ROLE OF TRANSFORMATION LEADERSHIP ON STAFF PRODUCTIVITY IN THE INSURANCE INDUSTRY

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ABSTRACT

Purpose: The study examined the role of transformation leadership on staff productivity in the insurance industry.

Materials and Methods: The research method used in this study involved the use of secondary data obtained from published studies, journals, articles and reports. This method was more preferred than conducting the actual field work since it saves time and reduces the cost of data collection. It is also easily accessible and convenient to use at any given time.

Results: The findings of this study indicated that the empirical studies consisted of various research gaps including conceptual, contextual and geographical gaps. This is because some of the studies focused more on the influence and effects of transformational leadership on employee performance, innovation behaviour, organizational learning, organizational commitment rather than on employee productivity. On the other hand, the findings of other studies discussed on other leadership styles apart from transformational leadership while most of the studies were conducted outside Kenya.

Recommendations: The findings of this study will be applicable to a wide range of industry players in the insurance sector. The management of insurance companies will benefit from this study since it clarifies the significance of transformational leadership and its function in enhancing employee productivity in the insurance sector. The policymakers in the insurance will also benefit from this study especially when implementing policies with regards to improving the productivity of employees and empowering managers and leaders. Further, this study will also be relevant to the researchers and academicians since it will be used to add up to their literature work and will also motivate them to carry out more research related to the current topic so as to address some of the research gaps identified in this study.

Keywords: Transformational Leadership, Staff Productivity, Insurance Sector.
INTRODUCTION

The productivity of employees is a fundamental principle for any organization to achieve its goals and visions. This is because employees are an essential component of the daily business activities of an organization (Gubler, Larkin & Pierce, 2018). They provide their skills and experience needed to transform the available resources in an organization into the required products and services sold to customers. Staff productivity can be defined as the quantity of work completed by an employee over a predetermined time period (Delmas & Pekovic, 2018). It also involves the collective participation and efforts of each employee to drive the right outcomes and propel the organization forward. Leadership is the capacity to influence people to work toward a particular aim or objective. (Antonakis & Day, 2018). According to Ciulla (2020), leadership is a crucial element of management in any organization especially in planning, directing, coordinating and controlling all its activities.

In addition, effective leadership of an organization ensures that its meets the set goals and objectives (Ciulla, 2020). Therefore, a leader who is knowledgeable about how to apply various leadership styles in various environments will assist in motivating employees and in increasing their productivity. However, if the leadership style chosen does not satisfy employees and creates unfavorable working environments, employees often become demotivated and their productivity significantly reduces (Gandolfi & Stone, 2018). According to Krekel, Ward and De Neve (2019), the performance of staff at any one time determines whether an organization will succeed or fail. Employee productivity is a key factor in ensuring that the performance of an institution meets its set targets. Therefore, having a well-motivated and committed workforce is key to improving the productivity and profitability of the organizations. Employers who understand how crucial employee productivity is regularly make sure they do everything in their power to both hire the best personnel and keep them motivated so as to be consistently productive (Yunus & Ernawati, 2018).

In the today competitive business era, employers are also aware of the key role that their employees play in enhancing customer satisfaction which is key in increasing their competitive advantage (Krekel, Ward & De Neve, 2019). Applying various leadership styles such as motivating and inspiring employees through employee engagement has led to employee satisfaction (Antonakis & Day, 2018). Employees who are satisfied are able to provide good customer services and produce quality products that meet the demand of the customers. In addition, this also builds the reputation of the organization to the public. Employers who engage their employees in setting goals and in decision-making, improve their problem solving skills and increase their committed to assist the organization achieve both its short-term and long-term goals (Delmas & Pekovic, 2018). On the other hand employers who are result-oriented are able to enhance the accountability of employees by reviewing their performance frequently and rewarding them everytime they achieve the set target goals. This also motivates them to do more and exercise their full potential and capabilities (Owino, Oluoch & Kimemia, 2019).

Further, employers who are influential and role models to their employees are able to gain trust from their employees. This inspires employees and enhance their cooperation to work towards achieving the organizational goals and improving its performance (Al Khajeh, 2018). Such employers also emphasize on mentorship through training and professional development of
employees so as improves their standards of excellence in skills and experience (Al-Malki & Juan, 2018) As a result, Gandolfi and Stone (2018) indicated that training and professional development enhance employee retention and talent management of employees. An organization with top-talent skills encourages innovation and creativity among its employees which enables them improve their performance and improves the competitive advantage of the organization (Asghar & Oino, 2017). Moreover, employers who have invested in training and professional development of their employees have also enabled them to easily adopt to the new technological advancement that the insurance sector has encountered in the recent past (Al Rahbi, Khalid & Khan, 2017). This has made it possible to supply services more quickly, conveniently, and effectively in the areas of underwriting, claims processing, handling of client complaints, and advertising and sales promotion (Guzmán Ortiz & Navarro Acosta, 2020). Thus, improving customer satisfaction and the overall organization performance. However, the rise in adoption of technology has come with other challenges especially in product development that need employers and managers in the insurance sector to employ transformational leadership (Choi, Kim & Kang, 2017).

