

Analysis Of Directional Leadership Style On Performance Of Equity Bank Kenya Ltd

Happiness Kwamboka Oenga *, Evans Nyamboga Mandere, PhD**

* Scholar, School of Business and Economics, Mount Kenya University

** Scholar, School of Business and Economics, Mount Kenya University

DOI: 10.29322/IJSRP.12.06.2022.p12606

<http://dx.doi.org/10.29322/IJSRP.12.06.2022.p12606>

Paper Received Date: 10th May 2022

Paper Acceptance Date: 27th May 2022

Paper Publication Date: 6th June 2022

Abstract- This study's purpose was to analyze directional leadership style and its influence on performance of Equity Bank Kenya Ltd. The Background to this study includes definitions of leadership Style and performance, the role of leadership in an organization, the nature of institution leadership in different parts of the world and financial institutions in Kenya. This research aimed at answering these research question; to what degree directional leadership style influenced the performance of Equity Bank Ltd. The adopted research design was a descriptive study design. This study's target population was 682 workers based in Equity Bank Head Office at Equity Centre in Upperhill Nairobi, Kenya. The study of Equity Bank was justified by the fact that Equity Bank is the second largest bank by customer base with over 10 million customers according to Equity Bank records (2017) and Equity Bank being Kenya's best bank according to Euromoney Awards (2016). The sample design method employed for the study was Stratified Random Sampling. The sample size included 136 workers, which made 20% of the target population of 682 employees. The study grouped the population into three that is; top, middle, and lower management. From each stratum the study used simple random face to face interview session with respondents. A self-administered questionnaire was primarily used for collecting data used in this research. Descriptive analysis method was used to analyze the collected quantitative data. This study interrogated Directional leadership style and evaluated its effect on performance of financial institutions. Findings revealed that directional leadership has positive and desirable effects on Equity bank Ltd.'s performance and that there as a statistically significant relationship between this leadership style and the banks' performance. The findings might benefit Equity Bank Ltd management, other commercial banks, and other researchers.

Index Terms- Leadership styles, Directional Leadership Style, Performance

I. BACKGROUND TO THE STUDY

Leadership style is defined as the distinctive activities when leaders direct, motivate, guide, and manage their followers (Khajeh, 2018). According to Goleman (2014), leadership style is a behavioral design used by a leader to incorporate organizational

and personal benefits in the quest for some goal or objective. The category of leadership style in use is influenced with the implementation of strategies. Goleman (2014), has discussed six leadership styles in his article entitled "Leadership that Gets Results". The researcher discusses three of the leadership styles namely: Management by Walking Around (MBWA), Directional and Transformational leadership styles.

Organization performance is an important component of management research. Organizational performance is made up of the following types of firm results namely: performance in finance, performance of product market and shareholder return. Performance measurement should be by use of established objectives. Measuring of how organizations perform is be evidenced by level of achievement of the envisioned result as well as he job-holder's production of the required outcomes (Armstrong, 2012). This will form a basis for compilation of responses to be used by managers as well as individuals to monitor their performance. Balance scorecard allows for fetching sounder outcomes for both financial and operational quantities giving the management a quick nonetheless thorough assessment of the firm (Kaplan, 2014).

Equity Bank Ltd

Equity Bank was founded as Equity Building Society (EBS) in October 1984 and originally offered 0mortgage financing primarily for low-end customers. The institution's trademark of an ordinary building roofed brown is a reflection of its target market and their willpower to better their lives by taking one step at a time, in search for safekeeping and progression of their visions. Equity was declared technically insolvent in 1993, but its rapid growth into a microfinance and then a commercial bank is broadly viewed as an inspiring achievement. Presently, Equity Bank's customers exceed 10 million. The vision of Equity Bank Ltd is championing the social and economic opulence of African people (Equity Bank Ltd Annual Reports, 2016).

