



Full Length Article

Impact of leadership styles on employees' attitude towards their leader and performance: Empirical evidence from Pakistani banks

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Abstract

This paper reports the findings of a study examining the impact of managers' leadership styles on subordinates' performance. The impact of leadership styles on employee performance outcomes is explored theoretically and tested empirically in the Pakistani banking sector. The sample of the study consisted of 224 full-time employees in the banking sector of Pakistan. Findings of this study reveal that there exists a significant relationship between transformational leadership and employee performance outcomes. However, laissez-faire leadership style showed negative relationship with employee performance outcomes in terms of effectiveness, and employee satisfaction. Banking industry in Pakistan is prone to numerous challenges including employee turnover. Model presented in the study will be helpful for the human resource managers and top management to design effective leadership development programs. HRD department can be established and HRD professionals can be hired to assist the managers in organizing training and development programs. Further, it may help to design strategies to satisfy, retain and motivate the employees. Also, it will help the managers decide, which leadership style they should choose in terms of outcomes.

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Keywords: Transformational leadership; Transactional leadership; Performance; Pakistan; Banking

1. Introduction

Uncertainty in global market has made organizations more aware and prone to adopt change on a continuous basis. The complexity of the business operations requires that there must be an effective participation from every level of the organization. In addition to land, labor, and capital, human resource is also an important asset of organization. It plays a key role in the smooth running of the organization and achieving its goals. In this ever-changing and competitive global market, human resource can become the competitive advantage of the organization, if managed effectively. This is evident from literature that leaders have significant influence on subordinates. The significance of leadership style increases in the services sector, as it has direct impact on economic development. Therefore, the development and growth in services sector ensures the overall growth of national economy, especially in a developing country. The banking sector of Pakistan is growing gradually that has given rise to intense competition

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among banks. Therefore, in order to stay ahead of competitors, banks can manage their human resources effectively by employing different leadership styles in this regard. According to Saari and Judge (2004), use of transformational leadership can boost up employees' morale and result in job satisfaction. As the banking sector of Pakistan is facing different problems like high turnover, lack of commitment and job stress among employees (Asrar-ul-Haq, 2015), the importance of effective leadership has increased. Therefore, the purpose of this study is to examine the impact of managers' leadership styles on employee performance.

2. Problem statement

Banking sector of Pakistan is a fast growing business sector in Pakistan. According to World Bank study report, the Pakistani banking sector has been ranked second among the South.

Asian countries for its performance (Rehman & Raof, 2010). The competition in the banking sector is increasing day by day. Today, the high pressure on the economy of Pakistan and changing monetary policies has increased the importance and challenges of this sector. In addition, the long work hours, stress, employees' lack of commitment, job dissatisfaction and high turnover in banks have intensified the need for effective leadership. In order to maintain the growth and achieve higher objectives, the top management in the banks needs to understand the problems and make strategies to satisfy, retain, and motivate employees to exert extra efforts. In other words, it needs such leadership in its branches that can achieve organizational goals efficiently and effectively. Leaders should have the ability to motivate its employees to exert extra efforts to achieve higher goals. Moreover, the existing leadership (managers) should adopt such leadership styles that help to augment subordinates' satisfaction, their efforts and performance. According to the Full Range of Leadership (FRL) model by Bass and Avolio (1994), the most effective leadership styles are transformational and transactional leadership styles, if adopted collectively, to motivate subordinates, influence their behaviors and attitudes and improve their performance. Although FRL model has been validated in numerous settings to measure the impact of both transformational and transactional leadership styles, yet the researchers are unable to reach some final conclusion that what types of leadership styles should be used in which settings. It might be due to the difference of culture (organizational as well as national). Leadership is not the same thing across cultures (Bhagat & Steers, 2009) and leadership styles may be perceived differently in different settings. Therefore, there is an acute need to study this concept in Pakistani context to examine the universality of Full Range Leadership model. Further, it will help the banking leadership to know that how their subordinate perceive their leadership styles and how it impacts their performance. It can help them change their leadership styles according to achieve higher goals (Fig. 1).

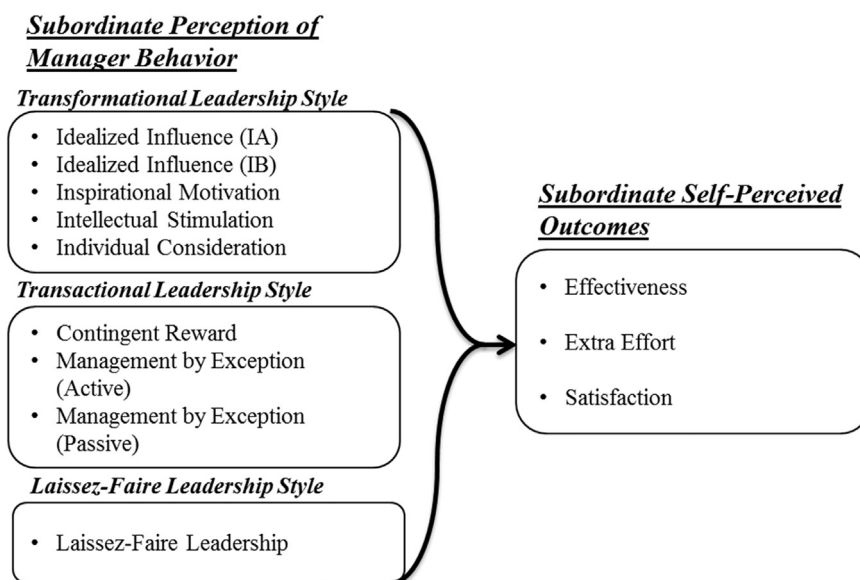


Fig. 1. Theoretical Model.

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