



LEADERSHIP STYLES AND BUSINESS SUCCESS OF DEPOSIT MONEY BANKS IN PORT HARCOURT

Dom-Nwachukwu Ijeoma

University of Port Harcourt Business School, Port Harcourt, Rivers State, Nigeria

-----ABSTRACT-----

This study examined the relationship between leadership styles and business success of deposit money banks in Port Harcourt. A total of fifty-three (53) managers and supervisors were given the research instrument, however only fifty-two (52) responses were valid and used in the analyses. Two (2) testable null hypotheses were formulated and analyzed. Spearman's Rank Order Correlation Coefficient was used to analyze the null hypotheses, with the help of Statistical Package for Social Sciences at 5% level of significance. The two null hypotheses were rejected and the alternate accepted. Indicating a significant positive relationship between the dimensions of leadership styles (transactional leadership and transformational leadership) and business success. It was concluded that transactional and transformational leadership styles, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs, enhances organizational performance. Consequently, it was recommended that the manager and supervisor of deposit money banks in Port Harcourt should: adopt a leadership/management approach that can accommodate all subordinates, irrespective of their personal and individual differences; and the communication channel between the management and the employees should always be in harmony. Information gap between the upper, middle and lower management should be avoided at all costs, so as to ensure coherency and synergy amongst the hierarchy of the firm.

KEYWORDS: *Leadership Styles, Transactional Leadership Styles, Transformational Leadership Styles, Business Success*-----

BACKGROUND OF THE STUDY

The characteristics of the unstable external environment of the modern organizations have a significant influence on finding new ways of doing business with the aim to add values to the customers achieve and sustain competitiveness and sustainable development (Ze et al., 2018). The last economic crisis, followed by political, cultural, social and moral pressures, lead to new conditions for organizations, and many of them could not survive (Berber & Slavić, 2016). Organizations and their management have to pay special attention to the intellectual capital they possess (Berber & Slavić, 2016; Para-González et al., 2018) where human capital is one of the most important part [34]. Contemporary research related to business success focus on the following themes: organizational culture, organizational learning, teamwork, leadership and motivation (Bobera et al., 2017; Muterera et al., 2018; O'Neill & Salas, 2018].

One of the very important concepts that are in the focus of scientific research and business practice is leadership. It is seen as the ability of a person to influence other people in the processes of work, creativity, and achievement of the goals of the organization. Leadership is a critical factor for the success of organizations, and a resource for building a competitive advantage and corporate performances (Poór et al., 2015; Strugar Jelača et al., 2016). There is no one right leadership approach; it depends on the actual state of the company, its level of development and contemporary issues. Changes on the market and inside the organizations require new styles and approaches of leadership (Bencsik et al., 2018; Mura et al., 2017; Radivojević et al., 2016) that will make a greater contribution to the business goals.



The banking sector is described as “a work environment where employees are often busy, work under pressure and are constantly in an emotionally laborious state. This is related to the demand of work, prudence in financial management, and extended time of interaction between bank employees and customers, directly on a daily basis” (Dartey-Baah & Mekpor, 2017 p.42). “Banking employees, like others, must remain committed to their employers, to live the brand, particularly during periods of economic uncertainty and customer frustration. Effective leadership fosters employee commitment and brand supporting behaviors” (Vaccaro et al., 2012 p.165). Therefore, leadership can be one of the ways for fulfilling the strategic demands and challenges in the banking sector.

STATEMENT OF THE PROBLEM

Nigeria’s banking industry plays a critical part in the country’s economic development. However, in recent years, the banking industry has seen a decline in performance, which has had a detrimental impact on economic activity in a variety of ways. The poor performance of deposit money institutions has led to the dissolution of most firms in the industry, resulting in the loss of job possibilities and a rise in the country’s unemployment rate. Most banks have undertaken staff layoff at various periods owing to an inability to retain their personnel as a result of poor performance. This act of retrenchment has so diminished workplace morale and raised job insecurity in the banking industry, all of which may have an impact on the firm’s long-term viability and performance.

