

**PERCEIVED EFFECT OF ETHICAL LEADERSHIP ON
EMPLOYEE PERFORMANCE AMONG COMMERCIAL BANKS IN
KENYA**

SCOLASTICA MUSYIMI

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DECLARATION

This research project is my original work and has not been presented for the award of a degree or any other quantification in any other university or institution.

Signature

Date

Scolastica Musyimi

D61/67713/2013

This research project has been submitted for examination with my approval as University supervisor.

Signature

Date

Mr. Duncan Ochoro

School of Business

University of Nairobi

DEDICATION

I dedicate this project to my family for unfailing encouragement and love. To my dear daughter Athalia, who was a constant source of encouragement for me to strive on to the completion of this project.

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I wish to thank most sincerely all those whose contributions have made this project a success. To my supervisor Mr. Duncan for his assistance and advice all through making this project a success. To my wonderful family for their support both morally and financially. Most of all I thank God for the gift of wisdom and strength to complete this project.

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ABSTRACT

In the present day business environment, characterized by a faster communication system, managers of a firm cannot afford to engage in unethical practices because of its detrimental effect it can have on a firm but also the negative publicity that it will create and the consequent effect on the value. A critical issue in many organizations is practicing ethical leadership from the top management is not on its effect on the firm's value but also on its employees because unethical leadership might have a negative effect on employee job satisfaction and performance. Therefore, a firm's leadership is considered a major factor that has an indisputable influence on employee performance in any kind of organization. The objective of the study was to determine the perceived effect of ethical leadership on employee performance among commercial banks in Kenya. The study used cross sectional descriptive research design. The population of the study comprised of all the forty three commercial banks operating in Kenya. The study used stratified sampling because of ease of classifying the population into strata's. The study used primary data that was collected through self-administered questionnaires. The information gathered was examined utilizing illustrative insights measures of focal propensity and measures of varieties and presented using tables and figures. The study found out that ethical leadership in the bank was achieved through good corporate governance structures, strict bank code of conduct and ethics, creation of ethical control and compliance department that ensure all ethical code of conduct is adhered to by all. The study found out that the leadership of the bank have emphasized trustworthiness, encouragement of the employees uphold the same moral values that they practice and doing what is right to societal and organizational cultural beliefs and values. Integrity in

the bank was achieved through strong moral principles; moral uprightness in financial transactions, organizations leaders always encourages open and honest communication. Ethical leadership of the management was found to have resulted in increased manager-employee relationship thus preventing corruption and predictability, reducing dishonesty and communication breakdowns, and employee attitude towards the organization.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In an organization, leadership is a great resource that guides employees as well as the organization into the realization of its corporate objectives. The need for an effective leadership in the present day business environment has been enhanced because for an organization to react appropriately in the face of competition and to also realize its objectives; the top leadership play an important role in determining its success or failure (Khademfar & Amiri, 2013). Consequently, most organizations are currently reexamining their strategic goal by developing directions, which start the establishments of moral administration for reasons for productivity and business benefit. Ogbonna and Harris (2000) point that ethical leadership in an organization influences employees' performance since it is expected to determine the organizations capacity to define the association's objectives and procedures, create structures, procedures, controls and center abilities for the association which will eventually determine the organizations adaptation to changes in the business environment. The moral authority rotates around the level of business practice that connects the parts of culture and moral business hone (Oates & Dalmau, 2013).

The current study was based on social learning theory, which clarifies human conduct regarding persistent corresponding connection between psychological, behavioral, and ecological impacts (Bandura, 1986). This indicates that good relationships between employee and leadership in organization lead to strong social support of the organization, for instance, at the point when the level of administration is kinships the representatives

have entry to an extensive variety of social assets that help them upgrade gaining from their moral pioneers. Therefore, the theory encourages leaders to practices ethical leadership so as to motivate employees in the organization. Avey, and Palanski, (2012) noted that ethical leaders' behavior encourages representatives' acknowledgment and desire of what moral pioneers need. Moral administration empowers representatives with further realizing which expands their comprehension of the moral conduct prepare and achieving organization objectives. In addition, employees' job performance is influenced by the leadership skill of the organization.

The Commercial Banks in Kenya has over the years witnessed ethical leadership challenges. The organizations have found it difficult to cope with the issue due to increased pressure to improve performance. In the recent past a number of Kenyan banks have been put into receivership due to cases of the top management not engaging in ethical practice and as the Kenya Bankers Association, Chief Executive Officer was quoted, the same vice is found to affect the level of employee performance. Therefore, for better job performance the Kenyan banks have to improve their adherence to ethical practices as well as following to the latter professional code of conduct which is expected to lead to increase level of growth and employee job performance.

1.1.1 Concept of Ethical Leadership

Northouse, (2010) defines leadership as the procedure where an individual impacts a gathering of people to accomplish a shared objective. Chestnut, Trevi~no, and Harrison, (2005, p.120) characterized it as 'the exhibit of normatively fitting behavior through individual activities and interpersonal connections, and the advancement of such direct to

devotees through two-way correspondence, support, and basic leadership'. Hence, ethical leadership offers devotees moral direction and part displaying while motivating high good practices (Brown et al., 2005). Moral initiative has been found to achieve different adherent results, including good faith, undertaking essentialness, work self-rule and exertion (Piccolo, Greenbaum, Den Hartog, and Folger, 2010), work inclusion, full of feeling responsibility, interactional reasonableness, fulfillment with pioneers (Brown et al., 2005), self-adequacy, leader-member trade, authoritative recognizable proof, errand execution, voice conduct and hierarchical citizenship conduct.

Leadership involves steps, techniques or process that immediate and guide the conduct of individuals in their workplace. Also, Armstrong (2007) characterized initiative as the capacity to convince others eagerly to act distinctively to achieve the errand set for them with the assistance of the gathering. Hence, a pioneer has attributes of high caliber and sufficiently solid in moral practices. Furthermore, Oates and Dalmau (2013) noticed that moral administration is acting in right course for the long haul advantages of all partners. They likewise contended that moral authority is more worry on adjusting the association's fleeting objectives and longer term desires to accomplish great result of the association. On other hand, Brown (2005) found that the blend of uprightness, moral gauges and great working state of representatives are estimations of moral initiative. This shows a pioneer ought to be both an ethical individual and irreverent supervisor.

Ethical leadership is a procedure of affecting workers through qualities, standards, and convictions that lie on the right standards in the authoritative practices and shows lead through individual activities and interpersonal connections (Buble 2012). Leadership of an organization is characterized by vision, goals, care, and honesty. It is also takes part in

amusement of the moral parts of a pioneer's endeavors and living in amicability with these essential standards, human venture can thrive and be managed. Notwithstanding, moral pioneers ought to concentrate on good values and reasonableness in basic leadership, consider the effect of hierarchical choices on the outside world, and unmistakably convey to representatives how their activities at function add to the general objectives of the association. Moral pioneers who think about their representatives and need them to perform well will probably make a mentally safe environment for workers to have an effective enactive authority encounter (Walumbwa & Schaubroeck, 2009). In a bank for example, ethical leadership is expected to result in positive influence on employee performance, intrinsic motivation and job responses. In addition, a bank leadership with solid moral duties can have effect on assignment hugeness and self-governance of the Job. Moral initiative might be seen as an essential issue inside the association, and this recognition might be a converted into a solid energy about top administration by workers inside an association (McCann & Holt, 2009).

