EFFECTS OF LEADERSHIP STYLES ON ORGANIZATIONAL PERFORMANCE IN THE BANKING SECTOR IN KENYA: A CASE STUDY OF BANKS IN NAKURU

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ABSTRACT

Leadership has become a very important issue in corporate world today. This is because it is responsible for harmonization of human and material resources to produce the output for which the organization is created. Most employees of banks in Kenya complain that they are overworked as banks emphasize on performance seemingly at all cost. No study has been done on leadership styles and their influence on performance of banks in. The purpose of the study was to determine how different leadership styles affect organizational performance in the banking sector in Kenya. Specifically, the study sought to, determine how transformational leadership style affects organizational performance in the Kenyan banking sector and, find out how democratic leadership style leads to organizational performance in the Kenyan banking sector,. The study was based on the Trait Theory which assumes that some people are born natural leaders and are not 'made 'The study adopted a descriptive research design and used both stratified and purposive sampling carried out on the employees at the 18 Bank Branches in Nakuru town. The study gathered data using questionnaires. To improve reliability of the research instruments a pilot study was conducted at the banks in Nakuru town. The research gathered qualitative and quantitative data on the matter under investigation. The study revealed that leaders are open to change in their work environment and that they don't do unilateral decisions while most do not believe employees must be rewarded or punished to achieve objectives. Half of leaders do not undertake personal career counseling for their followers and an equal number are not able to listen to employees' needs and concerns. Most leaders' help subordinates complete their work which is indicative of democratic leadership but close to half of leaders do not think they are competent enough and can do good work meaning leaders think they need continuous supervision in their tasks. In addition the study revealed half of the leaders do not think that employees should be involved in the decision making process. The study revealed that none of the four leadership styles was used singly, but a mixture of different leadership styles. Transformational leadership is the most widely used in half of situations. This is followed by transactional at slightly higher than third of situations then democratic used by slightly less than a third of situations. Autocratic leadership is least used by leaders a fifth of situations. Since all the institution indicated good performance, it shows that transformational leadership has highest influence on performance. The study recommends that leaders should get more incentives to employees that do the right thing to motivate them; they should encourage

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innovativeness and creativity and should be publicly reward achievements and initiatives. The study also recommends leaders should communicate support to employees and should help their subordinates find their passion. Recommendations from this study will be useful to the heads of banking organization as it will give them insight into different types of leadership styles and their effects on organization performance. Not only will it benefit current leaders but also those aspiring to be leaders in the future in the same or other banks.

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