

Effect of Intellectual Stimulation and Individualized Consideration on Staff Performance in State Owned Enterprises in Kenya

Leonard Ngaithe¹ George K'Aol² Peter Lewa³ Michael Ndwiga³
United States International University-Africa, P. O. Box 14634 - 00800, Nairobi, Kenya

Abstract

The aim of this study was to examine effect of Intellectual Stimulation and Individualized Consideration on performance of staff in State Owned Enterprises in Kenya. The study intended to answer the following research questions: does intellectual stimulation affect performance of staff in SOEs in Kenya?, and does individualized consideration affect performance of staff in SOEs in Kenya? Positivism research philosophy and descriptive research design were used in this study. Stratified random sampling technique was used to select a sample of 163 senior managers from the target population of 275 senior managers. A structured questionnaire was used to collect data from the selected members of top management team in SOEs. The study used factor analysis to reduce data, correlation analysis to establish the relationship between staff performance and intellectual stimulation and individualized consideration, chi square test, Analysis of Variance (ANOVA) and multiple linear regression model to test the hypotheses. The study found that intellectual stimulation was positively and significantly related with staff performance, $r(139) = .73, p < .00$ and significantly predicted staff performance, $\beta = .78, t(145) = 3.38, p < .001$. Individualized consideration was strongly correlated with staff performance $r(138) = .75, p < .00$ and significantly predicted staff performance, $\beta = 1.07, t(145) = 4.57, p < .00$. The study concluded that Intellectual Stimulation and Individualized Consideration positively and significantly increased performance of staff in SOEs in Kenya. The study recommended in order for the SOEs to achieve their objectives, top management should inspire and motivate their followers so as to increase performance.

Keywords: Intellectual Stimulation, Individualized Consideration, Staff Performance, State Owned Enterprises

1. Introduction

Transformational leadership is an important subject in the fields of organizational behaviour, strategic management, strategic human resource management (SHRM) and management in general. Whatever kind of leadership style one looks at, a leader's capability determines the ability of the management to initiate a collaborated effort among the team members. This was the basis for transformational leadership since a transformational leader gains people's trust and allows collaboration among team members (Samaitan, 2014; Geib & Swenson, 2013; Etemesi, 2012).

To increase the organizational performance a leader must have the ability to promote creativity and innovation, stimulate the employees to challenge their own value systems and improve their individual performance. O'Reilly and Tushman (2013) argued that organizations that are the most adaptable to the competition in the dynamic environment will excel.

Ambrose (1995) states that intuitive organizations promote a culture of innovation and creativity tend to invigorate their employees with a sense of pride and eagerness. Today's organizations can be described as unstable and unpredictable. Koigi (2011) noted that transformational leadership can be directed to superior performance in an organization that faces renewal and transformation demands since transformational leaders encourages, models and enables their subordinates to exploit their full potential. Transformational leadership is critical in influencing staff to achieve desired goals since transformational leaders inspire employees and followers to achieve more difficult objectives and helps them develop themselves (Samaitan, 2014).

Most of the state owned enterprises in Kenya have failed to achieve their obligations and their performance represents a mixed bag of notable successes, failures and missed opportunities (GoK, 2013). Limited literature focusing on the effect of transformational leadership on staff performance among the state owned enterprises exists. Thus, this study sought to answer the question; does Intellectual Stimulation and Individualized Consideration affect performance of staff in commercial and strategic SOEs in Kenya? The study therefore sought to establish the effect of Intellectual Stimulation and Individualized Consideration on performance of staff in commercial and strategic SOEs in Kenya.

The null hypotheses of this study were:

1. Intellectual stimulation does not significantly affect performance of staff in commercial and strategic SOEs in Kenya.
2. Individualized consideration does not significantly affect performance of staff in commercial and strategic SOEs in Kenya.

2. Literature Review

The study was based on the theory of transformational leadership that was developed by (Bass, 1985). Transformational leadership focuses on moving “employees to achieve more than what is usually expected of them” (Northouse, 2010), and building intrinsic motivation in employees (Bass & Riggio, 2006).