Transformational leadership is a leadership approach where leaders work with their teams or subordinates to create a meaningful change in an organization (Anderson, 2017). Transformational leaders act or behave in ways that go beyond their self-interests to inspire, encourage and motivate their teams to exercise their full potential and capabilities. This enables such teams to achieve unexpected and remarkable results (Alqatawenah, 2018). They also ensure that they have connected their teams’ sense of identity to the organizational goals and objectives. This is accomplished by encouraging their staff to take responsibility for their work and by identifying their skills and shortcomings in order to match followers with projects that will improve their performance (Hansbrough & Schyns, 2018). Some of the qualities of transformational leadership that are applied in organizations include: ability to inspire, trustworthy, commitment, tolerance, resilience, charismatic etc (Anderson, 2017). Further, Asbari (2020) added that transformational leaders exhibit four unique characteristics, including inspirational motivation, idealized influence, intellectual stimulation, and individual consideration.

Statement of the Problem

The increasing rate of adoption to new technologies in the insurance industry has led to the use of alternative systems for managing employees in the organization and enhancing their productivity. This use of technology has enhanced speed, convenience and efficiency of service delivery which in turn has improved employee performance and increased competition within the insurance industry (Owour, 2018). However, the sector is still facing challenges in retaining their top-talent employees who leave whenever better job opportunities. This significantly affects the sector since loss of skilled and talented employees reduces the productivity of the organization and the efficiency of the firm’s output (Njenga, 2018). In addition, failure of the management of the insurance firms to understand and meet the needs of their employees has also contributed to the rise in the employment turnover experienced in the sector. Therefore, it is important that managers in the insurance firms come up with better employment turnover strategies that will enable them retain their skilled and talented employees (Muturi, 2021). On the other hand, the need for the management of insurance firms to satisfy the needs of their customers and still remain
competitive in the industry necessitates the importance of employing transformational leadership which encourages innovation and meaningful changes in an organization (Wachaga, 2017).

Previous studies on the role of transformational leadership on staff productivity in the insurance sector are scarce. Some of these studies include; Nyakomitta (2021) study on Influence of Transformation Leadership on the Performance of Commercial Banks in Kenya. This study focused on commercial banks in Kenya will the current study is on insurance industry in Kenya. Another study was Langat, Linge and Sikalieh (2019) which investigated on the Influence of idealized influence on employee job performance in the insurance industry in Kenya and Linge and Sikalieh (2019) study on the Influence of inspirational motivation on employee job performance in the insurance industry in Kenya. These studies discussed on the influence of a specific element of transformational leadership on employees performance but none of them discussed on staff productivity in the insurance sectors in Kenya. Therefore, this necessitates the need to conduct this study which will examine the role of transformational leadership on staff productivity in the insurance sector in Kenya.

**Theoretical Review**

**Transformational Leadership Theory**

This theory was first developed by James. V. Downton (1973) then it was later expanded by James Macgregor Burns (1978) in his descriptive research on political leaders and Bernard Bass (1985) in organization psychology (Korejan & Shahbazi, 2016). This theory is mainly based on the concept of change in both people and social systems. Its objective was to help subordinates make positive changes and improve their efficiency at work (Asbari, 2020). Burns defines transformational leadership theory as the process in which leaders and followers help each other to advance to a higher level of morale and motivation (Siangchokyoo, Klinger & Campion, 2020). In his descriptive research, he also introduces two concepts in leadership and management, that is, transformational leadership approach and transactional leadership approach (Xu, 2017).

He stated that a transformational leadership strategy results in considerable change for both individuals and businesses. It updates beliefs and perceptions while also altering employee expectations and objectives. While the transactional approach is not based on a "give and take" relationship, it is rather based on the leader's personality, attributes, and capacity to effect change through their own example, the expression of an energizing vision, and the setting of difficult targets (Reza, 2019). The theory further contends that transformational leaders are idealized in the sense that they serve as moral role models who work for the good of the team, company, and community. While transactional leaders work within the existing culture of the organization and do not actively seek to change it. Therefore, Burns concluded that transforming and transactional leadership were mutually exclusive styles (Anderson, 2017).

