IMPACT OF LEADERSHIP TRAITS ON THE EFFECTIVE PERFORMANCE OF BANK MANAGERS

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ABSTRACT

This paper pursued to address the relationship between the leadership behavior of bank managers and their performance under their accountability. The study investigated the relationship between 13 specific leadership behaviors and performance of these employees based on their appraisal for that specific period. The leadership behaviors of bank managers were measured by surveying their subordinates and the managers themselves. The method used for this study was Partial Co-relation Survey, based on an instrument developed by Gary Yukl (2000) that includes behaviors associated with change in addition to task-oriented and relations-oriented behaviors. Hypotheses were based on existing research. These hypotheses were supported, indicating that the behavior of managers was positively correlated to their performance. Informal interviews were conducted with selected managers to gain insight into what problems influenced the leadership practices used.

KEYWORDS: Leadership Behavior, Bank Managers, Effective Performance

INTRODUCTION

In the recent arena, business has become a buzz-word for success of any country and the success of an organization is logically linked with leader (manager in-charge) of that organization. Changes in managerial effectiveness are directly related to changes in organizational effectiveness (House, 1988). New age leaders are by definition a reflection of contemporary society and their involvement in the advancement of society depends essentially on their ability to operate and carry out their responsibilities effectively within the specific situation and time-frame.

As the modern society and business environment is turbulent and vulnerable, situation changes at an ever-increasing rate, that’s why it is critical for the leader to change their behaviors in order to remain effective and continue to add to the development of the organization, and ultimately, society itself. This research is intended to show the relationships between specific leadership behaviors and performance of these leaders.

Statement of the Problem

Every organization today is in need of effective leaders; however, the style of leadership may vary according to the organization. The work of Hersey and Blanchard (1982) focused on the role that the situation has in determining which leadership styles are most effective. The situational approach has not remained theoretical; it has become an important part of organizational training and intervention in the modern business environment (Silverthorne & Wang, 2001). As far as banking sector is concerned, managers have to deal with different people in the form of subordinates, peers, superiors, customers and others. Thus they have to modify their behavior according to the person they are dealing with or according to the situation they have to tackle and situational leadership would be effective in such situations.

An enduring concern associated with situational leadership theory is that although it is intuitively appealing and
popular with managers and organizations in areas such as research and development, communications, project management, health care, and education, the direct research associated with it has not provided clear support for the theory’s basic assumptions (Yukl, 2002b). There is a clear need for additional research concerning situational leadership theory (Silverthorne & Wang, 2001) as it has experienced limited, mixed empirical validation (Blank, Weitzel, & Green, 1990). This study contributes to our understanding of situational leadership by identifying relationships between leadership behavior and effectiveness of managers’ performance.

According to the views of Bennis and Nanus (1985) one of the key factors of an organization’s success is effective leadership and that ineffective leadership is often a factor of an organization’s failures. Their research emphasized the importance of understanding the role that leadership plays within an organization and identifying the particular style of leadership that is most effective. Thus, in this paper the author analyses on the correlation between leadership traits and managerial effectiveness.

Purpose of the Study

The purpose of this study was to empirically investigate the situational theory of leadership as it applies to a specific group of leaders within an industry that experienced a great deal of change. It pursued the identification of leadership behaviors that are practiced more frequently by successful bank managers. This may further our understanding of situational leadership by identifying leadership behaviors that are positively related to successful organizational performance.

The 13 specific leadership behaviors to be examined in the study were compiled by Yukl in the development of his tridimensional leadership theory (2002). This theory is an advancement of situational leadership theory that includes leader behaviors related to change in addition to the traditional task-oriented and relationship-oriented behaviors.

While the change-related behaviors described in the theory were originally envisioned as applicable to the strategic level in large organizations, they may also apply to the tactical environment inherent to a business.

A modified version of the Managerial Practices Survey (MPS) was used to measure the 13 specific leadership behaviors. Originally created by Yukl, Wall and Lepsinger (1990), it was designed to include behaviors not found in other leader behavior measurement instruments. The more recent version of the MPS identified the behaviors as belonging to the task, relations, or change category of tridimensional leadership theory. In comparison to other known leadership theories, only six behaviors are included in transformational leadership theory and only four are included in the charismatic leadership theory (Yukl, 2002).

Scope of the Study

This study focused on leadership behaviors used by the managers from two different foreign banks situated and operative in Pune region. The performance of these managers was identified by the recent rating they have received in performance appraisal. The leadership behaviors of managers were assessed by using partial correlation method. The questionnaire was administered for managers as well as the subordinates working under those managers. The names of the banks have been kept confidential on the request of the bank authorities. The score on these assessments constituted the independent variables of the study. The dependent variables were the performance indicators of these managers.

