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Abstract

The adoption of Enterprise Risk Management (ERM) by State Corporations in Kenya is a mandatory requirement and yet, the information on levels of adoption amongst Commercial State Corporations, most of which continue to experience poor performance due to weak governance is scanty. The objective of the study was to establish the relationship between transformational leadership and enterprise risk management adoption. This study adopted a positivist research philosophy and cross-sectional survey design approach. Target population comprised all the 52 Commercial State Corporations in Kenya listed in the register of State Corporations Advisory Committee in January 2021. Census method was applied, and all members of the top management team were enumerated as respondents. The study achieved a response rate of 76% with the return of 276 questionnaires. The study used primary data, which was collected through structured questionnaires. The descriptive and inferential statistics was employed in the analysis. The Statistical Package for Social Sciences (SPSS version 22) was used in regression modeling for prediction and causal inferences between study variables. The study findings indicated that Transformational Leadership has a significant relationship with ERM adoption. The study recommends that commercial state corporations embrace and incorporate elements of transformational leadership in Enterprise Risk Management design to enhance ERM adoption.

Keywords: *Transformational Leadership, Enterprise Risk Management & Commercial State Corporations*

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1.0 Introduction

1.1 Background

In today's dynamic and competitive business environment, organizations are adopting the enterprise risk management framework to address the inadequacies in risk management in entities. In Kenya, the adoption of Enterprise Risk Management (ERM) by State Corporations is a mandatory requirement and yet the information on levels of adoption amongst Commercial State Corporations most of which continue to experience poor performance due to weak governance is scanty. Transformational leadership is a dynamic process in which leaders influence subordinates to achieve high levels of performance. These leaders move organisations towards the future, by considering the environmental needs and facilitating required change guided by a clear vision and future organisational objectives to be realized. Bass (1985) made a justification for naming this type of leadership by this name as being indicative of the ability of a leader to transfer subordinates to high level performance and to achieve organisational outputs. According to Bass (1985), transformational leadership behavioural elements are idealized influence, inspirational motivation, intellectual stimulation and individualized influence of leaders. Korejan and Shahbazi (2016) argue that transformational leaders steer path of growth and prosperity of organisations. They do so by developing commitment, passion and loyalty amongst managers, staff and mobilize members in the firm. An important component in the risk management implementation in an organisation is the leadership needed to create risk awareness not in the application of strategic risk management but to provide transparency, communications and essential support consistent to create a culture of risk (Iriyadi & Yadiati, 2017).

A transformational leader focuses on transforming others to help each other, to look out for each other, to be encouraging and harmonious, and to look out for the organisation as a whole. In this leadership style, the leader enhances the motivation, morale and performance of his follower group (Ghasabeh, Soosay & Reaiche, 2015). A person with this leadership style is a true leader who inspires his or her team with a shared vision of the future. Transformational leaders are highly visible and spend a lot of time communicating. They do not necessarily lead from the front, as they tend to delegate responsibility amongst their teams. While their enthusiasm is often infectious, they can need to be supported by detail people (Hoch, Bommer, Dulebohn & Wu, 2018). Transformational leadership gives more attention to leadership elements like charisma and feelings.

According to COSO (2014) Enterprise Risk Management-Integrated Framework is a process, effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. Studies use several synonyms for enterprise risk management such as integrated risk management, holistic risk management, global risk management and strategic risk management (Simona-lulia, 2014). It is evident from the foregoing that ERM framework is meant to facilitate the achievement of corporate objectives.

The oversight of risk management should be an acknowledged responsibility of the board of directors. The importance of this responsibility has gained the close attention of most firms as a result of the global financial crisis, which had the effect of increasing awareness and recognition of ineffective risk management and creating a risk aware culture across listed companies (Kimeto

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& K'Aol, 2018). To successfully adopt ERM management, one ought to evaluate varied strategic directions by considering the combined risks within many scenarios to create a potential for risk opportunities and to manage risk within the stakeholders' risk appetite (Hoque & Ntsele, 2018). All of the identified risks inclusively aim to support the strategic direction of the enterprise. ERM might identify risk opportunity across multiple silos of the enterprise to enhance and maximise the value of the company's return when risk appetite is well managed by balancing the performance objective with recognising risks. Boards of directors are normally held accountable and responsible for considering risk oversight and it is important to consider the likelihood and impact of various risk scenarios that are linked to the company's overall business strategies (Pawar & Eastman, 2017)

