

# Transformational Leadership and Organizational Performance of State Corporation in Kenya

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**Type of the Paper:** Research Paper.

**Type of Review:** Peer Reviewed.

**Indexed in:** worldwide web.

**Google Scholar Citation:** [AIJMR](#)

## How to Cite this Paper:

Judith Ogolla., Thomas A. Senaji. (2018). **Transformational Leadership and Organizational Performance in Kenya**. *Africa International Journal of Multidisciplinary Research (AIJMR)*, 3 (3), 12-14.

## Africa International Journal of Multidisciplinary Research (AIJMR)

A Refereed International Journal of OIRC JOURNALS.

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## TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE OF STATE CORPORATION IN KENYA.

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### ARTICLE INFO

#### Article History:

Received 1<sup>st</sup> April, 2018

Received in Revised Form 18<sup>th</sup> April, 2018

Accepted 7<sup>th</sup> May, 2018

Published online 8<sup>nd</sup> May, 2018

**Keywords:** Transformational leadership; Idealized influence, Inspirational motivation, Intellectual stimulation, Individual consideration, Organizational performance.

behaviors transform followers' values, needs, preferences, and aspirations, and motivate them, "to perform above and beyond the call of duty". Transformational leadership has gained extensive attention in the literature research because of its potential proposition for the performance of the organizations. Research indicates that this type of leadership can collectively influence workforce performance and loyalty leading to improvements in the workers motivation and creativity. In consideration to the past decades research findings and strength this forms the foundation for this study research on the importance of transformational leadership through its four constructs; idealized influence, inspirational motivation, intellectual stimulation, and individual consideration and their influence on organizational performance in fifty five state corporation in Kenya with commercial and strategic functions. A total of 257 surveys instrument questionnaires were distributed with 235 returned and 215 were suitable for use. The data was analyzed using multiple regressions method with a significance level of  $p < 0.05$ . The measurement instrument used was on five likert scale ranging from strongly disagree as 1 to strongly agree as 5. The results indicate that while transformational leadership and three of its constructs; inspirational motivation, intellectual stimulation, and individual consideration contributed to 78.6 percent of the variation in organizational performance; idealized influence was moderately a significant factor contributing to the study outcomes. Top Leadership management may need to focus on these constructs of transformational leadership to improve performance of the organizations understudy.

### Abstract

Leadership is vital in the overall performance of any organization. The leadership chosen is dependent on various contingent factors. The environment influences the link between leadership and performance. The combination of the various factors contributes to the leadership selected which influences the performance of the organization. Over the past three decades, transformational leadership has emerged as one of the predominant paradigms to understand leadership efficacy. Transformational leadership theory is based on the concept that certain leader

### 1. Introduction

Research study in the management field concerning organizational performance in last five decades suggests its importance to the organizations leaders in consideration to improving their performance, competitiveness when attempting to build and improve their operational scope (Kroll, 2016) & Lewa et al., (2016). Despite the importance of organizational performance of these institutions studies have sought to examine what factors in the management field enhance the achievement of the desired objective when it comes to their performance (Datche, 2016). The nature of Leadership accessible within the organization has been hypothesized as an instrumental factors for enhancing organizational performance

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(Datche, 2015; Sasaka, 2016). Over the past three decades, transformational leadership has emerged as one of the predominant paradigms to understand leadership effectiveness and performance, (Avolio *et al.*, 2009). Transformational leadership theory is based on the notion that certain leader behaviors transform followers' values, needs, preferences, and aspirations, and motivate them, "to perform above and beyond the expectation. Transformational leadership has been studied in the last three decades as one of the instrumental factor in motivating, building the morale of its workforce hence creating trust in support of individual and team performance for distinctly transfigured organizational performance, Lewa et al, (2016). As the business environment globally and

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internally becomes more multifaceted as a result of market demand, competition, globalization, technology, and intensified customer satisfaction Malube (2014) organizations must nurture the workforce supports for the preferred performance outcomes.

## 2. Literature Review

### 2.1. Transformational Leadership

Past research analysis description of Transformational leadership as the process that involves the ability of one individual motivating and influencing others (de Oliveira Rodriguez & Ferreira, 2015). Ideally motivation and influence occurs in a positive and respectful consideration, contributing to the achievement of specific goals (de Oliveira Rodriguez & Ferreira, 2015). While this fundamental definition of leadership consistently was used as a foundation for assessing the process, scholars have however developed various frameworks aimed at understanding the theoretical foundations of leadership in practice (Ghasabeh, Reaiche & Sossay, 2015). Trait, behavioral, situational, transactional, and transformational leadership styles are just a few of the theories that have been proposed to appraise the prerequisites of leader behavior and the basics for motivation and influence (Datche, 2015).

