

The Effect of Balanced Processing on the Performance of Employees of Commercial Banks in Kenya

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Abstract

The study investigated the effect of Balanced Processing of Information on the performance of employees of commercial banks in Kenya. The independent variables that were measured include private knowledge, internal experiences and externally based evaluative information. These independent variables were regressed against performance of employees, whose indicators include efficiency, productivity, turnover and quality of work output. A cross-sectional descriptive research design was used. The population was 31,605 employees of 38 commercial banks in Kenya. The study sample was 395 respondents, which was attained using proportionate stratified sampling method. A structured questionnaire was used to collect primary data from respondents. The study formulated the null hypothesis and tested it using the spearman correlation coefficient aided by the statistical package for social sciences (SPSS) version 28.0.0.0. The analysis results at 0.05 level of significance showed that Balanced Processing of information has a statistically significant effect on the performance of employees of commercial banks in Kenya. The findings would be useful to commercial banks in Kenya and other organizations in evaluating their leaders' Balanced Processing behaviour in order to improve performance of their employees.

Keywords: Balanced processing, employee performance, private knowledge, internal experiences, externally based evaluative information.

DOI: 10.7176/EJBM/14-16-04

Publication date: August 31st 2022

1. Introduction

This study sought to find out the effect of balanced processing leader behaviour on the performance of employees. Balanced processing was initially referred to as unbiased processing component (Tice & Wallace, 2003). The rationale for this change was that all individuals are inherently biased and cannot be properly unbiased. The inclination of human nature is to process self-relevant information only (Farrukh & Ahsan, 2015). Consequently, the component of unbiased processing was changed to balanced processing (Gardner et al., 2005). Additionally, Walumbwa et al. (2008) definition of balanced processing shows little resemblance to its roots and presents it as a predominant decision-making skill that involves objective analysis, opinion seeking, critical reflection and accurate judgement. Therefore, the practice of balanced processing in its current form does not capture the emotional nature of authentic expression in leaders or the affective ties it creates in followers (Cotter-Lockard, 2018).

On the other hand, employee performance is considered a vital element in leadership studies because of its role in the process of organizational performance. It is the accumulated value of the employee behaviour, which contributes to the organization (Campbell, 1990). Employee performance is dependent on the leader behaviour that can motivate employees toward high performance (Northouse, 2016). According to Olaka et al. (2017), improved performance is mostly associated with leader behaviour in organizations. Further, the stability of organizations is majorly dependent on employee performance (Ndegwa et al., 2018). Employees are regarded as the most critical resource in many organizations. Their perception of leadership and job satisfaction often determines the level of performance.

Most organizations are concerned with how to sustain employee performance because of its critical impact on organizational outcomes (Shilaho, 2019). Due to the significant role employees play in organizational performance, organizations spend huge resources in trying to establish the best way to maintain high

performance of employees (Enu-Kwesi et al., 2014). Therefore, the type of leaders organizations have determines the level of employee performance. Employee performance is indicated by productivity, efficiency, quality work output and turnover intentions (Karoki, 2016). Thus, it is hypothesized that the higher the level of balanced processing of the leader, the higher the performance of employees (Hendricks, 2018). Employees of any organization would need leaders that have high balanced processing in order to develop hope, optimism and resilience, which can improve their performance (Ribeiro et al., 2018). Despite a chain of reforms being introduced by stakeholders, employee performance has not been consistent in organizations (Maina & Waithaka, 2018). Several studies have shown lack of balanced processing in most organizations in the third world countries (Rijsenbilt & Commandeur, 2013; European Investment Bank, 2016; Muchiri & Gachunga, 2018). Few studies have been conducted on the balanced processing as a critical research area in authentic leadership studies. Against this backdrop, the current study investigated the extent to which balanced processing influences performance of employees of commercial banks in Kenya.

2.0. Literature Review

This section presents the independent variable of the study, which is Balanced Processing, while the dependent variable is Performance of Employees. The theory underpinning the study is Social Exchange Theory.

