Influence of idealized influence on employee job performance in the insurance industry in Kenya

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ABSTRACT

The research objectives of this study were two. The first one was to determine the influence of idealizing influence on employee job performance. The second objective of the study was to determine if employee work value congruence moderated the relationship between transformational leadership style and employee job performance. This study adopted the positivism research philosophy and correlation research design. The target population of the study was 676 lower-level managers from 52 insurance companies operating in Kenya as of 2017. A sample size of 245 was drawn using a stratified random sampling technique and systematic sampling. 245 questionnaires were distributed out of which 211 were completed and returned representing a response rate of 86% which was deemed as adequate for a correlation research design. The analysis of variance was used to test the hypothesis. The study concluded that idealized influence significantly predicted employee job performance. In addition, the study inferred that employee work value congruence had a significant moderating effect on the relationship between transformational leadership and employee job performance among lower-level managers in the Insurance sector in Kenya. The study recommended that leaders should observe values that are congruent with that of their organization and socialize their employees on the same so that there is enhanced transformational leadership effectiveness.

Introduction

Njambi (2014) asserts that leadership style adopted by the managers of a business is a key determinant of the organization success or failure. Dvir, Eden, Avolio and Shamir (2017) observed that employees achieved better results under transformational leaders than other types of leadership styles after measuring the effect of transformational leadership. Transformational leader is theorized to engage followers in a relationship in which both parties motivate each other to higher performance and moral purpose (Bass & Riggio, 2016). This relationship would elicit job behaviours that would propel employees to put forward extra effort to contribute to the success of the organization. This extra effort leads to positive behaviours termed as empowered behaviours and which exhibit desirable employee job performance (Lajoie, Boudrias, Rousseau, & Brunelle, 2017).

Hoffman, Bynum, Piccolo and Sutton (2013) concur with researchers who consider value congruence as a moderating variable between transformational leadership and employee job performance. Shamir, House, and Arthur (1993); Edwards and Cable, (2014); Li, Chiaburu, Kirkman and Xie (2013) theorized that should an employee agree with their organization’s values, it is intuitive that the employee invests extra effort toward its success. Alternatively, a negative alignment of employee’s values with that of their
organization grounds for transformational leadership ineffectiveness. (Rich, Lepine, and Crawford, 201) assert that when one's values are compatible to those of their organization, workers see that organizational job expectations are harmonious with their favored self-images. As a result they discover more meaningfulness in their work, which leads to higher work engagement.

There are 52 licensed insurance companies in Kenya as per the Insurance Regulatory Authority (IRA) Report (2017). Low insurance penetration is one of the challenges facing the insurance industry development in terms of market share, product diversification among other measures (IRA, 2017). Insurance industry research in Kenya indicated that the industry was deficient in right leadership (Kibisu, Angima & Muhindi, 2013). These aspects which are missing in the industry are problems which can solved by adopting the right leadership style (Nyambega, Sparrow & Daniels, 2015).

Several studies have been conducted which support the fact that transformational leadership impact on job satisfaction, job performance, and organizational commitment of the employees (Vinberg and Larsson, 2014). However Wang, Tsui, and Xin (2013) suggest that there is urgent need for further studies on the role of transformational leadership on employee job performance. In addition, researchers have indicated that studies be conducted on the influence of transformational leadership on the performance of staff in privately owned enterprises in Kenya (Ngaitho, K’Aol, Lewa & Ndewiga, 2016). The research objectives of the study with reference to Insurance industry in Kenya were two. The first one was to determine the influence of idealize influence on employee job performance. The second objective of the study was to determine if employee work value congruence moderated the relationship between transformational leadership style and employee job performance. The null hypotheses which were formulated to guide this study were, $H_01$: Idealized influence has no significant influence on employee job performance; $H_02$: Employee’s work value congruence has no significant moderating effect on employee job performance.

**Literature Review**

**Idealized influence**

Northouse (2018) and Rowe (2014) describe leadership as a process whereby an individual influences a group of individuals to achieve a common goal. There are many studies on leadership that dedicated a lot of effort in demonstrating the superiority of transformational leadership over other leadership styles in predicting organizational performance (Hancott, 2015). Wang, Chich-Jen, and Mei-Ling (2013) upheld this finding by arguing that transformational leadership enhances performance.

Transformational leadership is the process whereby a person engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower (Northhouse, 2018). Transformational leadership refers to a style of leadership characterized by four types of behavior namely: idealized influence, inspirational motivation, individualized consideration and lastly intellectual stimulation (Cherono, 2016). The focus of this study was the idealized influence aspect of transformational leadership and how it influences employee job performance.

Idealized influence is concerned about the leader’s ability to apply emotional influence over and gain regard from his/her adherents (Bass & Bass, 2008). Leaders give idealized influence when they act as good examples through the display of exemplary ethical behavior (Avolio & Bass, 2013). This procedure of identification by the subordinates prompts the disguise of values, beliefs and objectives held by the leader. All the while, worker's self-idea and self-esteem wind up being identified with the leader. In this way worker gets naturally roused to give in additional push to the association. This additional exertion offers rise to engaged practices (Bass & Bass, 2008). The aspects of idealized influence that were looked into in this study were: charisma, ethical leadership, and trust.