Limitations of the Study

This study has been undertaken as a partial fulfillment of the doctorate study which involves a comparative study of public and private sector banks in India with special reference to the link between leadership behavior and managerial
effectiveness. This study has been conducted for two banks as a pilot study, thus the sample size is small and may not represent the population in an accurate manner.

LITERATURE REVIEW

The field of leadership study has resulted in numerous theories, some of which were useful in understanding this study. These theories are mentioned briefly.

Trait Approach to Leadership

The systematic social scientific study of leadership did not begin until the early 1930s, and almost all prevailing theories of leadership that have been developed since that time are distinctly American in character (House & Aditya, 1997). The dominant research and subsequent literature concerning leadership during the 1930s and 1940s concentrated on leadership trait theories (Hersey, Blanchard, & Johnson, 1996). This was the belief that personal characteristics such as gender and appearance and psychological traits such as authoritarianism and intelligence were the determinants of successful leadership. The early works of Gibb (1947), Jenkins (1947), and Stogdill (1948) identified numerous traits that were associated with measures of leader effectiveness. These leadership traits were commonly grouped by characteristic. Examples of traits within the characteristics groups include: personal characteristics (age, appearance), social background characteristics (education, social status), intelligence and ability characteristics (intelligence, judgment), personality characteristics (enthusiasm, self-confidence), task-related characteristics (desire to excel, persistence), and social characteristics (ability to enlist cooperation, administrative ability) (Bass, 1990).

Behavioral Approach to Leadership

Disenchantment with the limitations of trait theories by the 1950s caused a shift to research that focused on the predisposition of leaders toward particular behaviors. These studies were either performed in controlled laboratory settings or in the field by asking individuals to record personal observations of leader behavior. Leadership studies initiated by the Bureau of Business research at Ohio State University in 1945 attempted to identify specific leader behaviors. An instrument was created to collect the observations called the Leader Behavior Description Questionnaire. Participants were asked to judge the frequency that they observed the leader engaging in these specific behaviors. The early works of the Ohio State staff revealed that initiating structure and consideration were separate and distinct dimensions of leader behavior. In these studies, the two categories were considered separate axes rather than linked on a single Continuum. (Stogdill & Coons, 1957). Leadership studies were also taking place at the Institute for Social Research at the University of Michigan during this same time period (Kahn & Katz, 1953; Likert, 1961; Mann, 1965).

These studies identified two similar leadership constructs for those identified at Ohio State, which the researchers referred to as production orientation and employee orientation. Research interest in the two dimensions of leadership behaviors suggested by the Ohio State and Michigan studies eventually found its way into the management field, resulting in the creation of the Managerial Grid by Blake and Mouton (1964).

The two dimensions were listed as concern for production along the X-axis and concern for people along the Y-axis. A simple scoring scale of 1 to 9 (1 low, 9 high) allowed Blake and Mouton to identify five distinct management styles: (a) impoverished management (low production, low people), (b) country club management (low production, high people), (c) authority-obedience management (high production, low people), (d) organizational man management (medium production, medium people), and (e) team management (high production, high people).
Situational Approach to Leadership

A contrast to the early works of the trait and behavioral theorists was the situational approach to leadership. Murphy (1941) felt that leadership was not found within the person but was a function of the occasion. The specific aspects of the situation that either enhance or nullify the effect of leadership traits or behaviors were referred to as situational moderator variables. Theories that explain leadership effectiveness in terms of these variables were called situational theories of leadership. These theories describe aspects of leadership that apply better to some situations than to others. Situational leadership theorists insisted that there is no one best way to influence people. A Harvard Business review article by Tannenbaum and Schmidt (1957/1973) was one of the initial attempts to describe leadership based on the situation. The result was a description of leader behavior along the democratic (relationship-orientation) to authoritarian (task-orientation) continuum, based on the source of the leader’s authority (Tannenbaum& Schmidt). The authoritarian style of leadership assumes power comes from the position itself, while the democratic style of leadership believes that power is granted by the followers. A wide variety of leadership styles were identified between the two extremes.