2.1 Balanced Processing

Balanced processing is a behaviour of authentic leadership, which refers to the processing of self-relevant information without denying, distorting, exaggerating or ignoring private knowledge, internal experiences and externally-based evaluative information (Kernis & Goldman, 2006). It is defined as the tendency to consider all relevant information available to make decisions that benefit the collective (Crawford et al., 2020). This definition concurs with the definition by Leroy et al. (2012), which referred to balanced processing as the leader's unbiased consideration of all relevant information before making decisions. It also concurs with Peus et al.'s (2012) description of balanced processing as a process of equitably analyzing all relevant data before making a decision. This definition supports Walumbwa et al.'s (2011) earlier definition of balanced processing as the ability to avoid engaging in ego-protecting biases that distort the process of self-relevant information. These definitions lead to the conclusion that leaders objectively evaluate all available information before making decisions and they are receptive to the views that are different from their deeply held positions (Banks et al., 2016). Thus, balanced processing involves the collection of information and impartial review of all relevant evidence before making a decision. Leaders with high balanced processing use this behaviour to place more emphasis on private knowledge, internal experiences and externally generated evaluative information (Gardner et al., 2005). Additionally, this behaviour demonstrates the leader's ability to acknowledge variety of stakeholder opinions when making decisions using both factual and subjective knowledge (Dzahir Kasa et al., 2020). It is worth to note that unbiased collection and interpretation of self-related information could be positive or negative in nature. However, regardless of its nature, unbiased processing of information is important for the leader's self-development (Gardner et al., 2005). It is fundamental to the leader's integrity and character in decision-making and action (Gavin et al., 2003). Further, authentic leaders' balanced processing often meets employees' need for autonomy and competence (Zhang et al., 2018). This view is in line with Gardner et al.'s (2005) observation that leaders with high balanced processing have a desire to encourage independent thinking of employees and voice behaviour before making a decision. This kind of desire is important to cultivate employees' sense of competence and autonomy so that they can have capacity to participate in decision-making, resulting into increased employee performance (Laschinger et al., 2015). This view supports the argument by Liu et al. (2012) that participating in decision-making leads to improved performance of employees because they have opportunity to exercise control over matters that relate to their work. Balanced processing can be summarised as soliciting and listening to all points of view so that every employee is heard before the leader makes a decision. Thus, balanced processing does not allow motivational biases to influence the process of selecting and interpreting information (Farrukh & Ahsan, 2015). Leaders that have high balanced processing tend to seek the opinions of others, even if they are contrary to theirs and they make decisions in full consideration of these divergent viewpoints (Onyalla, 2018).

2.1.1. Private Knowledge

Private knowledge is one of the components that form balanced processing behaviour. According to Polanyi (2003), this is knowledge held solely by the leader. Astorri (2021) describes it by giving an example of a judge, who knows by private knowledge attained outside of the trial that the charges, documents and witnesses presented are false. However, he or she is faced with an ethical dilemma of choosing between judging according to the evidence presented and pronouncing a different sentence based on his or her private knowledge. Similarly, the leader's private knowledge may not be public knowledge, but it is declared to the public when the leader makes own decision. Private knowledge, is widely acknowledged as a prerequisite to the development of balanced processing behaviour (Peus et al., 2012; Eriksen, 2009). Thus, private knowledge about values,

convictions, personal strengths and weaknesses is a prerequisite for authentic leaders acting in a way that is perceived authentic by the employees. This view concurs with Shamir and Eilam's (2005) view that leaders with a high level of private knowledge understand their values and convictions. According to Branson (2007), private knowledge helps leaders to develop a pattern of feeling, thinking and acting with authenticity when making decisions. Thus, leaders who are clear about their values have the capacity to act in accord with those values when making decisions despite the challenges presented by external pressures (Peus et al., 2012). Further, having knowledge about an individual's personal characteristics and values comes before having trust in them. Therefore, private knowledge defines balanced processing to the extent that leaders who solicit views that challenge their deeply held positions have to understand those positions before being able to challenge those views. It can be concluded that when private knowledge conflicts with the data presented, the leader needs to give preference to private knowledge.