2.1 Theory of Transformational Leadership

Transformational leadership acts as a bridge between leaders and employees to develop clear understanding of employee’s interests, values and motivational level. It basically helps employee’s achieve their objectives working in the organizational setting; it encourages employees to be expressive and adaptive to new and improved practices and changes in the environment (Bass, 1999).

2.1.1 Intellectual Stimulation

The leader promotes the innovation and creativity of employees by questioning traditional assumptions, re-evaluate existing problems, and tackling old problems using new methods. In this way, the leader encourages creativity and does not use public criticism to respond to individual mistakes of individual employees but instead solicits new ideas and creative solutions to problems (Gomes, 2014).

Intellectual stimulation enables a transformational leader to rouse critical thinking, enhance problem solving and empower the members of staff (Thompson, 2011). McCleskey (2014) argued that intellectual stimulation calls for openness without fear of criticism on the part of the leader and increased levels of confidence in problem solving situation to increase the self-efficiency and effectiveness of followers.

In corporate settings, a leader intellectually stimulates the staff to think rationally and act scientifically to enhance evidence based practice by motivating them to look out for better ways to do things (Renjith et al., 2015). Leaders must be able to adapt to face the problems that are caused by a dynamic operating environment. Leaders should therefore urge feedback and new approaches to current or new problems that may come up. Transformational leadership that encourages intellectual stimulation helped Netflix review the validity of its operations and growth plan since 2005 by challenging established theories and investigating problems in new ways (Shadraconis, 2013).

2.1.2 Individualized Consideration

Individualized consideration is whereby the leader acts as a coach or a mentor in order to support members of staff to reach their full potential (McCleskey, 2014). Individualized consideration refers to the characteristic of being an empathetic leader where the leader acts as a mentor to members of staff and reward them for ingenuity and innovation.

A transformational leader in this case has excellent communication and interpersonal skills as well as showing sincere care and compassion towards the members of staff. The employees receive support based on their requirements and are developed depending on their talents, and are often empowered to take decisions while also being provided necessary support to implement the decisions they make. A transformational leader is fundamentally interested in incessant growth and development of staff (Renjith et al., 2015).

Shadraconis (2013) explained that individualized consideration provides leaders with the opportunity to interact with employees in a more meaningful manner. Personalized communication and mutual communication can be a valuable asset for the organization of a leader who practices such. The leader pays attention to the needs of each follower to enable them grow and achieve both organizational and personal goals by acting as their mentor.

The leader attempts to bring up new learning opportunities in a supportive environment and therefore the leader exhibits recognition of individual differences, offers encouragement to some employees, standardizes patterns of work to others, and gives independence to employees with more experience. Thus, the leader creates two-way communication process with the employees, promotes an active listening style, and delegates functions in order to develop the skills of followers (Gomes, 2014).

2.2 Conceptual Framework

The conceptual framework was derived from theoretical model of transformational leadership. Intellectual Stimulation and Individualized Consideration were hypothesized to directly affect staff performance.