The effects of change and studies of change management influenced leadership research by the 1990s. Despite all the work that had been done in change management over the past few decades, the concept of change had not been successfully integrated into existing leadership theory (Yukl, 2002b). In 1991, Arvonen suggested that a three-dimensional taxonomy related to change provided the most useful way to group specific leader behaviors into general categories. Yukl (2002b) formalized this acknowledgement of the significant effect that change has on business practices with the introduction of change-oriented behavior as a distinct new behavioral category. The resultant tri-dimensional leadership theory added the third dimension of change to the traditional two dimensions of task and relations. Tri-dimensional leadership theory was developed to address the shortcomings of existing leadership models. Previous studies that focused on task and relations behaviors showed a positive but weak correlation with subordinate performance (Fisher & Edwards, 1988). Tri-dimensional leadership theory uses a hierarchical taxonomy of leadership behaviors with three behavior meta-categories: task oriented, relations oriented, and change oriented. Each meta-category includes specific component behaviors that correspond closely to behaviors identified in prior research on effective leadership over the last half century (Yukl, Gordon, & Taber, 2002). The 13 leadership behaviors described by the tri-dimensional leadership theory are:

- Short-term planning: deciding what to do, how to do it, who will do it, and when it will be done;
- Clarifying roles and responsibilities: the communication of plans, policies, and role expectations;
- Monitoring operations and performance: gathering information about the operation, including progress and performance;
- Supporting: showing consideration, acceptance, and concern for the needs and feelings of people;
- Recognizing: giving praise and showing appreciation to others for effective performance, achievements, and contributions;
- Consulting: involving the followers in making important decisions;
- Empowering: delegating more autonomy and discretion to subordinates;
- Developing: providing the opportunity to develop skills and confidence;
- External monitoring: observing and recording the external environment in order to identify threats and opportunities;
• Envisioning change: articulating and inspiring a concept of a better future;
• Encouraging innovative thinking: providing an environment where subordinates are inspired to create new ideas for improving the organization;
• Taking risks for change: willingness to stray from the accepted norms in order to improve organizational performance; and
• Explaining the need for change: communicating the importance and inevitability of change within the organization.

RESEARCH DESIGN

Sampling
In total two banks took part in the survey study conducted. A questionnaire was sent to managers and employees based on simple random sampling. These managers were working at middle level of management with more than 5 years of experience between the age group of 31 to 43. This study analyses the responses of 72 employees including managers and executives. Data was reviewed and cleaned up prior to analysis and 3 observations were found to include many missing or incomplete answers and were thus eliminated, reducing the sample to 69 employees.

Hypothesis

H1: Leadership Behavior is prominent factor of Managerial Effectiveness.

H2: Bank managers who exhibit supportive leadership behavior towards their employees are more frequently will experience a higher employee satisfaction and effectiveness at workplace.

Methodology

The instrument used to assess the managers was a modified version of the MPS, Form TRCQ-13G (Yukl, 2002b). Originally developed by Yukl et al. in 1990, it has been used as an alternative to or in conjunction with Bass and Avolio’s (1990) Multifactor Leadership Survey (Tracey & Hinkin, 1998). The wording of the response anchors and the behavior statements of the original MPS were simplified and modified. These modifications were done with the help of the subject matter experts. These individuals were quite familiar with leadership practices.

This study was conducted for 27 manager 45 executives working under those managers across Pune region for selected banks. Questionnaire survey has been administered and data has been collected, filtered and tabulated for analysis. Partial Co-relation method was applied using SPSS.

The accuracy of the study was based on three basic assumptions: (a) the leadership behaviors of the bank managers were accurately measured by the MPS (b) the performance of the individual manager was accurately measured by the information gathered from existing appraisal rating and (c) the survey responses represented an honest and accurate assessment of the leader behaviors of the managers in the eyes of the respondents. The complete confidentiality of the entire research process was stressed in order to increase the likelihood that the third assumption was valid.

ANALYSIS AND FINDINGS

The relationship between the dependent performance variable and the 13 independent leadership behavior variables was analyzed by examining the correlations among these variables. This was done independently for the subordinates as well as self-survey and the results were combined.
Reliability of Measures

The alpha reliability coefficients for each of the 13 leadership behaviors in the MPS ranged from .9081 to .9639. A summary of the reliability of the scales describing each type of leadership behavior is shown in Table 1(T1).