Customers of Equity Bank are passionately enabled to improve their lives as well as livelihoods. By means of a business structure that involves convenience, access, and flexibility, Equity bank has progressed into a wide-ranging dealer in finance services and is spreading in other African countries. The structure of business and creativity in leadership of Equity Bank has

continuously been rewarded with accolades globally, regionally and even locally. Equity Bank is guided by various corporate philosophies. Equity Bank's core values are abbreviated PICTURE. P stands for Professionalism, I for Integrity, C for Creativity and Innovation, T for Teamwork, U for purposeful Unity, R for customers' Respect and E for Effectiveness in Corporate Governance. Equity Bank purposes to be in existence while transforming lifestyles and occupations of people socio-economically through provision of contemporary, comprehensive, services of finance which optimize prospects. Equity Bank undertakes to offer all-round customer-centric banking services that empower clients and other interested parties socially and economically. Equity Bank's positioning statement is providing all-encompassing services of finance that improve sources of revenue, dignify as well as increase prospects. The Motto of Equity Bank is growing together in trust and it is tagged on listening, caring and remaining a partner (Equity Bank Ltd Annual Reports, 2017).

1.2 Statement of the Problem

According to Equity Bank's financial results (2016), the net profit of Equity bank dropped by 5.9% to KES 15.2 billion from 16.2 Billion in 2015. Contrastingly, their operating income rose by 12.5% from year 2015 to KES 50.3 billion. The increased operating income was as a result of tremendous 87% rise in the interest revenue from government securities to KES 6.7 billion. This outlines an inclination among Kenyan banks to prefer massive investment in risk-free assets like government securities instead of giving loans to SMEs. This describes the 5% decrease in lending to clients to KES 213 billion in the year 2016. Charges and percentage earnings from lending also experienced a 19% decrease to KES 3.8 billion. The sum of running costs rose by 23% to KES 27.5 billion, this was mostly as a result of fourfold increase of the loan loss provision from KES 1.2 billion in 2015 to KES 5 billion a representation of 293% rise. This shows the challenging working conditions which a majority of Kenyan enterprises are experiencing, which was majorly caused by advancing to the corporate segment in which NPLs increased from zero in the year 2015 to 6%.

Equity Bank also faces intense competition from other banks. This is evidenced by the fact that most customers are multi-banked. Managers are required to scrutinize an organization's core procedures so as to accomplish and maintain competitive advantage, in order to allow for efficiency and cost effectiveness (Parasuraman, 2005). Banks should identify their core competences to enable them focus on sectors that keep them in front of the competition and avail competitive advantage (Pearce & Robinson, 2010).

1.3 Objective of the Study

To evaluate influence of Directional leadership style on Equity Bank Ltd.'s performance.

1.4 Research Questions

To what extent does Directional leadership style influence performance of Equity Bank Ltd?

II. THEORETICAL REVIEW

The theoretical review is meant to theoretically create foundation that is important to the research topic under study. Theories relevant to the study topic are discussed here.

2.1 Transformational Leadership theory

Bass introduced the Transformational leadership theory towards the conclusion of his professional career (Miner, 2003). The theory describes self-actualization concepts and Maslow's hierarchy of needs (Miner, 2003). The description of Transformational leadership is that of a leadership method which triggers transformation in people and systems of society. Transformational leadership is idealised to create followers who undergo change that is valuable and positive with the aim of evolving them into leaders. This form of leadership improves how followers are motivated, given morale and their performance by using various methods, in its realistic state. These include inspiring followers by being their role model; relating the sense identity and self of the supporters of the company's mission and sense of uniqueness; inspiring followers to be more devoted while carrying out tasks, as well as considering strong points and weak points of followers, in order for them to be tasked according to their optimum performance (Kark & Shamir, 2017).

2.2 Empirical Review

2.2.1 Directional Leadership and Performance of Equity Bank Kenya Ltd

Directional leadership is whereby teams depend on leaders to make and own the decisions while in directional leadership the leader points in a general direction without knowing if it would succeed or fail (Khajeh, 2018). Not providing answers but giving the team directions can be extremely frustrating but rewarding in the end. This is to mean that when the team comes to a leader requesting a decision, all the leader needs to do is point the team to try something. When they do fail and come back, he points again in another direction. This keeps on till they arrive at their own owned destination. However, this can be very frustrating and can appear that no one knows what they are really doing however if an organization can take such risks with the team there could be huge payoffs. This allows the leader not to have and own all the answers which most times can be the most burdensome part of being a leader and let them focus on building their team (Kharroub & Majeed, 2019).