State Corporations are a common phenomenon in both developed and developing countries. State Corporations are established to implement government policies and execute national development agenda. Commercial State Corporations are required to be sustainable and competitive in their commercial activities but also serve channels for a strategic socio-economic development. However, Commercial State Corporations in Kenya face corporate governance challenges that affect their effectiveness. To address the challenge of governance in state corporations, the government of Kenya developed Treasury Circular NO 3 / 2009 guidelines for the development and implementation of institutional risk management framework in the public sector (Republic of Kenya, 2009). The Mwongozo code of conduct was also developed to enhance effectiveness of boards, transparency, accountability, risk management and ethical leadership in state corporations (PSCK&SCAC, 2015).

1.2 Statement of the Problem

The existence of a holistic risk management framework in an entity provides reasonable assurance about the realization of company objectives. The government of Kenya has made the adoption of integrated risk management approach in state corporations mandatory to enhance corporate governance. Despite the advantages associated with ERM, studies have shown that few corporates have adopted ERM. Fadun (2013) asserts that despite the benefits of risk management, not many enterprises maintain ERM in Nigeria. According to Togok *et al.* (2016), the increased adoption of ERM in Malaysia is associated with the adoption of Bursa Malaysia Guidelines in 2013 that required integrated risk management and reporting. ERM adoption challenges are experienced in all sectors of the commercial state corporations they have different objectives, they have different levels of risk tolerance and diversified risk appetites (Otieno, Ogutu, Ndemo & Pokhariyal, 2020). According to Faisal *et al.* (2021) implementation of ERM in Indonesia public listed companies is still at the initial stages.

In Kenya, the government has been mainstreaming good corporate principles in State Corporations principally to enhance existing processes and controls to address incidence of corruption, imprudent utilization of resources and overall performance. In addition, the government formulated of the code of governance for State Corporations referred to as *Mwongozo* with clear measures aimed at addressing matters of effectiveness of the Board, transparency, accountability, risk management and ethical leadership in state corporations (World Bank, 2021). Studies on ERM adoption in Kenya have not assessed and brought out information on levels of ERM adoption in commercial state corporations in Kenya and interactions between transformation leadership and ERM adoption. However, a few studies have focused on the insurance industry with the assessments of levels of ERM adoption and maturity in the insurance companies in Kenya (Njagi

& Njuguna, 2017). The study sought to determine the relationship between transformational leadership and enterprise risk management adoption by commercial state corporations in Kenya.

1.3 Objectives of the Study

To establish the relationship between transformational leadership and enterprise risk management adoption by Commercial State Corporations in Kenya.

1.4 Hypotheses of the Study

H₀: There is no significant relationship between transformational leadership and enterprise risk management adoption by Commercial State Corporations in Kenya.

2.0 Literature Review

2.1 Theoretical Review

The theory of Transformational leadership was first put forward by Burns in 1978. According to Burns (1978), transformational leadership occurs when it is inherent in recognizing the varying needs and motives of followers and in elevating them to transcend personal self-interests. Bass (1985) advanced on the original ideas of transforming leadership theory by Burns (1978) and raised the theory to transformational leadership whereas; whereas Burn's theory focused on social reform by moral elevation of followers' value and needs, Bass's (1985) transformational leadership theory emphasized more on attaining practical organisational objectives (Yukl, 2012).