Even though an understanding of the continuum of leadership theories provides insight into the evolution that has occurred in this field, theory test of transformational leadership and its meaning provide accircinct explanation of efforts made to study leadership practice. As described by Ngaithe et al. (2016) transformational leadership focuses on satisfying the basic and higher-order needs of followers through inspiration to achieve desired goals. Transformational leadership is compared to transactional leadership in which transactions form the basis of follower motivation (Kim & Yoon, 2015). Transformational leadership creates a deep internal desire for motivation that is not sustained through transactions; rather motivation for the follower is sustained through true inspiration or transformation in the desire to achieve goals (Kim & Yoon, 2015).

### 2.2. Characteristics of Transformational Leadership

While the basic description of transformational leadership provided in the above introduction facilitates the process and how transformational leadership differs from other types of leadership practice, a review of what has been noted about this theoretical underpinnings indicates that there are specific constructs through which transformational

leadership function to provide motivation for the followers. The study review research indicates that transformational leadership is comprised of the Four I's which are; idealized influence, inspirational motivation, intellectual simulation, and individualized consideration (Tharnpas & Boon-itt, 2015). Each of these fundamentals contributes to the transformational process through which effective and positive leadership is achieved (Caillier, 2014).

Past research studies on the subject of the role and function of each of the Four I's of transformational leadership indicates that specific fundamentals of follower development are cultivated in order to create a holistic foundation for leadership practice (Caillier, 2014) hence organizations learning and growth by Kaplan and Norton (1992) is ideal for performance measures of the organizations. In this study Idealized influence was considered as the ability of leaders to inspire followers to achieve a specific goal with additional personal effort while inspirational motivation involves the development and communication of the organization vision and positive expectations that followers can accomplish (Lewa et al., 2016). Intellectual stimulation was considered as how the leaders develop the capacity of followers to solve problems through creativity and innovation to improve performance, while individualized consideration in the study was considered as how leaders are able to recognize and support the contributions of each follower to organization objectives realized in performance and achievement (Ngaithe, 2015; Verissimo & Lacerda, 2015).

### 2.3. Transformational Leadership and Organizational Performance

Empirical reviews on transformational leadership evidently indicate that this approach of leadership has notable influence on the followers in any organization. Jointly the transformation of the workplace has been observed to have direct influence on organizational performance (Datche, 2015). Sasaka (2016) corroborate this statement by noting that transformational leadership has been preferred as effective because it drives changes in individual behaviors which leads to the achievement of organizational performance. Consequently, transformational leadership has the potential to have influence on the overall performance of the organization,

## 3. Theoretical Framework

Previous research review of the literature supports the belief that transformational leadership can have a positive influence on the overall performance of the

organization. Based on this knowledge claim and an understanding of the four constructs of transformational leadership, a theoretical framework to understand how transformational leadership influences organizational performance was formulated. The framework proposes the use of four independent variables including: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Organizational performance was measured using Balance Scorecard (BSC) of Kaplan and Norton, (1992) four perspectives, financial, customer satisfaction, business processes, learning and growth as dependent variable. The study framework proposes that while transformational leadership may result in the development of improved organizational performance, specific constructs of transformational leadership play are more important or role in the organization performance outcomes.

### **3.1: Transformational Leadership and Performance**

The relationship between transformational leadership and organizational performance was examined in the introduction of the study. In an effort to understand the role that transformational leadership plays in the growth of organizational performance, various scholars have considered how this leadership theory influence specific aspects of workforce and organizational performance. Sasaka, (2016) explains the influence of transformational leadership on organizational strategic human resources learning, suggesting that this approach can be used to improve the ability of the organization to be creative and innovative. This can prompt growth and expansion indicating successful organizational performance (Choudhary *et al.*, 2013).

Transformational leadership was also found by Datche (2015) to have a direct influence on organizational performance. Datche (2016) argues that through transformational leadership the environment of the organization can be strengthened creating an environment in which workforce are motivated and energized. This facilitates the achievement of organizational goals and hence increased performance (Datche, 2015); Ngaithe *et al* (2015). Giroux and McLarney (2014) also explained the influence of transformational leadership on organization environment noting that the outcome has systemic implications for employees, customers, and shareholders. Motivated workforce working in a supportive environment provides more effective customer satisfaction enhancing organizational performance and leading to financial gains for shareholders (Giroux & McLarney, 2014).

