Influence of Coaching as a Leadership Development Practice on the Performance of Microfinance Institutions in Kenya

Nixon Kagutha Njue  
(Corresponding Author)  
PhD student, Jomo Kenyatta University of Agriculture and Technology, Kenya  
Email: njuenixon@gmail.com

Dr. Esther Wangithi Waiganjo  
Jomo Kenyatta University of Agriculture and Technology, Kenya

Prof. John M. Kihoro  
Cooperative University College, Kenya

DOI: 10.6007/IJARBSS/v6-i10/2350 URL: http://dx.doi.org/10.6007/IJARBSS/v6-i10/2350

ABSTRACT
Coaching development refers to any activity that enhances the quality of coaching within an individual or organization. Most MFIs in Kenya derive their funds from donors and wholesale retailers. These two sources of funds are deemed expensive and scarce for the sustainability of these MFIs. The study objective was to determine the influence of coaching as a leadership development practice on the performance of microfinance institutions in Kenya. This study adopted a cross-sectional survey research design which focused on influence of leadership development on performance of microfinance institutions. The study targeted the chief executive offices of the microfinance institutions. Regression analysis was done so as to test the relationship between the independent variables and dependent variable. Regression is conducted to analyse the nature and the strength of relationship between each of the independent variables and the dependent variable. The null hypothesis stated that there is no significant influence of coaching as a leadership development practice on the performance of microfinance institutions in Kenya. The null hypothesis and conclude that there is sufficient evidence to suggest that coaching as a leadership development practice influences the performance of microfinance institutions in Kenya. Based on the results of this study, it could be concluded that coaching as a leadership development practice has influence on performance of microfinance institutions in Kenya. It was recommended that coaching can be used in helping someone else to improve performance may help addresses the beliefs and behaviours that hinder performance and it can be further seen that coaching is all about helping someone else to improve performance of the microfinances in Kenya.

Keywords: Influence, Coaching Development, Performance, Microfinance Institutions
INTRODUCTION
Coaching development refers to any activity that enhances the quality of coaching within an individual or organization (Helms, 2006). Traditionally, coaching development has focused on developing the coaching abilities and attitudes of individuals (CARE, 2008). Different personal traits and characteristics can help or hinder a person’s coaching effectiveness and require formalized programs for developing coaching competencies. Coaching development is becoming an increasingly critical and strategic imperative for organizations in the current business environment (Plant, 2009).

But what makes for a good leader? We can’t simply say, if you have a combination of such and such qualities, you will be a great leader. This is because coaching always needs to be seen in context (Helms, 2006). Due to the different and changing parameters of coaching (i.e. national and corporate culture, industry, level of education, organizational life cycle), leaders have to possess a wide range of competences and approaches to be able to execute their role successfully (Garson, 2010). Contrary to the Great Man cookie-cutter recipe of coaching, present-day leaders recognize that in order to be effective, they need to be able to adapt their style to suit the different situations they will face.

According to Kiiru (2007), the history of microfinance can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. But it was at the end of World War II with the Marshall plan the concept had a big impact. Today the use of the expression microfinance has its roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, started shaping the modern industry of microfinance. According to Garson (2010), microfinance institutions are financial services meant to empower people especially women.

Statement of the Problem
Many studies have been carried out to investigate the phenomenon of microfinance, within various contexts, and they are largely in consensus that microfinance can have positive benefits on the lives of the poor, especially in developing countries (Otero & Rhyne, 2006). However, the majority of these studies tend to examine microfinance in isolation from the socio-cultural context in which it operates. Most MFIs in Kenya derive their funds from donors and wholesale retailers. These two sources of funds are deemed expensive and scarce for the sustainability of these MFIs. As such these institutions have sought alternative sources of funds such as public deposits in order to finance their activities and expansion. It is this venture into public deposits that has necessitated the need for good corporate governance from both the Government and all stakeholders alike which is manifested in coaching development. Given the fact that there exists no deposit protection insurance fund for MFI depositors, coaching development becomes even more important.