According to Bass (1985), transformational leaders achieve three things, namely: make followers aware of importance of outcomes, motivate subordinates give up their interest for the sake of team or organisation and more followers towards higher order needs. It is therefore theorized that transformational leaders encourage their followers to be more involved in the firm's activities through intellectual stimulation culture by encouraging critical thinking (Tims *et al.*, 2011). Odumeru and Ifeanyi (2013) critique the transformational theory on the basis that the theoretical rationale for differentiating among the behaviours is not clearly explained as there exists partial overlapping of content among the transformational behaviour. According to Burns (2018), transformational leadership is a process whereby leaders and followers raise one another to higher levels of morality and motivation. In this way, anyone can influence an organization through ideals and moral values. According to Bass (1985) there are four key behaviors of transformational leaders, which are; idealized influence which involves behaviors that arouses strong follower emotions and identification with the leader, individualized consideration which includes providing support to attain success, inspirational motivation which motivates followers to become committed to achieve organizational goals and intellectual stimulation which makes followers to be creative and innovative to assist challenge their own beliefs as well as those of the leader and the organization. Transformational leaders develop relationships and interactions within companies, set desired expectations, and inspire followers to identify opportunities in their business environment and lead change in organizations (Bradley, 2020)

The strength of this theory in the study was the emphasis it placed on transformative leadership in State corporations. State Corporations in Kenya can better adopt ERM when leaders and their followers are given the right skills through relevant staff training which according to Bass pertains

to individualized consideration. In addition, organizations should set their performance targets, which are mutually agreed upon which according to Bass, involve inspirational motivation.

2.2. Empirical Literature Review

Alqatawenh (2018) looked at the transformational leadership style and its relationship with change management in Jordanian insurance companies. The study used quantitative data derived from the questionnaires and found a significant relationship between transformational leadership and change management. Kimeto and K'Aol (2018) study revealed a significant relationship between transformational leadership and the organisational commitment among senior management of commercial banks in Kenya. Positivism research philosophy was adopted and both descriptive and inferential statistics applied. Data was analyzed using multiple linear regression. The study results indicated that of transformational leadership style had significant correlation with the organisational commitment amongst the senior management. Lan, Chang, Ma, Zhang and Chuang (2019) study results indicated that transformational leadership styles had a positive and a statistically significant relationship with job satisfaction. The study used questionnaires in data collection. Intentional sampling was adopted. Job satisfaction was found to be affected by the leadership styles. Regression analysis was used to analyze the data. The study adopted descriptive statistics. The study however used transformational leadership as an independent variable. The study used the transformational leadership style as an intervening variable.

Ogeng'o and Omar (2015) examined some of the factors that affected the ERM in parastatals in Kenya. Descriptive research design was used. The study employed stratified sampling to get the sample size. The study used questionnaires to collect data. The study results indicated that that governance, organisation culture, organisational resources and communication have significant effect on the successful implementation of ERM at Kenya Revenue Authority. The study however was restricted itself to one public entity: Kenya Revenue Authority (KRA). This research compared the moderating effect of external regulation and the intervening effect of corporate strategy on the relationship between transformational leadership and enterprise risk management adoption. Anyiko (2018) study indicated that transformational leadership had a significant influence on the performance of the employees. Positivism philosophy was used. Structured questionnaires were used to collect primary data. The study used both descriptive and inferential statistics to measure the relationships between study variables. Transformational leadership was found to influence the performance of the employees. Descriptive and inferential statistics were used to analyze data. The study did not include the moderating variable. The current study introduced the moderating variable to test the relationship.

Hoque and Ntsele (2018) studied the relationship between transformational leadership and risk management in the Retail Bank in South Africa and established a significant relationship between transformational leadership and risk management. The study adopted cross-section research design and used census sampling method. Selamat and Ibrahim (2018) examined the moderating effect of risk culture in relationship between Leadership and enterprise risk management implementation in Malaysia. The study used questionnaires to collect primary data from 300 listed companies in Bursa, Malaysia. The study used hierarchical multiple regressions to test for the moderating effect of risk culture on the relationship between leadership and ERM implementation. The study revealed a statistically significant relationship between leadership and ERM implementation. Ross and Offermann (2017) in a study to demonstrate performance effects of transformational leaders

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on their work groups, used interval-level measures of performance fully independent of subordinate ratings over 11 months using the same institutional performance criteria for all groups. They posited that these measures significantly extended the types of performance measures tested in previous studies and were less biased. However, the results did not reveal any significant relationships between transformational leadership and performance. Given that the performance measure had substantial content validity as well as reason and opportunity to influence their followers, they concluded that leaders could affect their subordinates' performance through direct and indirect means.

