

Role of Intellectual Stimulation and Inspirational Motivation on Performance of Commercial State Owned Enterprises in Kenya

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Abstract

Kenya state owned enterprises were design to spur growth and provide services in order to uplift the living standards of the Kenyans. However, over the years these state enterprises have face numerous challenges among them poor leadership. This paper sought to investigate the effect of transformational leadership on organizational performance of commercial state owned enterprises in Kenya, specifically the extent to which idealized influence and inspirational motivation affect organizational performance of commercial SOEs in Kenya. Data was collected from 170 senior managers from 34 commercial state corporations in Kenya using self-administered questionnaire. Inspirational motivation was found to have a significant and a positive effect on organization performance implying that improving inspirational motivation will improve organization performance. However, idealized influence did not have any significant effect on organization performance. The study also found that inspirational motivation had a negative effect on organization performance through organization culture. This paper recommends that organizations targeting to improve organization performance must work on employee- friendly company culture, degree of employee's inclination to be more productive than non-motivated employees, power of company financial incentives and team work. In addition, they must work towards discouraging delegation of tasks, career mentoring and coaching, and creation of new learning opportunities alongside a supportive climate.

Keywords: organizational motivation, inspirational motivation, State Owned Enterprises

1. Introduction

Leadership is an important subject in the fields of organizational behavior, strategic management, strategic human resource management (SHRM) and management in general. Leadership is said to have the most dynamic impact in both individual and organizational interactions in an organization's life. Leadership is a very important factor in an organization because it determines most of its success and failure. According to Marno et al (2008), Leadership is the ability to convince and mobilize others to work together as a team under ones leadership to achieve a certain goal.

In Kenya and developing countries, the importance of state owned enterprises cannot be overemphasized. These enterprises play key role in providing solutions to socio-economic development through growth stimulation and creation of employment among others. Nonetheless, majority of these SOEs have not achieved their mandate. For instance, the overall performance of SOEs experienced a rise in turnover, profit and dividends. Specifically, turnover rose by 19 percent, profit rose by 20 percent and dividends rose by 61 percent in the period between 2009/10 and 2011/12 (GoK, 2013).

Leadership is lifeblood of any organization and its importance cannot be underestimated (Ojokuku, 2012). Leadership style is viewed as the combination of traits, characteristics, skills and behaviors that leaders use when interacting with their employees (Marturano & Gosling, 2008; Jeremy et al., 2011). Relationship between leadership style and organizational performance has been discussed often (Ojokuku 2012). According to Fu-Jin et al. (2010), most research shows that leadership style has a significant relation with organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers. There is significant relationship between leadership styles and organizational performance (McGrath & MacMillan, 2000). Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done.

Kenya state owned enterprises were design to spur growth and provide services in order to uplift the living standards of the Kenyans. However, over the years these state enterprises have face numerous challenges among them poor leadership. Samaitan (2014) argued that leadership and especially transformational leadership is critical in influencing staff to achieve desired goals since transformational leaders inspire employees and followers to achieve more difficult objectives and helps them develop themselves.

Wang & Howell (2010), asserted that in order to have effective management of corporations there is a close linkage amongst leadership and performance. However, empirical researches into the links between leadership and performance, particularly financial performance, have normally been missing (Sinek, 2014; Nelson & Quick, 2002). Much of the evidence presented as supporting the claim of a leadership-performance link is anecdotal and frequently over-concentrates on the transformational role of leaders in corporate successes (Nelson

& Quick, 2002). The limited or inconclusive character of research findings in this area suggests the need to investigate further the nature of the relationship between transformational leadership and organizational performance within commercial state corporations in Kenya. This dissertation sought to fill this research gap.

The purpose of this paper is to investigate the effect of transformational leadership on organizational performance of commercial state owned enterprises in Kenya, specifically the extent to which intellectual stimulation and inspirational motivation affect organizational performance of commercial SOEs in Kenya.