Independent Variables

Dependent Variable

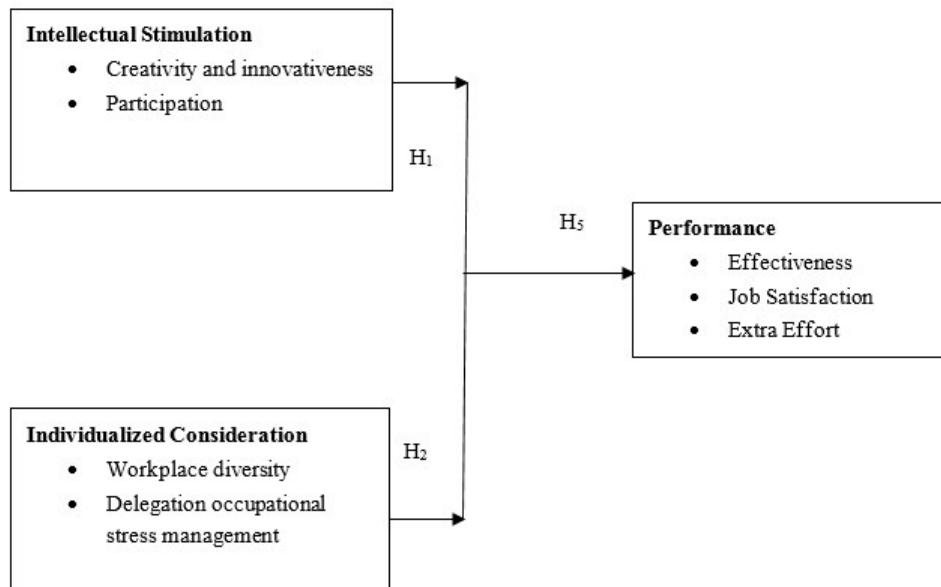


Figure 1: Conceptual Framework

2.4 Empirical Review

While examining the three components of transformational leadership i.e. inspirational motivation, individualized consideration and intellectual stimulation application at Safaricom Limited, Ndisya and Juma (2016) used the transformational leadership theory and the transactional theory for the study. The structured questionnaire and proportionate stratified sampling was used to collect data from a sample size of 109 respondents and the SPSS was used for the data analysis. The also study found a positive influence between intellectual stimulation and employee performance. The influence of the intellectual stimulation on employee performance was examined using five measures namely: Employee’s opportunity to work in a way they think best; consent to determine own pace for change; consent to make judgment in unravelling a problem; employee’s receipt of assistance to reconsider ideas that had never been looked into; and employees’ challenge to deliberate on old problems in new ways. The study recommended that major improvement in strategies should be implemented in order to synchronize recognizing cognitive ability of employees in connection with work and innovation.

Ismail et al. (2009) carried out a study to measure the effect of transformational leadership characteristics and empowerment on service quality by using 110 usable questionnaires collected from staff employed in a city based local authority in Sarawak, Malaysia. The results from a stepwise regression analysis showed that the relationship between empowerment and selected transformational leadership characteristics such as intellectual stimulation and individualized consideration is positively and significantly correlated with service quality. Further, intellectual stimulation was found to be not significantly correlated with service quality which indicates that intellectual stimulation does not affect the performance of an employee in the city based local authority.

Pradeep and Prabhu (2011) conducted a comparison between selected public and private sector enterprises with data comprising of 43 middle - level managers and 156 subordinates with the aim of exploring the relationship between transformational, transactional, laissez - faire leaderships and employee performance through correlation and regression analysis. The results indicated that the transformational leadership style has significant relationships with performance outcomes. Further, the individual consideration offered to every subordinate by the leaders tends to increase the effectiveness and satisfaction level of employees at 1 percent significance level. However, the study depended on selected few organizations and as such a larger domain of study would definitely further enlighten on the various elements studied.

3. Methodology

3.1 Research Philosophy

This study used positivism research philosophy. Under positivism research philosophy this study was able to test

the research hypotheses because the study was able to investigate what truly happened in the organizations through scientific measurement of people and system behaviours (Hatch & Cunliffe, 2006). To test these hypotheses, the underlying concepts such as, idealized influence and inspirational motivation, and staff performance were translated into measurable forms (Galliers, 1991). Furthermore, positivism research philosophy allows the study’s research findings to be generalizable (Alavi & Carlson, 1992).

3.3 Research Design

The research designed utilized in this study was descriptive correlation research design. This study is whereby information is collected without making any changes to the subject of the study thus the researcher cannot directly interact with the environment in which he or she is studying in a manner that would cause any changes associated with the experiment (Tupou, 2013). Descriptive correlation research design was used to establish the magnitude, direction and significance of idealized influence and inspirational motivation on staff performance of SOEs in Kenya. This research design was used to test the study hypotheses.