1.1.2 Employee Performance

Employee performance is a term average to the Human Resource field where worker execution can allude to the capacity of representatives to accomplish authoritative objectives all the more adequately and proficiently. It includes all perspectives which specifically or in a roundabout way influence and identify with the work of the representatives and that for the worker's execution to be powerful, businesses ought to perceive the regiment cravings and requirements of the staff. As indicated by Koontz (2008) the different courses in which representative execution can be expanded incorporate; legitimate motivating force frameworks, which might be monetary or

nonfinancial. Budgetary motivators incorporate; pay rates, stipends, extra minutes installment, reward and wages, while non-monetary impetuses incorporate; advancement, medicinal remittance, preparing, transport, financed lodging and suppers. This ought to be subsequent to distinguishing the necessities and longings of workers that can be fulfilled thus expanded execution (Ramlall, 2008).

A great worker execution is vital for the acknowledgment of bank destinations, since an association's prosperity is reliant upon the bank representative's innovativeness, advancement and duty. Great representative exhibitions and efficiency development are likewise imperative in balancing out firm execution furthermore singular worker prosperity by method for enhanced expectations for everyday comforts, higher wages, an expansion in merchandise accessible for utilization (Griffin et al., 2001). Further, Hunter and Hunter (2004) call attention to that pivotal in a high representative execution is the capacity of the worker himself to have the capacity to convey great results and have a high efficiency. This they contend is something the association can know previously amid the talking procedure and in the process select workers with the required capacities or they can enroll those representatives themselves. Obviously the last is additional tedious, however can get better results at last. As indicated by Barrick and Mount (2011) a representative's execution depends on individual variables, in particular: identity, aptitudes, learning, knowledge and capacities.

1.1.3 Commercial Banks in Kenya

There are forty three banks as categorized by Central Bank and members of the clearing house. Thirty-five of these banks, a large portion of which are little to medium estimated, are privately possessed. The business is significantly commanded by a couple of

expansive banks which are remote claimed, however some are halfway privately possessed. There are ten banks recorded on the Nairobi Securities Exchange. The banks met up under the Kenya Bankers Association (KBA), which serves as the anteroom for banks' interests and addresses the issues influencing part foundations (Kenya Bankers Association Annual Report, 2011).

Banks speak to a critical and compelling area of business worldwide that assumes a pivotal part in the worldwide economy. Business banks are money related middle people that serve as budgetary asset preparation focuses in the worldwide economy (Godana, 2012). They channel stores required by business and family unit areas from surplus spending to shortage spending units in the economy. A very much created effective managing an account division is a vital essential for sparing and speculation choices required for fast monetary development. A well-working saving money segment will depend on the leadership that is being provided by top management. Indeed employee performance will be guided to a large extent with the way the top management are perceived to be guiding the bank. Unethical behaviour on the part of the senior management puts at risk the job security of the staff and this will be expected to act as a demotivator.

1.2 Research Problem

In the present day business environment, characterized by a faster communication system, managers of a firm cannot afford to engage in unethical practices because of its detrimental effect it can have on a firm but also the negative publicity that it will create and the consequent effect on the value. A critical issue in many organizations is

practicing ethical leadership from the top management is not on its effect on the firm's value but also on its employees because unethical leadership might have a negative effect on employee job satisfaction and performance. Therefore, an association's authority is viewed as a central point that has an unquestionable impact on representative execution in any sort of association (Ogbonna and Harris, 2000). In any case, how representatives perform under various types of authority has been a state of conflict among scientists and researcher alike (Gadot, 2006). Concentrates on have demonstrated that representative execution increments under an extraverted administration when workers are uninvolved and if representatives are proactive result will be inverse (Grant et al., 2011).

Contemplates have been led on the results of moral administration on representative employment execution. Brown (2005) explored the concept of ethical leadership and its impact on employee conduct. The research found that ethical leaderships consist of honest, trustworthy and caring which initially promote an organizational performance. On their part, Detert et al. (2007) uncovered that a productive initiative helps representatives in finding and cleaning their commitments to the achievement of the association and that compelling administration will probably prompt to increment in worker execution. Moreover, Morrison and Christensen, (2012) led an exploration on moral authority has a cozy association with gathering and individual hierarchical conduct, Harris and Tepper, (2013) inquired about on the part of moral initiative in worker OCB on the premise of a social trade collaboration. The study found that moral initiative adds to authoritative profitability and representatives stick to casual principles intended to keep up hierarchical request.

Locally, Onyanga (2013), researched on Leadership factors influencing employee workplace behavior: a case of Municipal Council of Kisumu. The study results showed that leaders have an important influence on employee ethical behavior and therefore organization leadership ethical behavior critical and merits more consideration in our endeavors to comprehend worker moral and exploitative behavior. Mainga (2012) researched on Factors influencing adoption of ethical behaviour in selected public organisations in Nairobi County, Kenya. The research findings were that there were no policies within the public service organisations to protect employees who reported unethical conduct. Public service organizations were also found to be wanting in undertaking evaluation of ethical programmes. Mwaponda, (2009) undertook a study on the factors influencing ethical standards of managers within the Kenyan oil industry. The findings were that, based on the responses received, the managers in the oil marketing companies in Kenya are primarily ethical in nature. The study also found that two key factors, namely, the presence of values and the presence of a code of ethics specifically, had a positive impact on the ethical performance of senior managers in the companies. From the above studies, though there has been an attempt to establish the effect of ethical leadership on various facets of an organization, there has been limited studies that linked ethical leadership to organizational performance. Consequently, this research sought to answer the following research question; what are the effects of ethical leadership on employee job performance among commercial banks in Kenya?

1.3 Research Objective

To evaluate the perceived effect of ethical leadership on employee performance among commercial banks in Kenya.

1.4 Value of the Study

The study provides the foundation data to different specialists and researchers who might need to assist to look into the moral authority of leaders. The study encourages singular specialists to distinguish crevices in the social exchange theory and how the relationship between individual managers and the organizations staff can be harnessed to get maximum returns from the employees. The research will additionally be utilized by academicians who will need to contemplate comparative range and to think of exhaustive conclusion and thinking as to moral initiative and worker execution. It is expected that the study adds knowledge generated will enable other researchers to improve and develop a better understanding of ethical leadership in commercial banks of Kenya.

The understanding of the ethical leadership adopted by commercial bank will help arrangement producers, Government, Regulatory bodies and different partners to plan focused on strategies and projects that will effectively fortify the development and execution of the business banks in the Kenya and in addition assisting those strategy creators with supporting, energize, and advance the foundation of fitting approaches to control the organization. The study discoveries will profit administration and staff of business banks who will pick up understanding into how their establishments can viably deal with their ethical leadership.

The findings of the study will be of value to the administrators of the corporations to understand the relationship between perceived ethical leadership and employee performance. The study will enable leaders and management in identifying the importance of building the relationship, which in turn improve commercial banks performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section discusses the data from different scientists who have done their examination in a similar field of study. The particular zones to be secured incorporate the hypothetical underpinnings and the impact of moral authority on worker job performance.

2.2 Theoretical Foundation of the Study

This study was guided by the Social Learning Theory and the Social Exchange Theory.