2. Literature review

According to Karamat (2014), leadership can be defined in many different ways that it is hard to come up with a single general definition. Leadership is not just a person or group of people in a high position. Leadership is a process in which a leader is involved in various activities to achieve any objective. Leadership refers to the behavior or attitude of a leader to collect and direct the individuals towards any objective. Leadership is a communication process of leader and individuals. So the effectiveness of an organization depends upon the effective leader and effective leader is that person who has an effective leadership style. Leadership is a very important factor for any organization or group.

Bass (1985) describes idealized influence as used to describe people who by being who they are project power in themselves and have a vast influence on their employees. The inspirational leader creates undivided loyalty and commitment without any consideration of self-interest. These leaders have confidence in the vision, they take full responsibility for their actions and display purpose and trust. According to Stone, Russell & Patterson (2004), the development of a shared vision is an integral component of the idealized transformational leader's role. It helps others to look at the futuristic state while inspiring acceptance through the alignment of personal values and interests with the collective interests of the group's purpose. Transformational leaders are also willing to take and share risk with employees (Avolio & Bass, 2002).

The leaders with idealized influence are honored, appreciated, they are trusted, the employees admire them, and they identify with them and try to imitate them. Such leaders, which represent the model roles to their employees, do "the right things", demonstrating high moral and ethical behavior. They do not use their position and leaders' abilities to achieve personal interests, but they direct them to use the potentials of their employees and to achieve the aims of organizations. Leaders are accepted, esteemed, and trusted. Employees identify with them and seek to imitate them. These leaders almost always put the needs of others over personal needs, and he or she shares risks with employees. The leader can be relied upon to do the right thing and displays superior standards of ethical and moral conduct (Bass & Avolio, 1994).

Inspirational motivation arises from the use of both effective and communicative styles of influence. This behavior articulates the importance of leaders communicating high expectations to employees, inspiring and motivating them by providing meaning and challenge to the employees so that they can develop a shared vision in organizations (Bass & Avolio, 1994; Bass & Steidlmeier, 1999; Kouzes & Posner, 2002). Gill, Levine and Pitt (1999), indicate that inspirational leaders align individual and organizational objectives, thus making the achievement of organizational objectives an attractive means of achieving personal objectives.

Moreover, the inspirational appeal of transformational leaders brings out the best efforts in employees, such as harmony, charity and good works. According to Bass & Avolio (1994), as well as Bass & Steidlmeier (1999), the leader develops team spirit in employees, who in turn display eagerness and cheerfulness in achieving organizational objectives. Such inspirational oratory leads to a willingness to exert extra effort. Employee motivation promotes workplace harmony and increased employee performance. It is the key to long term benefits for the company. Motivated employees means staff retention and company loyalty, which in the short run will give birth to growth and development of business (Jishi, 2009). In the nutshell, the above submission shows that employee motivation is very essential to the growth, development and success of any business entity, be it small or big. In the business world or better still the workplace human resources are the most valued and cherished resources above all others. Motivated employees are productive, happy and highly committed to their job. The spin off this, result in reduced employee turnover, results driven employees, loyalty and harmony thus the research topic "an assessment of employee motivation and its impact on performance (Nduro 2012).

Warrick (2011) exemplified that transformational leaders encourage organization's employees to surpass their self-interests in order to achieve collective purposes. The leader therefore can be said to be a model of integrity and equality, setting clear objectives, having high hopes, inspiring people and providing support and recognition, stirring the emotions and passions of people, and getting people to look beyond their own self-interests and reach for advanced objectives. Motivation inspires individuals to work harder and attain the set objectives within the organization thereby culminating in good performance in employees (Simola et al., 2012).

3. Research Methodology

Alavi & Carlson (1992), contend that, any knowledge that is not based on positivist thought is scientific and invalid.