Pawar and Eastman (2017) posit that the literature on transformational leadership in organizations had neglected the organizational context within which such leadership is embedded, and minimal attention had been paid to the influences of contextual factors on the transformational process including the emergence, the operation, and the effectiveness of transformational leadership. They observe that researchers have paid more attention to intra-personal and interpersonal aspects of the transformation process than they have on the organizational aspects of this process. Pawar and Eastman (2017) are therefore of the view that to fully understand the transformational process, researchers must study transformational leadership in relation to a contextual framework. Kirui *et al.* (2015) examined the role of transformational leadership in effective enterprise risk management adoption in State-owned banks in the Rift Valley, Kenya. The study used both primary and secondary means of collecting data by employing both qualitative and quantitative approaches. The findings of the role of idealized influence on enterprise risk management adoption indicated that top management invested in gaining employee trust, confidence, and respect and showed conviction and group identity when dealing with employee issues, such that enterprise risk management adoption increased. The findings deduced that idealized influence played some role in effective enterprise risk management adoption. This is in line with findings of the study by Almatrooshi, Singh and Farouk (2016) which revealed that leadership style and enterprise risk management adoption are determinants of the overall enterprise risk management adoption.

2.3 Conceptual Framework

Figure 1 depicts the interactions of the independent variable and dependent variable in a conceptual framework. It is conceptualized that transformational leadership is the independent variable and the ERM adoption is the dependent variable.

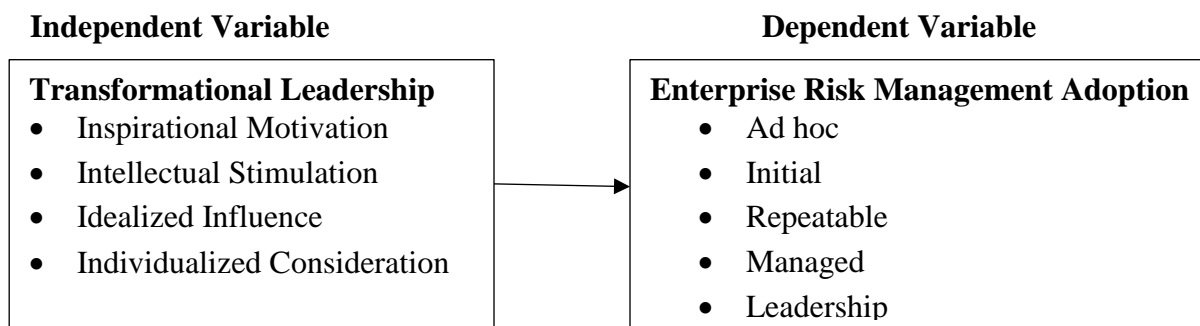


Figure 1: Conceptual Framework

3.0 Research Methodology

This study employed positivism philosophy. Positivism perspective believes that the world is real and exists independent of researchers, hence the resulting knowledge is objective and true (Bryman, 2012). The study adopted a cross-sectional survey design. A cross sectional survey design is more appropriate than others are since the data collected help answer research questions related to only one point in time (Hair, Money, Samouel, & Page, 2010). The study population comprised all the Commercial State Corporations in Kenya listed in the Report of the Presidential Taskforce on Parastatals Reforms 2013 as uploaded on SCAC web site as at March 2021. The Presidential Task Force made a reclassification of government owned entities to make a distinction between commercial and non-commercial roles of entities. This separation was imperative to ensure that noncommercial objectives are appropriately priced, funded and that such entities are shielded from profit making decisions and to ensure that clear lines of accountability for performance. The differentiation was also aimed deeper understanding of sources of risk for commercial state corporations for enhanced corporate governance. In line with the foregoing classification there are 52 commercial state corporations, comprising of purely commercial (32) and commercial state corporations with strategic functions (20). The study used census and survey all 52 Commercial State Corporations as the unit of analysis is small. Kothari and Garg (2014) also argue that census approach enhances the generalizability of the research findings. This helps eliminate both the sampling error and the sampling bias. This is the most preferred method because the population is relatively small as well as being homogeneous. Each of the unit comprised elements that was instrumental in getting the information.