Charisma enables identification with the leader and a desire to achieve beyond expectation in order to show support to the leader. (Gill, Levine, & Pitt, 1988). According to Hoogh, Hatog and Koopman (2005) charisma of leaders is positively linked to positive work attitude of employees and to organization profitability. Towler (2013) opined that employees in charisma context performed better, adhered to the organization’s vision more frequently, enjoyed the assignment more, and had higher perceptions of effective delivery and charismatic leadership than the participants in non-charisma context.

Saeed, Shakeel and Lodhi (2013) contends that ethical behaviour in an organization influence positively job performance of employees. According to Walumbwa, Mayer, Wang, Wang, Workman and Christensen (2017) ethical leadership is linked to employee performance. Ethical leadership may be appropriate in both normal situations and also influential in the effective operation of organizations. According to Mihelic, Lipicnik and Tekavcic (2014) ethical leaders reflect on long-term outcomes, obstacles and advantages of the decisions they make in the company. These leaders exhibit humility, they show concern for the greater good, endeavor for impartiality, they are responsible and respect each and every individual.

Pomirleamou and Mariadoss (2015) point out that trust has been tied to different attitude outcomes of one’s job satisfaction, organizational performance and organizational commitment. Awamleh (2013) noted that trust has a positive effect on employee commitment, employee job satisfaction and performance. Successful feedback and observation of advanced organizational behavior occurs when there is high level of interpersonal trust among the co-workers in an organization (Bakiev, 2013). It is not possible for people who are acting with suspicion towards each other to reveal successful work at the end (Bilgic, 2013). It is expected that high level of trust results into desirable business manners (such as work satisfaction and organizational commitment), positive
organizational behaviours (such as organizational citizenship behavior) and high level employee performance (Dirks & Ferrin, 2001). Trust influences employee job performance positively (Deci & Ryan, 2014).

Employee job performance

Employee job performance refers to job behaviors that are relevant to organizational goals and that are under the control of individual employees (Campbell, McCloy, Oppler & Sager, 2014). Behavior of the employee can be in-role behavior or extra-role behavior. Pigeon, Longpré, and Boudrias, (2015) showed in their study that empowered behaviors are positively correlated with extra-role and in-role positive contributions. Empowered behaviors are relatively self-determined positive behaviors aimed at assuring efficacy of operations and ameliorating the efficiency of work in the organization (Boudrias & Savoie, 2006). A positive relationship exists between transformational leadership and positive employee behaviors, such as empowered behaviors which is seen through ideal influence, inspiring motivation and personal consideration (Wang, Oh, Courtright, & Colbert, 2011). Transformational leaders motivate their subordinates intrinsically to put forward extra effort in service to the organization. This extra effort would then translate into empowered behaviors which are the desirable effective behaviors that lead to a better job performance (Wang, Law, Hackett, Wang, & Chen, 2005).

Employee work value congruence

Schwartz (1994) defines values as desired trans-situational goals, varying in importance, that serve as guiding principles in the life of an individual or other social entity. Value system congruence between leader and organization could be defined as the extent of agreement between the leader’s value system and the organization’s value system (Edwards & Cable, 2014). This notion of value congruence can also apply to various organizational constituents including supervisors and work groups (Diefendorff, Greguras, & Fleenor, 2016). According to Wang et al., (2011) in transformational leadership values are important in the identification process, since employees are identified with their leaders or organization if there is value congruence. Shamir, House and Arthur (1993) argue that value congruence is a contingency for transformational or charismatic leadership to be effective. In transformational leadership, leaders act as role-models for subordinates in part by enacting organizational values and linking those values with an attractive future. Krishnan (2012) argue that when leaders have value systems similar to the organizations, their followers are likely to feel more confident about achieving the leaders’ vision.

Research and Methodology

Research philosophy

This study adopted positivism because it treats the scholar as an independent entity from the study and there are no requirements for human interests within the research (Cooper & Schindler, 2014). This study adopted correlation research design. Correlation design is the degree to which values of two variables differ in a collective and consistent manner (Sutton, Mille, & Rubin, 2017). This was appropriate for this study because the research aimed at establishing how one independent variable (transformational leadership) impacted another dependent variable (employee job performance) and how the two variables were mediated by a third variable (employee work value congruence).

Sampling design

This study utilized the proportional stratified random sampling technique by dividing the population into three stratas. The desired sample size in each strata was arrived at through systematic random sampling by calculating proportionately according to the percentage it contributed to the target population. The study focused on a target population of six hundred and seventy six (676) lower level managers from fifty two (52) insurance companies operating in Kenya. A sample population of 245 was arrived at by calculating the target population of 676 with a 95% confidence level and an error of 0.05 using the formula taken from Kothari (2004).