2.1.2. Internal Experiences

Internal Experiences is also a vital component of balanced processing construct. Balanced processing of information is achieved when leaders enact internalized self-regulation processes that guide their conduct. Thus, a leader's conduct is guided by internal values, rather than external threats, social expectations or rewards (Walumbwa et al., 2008). This assertion is supported by Malik's (2018) view that the leader's conduct is guided by his or her inner core of truthfulness, based on the facts about his or her personality (Malik, 2018). These views imply that leaders who have balanced processing behaviour know themselves and choose leadership roles that are consistent with internal self-concepts and goals. Such leaders create alignment between their internal core beliefs and self-identity on the one hand and their leader role and actions on the other hand (George et al., 2013). It is worth of note that early experiences with key individuals in one's life contribute to the formation of response patterns that have a tendency to repeat themselves in the leader in other contexts with different people, such as colleagues in the work place (Northouse, 2016). Thus, certain relationship themes that are rooted in the deepest wishes, needs and goals contribute to one's unique personality style and develop over time in the leader's inner theatre. Individuals act out these themes onto others with anticipation of reaction in the work place replete with leaders and employees relationships. This perceived reaction causes the leader to reciprocally react, but not to the actual reaction (Luborsky & Crits-Christoph, 1998). Therefore, the inner experiences of an individual exhibits the motivation behind his or her behaviour and identifies key relationship areas affecting the leader's ability to live and work productively in alignment with his or her deep desires for more productive and mutually enhancing interpersonal relationships (Northouse, 2016).

2.1.3. Externally-Based Evaluative Information

Externally-based evaluative information is a component of balanced processing, which leaders possess through others and analyse it on merit (Malik, 2018). This kind of information is considered as the alternative decision that has influence on external environment. Thus, balanced processing integrates exact and balanced recognitions, independent of inner self-based barrier components and assessment of oneself (Penger & Cerne, 2014; Gardner et al., 2009). This implies that leaders using externally-based evaluative information are open about their own perspectives, but remain objective when considering perspectives of others (Northouse, 2016).

2.2. Employee Performance

Employee performance refers to quality and quantity of output, presence at work, accommodative and helpful nature and timeliness of output (Shahzadi & Javed, 2014). It is the accumulated value of the employee behaviour that contributes to the organization (Campbell, 1990). Commercial banking is a service industry that requires high performance of employees to achieve goals, deliver products and services as well as achieve competitive advantage. Performance is beneficial to the individual employee because they gain job satisfaction and get rewards. Before the 1980s, no attempts had been made to model employee performance as a construct (Austin & Villanova, 1992). However, researchers have developed a consensus that employee performance be defined as actual things that employees do and actions they take to contribute to the organizational goals (Campbell & Wiernik, 2015). Despite this consensus, employee performance theory and measurement have received little attention in the field of leadership (Richard et al., 2009). Performance of employees is generally indicated by efficiency, quality of work, productivity and turnover intentions (Ondoro, 2015). Additionally, employees who perceive leaders as having balanced processing behaviour are likely to replicate the same behaviour (Leroy et al., 2015). This study measured performance of employees based on four indicators, which include efficiency, productivity, turnover intentions and quality of work.