### **3.2. The Relationship between Idealized Influence and Performance**

Idealized influence is one of the four components of transformational leadership identified as an independent variable for this investigation. Scholars examining this process assert that idealized influence refers to the idea that followers will trust and respect leaders to provide support and resources (Chu & Lai, 2011). As a result of this belief, the workforce will be willing to accept the directives provided by the leader, regardless of their complexity or difficulty (Chu & Lai, 2011). Although the role of idealized influence and its implications for organizational performance is often conceptualized as part of transformational leadership, there is evidence indicating that idealized influence may influence particular aspects of organizational performance. In particular, idealized influence may have implications for workers improved performance Understanding the specific influence of idealized influence on organizational performance is thus imperative for expanding comprehension of how transformational leadership influences organizational outcomes.

### **3.3. The Relationship between Inspirational Motivation and Performance.**

Inspirational motivation is another component of transformational leadership that is examined in this study as an independent variable. Inspirational motivation is extensively reviewed by Ngaithe *et al.*, (2016) who argue that the process involves encouraging followers to align personal goals with the goals of the organization, hence this study put into consideration how internal business processes can be aligned to organizational goals for higher performance. Through this process, Ngaithe *et al* (2016) argue that the objectives of the organization are concurrently achieved, with the outcomes having implications for both the workers and the organizations. A number of constructs such as idealized influence, inspirational motivation and their influence on organizational performance has not been widely examined independently from the context of transformational leadership. According to Lewa *et al.*, (2016) consider the role of inspirational motivation in building trust and satisfaction for the workers who are internal customers. According to these authors, inspirational motivation can serves as the foundation for knowledge sharing through developing right structures of understanding the vision and mission of the institution being an important constituent of facilitating the accomplishments of the organizations. The paucity of insight regarding the degree to which

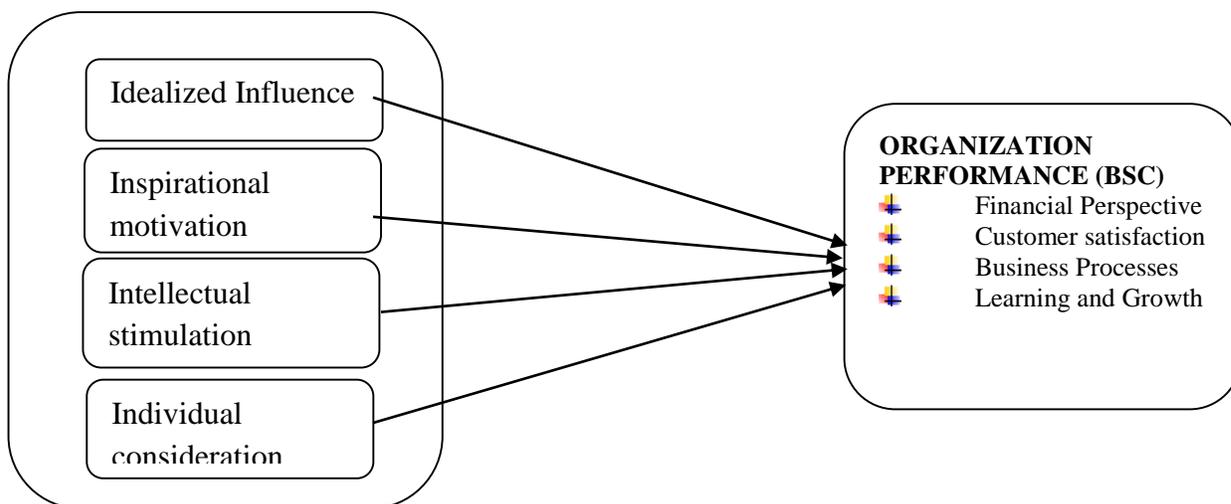
inspirational motivation influences outcomes for organizational performance prompted the need for examining this variable independently to realize its influence on performance.

**3.4. The Relationship between Intellectual Stimulation and Performance**

Intellectual stimulation represents an important constituent of transformational leadership and forms the basis as one independent variable for this study. A research review of this variable suggests that intellectual stimulation facilitates follower empowerment through communication and encouragement to identify problems and offer solutions (Smothers et al, 2016). The role of intellectual stimulation on organizational performance has been evaluated more extensively in the literature as an independent variable determining outcomes of the workers and the whole organization. In particular, Kaplan and Norton,(2015) assert that intellectual stimulation leads to the development of the workforce decision making levels to solve problems, learning and growth for sustainable organizational performance. This, in turn, has implications for the ability of the organization to achieve goals based on the learning and growth of its workforce.