The study selected all top management also referred to as Executive Management Team of each entity as respondents for this study. The top management is the highest management decision making body for each entity and it comprises of the heads of directorates or heads of departments as the case maybe. The top management have homogeneous characteristics as they are well informed about the subject and are responsible on matters policy, strategy, and risk management in their respective directorates. Census method was used, and all members of the top management team were enumerated as respondents. The total number of top management team were 405, the researcher obtained a total of 364 respondents upon exclusion of 10% pilot study respondents. The study achieved a response rate of 76% with the return of 276 questionnaires. The study used structured questionnaires to collect primary data. Quantitative data was then coded and analysed using SPSS version 22

The significance of the independent variable (Transformational Leadership) on the dependent variable (Enterprise risk management adoption) was tested using the weighted linear model. To enable application of regression model incorporating the moderating and intervening variables, the independent variable was computed from weighted averages of the constructs. According to Talukder, Hipel and vanLoon (2017), a typical composite indicator can be built from a weighted linear aggregation rule that is applied to a set of variables. Thus, the variable for Transformational Leadership was established using the following equation:

$$ERM = \alpha_0 + \beta_1 TL + \varepsilon$$

Where: ERM = Enterprise Risk Management Adoption; TL = Transformational Leadership; α_0 = Constant; β_1 = Beta coefficient

4.0 Results and Findings

The response rate was used to depict the representativeness of the sample size. A response rate is very important to the credibility of the research results. The study administered 364 questionnaires to the top management. A total of 364 respondents were administered with the questionnaire and 276 respondents successfully filled and returned their questionnaires translating to a 76% response rate. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Thus, 76% was considered very good for the study. The study concluded that Transformational Leadership has a significant relationship with ERM adoption by Commercial State Corporations in Kenya.

4.1 Descriptive Statistics

4.1.1 Transformational Leadership

To establish the relationship between transformational leadership and enterprise risk management adoption by Commercial State Corporations in Kenya, the descriptive statistics in Table 1 present the results for idealized influence, intellectual stimulation, inspirational motivation and individualized considerations.

Table 1: Descriptive Statistics for Transformational Leadership

Statistics	Idealized Influence	Intellectual Stimulation	Inspirational Motivation	Individualized Consideration
N	276	276	276	276
Mean	4.02	3.98	4.01	4.03
Median	4.00	3.88	4.00	3.99
Mode	3.93	3.86	3.78	4.01
Std. Dev.	0.59	0.58	0.60	0.58
Skewness	0.04	0.05	-0.03	0.02
Kurtosis	-1.24	-1.20	-1.31	-1.22

The results from the Table 1 shows the descriptive statistics that indicates central tendency and dispersion of all the measures of Transformational Leadership. The total number of respondents was 276. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The measures of kurtosis and skewness are used to determine if indicators met normality assumptions (Kline, 2005). According to Bai and Ng (2005), if skewness is less than -1 or greater than 1, the distribution is highly skewed, if skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed, if skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The results show that idealized influence had a mean of 4.02, median of 4.00 and mode of 3.93. This implied that the mean of 4.02 implied that majority were agreeing with the statement on Idealized Influence. The standard deviation of 0.59 showed that the members of the group differed from the mean value of 4.02 for the group in the observation. Skewness for Idealized Influence was 0.04. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Idealized Influence had -1.24. Thus, we

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conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Intellectual stimulation had a mean of 3.98, median of 3.88 and mode of 3.86. This implied that the mean of 3.98 implied that majority were agreeing with the statement on Intellectual Stimulation. The standard deviation of 0.58 showed that the members of the group differed from the mean value of 3.98 for the group in the observation. Skewness for Intellectual Stimulation was 0.05. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Intellectual Stimulation had -1.20. Thus, we conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