According to Bass (1985), a leader's transformative potential is first assessed by looking at how he influences his subordinates. Such a leader inspires trust, adoration, loyalty, and respect in his or her followers, who are willing to put in more effort than was initially anticipated. These advantages result from the transformative leader giving followers not only opportunities to gain money but also an inspirational mission and vision, as well as a sense of belonging. (Khan & Ismail, 2017).
Additionally, the leader inspires and encourages his or her followers through what was traditionally known as charisma, intellectual stimulation, and individualized consideration (Reza, 2019). Furthermore, this leader challenges followers to devise creative and innovative strategies to challenge the system and alter the environment to promote success (Asbari, 2020). Thus, Bass contrasts Burns’ conclusion by asserting that leadership can be both transformational and transactional at the same time (Andersen, 2018). Therefore, the arguments from both Burns’ and Bass will be applicable to this study since it explains the various aspects of transformational leadership that influence the productivity of employees in an organization.

**Expectancy Theory**

Expectancy theory is a motivational theory that was postulated by Victor Vroom in 1960s (Chopra, 2018). The theory assumes that an individual's behavior toward a task or activity is impacted by how confident they are that their activities will lead to the intended reward or goal (Lee, 2019). This implies that a person's motivation for acting in a certain way is governed by how desirable the predicted result is. On the other hand, the theory also stresses that people act when they hope to benefit from their activities. Therefore, if there is no chance of reward, individuals are less likely to give it their all. As a result, people choose their behaviors based on what they wish to accomplish (Baumann & Bonner, 2017).

In organizations, Vroom argued that the goals of an organization should link rewards or benefits to the performance of employees and ensure that the rewards meet the needs of its employees (Barakat & Moussa, 2017). He explains this using three elements that influence the choice of individual behaviours and their expected results. These elements are expectancy, instrumentality and valence (Lee, 2019). He indicates that people are rational actors who think that putting in a lot of effort will produce in the desired results or performance and if anything other than the quantity of work goes into attaining the intended result, then this leads to demotivation. Moreover, in order to ensure that employees value the compensation for their effort, a reward should be quantified and clearly related to the degree of performance (Chopra, 2018). However, because this theory stresses that people are rational actors making decisions on the benefits of their actions, scholars have criticized this view (Zboja, Jackson & Grimes-Rose, 2020). This theory will be relevant to the current study since it explains the motivation behind the productivity of staff in an organization.

**Empirical Review**

A study by Atan and Mahmood (2019) examined the role of transformational leadership style in enhancing employee competency for organization performance in food manufacturing industries in. The study used quantitative methods where a set of questionnaires were administered to a sample size of 232 managers in the selected food manufacturing industries. The data obtained was analysed using the SPSS statistical software and the partial least square (PLS-SEM). The results of the statistical analysis revealed that there is a significant relationship between transformational leadership styles, employees competency and organization performance. The results also reveals that employee competency mediates the relationship between transformational leadership styles and organization performance.

A study by Kawiana, Riana, Rihayana and Adi (2020) sought to determine the relationship between transformational leadership, employee performance and job satisfaction at the
Investigation department offices in Indonesia. The study targeted 253 employees and used quantitative research methods specifically questionnaires to obtain information from employees. The findings of the study revealed that there was a positive and significant relationship between transformational leadership and job satisfaction but transformational leadership had a positive and insignificant relationship with employee performance. On the other hand, job satisfaction was found to have a positive and significant impact on employee performance. Therefore, the study concluded that job satisfaction played an important role in mediating the relationship between transformational leadership and employee performance.

Another study by Bastari, Eliyana and Wijayant (2020) looked at how transformational leadership affected employee performance in Taiwanese state-owned businesses while using employee motivation as an intervening variable. Interviews and questionnaires were chosen as the best data collecting methods for the study, which aimed to gather information from 285 employees. The statistical information collected from path analysis was also examined in the study. According to the study's findings, there is a strong correlation between transformational leadership, employee motivation, and performance. The findings revealed that transformational leadership significantly and positively affected employee performance. Furthermore, the results revealed that employee motivation has a significant impact on the employee's performance.

Raveendran and Gamage (2019) study explored the role of organizational commitment as a mediator in the relationship between transformational leadership and worker performance in Divisional Secretariats in Sri Lanka. The intended interest group of the study comprised of 287 employees. The study also measured the performance of employees using the job performance scale while organizational commitment was measured using organizational commitment questionnaires. The results from the factor analysis revealed that transformational leadership improved both organizational commitment and employee performance. The results also indicated that organizational commitment had no impact on employee performance. Thus, the study concluded that organizational commitment does not mediate the relationship between transformational leadership and performance of employees.