While the MFI sector has been growing rapidly and outreach to date is impressive, the industry has faced major crises in various parts of the world. The crises experienced in the MFI sector in Nigeria in 2005, Nicaragua in 2008, India in 2010, Pakistan in 2010, Kolar, 2009 and in Bosnia...
and Herzegovina in 2009, all leading to massive loan default by clients and closure of MFIs has all been blamed on commercialisation of the MFIs (Geake, 2011). Many scholars have expressed concern that the commercialization of microfinance is leading to a mission drift evidenced by the over-preoccupation with profitability at the expense of poverty reduction and other development goals. The blame has been laid on the the MFIs’ coaching development (CGAP, 2005; Ndungu, 2007; Garson, 2010). Prior studies on coaching and performance have focused on a narrow set of broad characteristics and one or two aspects of performance. There have been calls for more comprehensive theoretical and empirical investigations into the role of coaching and MFI’s performance (Otero & Rhyne, 2006; Kirmani & Zaidi, 2010). Poor performance of microfinance institutions has become an issue in Africa and majority of these institutions are beginning to embrace corporate governance on their strategic management plans so as to enhance their sustainability. Coaching development is deemed instrumental in strengthening performance and sustainability of microfinance institutions (MFIs) as well as increasing outreach of microfinance (Garson, 2010). This study sought to investigate the influence of coaching development practices on the performance of microfinance institutions in Kenya.

Objective of the Study
The study objective was to determine the influence of coaching as a leadership development practice on the performance of microfinance institutions in Kenya.

Research Hypothesis

Ho: There is no significant influence of coaching as a leadership development practice on the performance of microfinance institutions in Kenya.

Scope of the Study

The study was conducted in 391 microfinances registered with Association of Microfinance Institutions of Kenya (AMFI) 2015 directory. The study targeted the chief executive officers and senior officers of the microfinance institutions.

LITERATURE REVIEW

Great Man Theory
At first, leaders were thought to be born and not made. This so-called “great person” theory of leadership which implies that some individuals are born with certain traits that allow them to emerge out of any situation or period of history to become leaders. This theory focuses attention on the man or woman on the job and not on the job itself. In other words, great person theory studies individual leaders “leaderships” rather than “leadership”. According to Carlyle (1907), promoted the notion of 'great man theory" in his writings. In his essay on heroes, he tended to reinforce the concept of the leader as a person endowed with unique qualities that capture the imagination of the masses. The first person who conducted an
authentic study of this approach was Galton (1870). Several early theorists influenced by Galton's study of the hereditary background of great men attempted to explain leadership on the basis of Inheritance. Woods (1913) studied fourteen nations over periods of five to ten centuries. The conditions of each reign were found to approximate the ruler's capabilities. The brothers of Kings (as a result of natural endowment, of course) also tended to become men of power and influence. Woods concluded that man makes the nation and shapes it in accordance with his abilities. According to Wiggam (1931), he proposed that the survival of the fittest and intermarriage among them produces an aristocratic class differing biologically from the lower classes. Thus, an adequate supply of superior leaders depends upon a proportionately high birth rate among the abler classes. Drucker (1989) supporting this notion says that leadership is of utmost importance. Indeed there is no substitute for it. But leadership cannot be created or promoted. It cannot be taught or learned. Therefore this theory was based on the belief that leaders are exceptional people, born with innate qualities, destined to lead. The use of the term 'man' was intentional since until the latter part of the twentieth century leadership was thought of as a concept which is primarily male, military and Western.

Coaching and Leadership Development

Coaching can be used on job to identify the problem area where an employee is lacking, or solving the problem of an employee and to encourage and solve problems themselves. According to Champathes (2006), coaching has become an important technique to improve leadership development. It is not a one way communication and proves to be a two way communications where coaches identify what can be improved and how it can be improved. Further coaching addresses the beliefs and behaviours that hinder performance (Toit, 2007). It can be further seen that coaching is all about helping someone else to improve performance (Starr, 2004). Further coaching addresses the beliefs and behaviours that hinder performance (Toit, 2007). It can be further seen that coaching is all about helping someone else to improve performance (Starr, 2004).

There are numerous reasons why leadership coaching is becoming more popular within organisations and these are detailed below. Firstly, the rate of organisational change is accelerating in such a way that leaders now need to be continually prepared for change. De Geus and Senge in their book, The Living Company suggest that executives' ability to learn faster than [their] competition is [their] only sustainable competitive advantage. In this context, leadership coaching is a strategic tool which increases behavioural flexibility and helps leaders to identify, reflect on and take the action required to fill the gaps in this highly complex and global business world. (Smith & Sandstrom, 2000). Secondly, organisational downsizing has contributed because positions that would have prepared managers for more senior positions have been removed (Warrenfeltz, 2000). Managers are therefore being promoted faster to relatively bigger roles in flat organisational systems and may lack the requisite, yet sometimes intangible, leadership skills that leadership coaching can be used to build. Thirdly, leadership development has often been reactive and concerned itself- with remedial behavioural change. Today, there is a growing recognition of the costs associated with derailed executives and
organisations are beginning to accept the benefits of pre-emptive and proactive leadership coaching. (Greco, 2001)

Fourthly, executive management success is often viewed as a function of the productivity of subordinates; this in turn demands better developed interpersonal and team-building skills which may be assisted by leadership coaching (Greco, 2001). Finally, in a business economy where knowledge is recognised as a prime asset, it is essential that organisations improve leadership and personal development to ensure retention of valuable executives (Philabaum, 1999).

