

## Influence of Leader's Self-awareness on Employee Commitment in Agencies Implementing Public Financial Management Reforms in Kenya

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### Abstract

*This paper addresses the influence of leader's self-awareness on employee commitment in agencies implementing Public Financial Management Reforms (PFMRs) in Kenya. Methodically, the study was guided by the positivism research philosophy. The study applied descriptive correlational research design because it reveals accurate information that allows for inferences through hypothesis testing. This approach was favored because it explains what is in existence and, in turn, assists in revealing new realities and meanings, thus broadening the scope of the phenomenon under study. The population of the study was 747 managers from the Kenyan PFMRs implementing agencies. Simple random sampling technique was adopted to select 260 managers for the study. Primary data was collected using a structured questionnaire. Both descriptive and inferential statistical analyses methods were employed. The Binary logit regression model was significant with Chi-square  $\chi^2 (1) = 133.239$ ,  $p < .001$ , and the model summary result shows the Nagelkerke R square of .731. The study accepted the alternative hypothesis, which stated that leaders' self-awareness significantly influenced employee commitment among managers in agencies implementing PFMRs. From the empirical evidence and conclusion, the study recommends that leaders must understand themselves, recognize their strengths and flaws, and confidently convey them. By so doing, they will transfer confidence to the staff, leading to their dedication.*

**Keywords:** Leaders, Self-awareness, Employee commitment, Agencies, Implementing, Public Financial Management Reforms (PFMRs).

### Introduction

The government setting is unique because it is highly politicized, complicating the development of trust relationships between leaders and employees. Bligh (2016) proposed that trust can be a buffer during change implementation and mitigate stress, turnover intention, and lower organizational commitment. This study focused on the agencies under the National Treasury of Kenya tasked with implementing PFMRs. Kenya Institute for Public Policy Research and Analysis (KIPPRA) (2018) heralds the efficient public financial management system in the national and county governments as an urgent priority for achieving aggregate fiscal discipline, strategic resource allocation, and efficient use of service delivery resources. These are critical if Kenya is to achieve its sustainable development goals. Similarly, Kenya's Vision 2030 defines public expenditure and financial management reforms as one of the priority structural reforms. Specifically, the vision aims to accelerate public financial management (PFM) to boost

transparency and accountability efficiency. These reforms aim at alleviating poverty and sustaining economic growth. However, it is argued that the improvements have been deficient.

George (2018) described self-awareness as comprehending one's capacities, learning, and experience. Self-awareness does not just assist leaders with being legitimate in an organization and thinking about themselves. However, it also aids the leaders in gaining knowledge about the authenticity of their leadership. According to Oriarewo et al., (2018), self-assessment accuracy was the hallmark of superior performance. Since self-awareness enables people to establish their abilities and limitations, they seek feedback and learn from their mistakes. Thus, they can learn how to improve by working with others who have complementary strengths.

Mutinda (2021) indicates that some of the nation's ugliest corruption scandals continue to involve public funds under the management of institutions responsible for general financial management in Kenya. Similarly, employee morale at the same institutions remains low with constant accusations of tardiness, bureaucracy, lack of professionalism, and a seemingly unending image of a coat hanging on the coat hanger while the employee is out perambulating and carrying on their private businesses. Furthermore, public financial management reforms remain hampered by inefficient management of public resources, wrong prioritization of projects, and managerial inefficiencies (Mutinda, 2021). The sector is in dire need of leadership that could drive the successful implementation of reforms. Beh (2018) surmises that leadership is critical in advancing governance and leading change in government and concludes that effective leadership leads to fundamental reforms in the public sector.

Several studies have established the relationship between leader's self-awareness and employee commitment. Hadziahmetovic and Dinc's (2017) study showcased the importance of self-awareness in employee commitment. Kumar and Pansari (2019) on the other hand demonstrated that through increased employee commitment, organizational performance was improved. Transformational and authentic leadership are said to result in positive follower outcomes, including commitment, job satisfaction, performance, and the willingness to put in extra effort (Crossan & Mazutis, 2018). Tanui et al. (2018) discovered that an increase in self-awareness created a moderately strong, positive, and statistically significant relationship between self-awareness and effective leadership. The investigation endorsed that associations ought to set up their managers/employees to pick up the abilities related to self-awareness. Mohamadkhani and Lalardi (2019) noted that self-assessment is associated with organizational commitment. Regionally, Walumbwa et al. (2021) asserted that little empirical research had addressed Africa's unique leadership and management issues. This has denied African nations of tools to create effective leadership critical to driving economic performance.