Further, a study by Ribeiro, Yücel and Gomes (2018) investigated the influence of transformational leadership on staff performance in Turkish healthcare facilities through the mediating function of affective commitment. The study targeted 476 employees and employed structural equation modeling to examine the mediating impact of affective commitment on the association between transformational leadership and employee performance. According to the study findings, transformational leadership significantly affected staff performance. The results from the analysis also revealed that affective commitment mediates the relationship between transformational leadership and employee performance. Therefore, the study concluded that application of transformational leadership increases affective commitment, which in turn boosts staff performance. The study also recommended that firms should identify, promote and invest in leaders that have transformational leadership style because they foster an environment that encourages employee appreciation, loyalty, respect and engagement which in turn improves commitment and performance.

A study by Kalsoom, Khan and Zubair (2018) evaluated the effects of transformational leadership and transactional leadership on employee performance of manufacturing firms in Pakistan. The
study used a target population of 318 employees and used the Pearson’s’ correlation and the regression analysis. The results of the correlation analysis showed a substantial positive association between transformational leadership and employee performance and a weak positive correlation between transactional leadership and employee performance. Additionally, the results of the regression analysis showed that, in contrast to transactional leadership, transformational leadership significantly impacted employee performance. The study concluded that manufacturing companies in Pakistan should improve transformational leadership through manager and staff training and professional development.

Waruwu et al (2020) carried out a study to analyse the effects of transformational leadership, organization learning and organization structure on the innovation of teachers in private schools in Indonesia. The study consisted of a sample of 645 participants who were selected through simple random sampling. The questionnaires were preferred as the primary tool of collecting data. The results of the regression analysis indicated that transformational leadership, organization learning and organization structure had a positive and significant effect on the innovation of teachers in private schools. On the other hand, organization learning and structure were positively and significantly impacted by transformational leadership.

Another study by Knezović and Drkić (2020) was conducted to establish the role played by transformational leadership in the innovative practices of small and medium-sized businesses in Bosnian and Herzegovina. The cross-sectional survey method was employed to gather data and convenience sampling techniques was used to come up with a sample of 371 employees. According to the study's findings, transformational leadership significantly affects factors that determine innovative behavior, including decision-making involvement, psychological empowerment, and organizational justice. The association between innovation behavior and organizational justice was also mediated by transformational leadership. As a result, the study concluded that businesses must foster an environment which promotes psychological empowerment, gives people an opportunity to participate in decision-making, and organizational policies and procedures are fair, in order to encourage innovative practices among employees in SMEs.

A study by Suifan, Abdallah and Al Janini (2018) assessed the effects of transformational leadership on employee creativity in the banking sector of Jordan and used perceived organizational support as a mediating variable. A survey was carried out on 369 employees in the selected Jordanian banks. Structural equation modelling was then used to analyse the data obtained. The results revealed that transformational leadership had a significant effect on several aspects of employee creativity and perceptions of organizational support. However, the several aspects of employees' creativity had no significant effect on perceived organizational support. Furthermore, the association between transformative leadership and employee creativity was not mediated by perceived organizational support.

Further a study by Linge and Sikalieh (2019) examined the influence of transformational leadership on the turnover intention of Myanmar workers in Thailand. The target population of the study comprised of 736 employees. A cross-sectional survey method was employed to collect data. The data obtained was then analysed using the least square regression models. The results of the study indicated that transformational leadership had a positive but insignificant impact on the
turnover intention of employees. The moderating variable trust had a significant effect on the relationship between transformational leadership and turnover intention. On the other hand, the level of salary and the length of job tenure also significantly moderated the relationship between transformational leadership, trust and turnover intention. Hence the study recommended improving the leadership style of top management will help to reduce the risk associated with turnover intention.

A study by Abodunde, Ayo-Oyebiyi and Unachukwu (2017) sought to determine the impact of leadership styles on employees’ satisfaction in the insurance industry in Nigeria. The study used a sample of 135 employees from the selected 15 insurance companies listed in the Nigeria Stock Exchange. The data collection instruments included structured questionnaires and oral interviews. The results of the correlation analysis indicated that transformational leadership and employees’ satisfaction are positively correlated. The results of the regression analysis further revealed that transformational leadership and employees’ satisfaction has a positive but insignificant impact on employees’ satisfaction. Therefore, the study suggested that managers in insurance firms should employ leadership styles since they have a positive correlation with employee satisfaction.