The descriptive results indicate that inspirational motivation had a mean of 4.01, median of 4.00 and mode of 3.78. This implied that the mean of 4.01 implied that majority were agreeing with the statement on Inspirational Motivation. The standard deviation of 0.60 showed that the members of the group differed from the mean value of 4.01 for the group in the observation. Skewness for Inspirational Motivation was -0.03. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Inspirational Motivation had -1.31. Thus, we conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Intellectual stimulation had a mean of 4.03, median of 3.99 and mode of 3.86. This implied that the mean of 4.03 implied that majority were agreeing with the statement on Intellectual Stimulation. The standard deviation of 0.58 showed that the members of the group differed from the mean value of 4.03 for the group in the observation. Skewness for intellectual stimulation was 0.02. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Intellectual Stimulation had -1.22. Thus, we conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

4.1.2 Enterprise Risk Management Adoption

Descriptive statistics were conducted on ERM adoption by Commercial State Corporations in Kenya. The descriptive present the results for ERM adoption under the indicators; ad hoc, initial level, repeatable level, managed level and leadership level results are shown in Table 2.

Table 2: Descriptive Statistics for Enterprise Risk Management Adoption

Statistics	AD hoc	Initial Level	Repeatable level	Managed level	Leadership level
N	276	276	276	276	276
Mean	3.96	2.40	1.75	1.77	1.78
Median	3.92	2.37	1.78	1.76	1.77
Mode	3.25	2.33	1.77	1.31	1.39
Std. Dev	0.58	0.88	0.45	0.45	0.43
Skewness	0.13	0.13	-0.07	-0.11	-0.06
Kurtosis	-1.23	-1.21	-1.27	-1.31	-1.14

The results from the Table 2 shows the descriptive statistics for ERM Adoption. The total number of respondents in each measured was 276. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion.

The descriptive results indicate that Ad hoc had a mean of 3.96, median of 3.92 and mode of 3.25. This implied that the mean of 3.96 implied that majority were agreeing on the statements on Ad hoc. The standard deviation of 0.58 showed that the members of the group differed from the mean value of 3.96 for the group in the observation. The standard deviation of 0.58 further implies that the data points tend to be very close to the mean of the data and a high standard deviation implies that the data points are spread over a wide range of the values. Skewness for Ad hoc was 0.13. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Ad hoc had -1.23. Thus, we conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers. Cane yield was evenly distributed and the measure between the high and low score was small and exhibits normality Ad hoc.

The descriptive results indicate that the initial level had a mean of 2.40, median of 2.37 and mode of 2.33. This implied that the mean of 2.40 implied that majority were somewhat agreeing with the statement on initial level. The standard deviation of 0.88 showed that the members of the group differed from the mean value of 2.80 for the group in the observation. Skewness for Initial Level was 0.13. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that moderate type had -1.21. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Further, the descriptive results indicate that the repeatable level had a mean of 1.75, median of 1.76 and mode of 1.77. This implied that the mean of 1.75 implied that majority were disagreeing with the statement on repeatable level. The standard deviation of 0.45 showed that the members of the group differed from the mean value of 1.75 for the group in the observation. Skewness for repeatable level was -0.07. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that moderate type had -1.27. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

The descriptive results indicate that the managed level a mean of 1.77, median of 1.76 and mode of 1.31. This implied that the mean of 1.77 implied that majority were disagreeing with the statement on managed level. The standard deviation of 0.45 showed that the members of the group differed from the mean value of 1.77 for the group in the observation. Skewness for managed level was -0.11. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that moderate type had -1.31. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Lastly, the descriptive results indicate that the leadership level had a mean of 1.78, median of 1.77 and mode of 1.39. This implied that the mean of 1.78 implied that majority were disagreeing with the statement on leadership level. The standard deviation of 0.43 showed that the members of the group differed from the mean value of 1.78 for the group in the observation. Skewness for

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leadership level was -0.06. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that moderate type had -1.14. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

4.3 Correlation Analysis

Correlation analysis was carried out to determine the association between Transformational Leadership and Enterprise Risk Management Adoption by Commercial State Corporations in Kenya. The mean score for each variable was calculated and the Pearson’s correlation obtained using SPSS. The correlations were done at 0.05 significance level with one asterisk (*) or a 0.01 significance level with two asterisks. The correlation results are presented in Table 3.