3.4 Population

The total number of top level managers in the 55 SOEs was 529 but the study targeted 275, that is, five (5) senior managers from each of the 55 SOEs.

Table 2: Population

Type of SOE	Number of SOEs	Number of TMT
Commercial	34	340
Strategic	21	189
Total	55	529

3.5 Sampling Design

This study utilized stratified random sampling technique. Based on stratified random sampling, the study divided the population into two groups or strata. The stratification was based on the functions of SOEs namely; commercial and strategic function. Stratified sampling technique enabled the study avoid the sampling bias. (Singleton & Straits, 2010)

Based on Yamane (1967) formula, the study calculated the sample size of 163 top managers. The precision error used in the formula was 0.05.

$$n = N / \{1 + N(e^2)\} \dots \dots \dots (3.1)$$

Where: n denotes the sample size, N denotes the target population (275), e denotes the margin of error (0.05).

Applying values into formula specified in equation 3.1 the sample size was:

$$n = 275 / \{1 + 275(0.05^2)\} \cong 163 \dots \dots \dots 3.2$$

Given the sample size of 163 and based on stratified sampling technique, the study selected 101 top managers from commercial SOEs and 62 from SOEs with strategic function.

3.6 Data Collection Methods

A structured questionnaire was used. This type of questionnaire is simple to administer and relatively inexpensive to analyze as opposed to unstructured questionnaire. Additionally, questionnaires are unbiased since responses are in respondents’ own words and respondents have enough time to offer proper responses (Singleton & Straits., 2010). To come up with questionnaire items, the study modified the Multifactor Leadership Questionnaire (MLQ).

3.7 Research Procedures

The study used stratified random sampling to select top managers whose responses were used to test for reliability and validity of the questionnaire (Saunders et al., 2014). These managers were selected from commercial and strategic SOEs in Kenya. After selecting 16 top managers of SOEs, the main researcher administered the questionnaires with the aim of collecting their responses. Once the questionnaires were filled, they were coded and entered data into a computer package where data validation was conducted.

The study found that intellectual stimulation had Cronbach’s alpha of 0.693 and individualized consideration had Cronbach’s alpha of 0.782. Content, criterion and construct validity of the research instrument were tested by requesting professors and experts in the area of transformational leadership and performance to give their comments regarding the content, construct and criterion validity of the questionnaire.

Structured questionnaires were used to collect primary data from 163 top managers of commercial and strategic SOEs in Kenya. Five research assistants were recruited to assist with administration of the research instrument. The questionnaires were given a unique identifier that was used during coding and data entry.

3.8 Data Analysis

Descriptive analysis was conducted with the aim of describing various patterns of the key variables. The descriptive statistics used in this study include; mean, standard deviation and frequency distribution. Descriptive analysis is a preliminary for any quantitative analysis (Trochim, 2006).

The inferential analysis used in this study comprised of factor analysis, correlation analysis and multiple linear regression model.

The study specified multiple linear regression model that did not include the moderator as shown in equation 3.3.

$$SP_i = \beta_0 + \beta_1 IS_i + \beta_2 IC_i + \epsilon_i \dots \dots \dots (3.3)$$

Where; SP denotes staff performance, IS denotes intellectual stimulation and IC denotes individual consideration. β 's are the parameters to be estimated, ϵ are the error term and i denotes the managers.

4. Results and Findings

4.1 Demographic Information

The study found that 36% of the respondents had worked in the current organizations for a period of 6 to 10 years. Only 4% of the respondents had worked over 20 years in the current organization. Additionally, 54% of the respondents were male and 46% of the respondents were female.