A study by Kimeto and K’Aol (2018) investigated on the influence of transformational leadership on organizational commitment of commercial banks in Kenya. The study employed a descriptive correlational research design. The study also used questionnaires to collect data from a sample of 150 employees who were selected using stratified random sampling technique. The collected data was then analysed using correlation and regression analysis. The results of the regression analysis revealed that idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration had a positive and significant influence on organizational commitment. The results also revealed that organization culture had a significant moderating effect on the relationship between transformational leadership and organizational commitment in commercial banks in Kenya.

Langat, Linge and Sikalieh (2019) study examined the influence of inspirational motivation on the performance of employees in insurance industry in Kenya. The target population consisted of 676 managers from the selected 52 insurance companies and a sample size of 245 was drawn from the population using the systematic and stratified random sampling technique. The findings of the study indicated that inspiration motivation have a positive and significant relationship with employee performance. The results of the regression analysis also found that inspirational motive had a significant effect on employee performance. On the other hand, the moderating variable employee work value congruence had a significant moderating effect on the relationship between inspirational motivation and employee performance.

Another study by Wachaga (2017) sought to establish the influence of leadership styles on the performance of insurance projects in Eagles Africa Insurance Ltd, Kenya. The study adopted the descriptive research designs and used a sample of 90 project managers. Primary data was collected using questionnaires and interview guide then it was analysed using correlation and regression analysis which was aided by the use of SPSS (Statistical Package for Social Sciences). The results of the study indicated that transformational leadership, democratic leadership and performance of insurance project were positively and significantly correlated. While autocratic leadership and performance of insurance projects were negatively and significantly correlated. In addition,
permissive leadership had a positive and significant impact on the performance of insurance projects in Eagles Africa Insurance Ltd. Therefore, the study concluded that project managers should practice transformational leadership so as to improve the performance of insurance projects.

**RESEARCH METHODOLOGY**

The research method used in this study involved the use of secondary data obtained from published studies, journals, articles and reports. This method was more preferred than conducting the actual field work since it saves time and reduces the cost of data collection. It is also easily accessible and convenient to use at any given time.

**RESULTS**

The study analysed the previous studies discussed in the empirical review and discussed the various research gaps found in these studies. The research gaps were categorized into conceptual, contextual and geographical gaps.

**Conceptual and Contextual Gaps**

A conceptual gap is a knowledge gap that exists where the previous studies where a certain variables plays a different role as from the one that it’s expected to play in the current study. While a contextual gap is knowledge gap regarding the definition and measurement technique used to characterize a certain variable from a contextual point of view to make it more suitable in a given study or research (Joyce & Cartwright, 2020). Studies by Knezović and Drkić (2020), Raveendran and Gamage (2019), Kalsoom, Khan and Zubair (2018), Waruwu et al. (2020), Linge and Sikalieh (2019), Kimeto and K’Aol (2018), Abodunde, Ayo-Oyebiyi and Unachukwu (2017) and Wachaga (2017) had conceptual and contextual gaps. This is because some of these studies focused more on the influence and effects of transformational leadership on employee performance, innovation behaviour, organizational learning, organizational commitment rather than on employee productivity. On the other hand, the findings of other studies discussed on other leadership styles apart from transformational leadership.

**Geographical Gap**

Geographical gap is a knowledge gap that exists when a study is conducted in a different study area than the selected study area of the current study (McDonald et al., 2020). Studies by Suifan, Abdallah and Al Janini (2018), Atan and Mahmood (2019), Kawiana, Riana, Rihayana and Adi (2020), Bastari, Eliyana and Wijayant (2020), Raveendran and Gamage (2019), Ribeiro, Yücel and Gomes (2018), Ribeiro, Yücel and Gomes (2018) and Ayo-Oyebiyi and Unachukwu (2017) were conducted outside Kenya and some of them were not done in insurance firms. As a result, given the disparities between Kenya's social and economic environment and those of other countries, the conclusions might not be applicable in Kenya.
CONCLUSIONS AND RECOMMENDATIONS

The study concluded that there were few studies on transformational leadership which were conducted in the insurance industry. In addition, studies on the role of transformational leadership on staff productivity were also few in Kenya. Therefore, the findings of this study will be applicable to a wide range of industry players in the insurance sector. The management of insurance companies will benefit from this study since it clarifies the significance of transformational leadership and its function in enhancing employee productivity in the insurance sector. The policymakers in the insurance will also profit from this study especially when implementing policies with regards to improving the productivity of employees and empowering managers and leaders. Further, this study will also be relevant to the researchers and academicians since it will be used to add up to their literature work and will also motivate them to carry out more research related to the current topic so as to address some of the research gaps identified in this study.
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