2.2.1 Social Learning Theory

Social learning theory was advanced by Bandura (1977) and suggests that leaders influence their employees through the modeling of processes that involve the transition of values, attitudes, and behaviors. This makes the employees to learn more on what to do, and additionally what not to do, through watching their pioneers conduct and its outcomes. In this manner, moral leaders are probably going to be models by excellence of their relegated part, their status and accomplishment in the organisation, and their energy to influence the results of employees. Nevertheless, pioneers who take part in untrustworthy practices in association make a setting supporting parallel aberrance, which lead to employees observing and imitate the inappropriate conduct from the leader. For effective ethical leadership workers can likewise figure out how to be moral by watching pioneers who stand up for doing what is correct, particularly if the pioneers are effective in doing moral direct. Treviño (1992) stressed that social learning suggestion in associations like teach sends capable flags about the estimation of authoritative standards and pioneers' ability to remain behind them. This suggests representatives who are

rehearsing the best thing anticipate that unfortunate behavior will be rebuffed brutally, and they are frustrated on the off chance that it is most certainly not.

The social learning theory argues that leaders have authority of energy to remunerate and rebuff. This makes representatives to give careful consideration and copy pioneers' conduct, and they will do what is remunerated and abstain from doing what is rebuffed in the association. In this way, prizes and disciplines ought not be immediate but rather additionally can be adapted vicariously by watching how others in the association are remunerated and restrained (Yukl, 2002). This means that social learning theory support that leaders need ethical conduct of employees in organization. This incorporates that managerial urge to give an appropriate case of what is in store in moral activities so as to have others comprehend what this will resemble. A pioneer need to give a case of what they need to see will enhance the origination of moral practices for the other managers.

2.2.2 Social Exchange Theory

Social exchange theory was advanced by Emerson and Ekeh, (1974) and proposes that workers respond pioneers' conduct towards them with their own particular coordinated practices on common correspondence. This implies social trade hypothesis is fit for giving knowledge with respect to how moral leaders influence hierarchical results. Likewise, Social trade connections amongst pioneers and representatives create collaborations, which are inspired by the common advantages got from the hypothesis. Moral pioneer assemble association with their workers, which is portrayed by elevated amounts of trust, lower levels of control, and long haul commitments. The hypothesis association with subordinates is very applicable to discourses of moral authority, since it

requires a lot of trust with respect to trading parties which moral pioneers need to rehearse (Brown & Mitchell, 2010).

According to social exchange theory, as people cooperate after some time, they encounter the need to respond the support and help of the other individual, a term alluded prior by Goulder (1960) as correspondence. For instance, in the event that one individual helps a companion, this companion will encounter a commitment to respond eventually, offering a type of help that is equivalent in size. On the off chance that this standard of correspondence is satisfied, a trusting and faithful relationship advances (Cropanzano & Mitchell, 2005). Social trade hypothesis recommends that representatives who are in a top notch LMX relationship have a tendency to be more viable specialists (Sparrowe & Liden, 1997). This procedure can be clarified by a center guideline of social trade hypothesis called the standard of correspondence, which recommends that people who are dealt with positively by others feel a feeling of commitment to react decidedly or return great treatment in some way. As indicated by Adams (1965), will craving to feel that their commitment and work execution are being perceived and simply the possibility of acknowledgment for the occupation execution and the insignificant demonstration of saying thanks to the worker will bring about a sentiment fulfillment and consequently help representative feel advantageous and have better results.

2.3 Ethical Leadership

It is argued by Amabile (2009) that there exists ethical leadership which can be used to motivate employees in order to improve their performance. From a worker inspiration, long haul benefits as high profitability will be determined. A propelled worker is a

profitable resource which conveys enormous esteem to the association in keeping up and fortifying its business and income development. These values of ethical leadership include trust, integrity, transparency and moral values.

2.3.1 Trust

Darcy (2010) defines trust as a hallowed and passionate relationship between individuals; the desire of confidence that people have on the association and administration. This demonstrates trust as the desire of others in words, activities or choices. Subsequently, trust is the establishment for useful clash, objective duty, individual responsibility, and accomplishment of aggregate objectives (Collins, 2010). Assist, Andrews, Baker and Hunt (2011) suggested two sorts of trust; contingent and unqualified trust. The restrictive trust is a circumstance whereby both sides will execute with each different the length of each acts fittingly and utilizes a comparable interpretive plan to characterize circumstance. Though unequivocal trust is portrayed by the common values that structure the social circumstance and turn into the essential vehicle through which people encounter trust.

Robbins, (2008) likewise recognized three sorts of trust in authoritative relationship; prevention based, information based and ID based. Discouragement trust depends on dread of response if the trust is disregarded. Singular act as per what they say due to the result. Learning trust depends on the behavioral consistency that originates from a past filled with association. The distinguishing proof construct trust is in light of common comprehension of each other's goals and valuation for alternate's needs and wishes. Trust is an imperative issue in association that has impact on worker work execution and if broken is probably going to have genuine unfriendly impact. Representative trust in

pioneers at first expands the worker consistence with hierarchical guidelines and direction which encourage to the usage of authoritative change and enhance representative commitments regarding execution, purpose to remain and urban excellence conduct (Ponnu and Tennakoon, 2009). The greater part of the workers to take after pioneers who are seen to be straightforward and may likely exploit them. Be that as it may, Low levels of trust can bring about hierarchical rot as connections crumble political strife, infighting, and general wastefulness result; associations with little or not trust have no reason for future achievement.

Fulmer (2004) noticed that morals, values and trust are critical issues to administrators endeavoring to recoup from a significant downturn in the national and worldwide economies. Contemplates have demonstrated that more noteworthy trust exists in associations when representatives see a hierarchical with moral. Trust inside an association can add to making more prominent efficiencies seeing someone amongst supervisors and workers (Leo, 2006). Authoritative activities to enhance trust regularly produce long haul benefits through dealing with the workers. Subsequently, Trust is crucial to all associations and it expected that moral pioneers show behavioral consistency amongst words and activities; treat all workers decently without damaging human rights. Authoritative trust is worried on association arrangements and works on influencing representatives (McAllister and Bies, 2008). In need, workers with abnormal amounts of hierarchical trust are more open to going out on a limb, showing thoughts, and performing practices for the association while representatives that show elevated amounts of association trust can anticipated that would show practices that go well

beyond that which is anticipated from them. Accordingly, authoritative trust likewise encouraged to the openness in correspondence and data sharing, which thusly yielded better rates of execution.

2.3.2 Transparency

Transparency is sharing of information and acting in an open manner. It is process which data on existing conditions, choices and activities is made available, noticeable and reasonable Bacon (2003). Straightforward is portrayed as speaking to the degree to which an individual displays an example of openness and clarity in his/her conduct toward others by sharing the data expected to decide, tolerating others' information sources, and uncovering his/her own qualities, thought processes, and feelings in a way that empowers devotees to all the more precisely survey the fitness and ethical quality of the pioneer's activities(Avolio& Gardner, 2005). This implies that transparency contribute to the esteeming and making progress toward openness in one's associations with others whereby the pioneers and adherents transparently share data about each other's' actual considerations and sentiments. The straightforwardness is characterized by uncertain system that is deciphered generously by authoritative officials. Associations are progressively making objectives straightforward to the workers which is enhances the individual execution and commitments to the association. The Transparency is a basic for a representative to see how his or her own objectives and execution identify with those of different workers. The level of straightforwardness is apparent in associations that have built up an unmistakable methodology, yet have not made it clear at the lower levels of the authoritative chain of command. What's more, an association has a system that is plainly conveyed and separated into noteworthy objectives for every worker. The

representative objectives are characterized all through the worker lifecycle, from demand and on-boarding of new representatives, to dealing with their progressing advancement, execution, and potential progression.