Table 3: Correlation Matrix

		ERM Adoption	Transformational Leadership
ERM Adoption	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Transformational Leadership	Pearson Correlation	.769**	1.000
	Sig. (2-tailed)	0.000	

The results in Table 3 indicate that Transformational Leadership is positively and significantly associated with ERM Adoption by Commercial State Corporations in Kenya ($r= 0.769$, $p=0.00<0.05$). Since the R-values were above 0.7, this is an indication that Transformational Leadership portrayed a high association with ERM Adoption by Commercial State Corporations in Kenya.

4.4 Hypotheses Testing

The objective of the study was to establish the relationship between transformational leadership and ERM adoption by Commercial State Corporations in Kenya. A simple regression model was used to test the statistical significance of the independent variable (Transformational Leadership) on the dependent variable (ERM adoption) in Commercial State Corporations in Kenya. The hypothesis stated in the null form that;

H₀: There is no significant relationship between transformational leadership and ERM adoption by Commercial State Corporations in Kenya.

The hypothesis was tested by regressing Transformational Leadership and ERM adoption guided by the equation $ERM = \alpha_0 + \beta_1 TL + \epsilon$

Where ERM = Enterprise Risk Management Adoption, TL = Transformational Leadership

Table 4: Model Fitness for Transformational Leadership

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769a	0.592	0.591	0.65491

As presented in the Table 4, the coefficient of determination R Square is 0.592. The model indicates that Transformational Leadership explains 59.2% of the variation in ERM adoption by Commercial State Corporations. This implies that there exists a significant relationship between Transformational Leadership and ERM adoption by Commercial State Corporations in Kenya

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	216.065	1	216.065	503.753	.000b
	Residual	148.832	275	0.429		
	Total	364.896	276			

The Analysis of Variance (ANOVA) results are shown in Table 5. Analysis of Variance consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. This was conducted using SPSS by using average mean score of Transformational Leadership and ERM adoption. The results in Table 5 indicate that F-Calculated (1, 276) = 503.753 which is greater than F-Critical (1, 276) = 3.84 at 95% confidence level. Therefore, the results confirm that the regression model of Transformational Leadership on ERM adoption is significant.

Table 6: Transformational Leadership and ERM adoption

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.541	0.104		5.21	0.000
Transformational Leadership	0.749	0.033	0.769	22.44	0.000

The fitted model from the result derived from Table 5 is;

$$\text{ERM} = 0.541 + 0.749\text{TL}$$

This implies that a unit change in Transformational Leadership will increase ERM adoption by the rate of 0.749. H_0 stated that Transformational Leadership has no significant relationship with ERM adoption by Commercial State Corporations in Kenya. Since, the p value $0.000 < 0.05$ is less than the critical value 0.05, the study concluded that Transformational Leadership has a significant relationship with ERM adoption by Commercial State Corporations in Kenya.

5.0 Discussion of Findings

The hypothesis was tested by regressing Transformational Leadership and ERM adoption by Commercial State Corporations in Kenya. The findings show that when Transformational Leadership is held constant, ERM adoption remains at 0.541. At the same time, a unit increase in Transformational Leadership will increase ERM adoption by Commercial State Corporations in Kenya by the rate of 0.749. Since, the p value $0.000 < 0.05$ is less than the critical value 0.05, the null hypothesis was rejected that there is no significant relationship between transformational leadership and ERM adoption by Commercial State Corporations in Kenya. The study concluded that Transformational Leadership has a significant relationship with ERM adoption by Commercial State Corporations in Kenya.