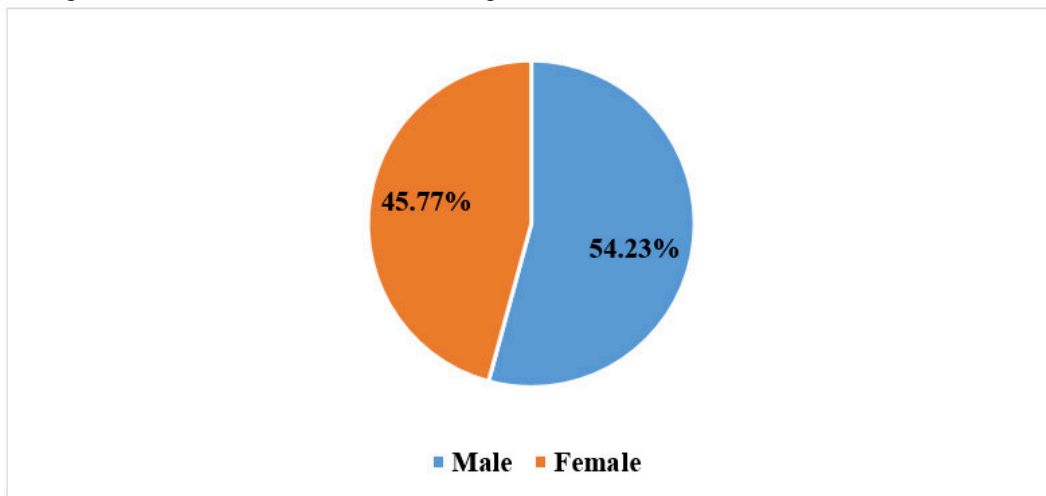


Figure 1: Gender of respondents

4.2 Effect of Intellectual Stimulation on Staff Performance

The study found that all the items of intellectual stimulation were positively and significantly related with staff performance. The Pearson correlation between intellectual stimulation and staff performance showed that the two variables were strongly correlated $r(139) = .73, p < .00$. The results are presented in table 2.

Table 2: Correlation between intellectual stimulation index and staff performance

		Intellectual Stimulation
Staff Performance	Pearson Correlation	0.728
	Sig. (2-tailed)	0.000
	N	139

Chi square test was used to test the strength of association between two variables. The results for Chi squared indicated that there was a strong association between intellectual stimulation and staff performance, $\chi^2(16, N=146) = 118.27, p = .00$. The results for ANOVA indicated that there was no significant difference in means of all items of intellectual stimulation and the type of SOEs (commercial and strategic SOEs).

Based on multiple linear regression model, the study sought to establish the effect of intellectual stimulation on staff performance. The following hypothesis was therefore tested:

H₀: Intellectual stimulation does not affect performance of staff in Kenya SOEs

H₁: Intellectual stimulation affects performance of staff in Kenya SOEs

The study found that intellectual stimulation explained a significant proportion of variance in staff performance, $R^2 = .80, F(1, 145) = 43.4, p < 0.01$. The results are presented in table 3.

Table 3: Model summary for intellectual stimulation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.870	0.758	0.745	1.71303	

The results for multiple linear regression indicated that intellectual stimulation significantly predicted

staff performance, $\beta = .78$, $t(145) = 3.38$, $p < .001$. This finding implied rejection of the null hypothesis. The results are presented in table 4.

Table 4: Regression Results for intellectual stimulation

Model	Variable	Coefficient	Standard Error	t	Significance
1	Constant	0.169	0.173	0.979	0.330
	Intellectual stimulation	0.842	0.242	0.244	3.480

4.3 Effect of Individualized Consideration on Staff Performance

The correlation results for all the items of individualized consideration were positively and significantly related with staff performance. The results for correlation analysis between individualized consideration index and staff performance indicated that the two variables were strongly correlated $r(138) = .75$, $p < .00$. The results are presented in table 5.

Table 5: Correlation between individualized consideration index and staff performance

	Individualized consideration	
Staff Performance	Pearson Correlation	0.753
	Sig. (2-tailed)	0.000
	N	138

Chi square test was used to test the strength of association between two variables. The results for Chi square test showed that there was a strong association between individualized consideration and staff performance, $\chi^2(16, N=145) = 121.22$, $p = .00$. The study conducted one way ANOVA to test the mean difference between commercial and strategic SOEs. The study found that there was no significant difference in means of all items of individualized consideration and the type of SOEs except for item "I put extra effort at my duties because my immediate supervisor pays attention to me when I seem rejected", $F(1, 144) = 4.86$, $p = .03$.