The transparency is significance as a wellspring of upper hand since it is concerning the vital move in association which builds wares and aggressive, towards esteem included administrations (Berggren and Fitz-Enz, 2006). This shows straightforwardness as a key contribution to powerful association and advancement as a major aspect of more extensive ideas of financial, social and natural welfare. These incorporate monetary rights (particularly property rights), political flexibilities, straightforwardness ensures and defensive security. Straightforwardness likewise advances uprightness and averting defilement in association. Tan and Lim, (2008) contended that Transparency additionally expands consistency for the association, grants open oversight, and gives more noteworthy certification of the powerful utilization of assets. It additionally prompts to more noteworthy responsibility, along these lines upgrading business banks business trust. Straightforwardness is largely viewed as a key component of good association, and a crucial essential for responsibility among employees.

A transparent organization implies an openness of the association framework through clear procedures and systems and simple access to workers data for moral mindfulness in the association through data sharing, which at last guarantees responsibility for the execution of the people and association taking care of assets (Roman and Munuera, 2005). Additionally, straightforwardness is a normal for business banks business and representative of being open free revelation of data principles, arrangements, procedures,

and actions. Organizations with straightforwardness empowers workers to take after the guidelines and controls, work as per the benchmarks set for them; the representatives expect great working conditions, acknowledgment, reasonable treatment, vocation development, and inclusion in basic leadership (Beer, 2004). Therefore, transparency enables the employee to interest and more determined to work harder. It also maintains and alters the direction, quality and intensity of ethical leadership in an organization.

2.3.3 Moral Values

Moral values can be characterized as generally steady, motivational develops that guide individuals' recognitions, demeanors, and practices towards accomplishing particular higher request objectives Schwartz and Boehnke, (2004). Moral qualities are additionally characterized as those things that are essential to or esteemed by a man. That somebody can be an individual or, all things considered, an association. Moral values in moral authority includes the dedication to making the right decision as indicated by societal and culture convictions and qualities. Moral pioneers have their very own unmistakable comprehension moral values and consider themselves responsible for them. Pioneers who are moral exhibit a level of good that stresses their dependability, and this trust empowers adherents to acknowledge the pioneer. Also, moral qualities allude to what is alluring and commendable, both socially and by and by. They are balanced out convictions about by and by or socially worthy conduct (Rokeach, 2003). This indicates that the moral value beliefs in organization are shared to employee because they are good, desirable, and righteous (Wicks, Berman & Jones, 2010). Moral values impact how people experience their lives both professionally and by and by. They more often than not influence their states of mind, their way to deal with life circumstances, and their connections, their

communications with individuals and the practices of others. Along these lines, moral qualities prime drivers of individual, social, and expert decisions. The business banks business culture moral esteem are guided and dictated by the general population who make up the association which incorporate both the pioneers and the workers. A solid arrangement of good values supports the way of life of the association and sets up the establishment for its morals. It is fundamental that the pioneers of an association maintain the most noteworthy moral gauges. Thusly, their representatives will be relied upon to stick to the association's morals and direct code in both letter and soul (Shamir&Eilam2005). Associations with a solid code of morals and submitted workers are probably going to exhibit sound good values. This is imperative in lessening the frequency of misrepresentation; defilement and other dishonest conduct that could some way or another undermine the models and notoriety of the association and eventually prompt to the fall of the business.

Williams (2001) stated that moral values are used as judgments, inclinations and decisions, since qualities have for quite some time been seen as an essential determinant of human conduct, it is vital to comprehend their importance in the activities of substance manhandle advisors. An ethical esteem is an essential benefactor to decision making on both individual and authoritative levels (Tobin, Graziano, Vanman & Tassinary2000). This drives that ethical qualities assume a basic part with regards to convictions and thoughts regarding what sorts of objectives individuals from an association ought to seek after, and in addition thoughts regarding the proper sorts or gauges of conduct hierarchical individuals ought to use to accomplish these objectives. It likewise creates

authoritative standards, rules, or desires that recommend fitting sorts of conduct by workers specifically circumstances. Moral qualities are gained in individual and show themselves as lasting discernments that shape and affect the way of our practices. Moral qualities rehearses require information, thought and at last decision of reaction. Therefore moral values are important to understand and practiced in organization to increase the employee performance.

2.3.4 Integrity

Integrity is an idea generally utilized inside formal and casual talks of moral initiative, yet is not unmistakably characterized and comprehended (Rieke&Guastello, 2001). Becker, (2008) expressed that uprightness is moral defense in view of a generally accepted fact or reality instead of only an endless supply of ethics and values by an individual or gathering. It is immovably implanted inside the ethical relativist custom in which impression of proper conduct can fluctuate amongst people groups and societies. Trustworthiness is the nature of being straightforward and having solid good standards; moral uprightness. It is for the most part an individual decision to hold oneself to reliable good and moral benchmarks. Honesty is viewed by numerous individuals as the genuine and reliable activities. This infers the measures of honesty includes inside consistency as ethicalness, and recommends that gatherings holding inside themselves obviously clashing qualities ought to represent the error or change their convictions (Lok and Crawford, 2007). This demonstrate trustworthiness has been utilized as a part of administration and business morals which accentuation the consistency in misfortune, consistency amongst words and activities, and good/moral conduct.

Integrity in organization needs to begin at the top and be found in the direct and exercises of the administrators. The honesty in individual pioneers of respectability can make an agreement around a culture of trustworthiness inside association. This show respectability will make an exceedingly esteemed workplace; the association will work with its concentrate on the long-run great of its clients, representatives and financial specialists; and as an aftereffect of this center, the association will exceed expectations in execution. For the organization to practice integrity there must be fruitful within the leader. It is turning out to be progressively obvious that the full incorporation of moral guidelines into business practice is best, as well as important for long haul authoritative survival. Without uprightness in execution business banks organizations might be at hazard on account of consistence issues, absence of powerful activity, untrustworthiness, and correspondence squares. Then again, honesty has expanded viability because of a fortified hierarchical culture, bring down turnover levels, and expanded representative exertion. In addition, the greater part of the associations and pioneers know about the significance of uprightness in their formal interchanges, for example, statements of purpose and codes of morals, their societies and individual pioneers may not mirror this mindfulness. Gottlieb and Sangria (2006) noticed that pioneers with honesty dependably energize transparent correspondence, especially in examination concerning basic leadership. This demonstrates such pioneers esteem an individual's perspective and the input those outcomes from sharing. Moreover, the significance of clear vision and the foundation of trust through administration are center variables adding to individual and authoritative respectability.

2.4 Effect of Ethical Leadership on Employee Performance

Employees are the most essential resources in an association, which without the objectives and goals may not be achieved. Bartram, and Casimir (2007) opine that moral administration is imperative to the representative employment execution. This demonstrates moral authority will probably achieve association viability and eagerness of representatives to put in additional endeavors in worker execution. On other hand, the effect of moral authority on representative occupation execution shows that moral improvement is probably going to end up necessary to an individual's down to earth accomplishment as a pioneer. Furthermore, Morgan (2003) found that a devotee's impression of a central pioneer's morals was decidedly identified with their view of their chief as a compelling leader.

Ethical leadership is connected with positive impact on representative execution (Resick, 2011) by pioneers with solid moral responsibilities having sway on errand criticalness and independence of the Job Characteristic model. This implies directors with great good picture and moral standing might be seen as an essential in the association, and this observation might be a converted into a solid valuation for top administration by representatives inside an association (Ruiz, & Martinez, 2011). The ethical leadership is an important issue to organization like commercial banks and leaders in making proactive decisions.