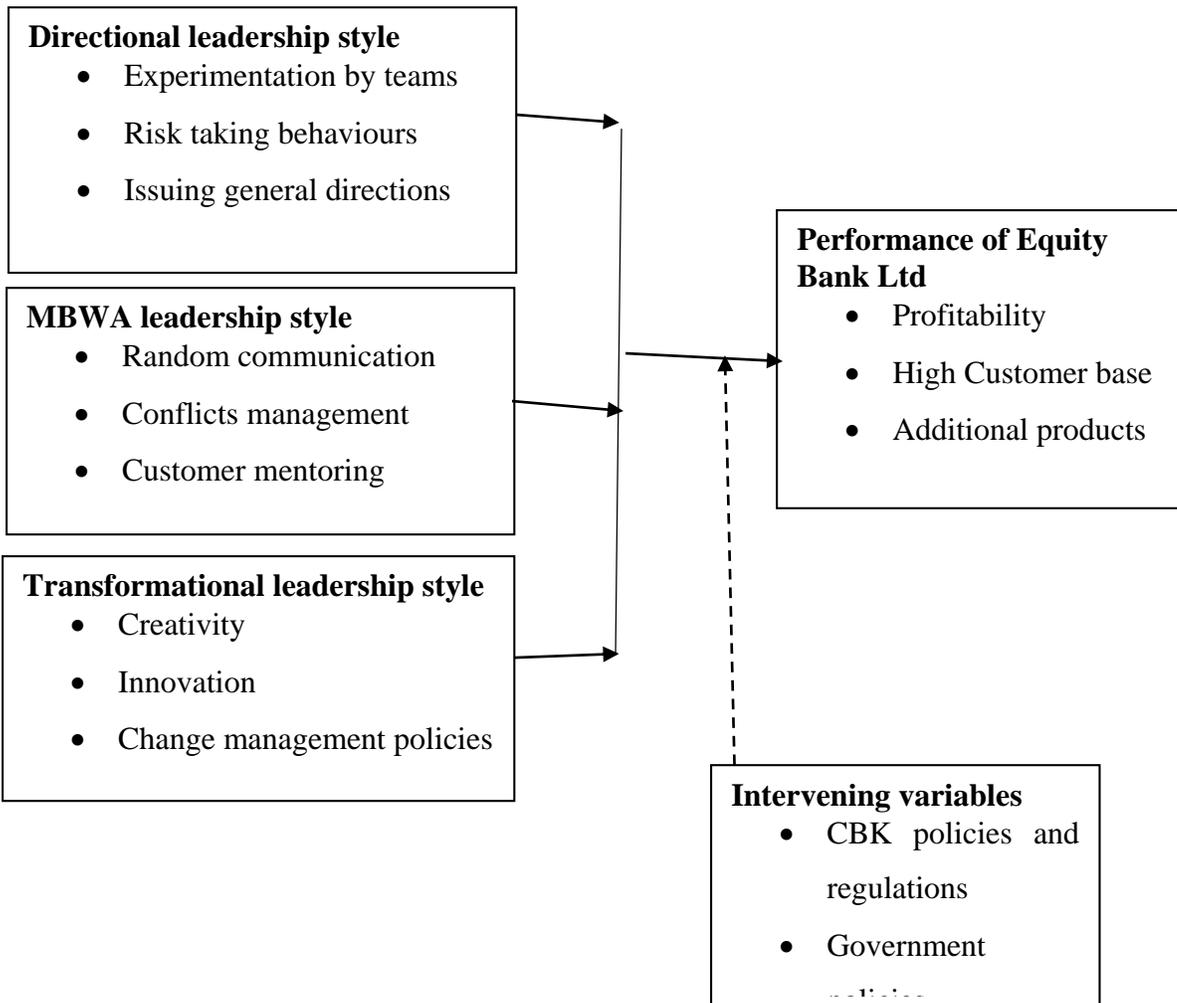
Allowing the teams to experiment without saddling any one person with the responsibility to deliver the outcome is where you will see the wheat separated from the chaff. Performers will rise in this process and those that hide behind the performance of others or love being status quo will be exposed (Khajeh, 2018). The end goal of directional leadership is to continue the cycle of building great leaders not just promoting people through their tenure because they have been around for years. In promoting this type of risk-taking behaviours in teams, organization should first have a very strong and a strategic vision and all their product lines, programs and projects aligned to that strategic vision. This should also be repeatedly communicated across teams even though initially it makes no sense to them or they pay no attention (Khajeh, 2018).