The study sought to establish the effect of individualized consideration on staff performance. The following hypothesis was therefore tested:

H₀: Individualized consideration does not affect performance of staff in Kenya SOEs

H₁: Individualized consideration affects performance of staff in Kenya SOEs

The regression results that individualized consideration explained a significant proportion of variance in staff performance, $R^2 = .80$, $F(1, 145) = 43.4$, $p < .01$. The results are presented in table 6.

Table 6: Model summary for individualized consideration

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.870	0.758	0.745	1.71303	

The study found that individualized consideration significantly predicted staff performance, $\beta = 1.07$, $t(145) = 4.57$, $p < .00$. This results indicated rejection of the null hypothesis. The results are presented in table 7.

Table 7: Regression Results for individualized consideration

Model	Variable	Coefficient	Standard Error	t	Significance
1	Constant	0.169	0.173	0.979	0.330
	Individualized consideration	1.095	0.221	4.953	0.000

5. Discussion, Conclusions and Recommendations

5.1 Discussion

The study found that intellectual stimulation had a positive and significant effect on performance of staff in Kenya SOEs. This finding corroborated Akeel and Indra (2013) who also found that intellectual stimulation elicit positive reactions of bank employees in Jordan. The study findings contradicted Elgelal and Noermijati (2015) who found that intellectual stimulation had no significant effect on the employees' performance.

The study found that individualized consideration positively and significantly affected staff performance. This finding is supported by Pradeep and Prabhu (2011) who found that individual consideration increased effectiveness and employees satisfaction. The study findings contradicted Bello (2012) results that individual consideration does not affect employees' effectiveness.

5.2 Conclusions

The study concluded that intellectual stimulation and idealized influence both had a positive and significant effect on staff performance of commercial and strategic state owned enterprises.

The study concluded that in order to improve the staff performance, managers of commercial and strategic SOEs in Kenya ought to nurture subordinates' creativity, allow them challenge the status quo, aspire for regular innovation, empower staff to disagree with leadership and allow employees to take risks when necessary in order to achieve goals. Also, managers who attend to each subordinate's needs, mentor or coach the employee

and listen to their concerns increases the productivity and performance of their staff.

5.3 Recommendations

The study recommended that senior managers should show genuine compassion to the employees and encourage constant professional development and personal growth of staff in order to improve staff performance.

The top management team should also reduce/remove uncertainty, power distance and create a culture of collectivism in order to improve staff performance.