Conceptual Framework

![Conceptual Framework Diagram](image)

**Independent Variable**

Level of Coaching:
- Mentors
- Case studies
- Personal development

**Dependent Variable**

Performance of MFIs:
- Market share
- Profitability
- Turnover

**RESEARCH METHODOLOGY**

This study adopted a cross-sectional survey research design which focused on influence of leadership development on performance of micro finance institutions. The target population for this study were all the 398 micro finance institutions registered with Association of Microfinance Institutions of Kenya (AMFI) 2015 directory. The study targeted the chief executive offices of the microfinance institutions. The study sampled 10% of the target population. As such the sample size of this study was 398 MFIs spread across the entire country. A standardized questionnaire was used to collect primary data. Regression analysis was done so as to test the relationship between the independent variables and dependent variable. Regression is conducted to analyse the nature and the strength of relationship between each of the independent variables and the dependent variable (Cooper & Schindler, 2006).

\[ Y = B_0 + B_1X_1 + e \]

Where

- \( Y \) = Performance of MFI
- \( X_1 \) = Coaching

**DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF THE FINDINGS**

**Response Rate**

The study targeted chief executive officers, tellers, field officers, customer care representatives, sales officers, credit officers, business development officers were, accountants, loan officers, marketing officers, clerks, managers, collection officers and branch managers totaling to three
hundred and ninety eight respondents. From the study, three hundred and ninety one respondents filled-in and returned the questionnaires making a response rate of 98.24%.

Table 1 shows that majority of the respondents (89.6%) agreed that coaching given to them had been broad enough to include all skills and competencies and 78.5% also agreed that their supervisors facilitated them on long term goal setting. While 79.2% of the respondents agreed that their supervisors allowed them to see how they organized their work to gain insight while 74.4% of the respondents also agreed that their supervisors’ work plans were viable to them. Majority of the respondents (81.6%) agreed that the supervisors showed them how they can improve their way of working. However, 41% disagreed that that coaching was not a fulfillment factor in the performance of their duties while 52.6% of the respondents agreed that their supervisors did not set positive examples for them to follow.

Table 1: Influence of Coaching as a Leadership Development Practice

<table>
<thead>
<tr>
<th>Opinion statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std. dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coaching given to me has been broad enough to include all skills and competencies.</td>
<td>1.0</td>
<td>2.9</td>
<td>6.5</td>
<td>47.9</td>
<td>41.7</td>
<td>4.26</td>
<td>0.789</td>
</tr>
<tr>
<td>My supervisor facilitates me on long term goal setting.</td>
<td>0.8</td>
<td>4.2</td>
<td>16.6</td>
<td>51.2</td>
<td>27.3</td>
<td>4.00</td>
<td>0.823</td>
</tr>
<tr>
<td>My supervisor allows me to see how he/she organizes his/her work to gain insight.</td>
<td>1.0</td>
<td>3.9</td>
<td>15.8</td>
<td>48.3</td>
<td>30.9</td>
<td>4.04</td>
<td>0.847</td>
</tr>
<tr>
<td>My supervisor’s work plan is viable to all of us</td>
<td>1.6</td>
<td>6.6</td>
<td>17.4</td>
<td>48.9</td>
<td>25.5</td>
<td>3.90</td>
<td>0.909</td>
</tr>
<tr>
<td>The supervisor shows me how I can improve the way of working</td>
<td>1.0</td>
<td>5.7</td>
<td>11.7</td>
<td>50.3</td>
<td>31.3</td>
<td>4.05</td>
<td>0.866</td>
</tr>
<tr>
<td>Coaching is not a fulfilment factor in the performance of my duties.</td>
<td>10.9</td>
<td>30.1</td>
<td>29.1</td>
<td>19.7</td>
<td>10.1</td>
<td>2.88</td>
<td>1.153</td>
</tr>
<tr>
<td>My supervisor does not set positive examples for us to follow.</td>
<td>8.3</td>
<td>20.1</td>
<td>19.0</td>
<td>29.9</td>
<td>22.7</td>
<td>3.39</td>
<td>1.263</td>
</tr>
<tr>
<td><strong>Average scores</strong></td>
<td>3.5</td>
<td>10.5</td>
<td>16.6</td>
<td>42.3</td>
<td>27.1</td>
<td>3.8</td>
<td>0.951</td>
</tr>
</tbody>
</table>