2.2.2 Conceptual Framework

The framework described the correlation that exists among the variables the study is considering. The framework answers the question how does the researcher expect a relationship between all variables (dependent and independent) to exist.

Independent variable

Dependent variable



This part characterizes the examination strategy utilized in this investigation and furthermore talks about the exploration plan as for the structure picked. The target population of study, sample and sampling techniques and information gathering approaches utilized in the study are likewise talked about.

III. 3.1 RESEARCH METHODOLOGY

In this study, the researcher used mixed methodology as both quantitative and qualitative data was used.

3.2 Research Design

Research design is a description of the way data is collected and the instruments of data collection to be used. It also describes how the data collection instruments will be in collecting the data and eventually explains the methods of data collection and analyses. The research was held across departments at Equity Bank’s head office, Equity Centre. The logistics were not an issue of concern most data was collected using an electronic questionnaire.

The researcher used descriptive design. This was on the grounds that descriptive research is used to get data in regards to the current status of a phenomenon and to portray "what exists" regarding elements or conditions in a circumstance. It gave answers to the questions of who, what, when, where, and how certain marvel was related with a specific research issue however couldn’t decisively find out responses to why. Data on both the independent and dependent variables were obtained using questionnaire.

3.3 Target Population

The target population used in this study was 150 managers and 532 employees of Equity Bank’s Nairobi headquarters.

Table 1: Target Population

Category/Level	Population Frequency	Percentage (%)
Corporate Managers	48	7
Business Managers	102	15
Functional level	532	78
Total	682	100

Source: Equity bank records, 2019

3.4 Sampling Procedures and Techniques

Sampling is a method of selecting a number of subjects for a study, ensuring they are a representation of at least 30% of the whole target population (Mugenda & Mugenda, 2003). Considering the given meaning, as well as the intents of this research, a 20% segment was chosen from the target population of 682 workers to give a sum of 136 participants. Stratified Random Sampling design was used for this study.

3.5 Sample Population

Table 2: Sample Distribution

Category of Staff	Sampling Frame	Size of Sample	Total population in Percentage (%)
Corporate Managers	20% × 48	9	7

Table 3: Responses on the Influence of Directional Leadership Style on Equity Bank Ltd.’s Performance

	SA		A		N		D		SD	
	f	%	f	%	f	%	f	%	F	%
Your leaders point in a general direction without knowing if it would succeed or fail	15	12.5	15	12.5	13	11.8	53	44.2	24	20.0
The organization has room for risk taking until the right solution is found	19	15.8	40	33.3	24	20.0	21	17.5	16	13.3
The organization has a safe environment for teams to try and fail with time built in to allow for the transformation and pitfalls along the way	58	48.3	38	31.7	0	0.0	14	11.7	10	8.3
Your leaders own up decisions made by the team	59	49.2	35	29.2	0	0.0	26	21.7	0	0.0
Your leaders provide specified instructions, outline your roles and tasks, and thoroughly assess task accomplishment	73	60.8	31	25.8	16	13.3	0	0.0	0	0.0
Decisions are made by the leader and announced to the followers, making communication largely one-way	102	85.0	18	15.0	0	0.0	0	0.0	0	0.0
The organization has very strong and strategic vision	110	91.7	10	8.3	0	0.0	0	0.0	0	0.0

Business Managers	20%	×	20	15
Functional Level	20%	×	107	78
	532			
TOTAL			136	100

Source: Equity Bank, 2019

3.6 Proposed Data Analysis Techniques and Procedures

Descriptive (frequencies and percentages) and inferential (linear regression) analysis was used to find how variables studied were related. Statistical Package for Social Sciences v.23 was used for data analysis. The regression equation used was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Whereby:

Y = Performance of Financial Institutions

ϵ = Error term

β_0 = Constant

$\beta_1 - \beta_3$ = Beta coefficients

X1 = Directional leadership style

IV. STUDY FINDINGS

4.1 Directional Leadership Style and Performance of Equity Bank Kenya Ltd

Information was gathered from participants on the influence of directional leadership style on Equity Bank Ltd.’s performance and the analysed data presented in this section in the form of descriptive statistics such as frequencies and percentages as well as inferential statistics such as linear regression. The respondents were asked to indicate the degree to which they agree or disagree with statements on Directional Leadership style. The Findings are presented in Table 2.