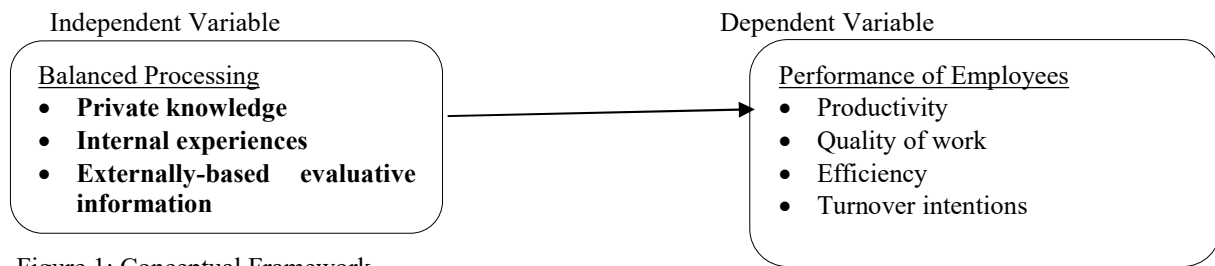


Figure 1: Conceptual Framework

2.3. Social Exchange Theory

The theory associated with balanced processing is Social Exchange Theory. It is a socio-psychological and sociological view, which describes social change and stability as a process of negotiated exchanges between parties (Hakkinen, 2012). Major proponents of the Social Exchange Theory include Homans (1961), Blau (1964) and Emerson (1962). According to Homans (1961) social exchange involves exchange of activity, tangible or intangible and rewarding or costly, between parties. Blau (1964) described this theory as involving a person's voluntary behaviour in return to others' positive behaviour. However, Emerson (1962) argued that the power dependence theory of social relations means that the more a person values resources controlled by another, the more dependent that person is and the less power he or she has in the relationship. The relational perspective of social exchange focuses on the leader-employee relationship, where employees are convinced about and willing to engage in a reciprocity process with their leaders (Hakkinen, 2012). This kind of reciprocity works in the environment of trust between followers and leaders. The theory underlies the behaviour and interrelationships of people at work, which suggests that interactions between parties must involve reciprocal interdependence (Blau, 1964, 2017). According to Peus et al. (2012), Social Exchange Theory helps in examining the quality of interactions associated with reciprocity. Thus, the theory suggests that an individual, who supplies rewarding services, obligates the recipient to supply benefits in turn. It is a great tool for researchers who seek to examine the employment relationship between individuals in the work place. The proponents of Social Exchange Theory, Cropanzano and Mitchell (2005) promoted the idea that relationships should be developed through trust, loyalty and mutual commitment. Social Exchange Theory's central premise and fundamental feature of human interaction is the exchange of social and material resources (Homans, 2016). The nature of social exchanges affects areas such as equity theory of motivation and leadership, by showing how organizations value their employee's contribution and how they care for their well-being (Meira & Hancer, 2021). This conclusion supports the view of Tyagi and Puri (2017) that trust in leaders is the foundation of social exchange, which is developed through reciprocal occurrence between leaders and employees. Employees could increase their efforts to achieve their work goals because they have the support and resources from their leaders, which makes it possible to improve performance (Sepdiningtyas & Santoso, 2017). Balanced Processing has been suggested to facilitate social exchange relationships between leaders and followers, where they encourage open information sharing and constructive feedback (Peus et al., 2012). Thus, positive social exchange yields balanced processing, which is one of the components of authentic leadership. Studies confirm that balanced processing has a positive influence on social exchange, which results in increased performance of employees (Gill & Caza, 2018; Dietl & Reb, 2021).

3. Research Methodology

The study adopted a cross-sectional descriptive research design (Bhattacharjee, 2012). Descriptive research design was based on the study purpose which was, to establish the effect of balanced processing on the performance of employees of commercial banks in Kenya (Kothari & Garg, 2019). Cross-sectional study design has been used successfully in previous related studies (Nyaywera et al., 2018; Dartey-Baah & Agbozo, 2021). The study population was 31,605 employees of 38 commercial banks in Kenya (CBK, 2021). The study was conducted in Nairobi, where all commercial banks in Kenya have representation. The unit of analysis was the employee. (Salkind, 2011). The sample size was 395 respondents obtained using random stratified sampling (Sekaran & Bougie, 2019). Primary data was collected using a structured 5-point Likert scale questionnaire (Oluwatosin, 2017). The researcher physically delivered the questionnaires to the respondents and picked them after they were filled.