Lui,Shah and Schroeder (2011) note that ethical leadership practice is an important contributor to performance in economic reform economies. Many businesses will adopt a new ethical leadership to improve on their performance. Thus for firms to be competitive environment it is essential to conduct effective ethical leadership which will improve

performance. Organizations that have the capacity to learn quickly about moral administration and to follow up on that data are best situated to accomplish execution (Thompson&Bunderson,2003).Ethical leadership also is associated with positive influence on employee motivation and work capability which directly affect job performance. The work capability of employees is effectively enriched through subordinates' experience with ethical leadership in asocial exchange. The ability of ethical leadership to motivate employee through appreciation care, and support in good quality leader-member relationship can improve employee performance. This is because employees want to work for honest, trustworthy, loving leaders.

Effective leaders likewise impact forms, animate change in states of mind and values, and intensify strengthening and self-viability of their supporters, as they encourage the disguise of corporate vision (Thompson&Bunderson,2003). The sustaining part of administration can likewise raise an association's way of life and worker's qualities to larger amounts of moral conduct. By exhibiting moral administration, we advance an abnormal state of respectability that empowers a feeling of dependability, and urges subordinates to acknowledge and take after our vision. Moral pioneers are probably going to be individuals situated, and mindful of how their choices affect others. This displaying serves as a guide and inspiration for others to put the requirements and interests of the gathering in front of their own. Such engagement makes a scholarly and enthusiastic responsibility amongst pioneers and their adherents that makes both sides similarly dependable in the quest for shared objectives. Further, moral pioneers likewise mentor associates in picking up a feeling of individual and expert ability that permits them to exceed expectations while being stronger, faithful, and beneficial (Walker, 2002).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a summary of information regarding the methodology that was adopted and used in this study. The chapter also describes the research design, target population, data collection instruments and the techniques for data analysis that was used.

3.2 Research Design

The study used a cross sectional descriptive research design which depict or characterizes a subject, by making a profile of business banks through the gathering of information and organization of the frequencies on research factors or their connection (Cooper and Schindler, 2003). This design was believed to be appropriate because it described relevant aspects of a phenomenon of interest in a particular situation at the same time period during the study.

3.3 Population

The population of the study comprised of commercial banks in Kenya. As per the list of commercial banks at the Central Bank of Kenya website, there are 43 commercial banks currently operating in Kenya (Appendix II). These banks were classified into three tiers as presented in Table 3.1 below.

Table 3.1 : Target Population

Bank Tier	No. of Banks
I - Banks with a balance sheet of more than Kenya Shillings 4 Billion	1
II - Banks with a balance sheet of less than Kenya Shillings 40 billion but more than Kenya Shillings 10 billion	22
III - Banks with a balance sheet of less than Kenya Shillings 10 billion	20
TOTAL	43

Source: CBK, 2015

3.4 Sampling Design

Stratified sampling and simple random sampling techniques was connected in determination of respondents for the study. In the first place, the current three levels for banks were dealt with as strata whereupon the respondents were chosen. Stratification was utilized in light of the fact that the populace was heterogeneous thus the need to provide food for qualities of every stratum. Additionally, an example of half was drawn from every stratum through basic arbitrary inspecting. As per Kothari (2008), a delegate test is one which is no less than 10% of the populace. The sample selected was indicted in the table below:

Table 3.2 : Table 3.2 Sample Size

Bank Tier	Number	Sample Size
I	1	1
II	23	11
III	20	10
Total	43	22

3.5 Data Collection

The study used primary data, which was gathered through self-directed surveys. The examiners were managed utilizing the drop and pick later technique. The survey comprised of both open and shut finished inquiries intended to evoke particular reactions for subjective investigation with Section A on bio data and Section B on ethical leadership. A Likert scale was also used for close –ended questions.

3.6 Data Analysis

The information gathered was examined utilizing illustrative insights measures of focal propensity and measures of varieties. In particular mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses. Results were presented in tables and charts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The section focuses analysis, findings, and the discussion with regard to the objective. The scrutiny was presented in mean and standard deviations while the findings are presented in frequency distributions and tables.

4.2 Response Rate

A total of 22 questionnaires were issued out and 16 were returned. The provided surveys' represented a reaction rate of 73% and this reaction rate was regarded to be sufficient in the acknowledgment of the exploration destinations as per Livingston and Wislar (2012) stipulation that a response rate of 70% and over was adequate response rate for administered questionnaires.

4.3 Demographic Characteristics

Demographic characteristics that were considered in the study included the length of nonstop administration, number of workers and the level of education of the respondents working in the commercial banks operating in Kenya.

Table 4.1: Demographic Characteristics

Category	Item	Frequency	Percentage	Cumulative Frequency
Length of service	Less than 5 years	3	18.7	18.7
	5 – 10 years	8	50.0	68.7
	Over 10 years	5	31.3	100.0
Number of employees	100 – 499	5	31.3	31.3
	Above 500	11	68.7	100.0
Level of Education	Post graduate level	6	37.5	37.5
	University	10	62.5	100.0

Source: Research Data 2016

The results on the length of continuous service with the bank indicates that half of the respondents have worked in their separate banks for a time of somewhere around 5 and 10 years; 31.3% of the respondents showed that they have worked in their particular business banks for over 10 years while 18.7% of the respondents demonstrated the length of their administration as under 5 years. This demonstrate dominant part of the respondent have worked at their separate banks for a period over 5 years and have enough comprehension of the bank's working and operations.

The results on the number of employees show that 68.7% of the banks have more than 500 employees while 31.3% of the banks have between 100 and 499 employees. The results indicate that the banks have employed many employees and this can be attributed

to the size and number of branches the bank has and therefore in order to improve its performance the banks have to ensure that ethical leadership was practiced in the bank.

The findings in Table 4.1 show that majority of the respondents 62.5% had attained university education level while 37.5% of the respondents indicated that they have post graduate level of education. This implies that all the respondents have attained university education and this means that, they are knowledgeable enough to understand and answer the questions in the questionnaires appropriately.

4.4 Ethical Leadership

Ethical leadership is important to the bank as it acts a means of ethical guidance and role model to all the other employees working in the bank while at the same time inspiring high moral practices. On whether the top leadership of commercial banks upholds ethical code, majority of the respondents said that they uphold the code as they ensure that their exist good corporate governance structures, strict on bank code of conduct and ethics, creation of ethical control and compliance department that ensure all ethical code of conduct is adhered to by all. The respondents noted that in some instances the leadership sometimes bend the policies to suit their own selfish gains and this affects all other employees as they look up to the leadership of the bank.

Ethical leadership is important to all organizations whether private or public as it guides all the employees on the behavior to be exhibited on day to day activities. The respondents were asked to state the degree to which the commercial banks leadership adopted ethical values in a five point Likert scale. The range was ‘very low extent (1)’ to

‘great extent (5)’. The scores of respondents’ low level of ethical leadership values represent a variable which had a mean score of below 3.0 while the scores of above 3.0 represent respondents’ agreement with the ethical leadership values. A standard deviation of >1.0 implies a significant difference on the impact of the variable among respondents.

4.4.1 Trust

The participants were asked to state the degree to which the leadership of the commercial exhibited high level of trust. This was important for the study as trust is the underpinning for productive conflict, aim assurance, delicate responsibility, and achievement of cooperative objectives. The results were presented in Table 4.2.