This research philosophy can be used to investigate the effect of transformational leadership on performance of SOEs in Kenya. The research philosophy that best fits the paper's objectives is positivism. As alluded to before, under positivism research philosophy, it is possible to test hypothesis and generalize the findings (Hirschheim, 1985; Alavi & Carlson, 1992). However, to test the hypothesis, there is need to translate the underlying concepts into measurable forms (Galliers, 1991). For instance, in this study transformational is a construct that needs to be properly measured in order to test its effect on performance of SOEs.

The research philosophy that best fits the study's objectives is positivism. As alluded to before, under positivism research philosophy, it is possible to test hypothesis and generalize the findings (Hirschheim, 1985; Alavi & Carlson, 1992). However, to test the hypothesis, there is need to translate the underlying concepts into measurable forms (Galliers, 1991). For instance, in this study transformational is a construct that needs to be properly measured in order to test its effect on performance of SOEs.

This study selected all the five senior management from each SOEs and the total number (170) formed the population of this study. The sampling frame of this study comprises of 170 senior managers from 34 commercial state corporations in Kenya. This study used both probability and non-probability sampling. Specifically, the study used simple random sampling to select the 120 senior managers (with exception of CEO) of the SOEs and purposive sampling to select five senior managers from each commercial SOE.

This study follows the formula proposed by Yamane (1967) since it is simple to use, it is scientific and can be used in cases of large populations. Thus, to calculate the sample size from 170 senior managers with exception of CEOs of SOEs in Kenya, the study specifies a 5 percent error as shown in equation 3.1.

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

Where n is the sample size, N is the population (170) and e denotes the error (0.05). Applying values into formula specified in equation 3.1 the sample size is:

$$n = 170 / \{1 + 170(0.05^2)\} \cong 120 \dots \dots \dots 3.2$$

Equation 3.2 gives sample size of 120 senior managers of SOEs. This sample is a good representation of the populations (Singleton & Straits, 2010). Having calculated the sample size, we now explain on how to select senior management from the 34 SOEs for data gathering.

The study used Management and Leader Questionnaire (MLQ) to collect data from 120 senior managers of SOEs in Kenya to investigate the relationship between transformational leadership style and the financial performance of SOEs in Kenya. In order to obtain data on senior managers (past & present) members of the Top Management Team (TMT) in each SOE were interviewed. TMT members that were interviewed comprised of managers who were occupying positions of senior manager or equivalent as detailed in the cadre of service in SOEs with exception of CEOs. Secondary data was obtained directly from the SOEs and also from SCAC. The questionnaire was administered to the TMT members in each SOE. The questionnaire consists of four sections where section one collected information on the respondents, section two collected data on financial and non-financial indicators of performance, section three collected data on various dimensions of transformational leadership and section four collected data on organizational culture. The five point Likert scale was used.

The study conducted pilot study in order to test the reliability and validity of the research instrument. Out of 120 top managers the study collected data from 12 (10% of the sample) manager so as to pilot test the research instrument. The study used simple random sampling to select the 12 manager to be included in the pilot (Saunders et al., 2012). Research assistants visited the selected companies and administered the questionnaires. Once data was collected, it was coded and entered into SPSS. Thereafter, reliability was tested. The study conducted a pilot study to test the reliability of the research instrument. The study used Cronbach alpha to test for reliability of the research instrument. The values of Cronbach alpha ranges between zero and one where zero and one indicates very low and high reliability respectively (Saunders et al., 2012). This study used a cutoff point of 0.7 to indicate that the research instrument is reliable.

The study tested for external validity by discussing the questionnaire with experts in the field of leadership and organizational performance. The experts including the supervisors provided relevant comments that were used to modify the questionnaire and improve its validity. The study conducted validity test in order to ensure that the research instrument measures what it is supposed to measure. This study tested validity of the research instrument by requesting professors and experts in the area of transformational leadership to give their comments regarding the content, construct and criterion validity.

4. Results and Findings

4.1 General Descriptive Information

A majority (42 percent) of the enterprises were established back in 1978, whereas 8.6 percent were established in 1999. Other 4.9 percent were established in 1994. This information is summarized in Table 4.1. The age of these organizations is a testimony that they have been around long enough to set up the infrastructure necessary for the well-functioning and success of the organizations.