3.1 Findings and Discussion

The study used SPSS version 28.0.0.0 to analyze data. Multiple regression analysis helped to objectively assess the degree and character of the relationship that existed between independent and dependent variables (Sekaran & Bougie, 2019). The objective of this analysis was to make a prediction about the dependent variable based on its covariance with the independent variable of the study. A linear regression model was used because the

objective was to test the linear relationship of the variables. Performance of employees was regressed against balanced processing. The hypothesis stated that: there is no statistically significant relationship between balanced processing and performance of employees of commercial banks in Kenya. The analytical models for testing was as follows: $P = \beta_0 + \beta_1BP + \epsilon$

Where:

P= Performance,

β_0 = Constant,

BP= Balanced processing,

ϵ =Error term.

The descriptive purposes of correlation coefficients are to measure the strength and direction of the relationship between variables. The closer the positive or negative correlation coefficient is to +1.00 or -1.00, the stronger the relationship (Aldrich & Cunningham, 2016). All variables of the study had a positive relationship between themselves at a significant level of 0.05.

3.2 Correlation Analysis

Correlation coefficient indicates the strength and direction of the relationship between variables, which could be either positive or negative (Cramer, 2009). Table 1 presents results for each independent variable correlated against employee performance. Private knowledge correlation coefficient of 0.047 is significant at 0.356; Internal experiences correlation coefficient of 0.001 is significant at .984; externally-based evaluative information correlation coefficient of 0.031 is significant at 0.543. Therefore, it can be concluded that components of balanced processing have low correlation with performance of employees, when considered separately.

Table 1: Correlation Coefficient Analysis

		knowledg	experient	based	Performan
Private knowledg	Pearson	--			
	N	395			
Internal experiences	Pearson	0.049	--		
	Sig. (2-	0.327			
	N	395	395		
externally-based evaluative informatio	Pearson	0.008	-.118*	--	
	Sig. (2-	0.908	0.019		
	N	395	395	395	
Employee Performance	Pearson	0.047	0.001	0.031	--
	Sig. (2-	0.356	0.984	0.543	
	N	395	395	395	395

*. Correlation is significant at the 0.05 level (2-tailed).

3.3 Regression Analysis

This study considered the effect of balanced processing on employee performance. The indicators of employee performance are: productivity, efficiency, quality of work and turnover intentions. The objective was to establish the effect of balanced processing on the performance of employees of commercial banks in Kenya. The null hypothesis (H_0) stated that, there is no statistically significant relationship between balanced processing and performance of employees of commercial banks in Kenya. To test the level of balanced processing influence on the performance of employees of commercial banks in Kenya, a simple regression test was performed. The results presented in Table 2 show the correlation value was 0.637, which implies a significant relationship between balanced processing and performance of employees. The coefficient of determination was 0.406, which indicates that the effect of balanced processing on performance of employees was 40.6%, while the remaining 59.4% was influenced by other factors. The beta coefficient was 0.546, which shows the amount of change in the dependent variable (Employee Performance) when the independent variable (Balanced processing) increased by one unit. The significance level was 0.001, which is less than the conventional probability of 0.05. Therefore, the null hypothesis was rejected, hence the study established that there is a statistically significant relationship between balanced processing and performance of employees of commercial banks in Kenya. The results are represented by the following regression model: $P = 2.015 + 0.546BP + \epsilon$, Where: P=Performance, BP= Balanced processing, ϵ =Error term.

Results of individual independent variables, namely: private knowledge, internal experiences, externally-based evaluative information are presented in Table 2. These results show that there is a moderate correlation between independent variables and the dependent variable. The correlation between balanced processing and

employee performance is moderate at 0.637. However, the correlation between: private knowledge and employee performance is low at 0.023; internal experiences and employee performance low at 0.003 and externally-based evaluative information low at 0.005. Therefore, the three independent variables may not be good predictors for change in performance of employees when consideration is given to each separately. But when considered cumulatively as presented in Figure 2, the model accurately explains the variation in the dependent variable since the significance value of 0.001 shows that there is a low probability the variation explained by the model is due to chance. Thus, based on these results, it is evident that there is a statistically significant relationship between balanced processing and performance of employees of commercial banks in Kenya. However, when considered separately, the conclusion is that there is no statistically significant correlation between: private knowledge and employee performance (sig. 0.095); internal experiences and employee performance (sig. 0.835) as well as externally-based evaluative information and employee performance (sig. 0.700) at the significance values 0.05. Therefore, the null hypothesis is upheld in each case. The null hypotheses state that there is no statistically significant relationship between private knowledge and performance of employees of commercial banks in Kenya; internal experiences and performance of employees of commercial banks in Kenya; externally-based evaluative information and performance of employees of commercial banks in Kenya. However, as shown in table 2 when all the three independent variables are present in the leader and efficiently applied it will result in high performance of employees.