Table 4.2: Trust

Trust	Mean	Std. Deviation
The leadership of the bank businesses can be trusted to guide all the staff towards the attainment of the organizational goals	4.161	.778
I trust the bank top leadership to steer the rest of the staff towards the achievement of collective goals through adoption of effective coordination among the various departments	4.064	.771
I trust the organization leadership to resolve conflicts without bias and favoritism among the staff when a misunderstanding arise	3.935	.853

Source: Research Data 2016

Table 4.2 show that the leadership of the bank businesses can be trusted to guide all the staff towards the attainment of the organizational goals (M=4.161) and that the bank top

leadership steer the rest of the staff towards the achievement of collective goals through adoption of effective coordination among the various departments (M=4.064). The results further established that organization leadership trust to resolve conflicts without bias and favoritism among the staff when a misunderstanding arise (M=3.935). The results show that the leadership of the bank was trusted to guide all the bank staff towards achievement of organizational goals, coordination of various departments and resolve conflicts without bias and favoritism.

4.4.2 Transparency

Transparency is essential for the leadership of the bank as it ensures that both the employees and customers can access the information needed to make decisions.

Table 4.3: Transparency

Transparency	Mean	Std. Deviation
Due to their transparency, the top leadership of the bank shares knowledge on present business circumstances, choices, and practices is the same is shared to all the concerned staff.	3.935	.963
Managers at the bank display an example of openness and clarity in their conduct toward others by sharing the data expected to make decision	3.677	.832
The top leadership discloses their personal values, motives, and sentiments in a manner that enables the firms employees accurately assess the competence and morality of the leader's actions	3.296	1.135

Source: Research Data 2016

The results on transparency by the leadership of commercial banks was that the top leadership of the banks shared information on existing business conditions, decisions and

actions is the same is shared to all the concerned staff (M=3.935) and that managers at the bank exhibit a pattern of openness and clarity in their behavior toward others by sharing the information needed to make decision (M=3.677). The respondents also said that the top leadership discloses their personal values, motives, and sentiments in a manner that enables the bank employees accurately assess the competence and morality of the leader's actions (M=3.296). The results implies that the top leadership in the commercial banks were sharing information with their employees and this enables them to undertake their duties with all the necessary information needed for them to make decisions on behalf of the bank thus increasing employee perception towards the management resulting in decreased animosity between the management and employees.

4.4.3 Moral Values

The respondents were requested to indicate the extent to which the top leadership of commercial banks practiced moral values that hold themselves accountable for the values.

Table 4.4: Moral Values

Moral values	Mean	Std. Deviation
The bank leaders do demonstrate a level of moral value that emphasizes their trustworthiness	4.296	.901
The leadership of the bank encourages employees to uphold the same moral values that they practice	4.197	.843
The banks leadership are committed to doing what is right according to societal and organisational cultural beliefs and values	4.125	.762

Source: Research Data 2016

The results on the moral values of the top leadership was that the leadership of the bank has demonstrated a level of moral value that emphasizes their trustworthiness (M=4.296) and that the leadership of the bank encourages employees to uphold the same moral values that they practice (M=3.197). The bank leadership was found to be committed to doing what is right according to societal and organisational cultural beliefs and values (M=4.125) the leadership of the commercial banks moral status in the society was achieved though emphasize on trustworthiness and doing what is right to society and the organisation thus acting as a role model to other employees in the bank.

4.4.4 Integrity

The respondents were requested to indicate the extent to which the top leadership of the bank practiced the concept of integrity.

Table 4.5: Integrity

Integrity	Mean	Std. Deviation
The leadership in the bank exhibit strong moral principles; moral uprightness in financial transactions	4.293	.588
The organizations leaders always encourage open and honest communication, particularly in discussion concerning decision-making	3.806	.980
Whenever the leadership face a decision that might be in conflict, the usually declare their interest	3.489	.961

Source: Research Data 2016

Integrity is important for the management of the banks and this was confirmed by the respondents who said that leadership in the bank exhibit strong moral principles; moral

uprightness in financial transactions (M=4.293) and that organizations leaders always encourage open and honest communication, particularly in discussion concerning decision-making (M=3.806). The respondents further said that whenever the leadership faces a decision that might be in conflict, they usually declare their interest (M=3.489). The competition in the banking industry has seen the banks compete in several fronts that require the leadership to have high integrity in order to survive in the sector and this were found to include moral uprightness in financial transactions, open and honest communication in decisions to be taken by the bank and declaration of material facts whenever there is conflict on interest in all he business transactions the bank engages in.

4.5 Employee Performance

The performance of employees is important for the commercial banks to achieve its objectives and be competitive in the industry thus the top leadership of the banks has to ensure that they exhibit ethical leadership practices that promotes employee commitment and performance.

Table 4.6: Employee Performance

Employee Performance	Mean	Std. Deviation
Trust within the bank has contributed to the creation of greater efficiencies in relationships between managers and employees	4.161	.824
As a result of ethical leadership, the organizations' employees are now comfortable taking risks and displaying ideas that go above and beyond that which is expected of them	4.096	.836
High transparency level has promoted integrity and prevented corruption and instead increased the level of predictability in the organization actions	4.064	.964
There has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns in the firm	3.935	.813
Moral values have positively affected employee attitudes to life situations and their relationship and interaction with people	3.838	.898
Ethical leadership has enhanced compliance with organizational rules and regulation which has facilitated organizational change and improved employee contributions in terms of performance	3.806	1.046
High level of transparency in the organization has increased the firm competitiveness in terms of customer base as well as increased range of product variety which can all be attributed to employee motivation	3.580	.928
Ethical leadership has enhanced compliance with organizational rules and regulation which has facilitated organizational change and improved employee contributions in terms of performance	1.871	.496

Source: Research Data 2016

The results show that trust within the bank has contributed to the creation of greater efficiencies in relationships between managers and employees (M=4.161) and that as a result of ethical leadership, the organizations' employees are now comfortable taking risks and displaying ideas that go above and beyond that which is expected of them (M=4.096). The low standard deviation indicates that the respondents were in agreement with the statements. The respondents further said that high transparency level has promoted integrity and prevented corruption and instead increased the level of predictability in the organization actions (M=4.064); that there has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns in the firm (M=3.935) and that moral values have positively affected employee attitudes to life situations and their relationship and interaction with people (M=3.838).

The respondents were further in agreement that ethical leadership has enhanced compliance with organizational rules and regulation which has facilitated organizational change and improved employee contributions in terms of performance (M=3.806) and that high level of transparency in the organization has increased the firm competitiveness in terms of customer base as well as increased range of product variety which can all be attributed to employee motivation (M=3.580). The respondents disagreed that ethical leadership has enhanced compliance with organizational rules and regulation which has facilitated organizational change and improved employee contributions in terms of performance (M=1.871). The results imply that ethical leadership has enabled the bank to increase manager-employee relationship thus preventing corruption and predictability,

reducing dishonesty and communication breakdowns, and employee attitude towards the organization.

4.6 Discussion

Leadership is viewed as a main consideration that has an undeniable impact on representative execution in any sort of association. In any case, how representatives perform under various types of authority has been a state of conflict. The trust entrusted to the leadership of a bank by the shareholders is to steer the bank towards achievement of organizational goals and this includes incorporating employees in the running of the bank. The study established that top leadership of the bank was trusted to guide all the staff towards the attainment of the organizational goals, steer the rest of the staff towards the achievement of collective goals through adoption of effective coordination among the various departments and resolving all conflicts without being biased or favoritism. The results were found to be consistent with Leo (2006) findings trust inside an association can add to making more noteworthy efficiencies seeing someone amongst chiefs and representatives. Ponnu and Tennakoon (2009) noticed that representative trust in pioneers at first builds the worker consistence with authoritative principles and control which encourage to the usage of hierarchical change and enhance worker commitments as far as execution, goal to remain and metro uprightness conduct.