Improvement of employee commitment to change initiatives may have a profound effect on the success of the Kenyan PFMRs agencies' efforts. The authentic leadership framework is based on the premise that genuine leadership is related to the pattern of leader habits which draws upon and promotes positive emotional capabilities and a favorable ethical environment. It urges more famous self-awareness, growing favorable self-advancement and commitment. This study explored leader's self-awareness to provide an in-depth understanding of how the work environment affects employees' attitudes and the precise leadership traits and styles that enhance employee commitment during their firm tenure. Results of the study will help to explain why authentic leadership style is important or the ultimate attainment of employee commitment goals in firms.

Public Management Financial Reforms implementing agencies in Kenya believe that employee commitment contributes to workforce stability and better service delivery hence improved performance (Mwangi, 2021). The PFM Report (2017) noted several challenges faced by the various agencies involved in implementing the PFM Act. These include a lack of financial management system at the county level; challenges in leadership whereby they are not knowledgeable in financial and people management; skills and structures available are inadequate, overworking of staff since there is a lack of appropriate staff, stoppage of disbursement of funds to guard against misuse, slow implementation of transition issues, and inadequate infrastructure. These challenges have hindered the effectiveness and efficiency of the PFM implementation and public resources management. Beh (2018) posited that in order to overcome the numerous and varying corporate and governmental crises, we need new leaders that are authentic and influence their employees to be morally upright and work toward the greater good for all and not just reforms and new laws. Authentic leadership is critical in advancing governance and leading successful reforms in government.

While exhaustive literature exists for leader's self-awareness and employee commitment, the first problem was for studies overlapping public financial management reform agencies in Kenya. Ouma (2018) focused on the effect of ethical leadership on employee commitment in transport sector parastatals in Kenya and found a positive relationship between the variables, while Matheri (2020) looked at how employee commitment is affected by emotional intelligence in Kenyan Saccos among others. The other research gap was in policies in Kenya regarding agencies implementing PFMR in Kenya. This creates a gap as the study has to rely on other agencies such as Kenya Revenue Authority (KRA) and the National Treasury to gather information regarding the revenue performance reports on financial management in Kenya. This indicates slack in implementing the changes envisioned by the PFM Act of 2012. In addition, the demand for the modern-day workplace coupled with globalization has dramatically affected the need for leadership, particularly in the area of sturdier leader's self-awareness and employee commitment. Hinojosa et al. (2019) encouraged future studies on the congruence between leader's self-awareness and employee commitment. Thus, this study seeks to determine whether leader's self-awareness has any influence on employee commitment among agencies implementing PFMRs in Kenya.

## **Theoretical Review**

This study is anchored on two theories: authentic leadership theory and Social Exchange Theory.

### ***Authentic Leadership Theory***

Authenticity in the industry involves being tactfully genuine (Sharif & Scandura, 2018). Authenticity is the concept on which the authentic leadership theory is based, and the authentic leadership style is based on authentic leadership theory (Otken & Cenkci, 2020). An assumption of authentic leadership theory is that a leader's self-awareness and high moral values will improve interactions between leaders and followers (Valsania et al., 2019). Authentic leadership theory consists of constructs such as transparency, informed decision-making or balanced processing, high ethics, and self-awareness - all of which may be instrumental in bringing about the type of ethical leader image that many organizations desire (Otken & Cenkci, 2020). It is on this basis that self-awareness was chosen and explored further in this study.

### ***Social Exchange Theory***

Social exchange theory (SET) is among the most influential conceptual paradigms for understanding workplace behavior (Cropanzano et al., 2017). Social Exchange theory supposes that social behavior results from an exchange process. According to Homans (1958/61), individuals take a relationship's benefits and subtract the cost to determine the relationship's value. This cost-benefit analysis is tempered by expectations or influenced by past experiences. Employee commitment stems from the social exchange relationship between employees and organizations, a behavior developed while such exchange relationships are established. According to the authors, employee commitment can be taken as the employees' psychological attributes and feelings about establishing the relationship (Thomas & Gupta, 2021). The social exchange theory contributes to this study by explaining why employees who perceive an authentic leadership style in their supervisors develop a feeling of obligation to reciprocate with employee commitment and thus improve performance.

### **Empirical Review**

Pourkiani et al. (2016) showed that self-awareness significantly and positively affected employees' organizational commitment. Thus, an increased level of self-awareness leads to an increased level of organizational commitment. Victoroff and Boyatzis (2018) reported that self-awareness has enabled employees to know themselves and thus recognize their behaviors when under the spotlight, enabling them to direct their behaviors toward achieving their targets. The findings also concurred with Cheok and O'Higgins (2021), who discovered that self-aware employees are in a much better position to recognize, understand and control their emotions. Mohamadkhani and Lalardi (2019) noted that self-assessment is associated with organizational commitment. In their study, Matheri et al. (2018) proved that self-awareness has a positive and significant effect on employees' level of commitment to the SACCOs sector. However, Harasudha and Priya (2017) found that self-awareness significantly and positively impacts employees' affective commitment but negatively impacts employees' normative commitment and continuance commitment.