A huge chunk of the employees were above 40 years of age. Out of the total respondents, 47 percent were

between 40-49 years of age, 34 percent between 30-39 years of age and 14 percent were between 50-59 years of age. Only 6 percent were between 21-29 years of age. This indicates a normal distribution of employees as expected across all the age groups, with majority of the work force (81 percent) being between 30-49 years of age. With a paltry 6 percent of employees in commercial state organizations falling within the age bracket of 21-29 years, it says about the current state of employment in the country.

The study therefore conclusively finds the employment ratio of 31 women for every 69 men in leadership positions in commercial state owned organizations to be well balanced, and does not therefore in any way consider the findings skewed in terms of gender. This also testifies of the transformational leadership being exercised in various government parastatals that does not discriminate the gender of a person in granting them leadership roles as opposed to their qualifications and capabilities.

Majority of 49 percent held a bachelor's degree, followed by 41 percent who held a Master's Degree qualification. There was no respondent with a PhD qualification, and 9 percent of the respondents had neither a Bachelor's Degree nor a Master's Degree. Results show that a majority of 8.75 percent of the respondents had worked in their current organization for a period of 10 years. About 48 percent of the employees had worked in their organization for a period above 10 years. Only 2.5 percent of the respondents had worked in their organization for 32 years. The paper can conclude that the turnover is relatively low.

4.2 Factor Analysis Results

Factor analysis was carried out on the organizational performance, which in this case is the dependent variable of the study. In the analysis of the study, financial performance and non-financial performance of the organization, and role of institutions in management are used as a proxy of organizational performance (OP). Factor analysis was carried out for both non-financial performance and role of selected number of government institutions in the management and performance of state owned commercial parastatals.

4.2.1 Factor Analysis results for Non-Financial Performance

The KMO test and the Bartlett's Sphericity tests were carried out to ascertain the suitability of factor analysis in reduction of items under the non-financial performance construct to the statistical instrument being administered. As shown in table 4.3 below, KMO value was 0.843, which is very close to one, indicating that factor analysis was useful for the data items under the non-financial performance construct. The chi square index for Bartlett's Test was 256.352 with a significant p value of 0.000, a clear indication that data reduction is an important step in analysis of impact transformational leadership on performance of commercial state corporations. The 0.000 p-value shows that the variable reduction exercise is a highly statistically significant procedure, since most of the data variable items under non-financial performance construct of organizational performance are highly correlated.

Initial results indicate that all data items under the non-financial performance construct performance had factor loadings greater than 0.5 indicating that they were strongly related with either the first component one or the second component. Under the first component, Success rate, Customer satisfaction, Adaptation to changing environmental conditions, Employee satisfaction, Cost performance, Business growth, and Reputation had 0.626, 0.715, 0.710, 0.842, 0.719, 0.690, and 0.813 factor loadings respectively. On the other hand, the second component had Product quality and Level of innovation with 0.558 and 0.735 respectively as the only data items with factor loadings greater than 0.5. The results in Table 4.6 are an indication that there was a dimension to non-financial performance.

4.2.2 Factor Analysis for Institution performance

The KMO test and the Bartlett's sphericity tests were carried out to ascertain the suitability of factor analysis in reduction of items that build up the institution construct, and to know the relevance of the questions under within the statistical instrument being administered. As shown in table 4.7 below, KMO value was 0.627, which is greater than 0.5, clearly indicating that factor analysis was highly needed to reduce the number of data items under the institution performance construct. The chi square index for Bartlett's Test was 80.914 with a significant p value of 0.000. This was a clear indication that data reduction for the institution performance construct was an important step in analysis of the impact of transformational leadership on performance of commercial state corporations.