All the product lines, programs and projects are aligned to the Strategic vision	120	100.0	0	0.0	0	0.0	0	0.0	0	0.0
The strategic vision is repeatedly communicated across teams	80	66.7	40	33.3	0	0.0	0	0.0	0	0.0
Your leaders have capacity to recognize the opportune moment and choose the right path for the organization	56	46.7	39	32.5	10	8.3	15	12.5	0	0.0

Results in Table 3 revealed that 44.2% of employees disagreed with the statement that their leaders point in a general direction without knowing if it would succeed or fail, 33.3% agreed that the organization has room for risk taking until the right solution is found, 48.3% strongly agreed that the organization has a safe environment for teams to try and fail with time built in to allow for the transformation and pitfalls along the way, 49.2% strongly agreed that their leaders own up decisions made by the team, 60.8% strongly agreed that their leaders provide specified instructions, outline employees roles and tasks, and thoroughly assess task accomplishment, 85% strongly agreed that decisions are made by the leader and announced to the followers, making communication largely one-way, 91.7% strongly agreed that the organization has very strong and strategic vision, 100% strongly

agreed that all the product lines, programs and projects were aligned to the Strategic vision, 66.7% strongly agreed that the strategic vision was repeatedly communicated across teams while 46.7% strongly agreed with the statement that their leaders had capacity to recognize the opportune moment and choose the right path for the organization. These outcomes therefore implied that within equity bank limited, directional leadership style generally influenced the banks' performance. Therefore, it is important for Equity bank's managers and/or leaders to learn how to effectively utilize directional leadership style due to its importance to the banks performance and eventual competitiveness within the banking industry in Kenya.

Table 4: Model Summary of the relationship between Directional Leadership Style and Equity Bank Ltd.'s Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 ^a	.912	.911	.364

a. Predictors: (Constant), Directional leadership style

Results presented in Table 4 show that holding other variables constant at zero, directional leadership style affects Equity Bank Ltd.'s performance by 0.912. This implies that directional leadership style affects Equity Bank Ltd.'s

performance by 91.2% as the R² value was 0.912. Therefore, other variables not studied only had an 8.8% effect on Equity Bank Ltd.'s performance.

Table 5: ANOVA of the relationship between Directional Leadership Style and Equity Bank Ltd.'s Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	161.347	1	161.347	1216.989	.000 ^b
	Residual	15.644	118	.133		
	Total	176.992	119			

a. Dependent Variable: Performance of equity bank

b. Predictors: (Constant), Directional leadership style

The analysis of variance results presented in Table 5 reveal that there was a relationship between directional leadership style and Equity Bank Ltd.'s performance. This is because the p-value of p=0.000 was lower than p=0.05. This implied that the model

used to test the relationship between the independent (directional leadership style) and dependent variables (Equity Bank Ltd.'s performance).

Table 6: Regression Coefficients of the relationship between Directional Leadership Style and Equity Bank Ltd.'s Performance

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.010	.060		-.172	.863
Directional leadership style	.956	.027	.955	34.885	.000

a. Dependent Variable: Performance of equity bank

Regression coefficient outcomes in Table 6 revealed that there was a statistical significant relationship between directional leadership style and Equity Bank Ltd.'s performance. This is because the p-value of $p=0.000$ was lower than $p<0.05$. Hence, directional leadership was found to be significantly related to the performance of Equity Bank Ltd. On the other hand, the Beta value of 0.955 revealed that a change in directional leadership would result in 0.955-unit change in the performance of Equity Bank Ltd in Kenya.