Leadership is basically the center and soul of associations. As the general population in control, they deal with the association's issues as well as manage the general representatives eye to eye. Depended with the errand to convey hierarchical objectives, dreams and thoughts to representatives, pioneers are in charge of keeping up and

executing authoritative tenets and frameworks and even have the last say. Consequently, it might be said, pioneers at all levels are spokespersons of their own associations, serving as the extension and connection interfacing representatives. The leadership of the commercial banks was found to be sharing information on existing business conditions thus ensuring that the employees makes correct decisions when serving the bank customers. The bank leadership was found to have also their personal values, motives, and sentiments in a manner that enables the bank employees accurately assess the competence and morality of the leader's actions. The results of the study were found to be consistent with Roman and Munuera (2005) findings that a transparent organization signifies an openness of the organization system through clear processes and procedures and easy access to employees information for ethical awareness in the organization through information sharing, which ultimately ensures accountability for the performance of the individuals and organization handling resources.

The moral values exhibited by the leadership of the bank influences the employee perception towards the bank as they are striving to ensure that they follow the leaders' traits. The leadership of the bank was found to have emphasized their trustworthiness, leadership of the bank encourages employees to uphold the same moral values that they practice and doing what is right to societal and organizational cultural beliefs and values. The results of the study were consistent with Schwartz and Boehnke (2004) findings that moral values in ethical leadership involves the commitment to doing what is right according to societal and culture beliefs and values. Rokeach (2003) noted that leaders who are ethical demonstrate a level of moral that emphasizes their trustworthiness, and

this trust enables followers to accept the leader. Integrity is important for the management of the banks and this was confirmed by the study which found out that leadership in the bank exhibit strong moral principles; moral uprightness in financial transactions, organizations leaders always encourage open and honest communication and the bank leadership declaring interest whenever faced with conflict. The results were consistent with Gottlieb and Sangria (2006) findings that leaders with integrity always encourage open and honest communication, particularly in discussion concerning decision-making.

Every organization is competing to survive in this ever increasingly challenging and volatile market environment, and in order to survive; they need pools of excellent, talented and productive human capital to work in organizations. The bank employees are an important asset to the organization and therefore in order for the bank to be competitive in the market they ought to ensure that the welfare of the employees which includes the leadership style being used by the management is taken into consideration. Ethical leadership of the management was found to have resulted in increased manager-employee relationship thus preventing corruption and predictability, reducing dishonesty and communication breakdowns, and employee attitude towards the organization. The results of the study was found to be consistent with Thompson and Bunderson (2003) findings that ethical leadership also is associated with positive influence on employee motivation and work capability which directly affect job performance. The work capability of employees is effectively enriched through subordinates' experience with ethical leadership in a social exchange.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the key findings of the study as well as the conclusions, limitations of the study, and recommendations for further research.

5.2 Summary of Findings

Ethical leadership is important for every organization to succeed especially the commercial banks that work in an environment that has witnessed increased competition and regulation in the recent past. Ethical leadership in the bank was achieved through good corporate governance structures, strict bank code of conduct and ethics, creation of ethical control and compliance department that ensure all ethical code of conduct is adhered to by all. The management trust is important for the bank as all the stakeholders in the industry look up to the management to undertake their business decisions with outmost trust to guide all the staff towards the attainment of the organizational goals, steer the rest of the staff towards the achievement of collective goals and resolving all conflicts without being biased or favoritism.

Ethical leadership is important to the bank because of the impact leaders may have on the conduct of the employees and ultimately on organizational performance. Ethical leadership however involves transparency by the management which enables the employees of the bank to make proper business decisions out of information sharing by the management. The management behavior influences the bank employees' ultimate behaviour as they tend to follow the leadership and therefore managers ought to set a

good example for employees. Unless leaders act as ethical role models, ethical behaviors will not be accepted by cynical employees. The study found out that the leadership of the bank have emphasized trustworthiness, encouragement of the employees to uphold the same moral values that they practice and doing what is right to societal and organizational cultural beliefs and values.

Organizations strive to be successful and productive in the competitive global market. One of the major factors or motivators of productivity and performance is leadership integrity which is essential for commercial banks as this encourages honest communication between the management and its employees. Integrity in the bank was achieved through strong moral principles; moral uprightness in financial transactions, organizations leaders always encourages open and honest communication. The study also found out that the bank leadership was declaring interest whenever faced with conflict. Employees are pivotal assets without whom the intended goals of any organization may not be achieved. Thus in order to achieve its objectives, efficient leadership is needed to help employees in discovering and polishing their contributions to the success of the organization. Ethical leadership of the management was found to have resulted in increased manager-employee relationship thus preventing corruption and predictability, reducing dishonesty and communication breakdowns, and employee attitude towards the organization.

5.3 Conclusions

Ethical leadership is important for any organization to succeed. Leaders' ethical behaviors such as clarifying roles, sharing power, and acting fairly signal that these

leaders can be seen as ideal representatives of the group, and that in turn implies they can be trusted. Furthermore, such trusted leaders are perceived as more effective. Ethical leadership requires ethical leaders. If leaders are ethical, they can ensure that ethical practices are carried out throughout the organization. An ethical leader can give employees' satisfaction and motivation in their work, and then it leads to the increase of performance. The results proved that ethical leadership play an important role in contributing employee performance. Hence, managers should concern improving ethical leadership area such as discussion business ethics or values with employee, set an example of how to do things the right way to term of ethic and having the best interest of employees in mind.

Corporate ethical values are the predictors of influence in terms of building the ethical values and ambition in the leaders and the followers. So, corporate ethical values are the basic component for ethical leadership and employee performance. Thus the leadership of the banks should have the ethical values, interpersonal qualities and capabilities to carry out the different tasks as needed by the organizations. The banks must maintain the learning environment for their employees. So, there must be collaborative efforts of the leaders and the organizational employees to learn the ethical codes and conduct to enhance their performance. These ethical values are the important factors for the organizational success.

5.4 Limitations of the Study

This study was limited by other factors in that some respondents may have been biased or dishonest in their answers considering that they were all commenting on their employer. More respondents would have been essential to increase the representation of respondents

in this study and allowed for better check of consistency of the information given. Sample size of our study represents another limitation. However, despite the above limitations, the findings presented in this paper have important policy implications.

5.5 Recommendation for Policy Implications

Ethics and the moral values are considered the most important factors of the organization. Ethical leadership has an influence on employee performance. Hence, a primary contribution of this study is that efforts in promoting ethical leadership practices in the commercial banks must start and be perceptible at the top of the organization. Another important contribution of this study is that employee may not play the so commonly thought important roles in behaving ethically in their work places, for this reason, ethical leaders endowed with the mind of behaving ethically may be needed in a greater extent to make a difference in employee performance. Indeed, an important aspect of the organization's poor performance that must be obviated hinges on the promotion of the practices of ethical leadership.

The study recommends that the bank leadership that has ethical norms and values, can lead to persuade their employees and the supporters. Therefore, it is necessary for the organizational trend makers to give importance to the corporate ethical values by spreading out this information to the employees. The commercial banks should also select the employees and employers who have ethical personal traits to build more ethical and fair environment in company. These components enhance the trust among employees; they are more committed with their job, hence employee performance increases and improves.