4.2.3 Organizational Performance Index

To be able to compute the organization performance for the analysis of impact of transformational leadership in state owned commercial enterprises in Kenya, an average was obtained for non-financial performance construct and institution role construct data items. The command for the execution was as shown in equation 4.1.

$$Org_perf_index = (q2.3a + q2.3b + q2.3c + q2.3d + q2.3e + q2.3f + q2.3g + q2.3h. q2.3i + q2.4a + q2.4b + q2.4c + q2.4d + q2.4e)/14 \dots \dots \dots 4.1$$

4.3 Effect of Intellectual Stimulation and Inspirational Motivation on Organizational Performance

All the 7 data items under inspirational motivation construct of transformational leadership as having factor loadings greater than 0.5 either under component one or two, which is an indicator for strong correlation. Under component one, there were data items IM-1, IM-2, IM-5, IM-6, and IM-7 with factor loadings of 0.754, 0.786,

0.848, 0.733 and 0.860 respectively, while component two had data items IM-3 and IM-4 with factor loadings of 0.816 and 0.510 respectively. This was an indication that there existed a dimension to inspirational motivation. This is because components one and two have higher factor concentrations of all the data items in the idealized influence construct.

The two components, component 1 and 2 were arrived at by the use of principal component analysis (PCA) to extract the initial Eigen values and obtaining the rotation sum of squared loadings. The results obtained thereof were tabulated as shown in table 4.20 shown. From the table, it can be seen that the first two components explain 61.282% of the variations in the inspirational motivation construct, making the first two components suitable to explain the changes in the institution performance construct of organizational performance.

The results show a Pearson correlation coefficient of -0.005 with a p-value of 0.966. This means that even though the relationship between inspirational motivation and organizational performance was negative, it was not statistically different from zero. The results also show that the coefficient of inspirational motivation was 2.529 with a p-value of 0.02 that is significant at 5 percent significance level. This implies that inspirational motivation positively influences organization performance. Since the findings of the study on inspirational motivation fall within the rejection region, we reject the null hypothesis in favor of the alternative, and conclude that the transformational leader's inspirational motivation significantly influences organizational performance of commercial SOEs in Kenya.

Initial results indicate that all data items under the intellectual stimulation construct had factor loadings greater than 0.5 indicating that they were strongly related with either the first component one or the second component. Under the first component, data items IS-1, IM-2, IM-5, IM-6 and IM-7 had component one factor loadings of 0.763, 0.781, 0.844, 0.724, and 0.865 respectively, while the remaining two data items IM-3 and IM-4 had 0.807 and 0.516 factor loadings respectively for the second component. The results in table 4.24 below is a clear indication that the data item reduction had a huge dimension to institution performance construct with regard to analyzing impact of transformational leadership on organizational performance.

All the 7 data items under intellectual stimulation construct of transformational leadership as having factor loadings greater than 0.5 either under component one or two, which is an indicator for strong correlation. Under component one, there were data items IS-1, IS-3, IS-4, IS-5, IS-6, and IS-7 with factor loadings of 0.870, 0.866, 0.843, 0.863, 0.906, and 0.813 respectively, while component two IS-2 data item with factor loadings of 0.990. This was an indication that there was a dimension to intellectual stimulation. This is because components one and two have higher factor concentrations of all the data items in the idealized influence construct.

The two components, component 1 and 2 were arrived at by the use of principal component analysis (PCA) to extract the initial Eigen values and obtaining the rotation sum of squared loadings. The results obtained from the rotation were then tabulated as shown in table 4.26. From the table, it can be seen that the first two components explain 78.285% of the variations in the intellectual stimulation construct of transformational leadership, which is more than three quarters of the all the possible variations or disturbances. This makes the first two components suitable to explain the changes in the intellectual stimulation construct of organizational performance.

The Pearson correlation coefficient for intellectual stimulation was 0.062 and was statistically insignificant even at 10 percent level ($p > 0.10$). We therefore conclude that even though the relationship between intellectual stimulation and organizational performance was positive, it was not statistically different from zero. With a p-value of 0.35, the coefficient of intellectual stimulation (0.938) suggests that the positive relationship is statistically not different from zero. This finding suggest acceptance of the null hypothesis that intellectual stimulation does not influence organizational performance of commercial SOEs in Kenya.