V. SUMMARY OF THE RESULT FINDINGS

The goal of this study was to assess the influence of directional leadership style on Equity Bank Ltd.'s performance. The study established that equity bank leaders point in a general direction without knowing if it would succeed or fail, the organization had room for risk taking until the right solution was found, the bank had a safe environment for teams to try and fail with time built in to allow for the transformation and pitfalls along the way, banks' leaders own up decisions made by the team, banks leaders provide specified instructions, outline employees roles and tasks, and thoroughly assess task accomplishment, banks decisions were made by the leader and announced to the followers, making communication largely one-way, the organization had very strong and strategic vision, all of the banks' product lines, programs and projects were aligned to the Strategic vision, the organization's strategic vision was repeatedly communicated across teams, the organization's leaders had capacity to recognize the opportune moment and choose the right path for the organization. As a lone variable, the study found that directional leadership style affected Equity Bank Ltd.'s performance by 91.2% indicating that this style of leadership had a strong impact on how the organization performed. The results also indicate that there was a statistically significant relationship between directional leadership style and Equity Bank Ltd.'s performance.

5.1 Conclusions

The study concludes that directional leadership has positive and desirable effects on Equity bank ltd.'s performance. The study also concludes that the effect of this leadership style on the banks' performance was statistically significant.

5.2 Recommendations

Guided by the study outcomes, the following recommendations are put forth by the researcher for policy purposes:

- That the bank should encourage its managers to employ directional leadership styles as this style has been proven to improve the bank's overall performances

- That this organization find ways of ensuring that directional leadership style continuously results in desirable banks performance by sealing any loopholes that may hinder the complete and efficient utilization of this style by managers.

REFERENCES

- [1] Armstrong, M. (2012). *Armstrong's handbook of human resource management practice* (12th edn.). Kogan Page.
- [2] Goleman, D. (2014). *Leading for the long future. Leader to Leader*, 2014: 34-39. doi:10.1002/ltl.20124
- [3] Kaplan, S. (2014). The role of organizational leaders in employee emotion management: A theoretical model. *The Leadership Quarterly*.
- [4] Kark, R. & Shamir, B. (2002). The dual effect of transformational leadership: priming relational and collective selves and further effects on followers. In B. J. Avolio & F. J. Yammarino (Eds.), *Transformational and Charismatic Leadership: The Road Ahead*, Vol. 2, pp. 67-91. Amsterdam: JAI: An Imprint of Elsevier Science
- [5] Khajeh, H. (2018). Impact of Leadership Styles on Organizational Performance. *Journal of Human Resources Management Research*, 2018(687849), 1-10. doi: 10.5171/2018.687849
- [6] 10.5171/2018.687849
- [7] Kharroub, D. & Majeed, M. (2019). The Impact of Strategic Planning in Palestinian Municipalities on the Quality of Service Provided to Its Citizens. *International Business Research*, 12(5), 69-85. doi:10.5539/ibr.v12n5p69
- [8] Miner, J. (2003). The rated importance, scientific validity, and practical usefulness of organizational behavior theories: a quantitative review. *Acad. Manag.: Learn. Educ.*, 2, 250-256.
- [9] Mugenda, O. & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: African Centre for Technology Studies.
- [10] Parasuraman, A. & Zeithaml, V. & Malhotra, A. (2005). E-S-Qual: A Multiple-Item Scale for Assessing Electronic Service Quality. *Journal of Service Research*, 7(3), 213-233. doi: 10.1177/1094670504271156.
- [11] Pearce II, J. A. & Robinson, R. (2011). *Strategic Management formulation, implementation and Control*, (12th ed). New Delhi: Tata McGraw-Hill

AUTHORS

First Author – Happiness Kwamboka Oenga, Email Address: happinesskwamboka1988@gmail.com, Scholar, School of Business and Economics, Mount Kenya University

Second Author – Evans Nyamboga Mandere, PhD, Email Address: enyamboga@mku.ac.ke, Scholar, School of Business and Economics, Mount Kenya University

Third Author – Author name, qualifications, associated institute (if any) and email address.

How to site this article: Oenga H, K. & Mandere E, N. (2022). Analysis of Transformational Leadership Style on Performance of Equity Bank Kenya Ltd.