**3.5. The Relationship between Individual Consideration and Performance**

**Transformational Leadership**



**Figure 1: The research Conceptual framework**

**3.6. Hypothesis of the Study**

The following hypotheses of the study were anticipated to test the objectives presented in the

By acting as a coach or mentor, transformational leaders pay special attention to each follower’s needs for achievement and growth. Individualized consideration occurs when new learning opportunities are created in conjunction with a supportive climate. In their demonstration of individual consideration, the transformational leader is an effective listener, and recognizes and is accepting of employee’s individual differences. Two-way communication is encouraged, and interactions with followers are personalized. An individually considerate leader will delegate tasks as a means of developing followers. Delegated tasks are monitored to determine whether the followers need additional direction or support and to assess progress; however, the followers do not feel they are being checked on or monitored (Bass & Riggo, 2006). This variable according to Sasaka (2016) is the consideration that involves the willingness and ability of the leader to provide nurturing support for each follower. In terms of the implication of individual consideration for organizational performance. This process can positively influence team satisfaction, leading to higher levels of performance at individual and at organization performance level. When all the staff experiences this outcome organizational performance should improve Datche (2015).

theoretical framework and put forth together as part of the theoretical model and are as follows:

H1: There is no significant relationship between Transformational Leadership and Organizational Performance.

H2: There is no significant relationship between Idealized Influence and Organizational Performance.

H3: There is no significant relationship between Inspirational Motivation and Organizational Performance.

H4: There is no significant relationship between Intellectual Stimulation and Organizational Performance.

H5: There is no significant relationship between Individual consideration and Organizational Performance

#### 4. Materials and Methods

##### 4.1. Data Collection

Data collection for this investigation involved the use of a questionnaire to measure both the performance of the organization in terms of the four perspectives of Balance Scorecard as well as dimensions of transformational leadership constructs: idealized influence, inspirational motivation, intellectual stimulation and individual consideration. The questionnaire dropped and picked to a stratified sampled 55 state corporations in Kenya. Each of the state corporations had been contacted before delivering the surveys questionnaire to acquire permission for the top management to participate in the study. The top management who participated in the survey completed the study instruments and returned their surveys anonymously. A total of 257 surveys were distributed to the 55 state corporations. After two weeks 235 of the surveys were collected and returned to the researcher unfortunately only 215 were useable. This gave out an 84 percent response rate. The high rate of response reduced the threat of non-responses biases in analyzing the data. A review of the returned surveys indicated that 215 were complete and valid for inclusion in the current study. This sample size

#### 5. Results and Discussion

##### 5.1. Results of internal consistency

**Table 1: Reliability Analysis**

Variables	Number of items	Cronbach's Alpha value	comments
Idealized Influence	4	0.824	Very Good
Inspirational Motivation	4	0.795	Very Good
Intellectual Stimulation	4	0.717	Good
Individual Consideration	4	0.828	Very Good
Organizational Performance	9	0.919	Excellent

Reliability analysis for this investigation was performed using each of the five items measured

produces a confidence interval of 5 at the 95 percent for a population of the study. The valid response indicated the adequacy for testing the hypotheses of the study.

#### 4.2. Instrument

A descriptive, correlation, cross-sectional design was used in the study where 215 top management leaders were chosen from 55 state corporation by stratified random sampling method to fill related self-reported scale including multifactor leadership questionnaire (MLQ). Data was analyzed according to the statistical method of simple and multiple correlation coefficients. The instrument used for this investigation included cross sectional survey designed specifically for use in this investigation. Questions regarding transformational leadership were modified from the Multifactor Leadership Questionnaire. A total of 25 questions were included on the instrument as follows: idealized influence (4 questions), inspirational motivation (4 questions), intellectual stimulation (4 questions), and individual considerations (4 questions). The instrument also included nine (9 questions) regarding the performance of the organizations.