Table 1: Reliability of Individual Questions in Measuring Behavior

<table>
<thead>
<tr>
<th>No.</th>
<th>Behavior (Indicated by Questions)</th>
<th>Alpha Reliability Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Clarifying roles and responsibilities</td>
<td>.9347</td>
</tr>
<tr>
<td>2</td>
<td>Supporting</td>
<td>.9545</td>
</tr>
<tr>
<td>3</td>
<td>External monitoring</td>
<td>.9234</td>
</tr>
<tr>
<td>4</td>
<td>Recognizing</td>
<td>.9455</td>
</tr>
<tr>
<td>5</td>
<td>Short-term planning</td>
<td>.9427</td>
</tr>
<tr>
<td>6</td>
<td>Encouraging innovative thinking</td>
<td>.9322</td>
</tr>
<tr>
<td>7</td>
<td>Developing</td>
<td>.9210</td>
</tr>
<tr>
<td>8</td>
<td>Consulting</td>
<td>.9567</td>
</tr>
<tr>
<td>9</td>
<td>Monitoring operations and performance</td>
<td>.9277</td>
</tr>
<tr>
<td>10</td>
<td>Envisioning change</td>
<td>.9534</td>
</tr>
<tr>
<td>11</td>
<td>Empowering</td>
<td>.9278</td>
</tr>
<tr>
<td>12</td>
<td>Taking risks for change</td>
<td>.9206</td>
</tr>
<tr>
<td>13</td>
<td>Explaining the need for change</td>
<td>.9347</td>
</tr>
</tbody>
</table>

An interrater reliability (IRR) analysis was done to assess the degree to which the managers and subordinate responses “agree” to the factors of analysis. A single item within-group IRR for an anchor response (A) of size 5 was performed for each of the 13 leadership behaviors within each of the 69 employees. The results of the IRR analysis indicated extremely high reliability between individual responses. This test indicated just how much influence a single individual’s extremely high or low response can have on the reliability of a manager and his performance. This proves the first hypothesis that Leadership Behavior is prominent factor of Managerial Effectiveness.

Partial Correlation Analysis has been conducted to check the reliability of the second hypothesis.

Table 2: Partial Correlation Analysis Results

<table>
<thead>
<tr>
<th>No.</th>
<th>Behavior Indicators</th>
<th>Correlation (Self)</th>
<th>Correlation (Subordinates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Clarifying</td>
<td>.20</td>
<td>.17</td>
</tr>
<tr>
<td>2</td>
<td>Supporting</td>
<td>.16</td>
<td>.09</td>
</tr>
<tr>
<td>3</td>
<td>External monitoring</td>
<td>.13</td>
<td>.23</td>
</tr>
<tr>
<td>4</td>
<td>Recognizing</td>
<td>.22</td>
<td>.19</td>
</tr>
<tr>
<td>5</td>
<td>Planning</td>
<td>.09</td>
<td>.11</td>
</tr>
<tr>
<td>6</td>
<td>Encouraging</td>
<td>.15</td>
<td>.23</td>
</tr>
<tr>
<td>7</td>
<td>Developing</td>
<td>.20</td>
<td>.16</td>
</tr>
<tr>
<td>8</td>
<td>Consulting</td>
<td>.13</td>
<td>.23</td>
</tr>
<tr>
<td>9</td>
<td>Monitoring operations</td>
<td>.08</td>
<td>.16</td>
</tr>
<tr>
<td>10</td>
<td>Envisioning change</td>
<td>.07</td>
<td>.09</td>
</tr>
<tr>
<td>11</td>
<td>Empowering</td>
<td>.15</td>
<td>.21</td>
</tr>
<tr>
<td>12</td>
<td>Taking risks</td>
<td>.03</td>
<td>.11</td>
</tr>
<tr>
<td>13</td>
<td>Explaining</td>
<td>.25</td>
<td>.21</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.01 level (two-tailed)

The subordinate and self-surveys results indicated complete agreement between the two banks in regards to the applicable hypothesis. The high degree of similarity between the two banks in regards to survey results indicated that this study positively supports the second hypothesis that bank managers who exhibit supportive leadership behavior towards their employees are more frequently will experience a higher employee satisfaction and effectiveness in work and consequently their performance will be better than others.
CONCLUSIONS

The findings revealed in this study were an indication for manager behavior profile. This profile included the identification of the most commonly used leadership behaviors and the impact of these behaviors on their performance. This study also reveals that these managers were concerned for the executives because these people represent the most important link to the customer. Therefore, leadership behavior gains significance in developing abilities of the executives. If all other factors between two banks were apparently equal, the efficiency of the executives would be difference between success and failure of these managers and eventually the bank itself. It is observed that the most important indicator of success of these banks is the leadership style of the managers in the organization and his or her team. Managers act as powerful role models through their behavior.

All 13 leadership behaviors were found to be significantly correlated to the performance rating as determined by the results of surveys. Overall, positive leadership behavior appeared to be related to positive performance of managers. Thus we can conclude that effective leadership behavior will lead to better performance and sound relationship between managers and executives.

REFERENCES


42. Stewart (Eds.), Leaders and managers: International perspectives on managerial Behavior and leadership, New York: Pergamon Press.