The findings of the study would be important to policy makers in the country in coming up with policies that ensures that the management of commercial banks adhere to so that there is minimal cases of banks collapsing as a result of unethical leadership behaviour which also some of the employees have adopted and resulted in some banks suffering losses due to unethical employee behaviour. Even though ethical behaviours are individual characteristics, the study shows that the societal environment (cultural, political/legal), as well as the corporate government, influences the manner in which people evaluate and judge unethical actions, which means that organizations can shape the moral philosophies of individuals, thereby influencing ethical behaviour.

5.6 Suggestion for Further Research

The study was undertaken on perceived effect of ethical leadership on employee performance among commercial banks in Kenya. Similar study ought to be done in other sectors and comparison be made on the effect of ethical leadership on employee performance among commercial banks in Kenya.

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APPENDIX I: QUESTIONNAIRE

Section A: Demographic Characteristics

1. Name of the bank (Optional).....

2. Length of continuous service with the bank?

a) Less than five years []

b) 5-10 years []

c) Over 10 years []

3. How many employees does your bank have?

a) Less than 100 []

b) 100 – 499 []

c) Above 500 []

4. What is your highest level of education qualification?

a) Post graduate level [] b) University
[]

c) Tertiary College [] d) Secondary
[]

SECTION B: Ethical Leadership at the bank

5. In your view do you believe that the top leadership in your bank and uphold ethical code of conduct in their day-to-day operations?

Yes [] **No**

[]

Why do you think

so?.....

6. Below are some of the characteristics of ethical leaders' tenet of trust. In a scale of 1 – 5 as shown in the scale below, please indicate the extent of your agreement in which the characteristic fits your organizations top leadership; **5) Greater Extent; 4) Great Extent; 3) Moderate Extent; 2) Low Extent; 1) Very Low Extent**

Statement	5	4	3	2	1
I trust the organization leadership to resolve conflicts without bias and favoritism among the staff when a misunderstanding arise					
The leadership of the bank businesses can be trusted to guide all the staff towards the attainment of the organizational goals					
I trust the bank leadership to take personal responsibility whenever they are on the wrong					
I trust the bank top leadership to steer the rest of the staff towards the achievement of collective goals through adoption of effective coordination among the various departments					
I expect the organizations leadership to take painful action in cases where the same trust is bridged by the staff					

What other form of trust characteristic do you attribute to the organizations leadership.....

7. Below are some of the features of a leader that is transparent in his/her dealings. Please indicate the extent to which you agree with the suggested characteristic. **Use 1-Not at all, 2-Small Extent, 3-Moderate Extent, 4-Great Extent and 5-Very Great Extent**

Statement	5	4	3	2	1
Due to their transparency, the top leadership of the bank shares information on existing business conditions, decisions and actions is					

the same is shared to all the concerned staff.					
Managers at the bank exhibit a pattern of openness and clarity in their behavior toward others by sharing the information needed to make decision					
The top leadership discloses their personal values, motives, and sentiments in a manner that enables the firms employees accurately assess the competence and morality of the leader's actions					
The organization leadership has developed a culture of clear processes and procedures than ensure easy access to employees information for ethical awareness in the organization through information sharing					
The leadership of the organization work according to the standards set for them and develop good working conditions, recognition, fair treatment, career growth, and involvement in decision making					

What other form of transparency characteristic do you attribute to the organizations leadership.....
.....

8. Below are some of the features of a leader that practices moral values in his/her dealings. Please indicate the extent to which you agree with the suggested characteristic. Use **1-Not at all, 2-Small Extent, 3-Moderate Extent, 4-Great Extent and 5-Very Great Extent**

Statement	5	4	3	2	1
The banks leadership are committed to doing what is right according to societal and organizational cultural beliefs and values					
The bank leaders do demonstrate a level of moral value that emphasizes their trustworthiness					

The leadership in the bank have developed the norms, guidelines, and expectations that prescribe appropriate kinds of behavior by employees in particular situations, such as dealing with customers and suppliers					
The leadership of the bank encourage employees to uphold the same moral values that they practice.					

What other form of moral value characteristic do you attribute to the organizations leadership.....

9. Below are some of the features of a leader that observes integrity principles in his/her dealings. Please indicate the extent to which you agree with the suggested characteristic. Use **1-Not at all, 2-Small Extent, 3-Moderate Extent, 4-Great Extent and 5-Very Great Extent**

Statement	5	4	3	2	1
The banks leadership base their decision on moral justification based on truth or reality rather than merely an agreed-upon set of morals and values by an individual					
The leadership in the bank exhibit strong moral principles; moral uprightness in financial transactions					
Whenever the leadership face a decision that might be in conflict, the usually declare their interest.					
The organizations leaders always encourage open and honest communication, particularly in discussion concerning decision-making					

What other form of integrity characteristic do you attribute to the organizations leadership.....

10. To what extent has the adoption of ethical leadership practices affected employee performance in the bank businesses? **5) Greater Extent; 4) Great Extent; 3) Moderate Extent; 2) Low Extent; 1) Very Low Extent**

Statement	5	4	3	2	1
Ethical leadership has enhanced compliance with organizational rules and regulation which has facilitated organizational change and improved employee contributions in terms of performance					
Trust within the bank has contributed to the creation of greater efficiencies in relationships between managers and employees					
As a result of ethical leadership, the organizations' employees are now comfortable taking risks and displaying ideas that go above and beyond that which is expected of them					
High level of transparency in the organization has increased the firm competitiveness in terms of customer base as well as increased range of product variety which can all be attributed to employee motivation					
High transparency level has promoted integrity and prevented corruption and instead increased the level of predictability in the organization actions					
Moral values has positively affected employee attitudes to life situations and their relationship and interaction with people.					
There has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns in the firm.					

THANK YOU SO MUCH FOR YOUR TIME

APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA

Classification	Description	Commercial Banks
Tier I	Comprises of banks with a balance sheet of more than Kenya Shillings 40 billion	1. Citibank
Tier II	Comprises of banks with a balance sheet of less than Kenya Shillings 40 billion but more than Kenya Shillings 10 billion	2. Bank of India 3. Bank of Baroda 4. Family Bank 5. Prime Bank 6. Commercial Bank of Africa 7. Bank of Africa 8. Consolidated Bank 9. Chase Bank 10. Fina Bank 11. EcoBank 12. HFCK 13. Barclays Bank 14. CFC Stanbic Holdings Ltd 15. I&M Holdings Ltd

		16. Diamond Trust Bank	
		17. Housing Finance Co. Ltd	
		18. Kenya Commercial Bank	
		19. National Bank of Kenya Ltd	
		20. NIC Bank Ltd	
		21. Standard Chartered Bank Ltd	
		22. Equity Bank Ltd	
		23. Cooperative Bank Ltd	
		<hr/>	
Tier III	Comprises of banks with a balance sheet of less than Kenya Shillings 10 billion	24. Habib A.G. Zurich	
		25. Victoria Commercial Bank	
		26. Credit Bank	
		27. Habib Bank (K) Ltd	
		28. Oriental Commercial Bank	
		29. K-Rep Bank	
		30. ABC Bank	
		31. Development Bank of Kenya	
		32. Middle East Bank	
		33. Equatorial Commercial Bank	
		34. Trans-National Bank	
		35. Dubai Bank	

36. Fidelity Commercial Bank

37. City Finance Bank

38. Paramount Universal Bank

39. Giro Commercial Bank

40. Imperial Bank

41. Guardian Bank

42. Southern Credit Bank

43. Gulf African Bank

44. First Community Bank

Source: The Banking Survey by CBK 2015, pp. 191