### **Methodology**

The study was guided by the positivism research philosophy. The study applied descriptive correlational research design because it is the most appropriate as it reveals accurate information that allows for inferences through hypothesis testing. This approach was favored because it explains what is in existence and, in turn, assists in revealing new realities and meanings, thus broadening the scope of the phenomenon under study. The population of the study was 747 managers from the Kenyan PFMR implementing agencies. This study adopted a simple random sampling technique to select 260 managers from the target population. Primary data was collected using a structured questionnaire. The study further employed descriptive statistics such as frequency distribution, mean standard deviation, and coefficient of variation to comprehend the data. Inferential statistics namely correlation analysis and binary logit regression analysis were used. A significance level of  $p \leq .05$  was used by the study to depict a significant association between the dependent and independent variables. Diagnostic tests were conducted for normality, linearity, multicollinearity and Heteroskedasticity. The results of the analyses were presented in tables as depicted in the next section.

**The Study Results**

**A. Correlation Analysis**

**Table 1. Correlation Analysis for Self-Awareness and Employee Commitment**

		Employee commitment	
Pearson	Self-awareness	Correlation Coefficient	.727**
		Sig. (2-tailed)	.000
		N	221

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 1, the relationship between self-awareness and employee commitment was statistically significant;  $r(221) = .727, p < .05$ . This shows that the relation was strong ( $> .5$ ) but not with a higher level of multi-correlation ( $< .8$ ).

**B. Hypothesis Testing**

The hypothesis for the study was:

*H<sub>01</sub>: There is no significant influence of leaders' self-awareness on employee commitment among managers in agencies implementing public financial management reforms in Kenya*

The diagnostic tests were conducted before hypothesis testing was done. The diagnostic results showed that data was linearly distributed along the best line of fit, the variables were not multicollinear, they were no outliers, and the correlation between the independent and dependent variables was strong but not highly correlated. Further, the binary regression model fitted since the Omnibus test of the model coefficient was significant ( $p < .001$ ) and the Hosmer and Lemeshow Test were not significant ( $p > .001$ ).

**Table 2: Classification of influence of Leaders' Self-awareness on Employee Commitment**

		Classification Table <sup>a,b</sup>				Classification Table <sup>a</sup>				
		Predicted				Predicted				
	Observed	Employee commitment		Percentage Correct		Observed	Employee commitment		Percentage Correct	
		Disagree	Agree				Disagree	Agree		
Step 0	Employee commitment	1	0	88	0	Employee commitment	1	72	16	81.8
		2	0	156	100		2	11	145	92.9
	Overall Percentage				63.9	Overall Percentage				88.9
a. Constant is included in the model.					a. The cut value is .500					
b. The cut value is .500										

Table 2 shows that the classification outcome at the beginning of the model shows that 63.9% of individuals were classified using the null model (leaders' self-awareness had no significant effect on employee commitment). In comparison, 88.9% were correctly classified on the full model, which greatly improved.

**Table 3. Model Summary and HL Test on Influence of Leaders' Self-Awareness on Employee Commitment**

Model Summary				Hosmer and Lemeshow Test			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square	Step	Chi-square	df	Sig.
1	137.957 <sup>a</sup>	0.524	0.718	1	12.487	8	0.131
a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.							

The Omnibus test of the model coefficient in Table 3 shows Binary logit regression model was significant with Chi-square  $\chi^2 (1) = 137.957$ ,  $p < .001$ , and the model summary result show the Nagelkerke R square of .718 (equivalent to  $R^2$  on the linear regression model). This shows on the full model; 71.8% of employee commitment among managers in agencies implementing public financial management reforms in Kenya is attributed to leaders' self-esteem, while the remaining 28.2% can be attributed to other factors not included in the study and the error term. The Hosmer and Lemeshow (HL) Test indicated a good fit ( $\chi^2 (8) = 12.487$ ,  $p > .001$ ) which shows the binary regression model was fit to test the model.

**Table 4. Binary Regression Model on Influence of Leaders' Self-Awareness on Employee Commitment**

		Variables in the Equation							
		B	SE.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Self-awareness	3.134	.376	69.434	1	.000	22.956	10.985	47.974
	Constant	-10.028	1.283	61.141	1	.000	.000		

a. Variable(s) entered on step 1: Self-awareness.