Furthermore, poor performance has resulted in mergers and acquisitions. Recently, the acquisitions of Skye Bank by Polaris Bank and Diamond Bank by Access Bank have demonstrated that certain banks are experiencing performance issues. However, it is considered that the appropriate leadership style can assist the banks in navigating difficult circumstances and positioning the organization for success. The issue of fierce competition has had a long-term impact on the success of many companies.

Despite several academic initiatives, the problem of low performance in banking organizations has remained. It is against this backdrop that this study seeks to ascertain whether the challenge of declining business success/performance of most deposit money banks, can be tackled within the purview of leadership styles. To this end this study intends to find out the nexus between leadership styles and business success of deposit money banks in Port Harcourt.

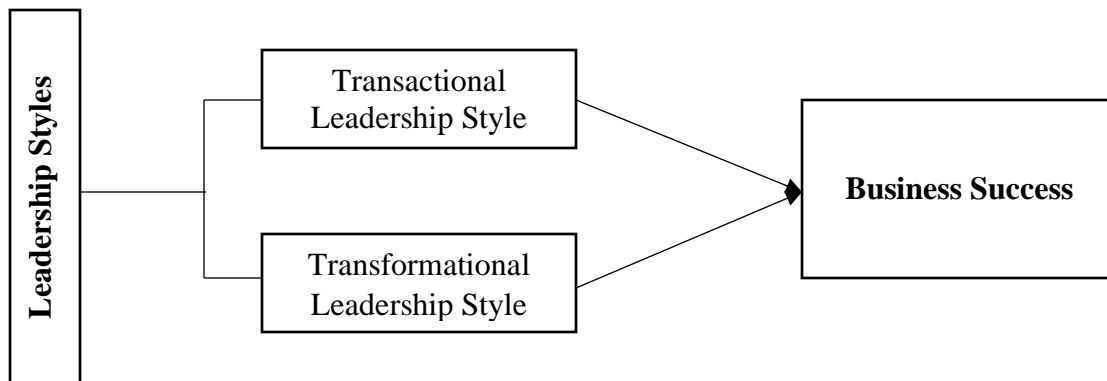


Figure 1:A Model of the Relationship between Leadership Styles and Business Success

Source: The dimensions of leadership styles were adapted from the work of Bass and Avolio (1995); while business success was measured with items obtained from the work of Staniewski and Awruk, (2017).

AIM AND OBJECTIVES OF THE STUDY

The aim of this study is to ascertain the relationship between leadership styles and business success of deposit money banks in Port Harcourt. Specifically, the objectives are to:

- i. Determine the relationship between transactional leadership style and business success.
- ii. Examine the association between transformational leadership style and business success.



RESEARCH HYPOTHESES

To achieve the aim and objective of the study, the following hypotheses were formulated:

H₀₁: There is no significant relationship between transactional leadership style and business success.

H₀₂: There is no significant association between transformational leadership style and business success.

SCOPE OF THE STUDY

Content/Theoretical scope: This study is restricted to literature on leadership styles and business success. The inquiry into the relationship between visionary leadership styles, business success as well as upper echelon theory, establishes the content scope of the study.

Geographical scope: The geographical scope of this research is specifically limited to deposit money banks in Port Harcourt.

Study unit: The unit of analysis for this study is at the organizational (macro) level which covers managers and supervisors of deposit money banks in Rivers State.