Table 2: The Effect of balanced processing on employee performance

Model Summary						
Model	R	R Square	R Square of the			
1	.637 ^a	0.406	0.400	0.37682		
a. Predictors: (Constant), externally-based evaluative information, Private						
ANOVA ^a						
Model		Squares	df	Square	F	Sig.
1	Regression	38.243	4	9.561	66.624	<.001 ^b
	Residual	55.966	390	0.144		
	Total	94.210	394			
a. Dependent Variable: Employee Performance						
b. Predictors: (Constant), externally-based evaluative information, Private knowledge, Balanced Processing						
Coefficients ^a						
Model		Coefficients		Beta	t	Sig.
		B	Std. Error			
1	(Constant)	2.015	0.182		12.418	0.000
	Balanced Processing of Information	0.546	0.034	0.635	16.282	0.000
	Private knowledge	0.023	0.014	0.065	1.875	0.095
	Internal experiences	0.003	0.014	0.008	0.209	0.835
	externally-based evaluative information	0.005	0.013	0.015	0.386	0.700

4.0 Recommendations

A number of recommendations can be made based on the findings of the study. Commercial banks in Kenya should deliberately encourage balanced processing behaviour with all its components namely: private knowledge, internal experiences and externally-based evaluative information. Further, the management of commercial banks ought to emphasize all the components of balanced processing behaviour in order to have strong positive relationships between leaders and employees. Additionally, the management of commercial banks ought to create a highly developed organizational climate for balanced processing behaviour to thrive. Commercial banks in Kenya should embark on inculcating balanced processing behaviour in their leaders by designing training programs that include: private knowledge, internal experiences and externally-based evaluative information.

4.1 Areas for Further Study

A similar study can be conducted in other contexts within the banking industry as well as beyond in order to establish the effect of leader balanced processing behaviour on the performance of employees. This study established that the effect of balanced processing on employee performance is only 40.6%. A further investigation is needed to establish the 59.4% unexplained changes. The study also established the effect of individual balanced processing components on employee performance. A further study needs to be conducted to establish clearly the level of influence of balanced processing behaviour on performance of employees of commercial banks in other contexts. A further study can also be conducted to establish the true effect of

balanced processing on employee performance with addition of a moderating variable in the regression equation. This study adopted a quantitative method and cross-sectional descriptive research design. Future research could consider alternative designs, such as longitudinal research design, which can help to identify cause-and-effect relationships (Saunders et al., 2019). Future research can also consider linking both quantitative and qualitative data to achieve a comprehensive understanding.

5.0 Conclusion

Based on the findings of this study, several conclusions can be drawn. First, balanced processing has a statistically significant effect on the performance of employees of commercial banks in Kenya. However, all the components of balanced processing should be present in the leader. Thus, commercial banks in Kenya show that their leader listen carefully to the views of others before making decisions; they solicit views that challenge their deeply held positions; they objectively analyzes all relevant information before making a decision. This study, therefore, concludes that commercial banks in Kenya are expected to increase the effectiveness of their leaders' balanced processing behaviour. Second, balanced processing strengthens the relationship between leaders and employees of commercial banks in Kenya. Thus, improved relationship is likely to enhance performance of employees through increased productivity, reduced turnover intentions, improved quality of work output and increased efficiency. Finally, balanced processing can only explain 40.6% of change in performance of employees, which means that 59.4% of change in performance remains unexplained. However, the practice of balanced processing behaviour has a significant contribution to the performance of employees of commercial banks in Kenya.

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