References

- Akeel, A., & Indra, D. (2013). The Role of Transformation Leadership Style in Motivating Public Sector Employees in Libya. *Australian Journal of Basic and Applied Sciences*, 7(2), 2013.
- Alavi, M., & Carlson, P. (1992). A review of MIS research and disciplinary development. *Journal of Management Information Systems*, 8(4), 45-62.
- Ambrose, D. (1995). Creatively Intelligent: Post - Industrial Organizations and Intellectually Impaired Bureaucracies. *The Journal of Creative Behaviour*, 29(1), 1-15.
- Bass, B. M. (1999). Two decades of research and development in transformational leadership. *European Journal of Work and Organizational Psychology*, (8), 9-32.
- Bass, B. M. (1985). *Leadership and performance beyond expectations*. Free Press; Collier Macmillan.
- Brown, E. A., & Arendt, S. W. (2011). Perceptions of transformational leadership behaviours and subordinates' performance in hotels. *Journal of Human Resources in Hospitality & Tourism*, 10(1), 45-59.
- Bello, S. M. (2012). Impact of ethical leadership on employee job performance. *International Journal of Business and Social Science*, 3(11).
- Elgelal, K. S. K., & Noermijati, N. (2015). The Influences of Transformational Leaderships on Employees Performance (A Study of the Economics and Business Faculty Employee at the University of Muhammadiyah Malang). *Asia-Pacific Management and Business Application*, 3(1), pp-48.
- Etemesi, R. (2012). *Thoughts on Leadership Management*. KIM Publication No. 19.
- Galliers, R. J. (1991). Choosing Appropriate Information Systems Research Approaches: A Revised Taxonomy. *Information Systems Research: Contemporary Approaches & Emergent Traditions*. (Eds. Nissen, H. - E.; Klein, H. K. & Hirschheim, R.), Amsterdam: North Holland.
- Geib, P., & Swenson, J. (2013). China: Transformational Leadership for Policy and Product Innovation. *Advances in Management*, 6(5), 3-10.
- GoK. (2013). *Government Policy on Management of Government Owned Entities*. Executive Office of the President, Nairobi.
- Gomes, A. R. (2014). Transformational leadership: theory, research, and application to sports.
- Hatch, M. J., & Cunliffe, A. L. (2006). *Organization Theory (2nd Ed.)*. Oxford University Press, Oxford.
- Ismail, A., Halim, F. A., Abdullah, D. N. M. A., Shminan, A. S., Muda, A. L. A., Samsudin, S., & Girardi, A. (2009). The mediating effect of empowerment in the relationship between transformational leadership and service quality. *International Journal of Business and Management*, 4(4).
- Koigi, A. N. (2011). *Improving organisational effectiveness of public enterprises in Kenya* (Doctoral dissertation, Nelson Mandela Metropolitan University).
- Juma, D.O, and Ndisya, S. N. (2016). Influence of Transformational Leadership on Employee Performance. A Case Study of Safaricom Limited. *Strategic Journal of Business & Change Management*, 3(2).
- McCleskey, J. A. (2014). Situational, transformational, and transactional leadership and leadership development. *Journal of Business Studies Quarterly*, 5(4), 117.
- Northouse, P. G. (2010). *Leadership: Theory and practice* (5th Ed.). Thousand Oaks, CA: Sage.
- O'Reilly, C. A., & Tushman, M. L. (2013). Organizational ambidexterity: Past, present, and future. *The Academy of Management Perspectives*, 27(4), 324-338.
- Pradeep, D. D., & Prabhu, N. R. V. (2011). The relationship between effective leadership and employee performance. *Journal of Advancements in Information Technology*, 20, 198-207.
- Renjith, V., Renu, G., & George, A. (2015). Transformational Leadership in Nursing. *International Journal of Scientific Research and Management Studies*, 2(2), 112-118.
- Samaitan, L. C. (2014). *Leadership Styles and Performance of Commercial Banks in Kenya*. Unpublished Thesis, University of Nairobi.
- Saunders, M., Lewis, P., & Thornhill, A. (2014). *Research Methods for Business Students, (4th Ed)*. Prentice Hall Financial Times, Harlow.
- Shadraonis, S. (2013). Organizational Leadership in Times of Uncertainty: Is Transformational Leadership the Answer?. *LUX: A Journal of Transdisciplinary Writing and Research from Claremont Graduate University*, 2(1), 28.
- Singleton, R. A., Straits, B. C., & Straits, M. M. (2010). *Approaches to social research*. New York: Oxford University Press.

- Thompson, E. (2011). Are you a transformational leader?. *OR Nurse*, 5(3), 3.
- Sundi, K. (2013). Effect of Transformational Leadership and Transactional Leadership on Employee Performance of Konawe Education Department at Southeast Sulawesi. *International Journal of Business and Management Invention*.
- Trochim, W. (2006). *The Research Methods Knowledge Base* (2nd Ed.). Atomic Dog Publishing, Cincinnati, OH.
- Tupou, S. F. (2013). *A descriptive correlational study of teacher participation in professional development and teacher efficacy* (Doctoral dissertation, University Of Oregon).
- Yamane, T. (1967). *Statistics: An Introductory Analysis* (2nd Ed.). New York: Harper and Row.