LITERATURE REVIEW

Theoretical Framework

Upper Echelons Theory

The theoretical framework for this study is based on the upper echelons theory. The origin of upper echelon theory is traced to the research of Hambrick and Mason in 1984. According to the proponents of this theory, leaders' personal characteristics are reflected in the decisions they take in organizations. This theory was founded on the premise that organizational outcomes were directly influenced by the knowledge, experience, and expertise of the strategic leaders (Hambrick & Mason, 1984). The knowledge, experience, and skills are essential predictors of strategic leadership practice and organizational performance. The main highlight of this theory is that firms are replications of the intellect and ideals of their top leaders (Hambrick & Mason, 1984). Principles and inclinations of top leadership will affect their review of the environment, and the choices they make about the strategy of the organization. Over a given duration, the firm comes to mirror the leader

According to Waldman et al. (2001), the upper echelons theory should be extended to research on leadership styles, as personal qualities have correlated with firm outcomes. This theory posits that leadership impacts firm outcomes. Therefore, grounding this study in the upper echelon theory gives a basis for understanding how specific styles of leadership can impact organizational outcomes in the 21st century.

Leadership Styles

Leadership style is defined as a set of features, traits, and behaviours that the leader employs in dealing with subordinates (Rana, 2020). Furthermore, it is defined as the type of interaction that the leader applies to motivate employees to work together for a common goal or objective. There are many leadership styles, and the leader can adopt any type of leadership style more or lesser. There is not any right or the best leadership style. There is an assumption that any one leadership style is right in any circumstances. The appropriate leadership style depends on the factors such as the type of organization, the nature of the task, the characteristics of employees and so forth. The effective leaders are the ones who can adopt the right kind of leadership according to the demand of the situation. (Armstrong, 2016).

Transactional Leadership Styles

A transactional leader appears when one person takes the initiative in establishing contact with others for purposes of exchange. Bass (1994) described the transactional leadership on the assumption that the followers were motivated by rewards and punishments and those they followed the instructions of their leaders. Transaction leaders promise rewards for the effort and good performance, and their subordinates work well when they got clear orders (Fein et al., 2010). Leaders who apply this style promote the strengthening of individual interests of both themselves and their followers; they tend to monitor, inspect results and establish goals (Bass & Avolio, 2004; Strugar Jelača et al., 2016). Transactional leadership is composed of contingent reward (CRW) and active management by exception (MBEA) (Atwater et al., 1994; Bass & Avolio, 2004).



Transformational Leadership Style

Transformational leadership emphasizes ideals, inspiration, innovation, and individual problems. Conger and Kanungo (1998) described the five characteristics of charismatic leaders' behavior including a more transformational, and less transactional or passive perspective: vision and articulation, sensitivity to the environment, sensitivity to members' needs, personal risk-taking and unconventional behavior. Burns' definition treats transformational leadership as a method that uses charisma to attract followers to the values of leaders. Transformational leadership is composed of idealized influence (attributed) (IA), idealized influence (behavior) (IB), inspirational motivation (IM), intellectual stimulation (IS), individualized consideration (IC), (Bass, 1994; Jiang & Probst, 2016; Muterera et al., 2018).

Leadership Styles and Business Success

According to Boal and Schultz (2007) the sophisticated leaders can get into new opportunities and exploit current resources and use them effectively in their purposes in daily communication. Sharing employees' experiences and their business related knowledge may improve the grasp and obvious techniques which may lead to create innovation and enhance the ability to adapt great change. The authors demonstrate that the ability of influential leaders permit companies to continue and obtain the core to manage successfully the business in a complicated and competitive contexts. Hamel and Prahalad (1994) assured the critical correlation between leadership styles and resource exploitation. They also demonstrated that leadership styles should have several traits such as dynamic and flexible and when involved with creativity and diligence, the leaders are able to utilize "every possible opportunity for resource leverage".

Influential leaders can increase human and social assets in their companies to also meet the expectation of the customers and create great value for the company and achieve lasting competitive advantage. Thus, the different styles of leadership are generally connected with the performance of company. Hitt and Duane (2002) debate that innovation, critical and creative thinking are essential to develop the total performance which are consistent with leadership while manage and utilize all company's resources. Leaders have a vital role in motivating and inspiring the initiatives of individual and improving business environment procedures to win with benefits for the organization (Moriano et al., 2014). An effective leader also impacts the subordinates in a required way to accomplish wanted objectives and visions.