Data collection

Data was collected using self-administered questionnaires. The questionnaire was in two sections. The first section was about the attributes of the respondents and the second section was about the substance of the study. All the items of the questionnaires were measured using a Likert scale consisting of five scores from 1= “Strongly Disagree” to 5 = “Strongly Agree”.

Data Analysis

Data was then analyzed using descriptive statistics using the following methods: frequency and percentage distribution. Additionally, inferential statistics were conducted using: factor analysis, Pearson’s correlation, multiple linear regression and ANOVA which was used to test the hypotheses. Statistical Package for Social Sciences (SPSS) version 20 and windows’ Microsoft excel programs were tools used in data analysis.
Result and Discussion

Respondents

A response rate is the total number of respondents or individuals who participated in a study. A total of 245 questionnaires were distributed out of which 211 were completed and returned. This represented a response rate of 86% which was deemed as adequate for a correlation research design and was above non bias response rate of 85 percent (Wiseman, 2003).

Correlation analysis

Correlation analysis was conducted to test the strength of linear association between idealized influence and employee job performance. The results shown in Table 1 indicated that idealized influence had a strong relationship with employee job performance with $r (211) = 0.371$, $< 0.05$.

| Table 1: Results of correlation between idealized influence and employee job performance |
|---------------------------------|---------------------------------|-----------------|
| Idealized Influence             | Pearson Correlation             | .371**          |
| Employee Job Performance        | Sig. (2-tailed)                 | .000            |
|                                | N                               | 211             |

Source: Authors

Regression analysis

Multiple regression analysis was conducted to establish the relationship between idealized influence and employee job performance among lower level managers in the insurance sector in Kenya as shown as shown in Table 2. The results indicated that idealized influence explained a 16.2% variation in employee job performance among lower level managers in insurance companies in Kenya, $R^2 = 0.162$.

| Table 2: Results of multiple regression analysis |
|---------------------------------|---------------------------------|-----------------|
| Model Summary                   |                                |                 |
| Model                           | Unstandardized Coefficients     | Standardized Coefficients |
| R                               | Std. Error         | Beta       | t     | Sig.     |
| Regression                      | 3.105              | .170       | 18.315| .000     |
| Charisma                        | .189               | .043       | .290  | 4.375    | .000    |
| Ethical Leadership              | .238               | .045       | .345  | 5.305    | .000    |
| Trust                           | .249               | .076       | .358  | 3.274    | .001    |
| Idealized Influence             | .273               | .047       | .371  | 5.777    | .000    |

Source: Authors

The results in Table 2 also show that analysis of variance (ANOVA) for idealized influence and employee job performance was significant, $F(3, 207) = 13.366$, $p < .05$. The findings imply that the overall model was statistically significant in determining the relationship between idealized influence and employee job performance among lower level managers in insurance companies in Kenya. The study findings in Table 2 showed that idealized influence significantly affected employee job performance, $\beta = .273$,.
The implication of the results was that a unit increase in idealized influence would lead to an increase in employee job performance among lower level managers in insurance companies by 0.273 units.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
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<td>.167</td>
<td>.151</td>
<td>.50833</td>
<td>167</td>
<td>10.351</td>
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<tr>
<td>2</td>
<td>.451b</td>
<td>.203</td>
<td>.184</td>
<td>.49843</td>
<td>.036</td>
<td>9.269</td>
</tr>
</tbody>
</table>

Source: Authors

The study findings in Table 5 show that employee work value congruence had a moderating effect on the relationship between transformational leadership and employee job performance among lower level managers in the insurance sector of Kenya, \( \beta = 0.248, \)

\[ t(207) = 5.777, p < .05. \]
\( r(210) = 3.045, p < 0.05 \). This implied that a unit increase in employee job value congruence would lead to an increase in employee job performance among lower level managers by 0.248 units.

**Conclusions**

The study findings showed that the model used in linking idealized influence to employee job performance was statistically significant, \( F(5, 205) = 10.467, p < .05 \). Hence the null hypothesis was rejected and concluded that idealized influence affected employee job performance among lower level managers of insurance companies in Kenya.

In addition, the study findings showed that the overall model for employee work value congruence as a moderating variable in the relationship between the transformational leadership and employee job performance was statistically significant, \( F(5, 205) = 10.467, p < .05 \). Hence the null hypothesis was rejected and concluded that employee work value congruence was a moderating variable in the relationship between the transformational leadership and employee job performance.

Several studies have supported a positive correlation of transformational leadership and employee job performance in various settings and context. This study showed that, indeed in insurance industry in Kenya, transformational leadership influences employee’s job performance with employee work value congruence as a moderating variable. However, there are limitations to this study.

The study was cross sectional study and hence could not establish causation but only an association between variables. Another problem noted in this study was that all measures were self-reported which could easily lend to potential bias. In addition, all the respondents were from the same industry and therefore raises the question whether the findings can be generalized to other sectors of the private sector. Future studies could look into whether number of years served by an employee in an organization could influence the effectiveness of transformational leadership. The study recommended that leaders should observe values which are congruent with that of their organization and socialize their employees on the same so that there is enhanced transformational leadership effectiveness.

**References**


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