Top management who participated in the survey were asked to provide their perception of performance based on their knowledge and experiences with the survey instruments including a small introduction definition of each constructs under the study. All of the questions on the survey were rated on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Higher scores on the scale were indicative of an increased presence of the variable within the organization. Higher scores were also indicative of higher levels of perception regarding the performance of the organization. Likert-scales are commonly used to provide standardized measures of participant opinions that allow for comparison across diverse populations (Groves, Fowler, & Couper, 2011).

through the survey. Specifically, Cronbach's alpha was utilized to measure the degree to which the set of

variables measures evaluates a specific latent construct (Nunnally (1978; Andrew, Pedersen, & McEvoy, 2011). Cronbach’s alpha provides a correlation between the survey item and the construct that it intends to measure (Andrew et al., 2011). Cronbach’s alpha values range between 0 and 1 with higher numbers indicating that correlations between a respective survey item and the construct it measures are reliable (Andrew et al., 2011). Cronbach’s alpha levels above 0.7 are desirable indicating that the measured results are indeed representative of the construct being measured (Andrew et al., 2011).

**Table 1** above indicated an overview of the Cronbach’s alpha measures that were tabulated for this study. The results indicate that all of the values were above the 0.70 threshold ranging between 0.919 for organizational performance and 0.828 for individual consideration. Based on the results, it is possible to argue that the instrument used for measuring each of this constructs provides reliable results, supporting the use of the instrument to acquire insight into each of the variables selected for investigation

### 5.2. Demographic Profile of Respondents

Table 2: Demographic Characteristics of Respondents (N = 215)

Aspect		Percentage	Cumulative (%)
Gender	Male	47	-
	Female	53	100
Level of Education	Master’s Degree	20	-
	Undergraduate Degree	70	-
	College Degree	10	100
Position	Top Management	74.4	-
	Middle Level	18.8	-
	Operational Manager	6.8	100
Duration in Current Position	Less than 5	37.6	-
	5-10	35.9	-
	11-15	15.3	-
	Over 15	11.2	100
Age of Respondent	31-40	7.2	-
	41-50	26.8	-
	51-59	50	-
	Over 60	16	100

A summary of the demographic profile of respondents for the survey is provided below in Table 2. The results indicate that males (62.2 percent) represented the majority of respondents. Females comprised only 53 percent of participants. Data also indicates that a majority of the respondents were between the ages of 51-59 (50% percent) indicating that the decision makers in top management have accrued experience but also delicate for the organizations future growth as most will be retiring in less than ten years. This therefore, advises the organizations to put more resources on upcoming structures of young leaders to be in a position for making decision which support the independent variable of this study and as well learning and growth perspective of organization performance . The second largest age group to complete the survey included those between the ages of 41-50 which is

(26.8 percent) followed by those between the ages of over 60 which was (16.0 percent) and those between the ages of 31-40 were (7.2 percent). A majority of the respondents (70 percent) reporting having undergraduate Bachelor’s degree.

Those who reported with college diplomas were 10 percent while those with Masters were 20 percent reporting the completion of postgraduate education. Demographic information collected also included the position of the respondent in the organization. Table 2 demonstrates that of those who responded to the questionnaires was top management with 70 percent. 18.8 percent were middle management managers, while 6.8 were operation managers.

### 5.3. Hypothesis Testing

Hypothesis testing was undertaken utilizing multiple regression analysis. Specifically, this data analysis tool was utilized to evaluate the four dimensions of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration regressed on the dependent variable of organizational performance. The level of

significance for each of the variables was measured at the  $p < 0.05$  level. Standardized  $\beta$  coefficients were also tabulated with positive numbers indicating that the result had a positive influence on the development of organizational performance. Table 3 below provides an overview of the results of the multiple regression analysis.

**Table 3: Results of Multiple Regression Analysis**

Model	Standardized Coefficient ( $\beta$ )	t-value	Sig.
Idealized influence	.261	3.399	.000
Inspirational motivation	.152	2.529	.012
Intellectual stimulation	.093	3.744	.000
Individual consideration	.457	6.708	.000

$R^2 = .601$ ; Adjusted  $R^2 = .559$ ; F-value = 373.070; Significance = 0.00

The results indicate that inspirational motivation, intellectual stimulation, and individual consideration have a statistically significant ( $p = 0.00$ ) and positive influence on organizational performance ( $\beta$  coefficients). However, the results also indicate that inspirational motivation does not have a significant influence over organizational performance ( $p = 0.012$ ). This outcome will have implications for understanding the influence of transformational leadership on organizational performance, requiring efforts to better understand the role of inspirational motivation influence in transformational leadership in the general work in the organizations

The regression analysis also indicates that intellectual stimulation played the most significant outcomes for organizational performance with individual

consideration having the second most prominent influence. The  $R^2$  value of .601 further indicates that the statistically relevant variables account for 60.1 percent of the total variance in organizational performance. The results therefore allow for accepting hypotheses 4, 3, 1, and 2. However, it is important to consider the results as they relate to the specific issue of inspirational motivation as this hypothesis (2) could not be supported from the data results.