Empirical Review

Using 224 development projects of the Non-Governmental Organization (NGO) sector in Ethiopia, Aga (2016) examined the relationship between transactional leadership and project success and the moderating role of project goal clarity. Multiple and hierarchical regression techniques were applied to test the hypotheses of the study. The findings of the study indicate that contingent reward in transactional leadership is positively related to project success. By implication the study empirically established that project leadership is one of the important factors influencing the success of organizations. In the context of development projects, the study confirms that contingent reward of transactional leadership has a positive significant effect on project success.

Arshad et al's (2016) paper on transformational leadership and business performance: an insight from technology-based SMEs in Malaysia, served two purposes. First, the authors aimed to identify the critical dimensions of transformational leadership and business performance. Second, the paper sought to determine the relationship between transformational leadership and business performance. They used a quantitative method approach using survey questionnaire. 86 respondents who are the owners or top managers of technology-based SMEs in Malaysia took part in the study. The analyses conducted involved factor, reliability and correlation analysis. The results of factor analysis proposed three dimensions representing transformational leadership, i.e. enthusiastic optimism, idealized influence and individual consideration which is contrary to the four dimensions theorized by Bass and Avolio (2004). In addition, business performance generated a one-factor-dimension. The correlation analysis indicates there is a significant and positive correlation between transformational leadership and business performance.

Mkheimer (2018) undertook a study on the impact of leadership styles on business success: a case study on SMEs in Amman. The study was aimed at covering the gap in the literature related to leadership styles in achieving total business success. Data was collected in this study using a leadership survey including demographic, leadership



styles and business success questions. Hundred copies of the questionnaire were distributed and only 85 valid respondents completed and appropriate for further analysis in the survey. Descriptive statistics, exploratory factor analysis (EFA) and multiple regressions were used to test the research hypotheses. The study assumed that a transformational transactional and charismatic leadership styles were the most dominant of leadership styles in the business. It was found that most companies have same styles of leadership. Based on the results, transactional leadership style has a significant positive impact on business success. Additional, transformational leadership style, however, showed a negative impact on business success. This means that success of business may not develop or increase when transformational style is found.

Neema et al. (2019) examined the effects of leadership styles on business performance using small and medium enterprise in Tanzania. The sample comprises 500 respondents from selected companies. They obtained data through questionnaires and analyzed with statistical package for social science (SPSS). They find significant positive effects of leadership styles on business performance. They found higher direct effect of transactional leadership styles on business performance. They established that, transactional leadership depending on the industry are recommended and advised to be established to ensure sustainable competitive advantage in fierce competition environment.

METHODOLOGY

The survey method was adopted for the study. Fifty-three (53) managers and supervisors of 19 deposit money banks in Port Harcourt were surveyed through a well-structured questionnaire. These dimensions are measured using ten (10) statement items adapted from Bass and Avolio (1995) and modified to suit the Nigerian context. Transformational leadership had five (5) items (e.g. *My supervisor instills pride in me; My supervisor encourages me to think more creatively*); and Transactional leadership was measured with five (5) statement items (e.g. *My supervisor will take action before problems are chronic; My supervisor works out agreements with me*). The respondents were asked to provide information on the leadership styles in their organization on a 5 point Likert-like scale (thus: strongly disagree =5, to strongly agree = 1).

On the other hand, business success was measured with items obtained from Staniewski and Awruk, (2017), and modified to suit the Nigerian context (e.g. *We have consistently maintained long-term (i.e., longer than one year) cooperation with clients; I am satisfied with the way our company has developed.*). Respondents were required to provide information on the GHRM and sustainability practices on a 5 point Likert scale (e.g. strongly disagree =5, to strongly agree = 1). The study instrument satisfied face and content validity, as well as the Cronbach alpha reliability threshold of 0.70 (Hair et al., 2010). The Spearman Rank Order Correlation Coefficient was employed to test the stated hypotheses at a 0.05 level of significance.