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The findings agree with Alqatawenh (2018) who looked at the transformational leadership style and its relationship with change management in Jordanian insurance companies. The study found a significant relationship between transformational leadership and change management. Kimeto and K'Aol (2018) study revealed a significant relationship between transformational leadership and the organisational commitment among senior management of commercial banks in Kenya and results indicated that of transformational leadership style had significant correlation with the organisational commitment amongst the senior management. The findings are consistent with Lan, Chang, Ma, Zhang and Chuang (2019) study results that indicated that transformational leadership styles had a positive and a statistically significant relationship with job satisfaction. Ogeng'o and Omar (2015) results indicated that that governance, organisation culture, organisational resources and communication have significant effect on the successful implementation of ERM at Kenya Revenue Authority. Anyiko (2018) study indicated that transformational leadership had a significant influence on the performance of the employees. Transformational leadership was found to influence the performance of the employees. Hoque and Ntsele (2018) studied the relationship between transformational leadership and risk management in the Retail Bank in South Africa and established a significant relationship between transformational leadership and risk management. Otieno, Ogutu and Pokhariyal (2019) study on the effect of ERM on firm performance results indicated that there was significant moderating effect of Macro environment on ERM and performance. The study found a positive correlation between ERM and performance.

Ogola, Sikalieh and Linge (2017) revealed that Individualized Consideration, leadership behavior and enterprise risk management adoption of SMEs in Kenya had a strong positive and significant correlation and a positive and significant relationship. Orabi (2016) revealed that intellectual stimulation had a positive influence on enterprise risk management adoption. Similarly, Snell, Yi and Chak (2013) confirmed that intellectual stimulation had been extensively noted as an independent variable impacting enterprise risk management adoption. Hobman *et al.* (2016) reported that intellectual stimulation was positively associated with leader identification. The findings supported Kark and Shamir, (2012) views that intellectual stimulation was another form of leadership considered to be crucial in follower's identification with the leader. Furthermore, the study also revealed that supportive leadership was positively associated with follower outcomes such as job satisfaction and supervisor-rated performance. Utami (2018) revealed that intellectual stimulation had a positive and significant impact on experiential sharing and explicit knowledge sharing.

Gumusluoglu and Ilsev (2019) findings suggested that transformational leadership had important effects on creativity at both the individual and organizational levels. At the individual level, the results of hierarchical linear modelling showed that there was a positive relationship between transformational leadership and employees' creativity. In addition, transformational leadership influenced employees' creativity through psychological empowerment. At the organizational level, the results of regression analysis revealed that transformational leadership positively associated with organizational innovation. Creativity and innovation were constructs of intellectual stimulation. Jaiswal and Dhar (2016) study findings revealed that an employee's perception about his or her leader's transformational way of leading and beliefs about his/her ability to perform creatively influenced his or her creative performance. The study confirmed that transformational leaders provided necessary resources through intellectual stimulation.

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6.0 Conclusion

The objective was to establish the relationship between transformational leadership and enterprise risk management adoption by Commercial State Corporations in Kenya. The study concluded that Transformational Leadership has a significant relationship with ERM adoption by Commercial State Corporations in Kenya.

7.0 Recommendations

The study recommends that management of commercial state corporations embrace transformational leadership to enhance implementation of management programs and processes. It is suggested that the leadership of commercial state corporations review their learning and development policies to incorporate transformational leadership development programme for the management team. This can be done by training managers to inculcate attributes of promoting teamwork amongst employees, upholding values of the organisation, encouragement of creativity, problem solving, motivation of staff to perform tasks better and creating a supportive environment for work among other attributes of transformation leadership behaviour. It is also recommended that policy makes align policies related to enterprise risk management to incorporate elements of transformation leadership as a success factor in ERM adoption in commercial state corporations.

Policy interventions are necessary to enhance risk adoption levels in commercial State Corporation for them to realize the full benefits of ERM adoption as the descriptive statistics indicated that majority of commercial state corporations in Kenya are in the Ad hoc and initial stages of ERM adoption. It further recommended that practitioners involved in the implementation of Enterprise Risk Management Adoption programme incorporate transformation leadership to enhance ERM adoption levels in their organisations. It will also be important to inculcate the transformational leadership behaviours of inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence as they have a positive contribution towards adoption of enterprise risk management in commercial state corporations. Actions aimed at promoting teamwork, developing trust with employees, promoting values of the organisation, cultivating support environment for work, encouraging knowledge sharing, promoting innovation and creativity, and enhancing motivation should be included in the Enterprise Risk Management design.

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