SD = strongly disagree; D = disagree; N = neutral; A = agree; SA = strongly agree; n=374

Test of Hypotheses

H1: Hypothesis One

The first null hypothesis stated that there is no significant influence of coaching as a leadership development practice on the performance of microfinance institutions in Kenya. To test this hypothesis regression analysis was used to analyze the magnitude and direction of the relationship in which coaching index was regressed on performance index.
The regression results in Table 2 show that the association between coaching and organization performance was significant, F (1, 376) = 123.110, p < 0.001. It was discovered that coaching of employees do play a significant role in determining the performance of microfinance institutions in Kenya (B=0.493, p<0.001). These results shows that for every unit increase in coaching, there was a corresponding increase in firm performance by about 0.493 units. With R² = 0.243, the model implies coaching explained 24% of the variation in performance. Therefore the model failed to explain 76% of the variation, meaning that there are other factors associated with organization performance which were not fitted in the model. The model equation is therefore,

\[ Y = 1.317 + 0.493X_1 \]

Where Y is organization performance and X₁ is coaching.

Since the p-value p<0.05, the null hypothesis was rejected and it was concluded that there is a statistically significant relationship between coaching as a leadership development practice on the performance of microfinance institutions in Kenya. It is, therefore, the conviction of the researcher that the style of coaching as a leadership development practice should be aligned with the expectations as well as needs of microfinance performance institutions in Kenya. This will help to achieve the ultimate aim of the financial institutions since the study established that coaching given to workers had been broad enough to include all skills and competencies of workers and subsequent performance of finance institutions.

The empirical findings of this study indicated that coaching statistically and significantly influenced firm performance of microfinance institutions in Kenya. When a microfinance
institution in Kenya considered coaching as a leadership development practice the firm performance would increase. These results are consistent with previous studies investigating the influence of coaching on overall firm performance. The findings of a study conducted by Champathes (2006), reveal that coaching has become an important technique to improve leadership development and it is positively correlated with firm performance. Further coaching addresses the beliefs and behaviours that hinder performance (Toit, 2007). It can be further seen that coaching is all about helping someone else to improve performance (Starr, 2004). Further coaching addresses the beliefs and behaviours that hinder performance (Toit, 2007).

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS
The study established that coaching as a leadership development practice was being conducted by majority of the microfinance institutions. Based on the findings of this study, coaching given to them had been broad enough to include all skills and competencies and their supervisors facilitated them on long term goal setting. The findings revealed that firm performance of microfinance institutions in Kenya, was statistically and significantly influenced by coaching. Coaching is fundamentally about identifying the problem area where an employee is lacking, or solving the problem of an employee and to encourage and solve problems themselves. It is concerned with helping someone else to improve performance. Further coaching addresses the beliefs and behaviours that hinder performance) hence it is all about helping someone else to improve performance. Based on the findings of this study, coaching significantly influenced firm performance of microfinance institutions in Kenya. The regression model showed coaching explained 24.3% of the variation in performance. This result indicate for every unit increase in coaching, there was a corresponding increase in firm performance by 0.493. Multiple regression analysis confirmed that there was a strong relationship between coaching as a leadership development practice on the performance of microfinance institutions in Kenya. Hence it is imperative to include coaching as a leadership development practice in microfinances which should be aligned with the expectations as well as needs of institutions. This will help to achieve the ultimate aim of the financial institutions.

Based on the results of this study, the adoption of coaching as a leadership development practice had a significant influence on performance of microfinance institutions in Kenya. The multiple regression results of this study indicated that there was a linear relationship between use of coaching and firm performance. Use of coaching as a leadership development practice is expected to enhance organizational performance. It could, therefore, be concluded that coaching is important to ensure effective leadership development strategy, and it significantly influence firm performance of corporate organizations in Kenya in the microfinance sector.

Recommendations
The Study established that coaching has a great influence on performance of microfinance, it is therefore recommended that coaching skills should be provided to all workers both long term and short term. Rate of organizational change is accelerating in such a way that leaders now need to be continually prepared for change. Coaching addresses the beliefs and behaviours that
hinder performance of workers. Coaching can be used in helping someone else to improve performance may help addresses the beliefs and behaviours that hinder performance and it can be further seen that coaching is all about helping someone else to improve performance of the microfinances in Kenya.

REFERENCES


Leadership and Organization Development Journal.


Tadros, M. (2010). Faith-Based Organizations and service delivery: Some gender conundrums,
Gender and Development Programme Paper Number 11, (UNRISD)