RESULTS AND DISCUSSION

Test of Hypotheses

This section is concerned with testing hypotheses stated earlier in chapter one; using Spearman's rank order correlation coefficient statistical tool and the p-values obtained.

Decision Rule: reject null hypothesis if p-value obtained is less than the alpha value (0.05/95% level of significance) and accept null hypotheses when p-value is greater than the alpha value.



Table 1: Spearman Correlation Coefficient (Spearman's rho): Test of relationship between the variables

		Correlations			
		Transactional Leadership Style	Transformational Leadership Style	Business Success	
Spearman's rho	Transactional Leadership Style	Correlation Coefficient	1.000	.874**	.948**
		Sig. (2-tailed)	.	.000	.000
		N	52	52	52
	Transformational Leadership Style	Correlation Coefficient	.948**	1.000	.874**
		Sig. (2-tailed)	.000	.	.000
		N	52	52	52
	Business Success	Correlation Coefficient	.948**	.874**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	52	52	52

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

Source: SPSS Output Version 20

The Spearman rank correlation table above measures the strength of association between the variables as follows; The result reported a strong positive correlation between transactional leadership styles and business success (rho = .948**, n = 52, p < 0.01), also a strong positive correlation value was reported between transformational leadership and business success (rho = .874**, n = 52, p < 0.01).

DISCUSSION OF FINDINGS

The result from the test of hypotheses showed that there is a strong positive nexus between leadership styles and business success. Specifically, the outcomes of the study revealed that transactional leadership styles and transformational leadership styles significantly impact of the business success of deposit money banks in Port Harcourt. This corroborates with a myriad of similar studies. For example, using 224 development projects of the Non-Governmental Organization (NGO) sector in Ethiopia, Aga (2016) examined the relationship between transactional leadership and project success. The findings of the study indicate that contingent reward in transactional leadership is positively related to project success. By implication the study empirically established that project leadership is one of the important factors influencing the success of organizations. In the context of development projects, the study confirms that contingent reward of transactional leadership has a positive significant effect on project success. Also, Arshad et al's (2016) paper on transformational leadership and business performance: an insight from technology-based SMEs in Malaysia, indicates there is a significant and positive correlation between transformational leadership and business performance. Mkheimer (2018) undertook a study on the impact of leadership styles on business success: a case study on SMEs in Amman. It was found that transactional leadership style has a significant positive impact on business success. Additional, transformational leadership style, however, showed a negative impact on business success, implying that success of business may not develop or increase when transformational style is found. More recently, Neema et al. (2019) examined the effects of leadership styles on business performance using small and medium enterprise in Tanzania. They found significant positive effects of leadership styles on business performance. They found higher direct effect of transactional leadership styles on business performance. They established that, transactional leadership depending on the industry are recommended and advised to be established to ensure sustainable competitive advantage in fierce competition environment. This paper therefore reaffirms the positive impact of leadership styles on business success especially in the banking industry in Port Harcourt.

CONCLUSION

This study has investigated the effect of leadership style on business success in deposit money banks in Port Harcourt. The results of this study revealed that there is strong relationship between leadership style and business success. Specifically, the study found that transactional and transformational leadership styles, in which employees



are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs, enhances organizational performance.

RECOMMENDATION

Consequent upon the outcome of the test of hypotheses and the discussions in line with extant literature, it is recommended that the manager and supervisor of deposit money banks in Port Harcourt should:

- i. Adopt a leadership/management approach that can accommodate all subordinates, irrespective of their personal and individual differences. This is because, leaders do not only manage the scarce resources of the organization, but also the people underneath them. This is to ensure that the employees are well carried along and that they have a sense of belonging and responsibility to the organization.
- ii. It is also recommended that the communication channel between the management and the employees should always be in harmony. Information gap between the upper, middle and lower management should be avoided at all costs, so as to ensure coherency and synergy amongst the hierarchy of the firm.

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