.5.1.3 Contribution of Leadership in Achieving Competitive Advantage

The study recommends that NBK managers must meet market demands faster and better than before in the dynamic market environment. The vision and strategic goals of NBK managers should nurture creativity for organization competitiveness. NBK managers should motivate the people working in the organization to bring out their creativity through creating a shared vision. Top NBK managers should adjust their strategies in order to manage crises. NBK managers should establish environments that are conducive to renewal, build organizational culture that encourages innovations, and establish organizational diversity that in turn helps these organizations remain competitive. The top NBK managers should value creativity enthusiastically encourages new developments. Visionary leadership is necessary among NBK managers for the success of the organization.

5.5.2 Recommendation for Further Studies

The researcher recommends that further research can be carried out in other banks while applying the same research objective to compare or contrast the research findings.
REFERENCES


To Whom It May Concern

Dear Sir/Madam,

This study is entitled “Employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya”. The researcher is Eva who is currently pursuing a degree of Masters in Business Administration.

This survey questionnaire is prepared in order to get the necessary information to undertake study on the above stated title. The purpose of the study is to analyze the prevailing performance trend of corruption in the private sector. Since most of the questionnaires stated below are closed-ended type, responding them may not take much time.

Any information provided will be kept confidential. Therefore, I cordially request your esteemed organization for volunteer to respond the questionnaire and provide accurate and complete data. Partaker is capable of get access to summary research findings at the time of completion of the study upon demand.

Regards

Eva (Researcher)
APPENDIX II: STAFF QUESTIONNAIRE

This study is a requirement for the partial fulfillment for the award of Masters Degree in Business Administration (MBA). The purpose of this research is to investigate the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya. Please note that any information you give will be treated with extreme confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Section A: General information
Kindly tick (√) where applicable and do not indicate your names or personal number.
1. Gender  Male [ ]  Female [ ]
2. Age bracket  20 – 35 [ ]  36 – 45 [ ]  46 – 55 [ ] above 56 [ ]
3. Work experience
   Less than 1 year [ ]  1 – 5 years [ ]
   6 – 10 years [ ]  11 – 15 years [ ]
   16 – 20 years [ ]  Above 21 years [ ]
4. Management Level
   Senior Management [ ]  Middle management [ ]
   Non-management [ ]
5. Are you satisfied with the role of leadership in promoting organization competitiveness?
   Yes [ ]  No [ ]
Section B: Employee Perception of Leadership and Innovation

6. Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The senior management create clear goals for the institution</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b. The senior management is willing to take on challenges.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c. The senior management look for new ways of doing things in the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d. The senior management rewards employees for bringing fresh ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e. The senior management promote and cultivate fresh ideas within the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f. The senior management have a thorough knowledge of continuous improvement principles</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g. The senior management take an innovative approach to drive the organization forward.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h. The senior management have the ability to cope and handle situations of more demanding and rapidly changing business trends.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i. The senior management encourage sharing of ideas for organization success.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j. The senior management encourage new ways of doing things.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k. The senior management is open to new ideas</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>l. The senior management remain focused on vision and goals of the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>m. The senior management emphasize the importance of having a collective sense of mission</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>n. There is think tank for coming up with solution to the bank’s problems.</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

7. What other factors not mentioned above could be used by your supervisor to promote innovation?

8. The senior management is proactive in responding to new challenges in the banking sector?
Section C: Employee Perception of Leadership and Development of Human Capabilities

9. Indicate the extent to which leadership has an impact on employee development agree using a scale of 1 to 4 where 1= strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The senior management create opportunities for personal growth for its employees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b. The senior management play a crucial role in the development of human resource capabilities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c. The senior management have a caring attitude towards their employees and productive efficiency.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d. The senior management encourage employee training helps in promoting the organizational performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e. The senior management maintain a work environment that is conducive to the well being of staff.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f. The senior management correct their employee performance problems and help employees to grow professionally.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g. The senior management treat staff fairly.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h. The senior management understands the impact of change on people.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i. The senior management build team spirit.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j. The senior management seek feedback from employees about their satisfactions with the work environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k. There is mentoring programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>l. Employees are rewarded for self development.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>m. Employees are sponsored to every programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. What other factors lead to the development of employee capabilities?
Section D: Employee Perception of Leadership and Organizational Competitiveness

11. Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The senior management encourages constant creativity and innovation to remain competitive and successful.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b. NBK has a think tank to generate new ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c. NBK is responsive to the turbulent business environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d. The senior management recognizes and implements new ideas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e. The senior management employ staff from different ethnic backgrounds.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f. The senior management gives the direction, vision, and momentum that bring success to the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g. The senior management introduces technology necessary to the success of the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h. The senior management provides the needed challenge and opportunities for people in the organization to be creative.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i. The senior management adjusts their strategies in order to manage crises.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j. The senior management drives the employees to accomplish organization goals.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k. The senior management implements their strategic plans to the achievement of the organization goals.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>l. The senior management is responsive to ever changing market demands.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>m. The senior management adjusts their strategies in order to manage crises.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

12. What other factors not mentioned above lead to organizational efficiency?

THANK FOR YOUR PARTICIPATION
APPENDIX II: SENIOR MANAGEMENT QUESTIONNAIRE

This study is a requirement for the partial fulfillment for the award of Masters Degree in Business Administration (MBA). The purpose of this research is to investigate the employee perception of leadership contribution to the bank’s competitiveness using the case of National Bank of Kenya. Please note that any information you give will be treated with extreme confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Section A: General information
Kindly tick (✓) where applicable and do not indicate your names or personal number.

1. Gender  
   Male [ ]  Female [ ]

2. Age bracket  
   20 – 35 [ ]  36 – 45 [ ]  46 – 55 [ ] above 56 [ ]

3. Work experience  
   Less than 1 year [ ]  1 – 5 years [ ]  6 – 10 years [ ]  11 – 15 years [ ]  16 – 20 years [ ]  Above 21 years [ ]

4. Management Level  
   Senior Management [ ]  Middle management [ ]  Non-management [ ]

5. Are you satisfied with your organization competitiveness?  
   Yes [ ]  No [ ]
Section B: Employee Perception of Leadership Contribution to Innovation

13. Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I assist the employees to be more creative.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b) I am willing to take on challenges.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c) I reward employees for innovation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d) I promote and cultivate the innovative culture within the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e) I have a thorough knowledge of continuous improvement principles</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f) I take an innovative approach to drive the organization forward.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g) I communicate the organization’s goals and objectives are clearly to all</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h) I have the ability to cope and handle situations of more demanding and rapidly changing business trends.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i) I encourage sharing of ideas for organization success.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j) I advocates for organization change and innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k) I am open to new ideas</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>l) I remain focused on vision and goals of the organization</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>m) I emphasize the importance of having a collective sense of mission</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

14. What other factors not mentioned above could be used by your supervisor to promote innovation?
Section C: Employee Perception of Leadership Contribution to Development of Human Capabilities

15. Indicate the extent to which leadership has an impact on employee development agree using a scale of 1 to 4 where 1= strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I create opportunities for personal growth for its employees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b) I play a crucial role in the development of human resource capabilities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c) I creates opportunities for personal growth for its employees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d) I have a caring attitude towards their employees and productive efficiency.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e) I encourage employee training helps in promoting the organizational performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f) I maintain a work environment that is conducive to the well being of staff.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g) I correct their employee performance problems and help employees to grow professionally.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h) I treat followers as individuals, supports and encourage their development.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i) I understand the impact of change on people.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j) The senior leaders build team spirit.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k) I seek feedback from employees on satisfactions with the work environment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

16. What other factors lead to the development of employee capabilities?
Section D: Employee Perception of Leadership Contribution to Organizational Competitiveness

17. Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I encourage constant creativity and innovation to remain competitive and successful.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>b) I recognize and harness their creativity in the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>c) I establish organizational diversity that in turn helps these organizations remain competitive.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>d) I give the direction, vision, and momentum that bring success to the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>e) I introduce technology necessary to the success of the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>f) I provide the needed challenge and opportunities for people in the organization to be creative.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>g) I adjust their strategies in order to manage crises.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>h) I have a clear vision and the ability to turn the vision into reality.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>i) I implement their strategic plans to the achievement of the organization goals.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>j) I have the capability of meeting market demands faster and better than before.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>k) I adjust the organization strategies in order to manage crises.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

18. What other factors not mentioned above lead to organizational efficiency?

THANK FOR YOUR PARTICIPATION
APPENDIX III: INTERVIEW GUIDE

1. What innovations have been introduced in your organization?
2. What implications have the innovation had an impact on provision of financial services at the bank?
3. Generally what is your perception to the senior management contribution to the organization innovation?
4. Does the senior management efforts help create an inclusive work environment?
5. Does the senior management support drive employee engagement at the workplace?
6. Generally, what is your perception to the senior management contribution to the human resource development?
7. Does the innovation introduced by the senior management contribute to the effectiveness of the bank?
8. What are the implications of the innovation to the bank’s sustainable competitive advantage?
9. What is your perception to the senior management contribution to the organization competitiveness?
10. The senior management is proactive in responding to new challenges in the banking sector?