5. Summary, Discussion, Conclusions and Recommendations

The objective of the study was to examine the effect of the intellectual stimulation and inspiration motivation on organizational performance of commercial state owned enterprises in Kenya. Data was collected from 170 senior managers from 34 commercial state corporations in Kenya using self-administered questionnaire.

Inspirational motivation was found to have a significant and a positive effect on organization performance implying that improving inspirational motivation will improve organization performance. However, idealized influence did not have any significant effect on organization performance. The study also found that inspirational motivation had a negative effect on organization performance through organization culture.

The study recommended that organizations targeting to improve organization performance must work on employee- friendly company culture, degree of employee's inclination to be more productive than non-motivated employees, power of company financial incentives and team work. In addition, they must work towards discouraging delegation of tasks, career mentoring and coaching, and creation of new learning opportunities alongside a supportive climate.

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Appendices

Table 1: Component Matrix for Inspirational Motivation

	Component One	Component Two
IM-1	0.763	0.200
IM-2	0.781	-0.144
IM-3	0.227	0.807
IM-4	-0.119	0.516
IM-5	0.844	-0.108
IM-6	0.724	-0.220
IM-7	0.865	0.102

Table 2: Rotated Component Matrix for Inspirational Motivation

Inspirational Motivation	Component One	Component Two
IM-1	0.754	0.233
IM-2	0.786	-0.110
IM-3	0.192	0.816
IM-4	-0.141	0.510
IM-5	0.848	-0.072
IM-6	0.733	-0.189
IM-7	0.860	0.139

Table 3: Component extraction Principal Component Analysis (PCA)

Component	Initial Eigen Values			Rotation sum of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.241	46.300	46.300	3.237	46.242	46.242
2	1.049	14.982	61.282	1.053	15.040	61.282
3	0.982	14.024	75.306			
4	0.707	10.107	85.412			
5	0.456	6.513	91.925			
6	0.351	5.016	96.941			
7	0.214	3.059	100.00			

Table 4: Correlation between inspirational motivation and organizational performance

Organizational Performance		Inspirational Motivation
	Pearson Correlation	-0.005
	Sig. (2-tailed)	0.966
	N	87

Table 5: Effect of Inspirational Motivation on Organization Performance

Parameter	Estimate	Standard Error	Significance
Inspirational Motivation	2.529	1.043	0.02

Table 6: Component Matrix for Intellectual Stimulation

	Component One	Component Two
IS-1	0.867	-0.074
IS-2	0.105	0.985
IS-3	0.862	-0.093
IS-4	0.835	-0.148
IS-5	0.868	0.035
IS-6	0.912	0.063
IS-7	0.821	0.093

Table 7: Rotated Component Matrix for Intellectual Stimulation

	Component One	Component Two
IS-1	0.870	-0.014
IS-2	0.037	0.990
IS-3	0.866	-0.034
IS-4	0.843	-0.090
IS-5	0.863	0.094
IS-6	0.906	0.125
IS-7	0.813	0.149

Table 8: Component extraction Principal Component Analysis (PCA)

Component	Initial Eigen Values			Rotation sum of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.460	63.710	63.710	4.444	63.480	63.480
2	1.020	14.575	78.285	1.036	14.805	78.285
3	0.453	6.465	84.750			
4	0.377	5.388	90.138			
5	0.302	4.317	94.455			
6	0.218	3.109	97.564			
7	0.171	2.436	100.00			

Table 9: Correlation between intellectual stimulation and organizational performance

Organizational Performance		Intellectual Stimulation
	Pearson Correlation	0.062
	Sig. (2-tailed)	0.568
	N	86

Table 10: Effect of Intellectual Stimulation on Organization performance

Parameter	Estimate	Standard Error	Significance
Intellectual Stimulation	0.938	1.007	0.35