## 6. Discussion

As noted the results provided in this study do not support hypothesis 2 but do support all of the other hypotheses proposed for this analysis Table 4 includes a review of the hypotheses developed for this study with a review of the results as they relate to the data analysis conducted for this research. Table 4: Summary of Results in Relation to Research Hypotheses.

**Table 4: Results of study hypothesis Analysis**

No.	Hypothesis	Finding
H1:	There is no significant relationship between Idealized Influence and Organizational Performance.	Not Supported
H2:	There is no significant relationship between Inspirational Motivation and Organizational Performance.	Supported
H3:	There is no significant relationship between Intellectual Stimulation and Organizational Performance. Supported H5	Not Supported
H4:	There is no significant relationship between Individual consideration and Organizational Performance	Not Supported

With respect to the first hypothesis proposed for this investigation that idealized influence has no a significant relationship with organizational performance; the results from this investigation appear to be commensurate with data collected from previous studies (Lewa et al, 2016), 2015; Ngaithe, 2015; Sasaka, 2016). In general, transformational leadership

appears to have the ability to support top management such they are able to be motivational, committed, more feel considered hence result in improved performance. These results will cause the organizations to manage their assets, sustain their business by working more on business processes internally and externally, customer satisfaction. The results will also to the organizations

developing a more lead on a wide range of outcomes including increased creativity, problem solving, decision making and innovation (Malube 2015). Transformational leadership improves the working conditions of the organization resulting in positive influences on the workforce hence improved organization performance (Giroux & McLarney, 2014).

Although the role of transformational leadership is supported in the context of improving organizational performance, one of the study components of the paradigm did not prove to have a most important influence on organizational performance in this research. In particular, hypothesis 2 was supported with the results indicating that inspirational motivation did not have a significant influence on organizational performance. This subject is one of noteworthy result given that inspirational motivation is the only construct among other construct that comprise transformational leadership (Tharnpas & Boon-itt, 2015). Understanding why inspirational motivation with it parameters such as open communication does not influence organizational performance requires a broader examination on what has been noted about this construct in the empirical reviews.

Idealized influence involves the ability of leaders to inspire followers to align personal and organizational goals to achieve positive outcomes simultaneously (Caillier, 2014). As noted earlier in this investigation idealized influence and its implications for organizational performance have not been widely examined in the literature. However there is evidence which suggests that idealized influence influences employee commitment and job satisfaction (Chen, 2004). When these findings are put collectively against research regarding the role of inspirational motivation, intellectual stimulation, and individual consideration it becomes evident that these variables have similar outcomes for top management and organizational performance (Rawung et al., 2015; Anjali & Anand, 2015; Snell et al., 2013). As such it is possible that the effects of idealized influence, intellectual stimulation, and individual consideration combined have significant influence, minimizing the role of inspirational motivation in improving organization performance.

Interesting, the variable found to have the most influence on organizational performance—intellectual

simulation has been extensively noted as an independent variable influencing organizational performance (Snell et al., 2013). Evidently, each of the Four I's contributes to similar outcomes with regarding to workforce commitment and satisfaction. However it is evident that when these Four I's are compared there are differences in the degree to which each influence organizational performance. Understanding these differences should provide a foundation for developing transformational leadership in practice. Based on the results obtained from this investigation it is evident that leaders employing this approach should focus on intellectual stimulation and individual consideration to bolster organizational performance.

#### **7. Limitations and Future Research**

Albeit to this study providing the findings on the role of transformational leadership in influencing organizational performance, the study is limited by the scope and size of the sample. The research focused specifically on the 55 commercial and strategic functional state corporations with stratified sampled size of 257 with valid returned questionnaires 215 from the state corporations. Future research should include a larger sample size as well as a consideration of different sectors. Comparison of results from different occupations may provide insight into whether or not transformational leadership has different influence on performance of the organizations from different sectors.

#### **8. Conclusion**

The results of this study do support and enhance the use of transformational leadership to positively influence organizational performance as per the findings. In view of the fact that the model of this leadership style structure gives positive results its constructs such as intellectual stimulation and individual consideration has shown a highly positive influence for structuring the organizations performance. Albeit to these results top management leaders utilizing transformational leadership constructs in all the four perspectives of performance under this study such as financial perspectives and their parameters such as return on assets, and return on investments accountability, internal businesses, structures for customer's satisfaction, learning and growth for the workforce development to increase the performance of the organizations.

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