Further, as shown in Table 4, the variables in the equation shows that the interaction of the Leader's self-awareness as an independent variable was significant ( $\beta = 3.134$ , Wald = 69.434,  $p < .05$ ). This shows a unit increase in the Leader's self-awareness in agencies implementing public financial management reforms in Kenya increased likelihood of employee commitment by 3.134 (Exp 22.956)

Results from the analysis show that Nagelkerke R-squared ( $R^2$ ) for model one was .718, implying that 71.8% of employee commitment among managers in agencies implementing public financial management reforms in Kenya is attributed to leaders' self-esteem. Further, the variables in the equation show that the interaction of leaders' self-esteem ( $p < .05$ ) was significant.

With the critical value calculated as;

$$\text{Leaders' self-esteem} > \text{intercept/coefficient} > -10.028/3.134 > 3.20.$$

This shows that managers who rate a leader's self-esteem as  $> 3.20$  (mean value based on five Likert scales) are more likely to exhibit employee commitment in agencies implementing public financial management reforms in Kenya.

From the foregoing results, the null hypothesis of the study was rejected and the alternate hypothesis accepted thus; H<sub>1</sub>: There is a significant influence of leaders' self-awareness on employee commitment among managers in agencies implementing public financial management reforms in Kenya.

### **Discussion of Findings**

The findings revealed that most respondents agreed that their leader is self-confident, with a mean of 3.88 and that the leader appears competent and carries himself/herself as such, with a mean of 3.79. These findings are consistent with a study by Showry and Manasa (2019). They stated that influential leaders become aware of their actions and behaviors' impact on followers and how they are perceived through introspection and reflection. Caldwell (2020) posits that according to the theory of self-awareness, leaders who are aware of how they are perceived are more effective at assessing themselves and their behavior.

The study established that the self-awareness constructs statistically significantly influence employee commitment; the results revealed that the interaction of leaders' self-awareness as an independent variable was significant  $\beta=3.134$ , Wald=69.434,  $\rho <0.05$ . These results are supported by Pourkaini et al. (2016), who found that self-awareness, related to the correct assessment of self, has a significant positive effect on employees' commitment since the path coefficient between self-awareness and employee commitment was equal to 0.14 and had a T statistical value of 15.39, which is more than 1.96. The result is backed by Hadziahmetovic & Dinc's (2017) study that showcased the importance of self-awareness in employee commitment. Moreover, Aghabozorgi et al. (2021) found a positive and significant relationship between self-awareness and organizational commitment of nurses of the public hospitals of Sanandaj. Mujanah's (2020) research revealed that workability and emotional self-awareness significantly influenced employee commitment, ultimately increasing employee performance.

### **Conclusions**

The objective of the study was to determine the influence of leader's self-awareness on employee commitment in agencies implementing PFMRs in Kenya. It was established that leaders' self-awareness influences employee commitment in agencies implementing PFMRs in Kenya. The Binary logit regression model results shows the Nagelkerke R square of .718 (equivalent to R<sup>2</sup> on the linear regression model) indicating 71.8% of employee commitment among managers in agencies implementing public financial management reforms in Kenya is attributed to leaders' self-awareness and thus the null hypothesis was rejected. The findings reveal that positive self-concept, perception, and humble leadership are important elements of self-awareness that enable employees to establish their abilities and limitations; they seek feedback and learn from their mistakes.

### **Recommendations and Areas for Further Research**

Based on the findings, self-awareness is crucial for leadership since it fosters staff commitment and promotes improved decision-making leading to improved financial and organizational performance. Self-awareness enables leaders to have realistic expectations, which leads to a knowledge of the leaders' and employees' respective duties. However, there may be difficulties with self-awareness, mainly if leaders are more focused on resource management than on leading by example. Leaders must understand themselves, recognize their strengths and flaws, and

confidently convey them. By so doing, they will transfer confidence to the staff, leading to their dedication. The leaders should be conscious of how their actions, reactions, and conduct are seen by the workforce, particularly the employees. Leaders' actions should not have a detrimental impact on the personnel; consequently, they should be able to take moves that incorporate everyone. During the decision-making process, the thoughts and perspectives of employees should be considered. The leaders should be communicative and transparent with their personnel to obtain information and feedback. An organization with direct client contact, particularly in sales, collects consumer feedback to increase quality and sales. Finally, leaders should reflect on their decisions before implementing the final results to make modifications flexible and promote teamwork.

The study examined the influence of authentic leadership on the employee commitment of select agencies implementing public financial management reforms in Kenya. The study recommends extending the study to other government agencies to understand better the influence of authentic leadership on employee commitment of agencies and clustering the 19 agencies represented in the secretariat. Accordingly, the study recommends the inclusion of other moderating variables, such as job satisfaction and work environment, in future authentic leadership research.

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