

## Leadership Style and Employees' Productivity: Evidenced from Nigerian Banking Sector

SALAMI AKEEM OLANREWAJU  
Federal University of Agriculture, Abeokuta, Nigeria

SALAU ABDULAZEEZ ALHAJI, KYRIAN KELECHI OKPARA, ISSA ABDULRAHEEM  
Kwara State University, Malete, Kwara State Nigeria

**Abstract.** The study focused on leadership style and employees' productivity evidenced from banking sector in Nigeria. The banking sector had been globally acknowledged as a pivot to the economic growth of any country. The study used questionnaires to elicit information from 80 staff of different banks in Ilorin metropolis through a simple random sampling technique. The data were analyzed using descriptive and inferential statistics. 94.12% acknowledged participatory as the most used leadership style in banking sector. Two hypotheses were tested. The result of hypothesis one shows that there is significant positive correlation between leadership styles (participatory and charismatic) and employees' productivity variables. That is  $r = 0.638$  for effectiveness variable in participatory leadership style and  $r = 0.369$  and  $0.596$  for efficiency and commitment in charismatic leadership style. The result of hypothesis two shows  $r^2 = 0.825$ , which implies that about 82.5% of the variation in leadership style is explained by the variables in the model. The study thus recommends that participatory and charismatic leadership styles should be encouraged fully in the banking industry, so as to boost employees' commitment.

**Keywords:** Leadership style, Employee productivity, Banking sector, Performance

### 1. Introduction

The primary way through which organizations achieved their objectives is the effective use of the various resources available to them. These resources are numerous; one of which is the human resources. Apart from others like money, materials and machines, the human resource factor is of vital importance in the survival and growth of any organization. It has become absolutely necessary to have a deeper knowledge and understanding of the attitude of employees in an organization in the conversion process of inputs/outputs. It is in this regard that this study tried to investigate the disposition and response of workers to responsibilities at their work place, and uncover whether this is a product of their physiological and psychological state and their effect on organization cohesions and effectiveness. In essence, the proper approach as in leadership style adopted by business organization towards coordinating the human resources.

Leadership is the ability of a manager to influence subordinates (followers) to work with confidence and zeal. If subordinates are guided only by rules and requirements enforced by managerial authority, they may work at about 60 or 65 percent of capacity, just enough to satisfy the requirements for holding their jobs. To raise effort towards total capability, the manager must induce devoted response on the part of subordinates by exercising leadership. This is done through numerous means, all solidly based

on the needs of subordinates. To lead is to guide, conduct and direct. Leaders act to help a group achieve objectives with the maximum application of its capabilities. They do not stand behind a group to push and to prod; they place themselves before the group as they facilitate progress and inspire the group to accomplish organizational goals.

Katz and Kahn (1978) sees concept of leadership in organized enterprises as ‘the influential increment over and above mechanical compliance with the routine directives of the organization’. In other words, an organizational role may encompass definite objectives and plans to achieve them, clear position duties, and all the many non-personal things an individual must do to carry out a job. But there is much to add to these if an individual is to perform effectively. According to Katz and Kahn, these include supplementing the organizational design with information necessary for persons to perform their roles, clarifying roles in view of the changing environment, and recognizing the fact that every role is a part of an open social system that responds to change by being aware of the dynamics of an organized enterprise and interpreting them to those working in it and by making adjustments for human beings and their various behavior patterns.

The banking sector is one of the many institutions that have great influence on the economy and affect its performance either for better or for worse. In essence it is directly and positively related to the performance of the economy. A bad or even an indifferent banking system may hinder growth. Although much has been written on banking and employee productivity yet there is much room to cover, especially as it relates to leadership styles and employees productivity. Hence this paper seeks to examine the effect of leadership style on employee productivity, study of selected banks in Ilorin.

The main objective of this study is to determine the relationship between leadership style and employee productivity. The specific objective is to evaluate the effect of participatory leadership

on employees’ commitment in Nigerian Baking sector

## 2. Literature Review

### 2.1. Conceptual Clarifications

Leadership is a process in which a leader attempts to influence his or her followers to establish and accomplish goals. Without leadership, an organization is but a muddle of men and machines. Leadership is the ability to persuade others to seek defined objectives enthusiastically. It’s the human factor, which binds a group together and motivates it towards its goals. Management activities such as planning, organizing and decision making are dormant cocoons until the leader triggers the power of motivation in people and guides them toward goals. Ahearne, Mathieu and Rapp (2005) and Goodavzi (2006) posit that participative leadership style is significantly and positively related with organizational commitment other scholars also revealed that this leadership style has a positive effect on the commitment of subordinates to the quality of service, shared values and the clarity of the employees functions. Leadership is very important to the health of an organization if it must survive and grow in a dynamic environment. Fenwick and Gayle (2008) explain that without effective leadership, it is difficult for an organization to function effectively.

While a person can be a leader, he may not be a manager (Finchum & Rhodes 2005). Leaders shape and develop the social reality of the organization members. At this point in time, it is essential to explain that the term leadership and manager are not synonymous. The terms leader and manager are not necessarily interchangeable because leadership is a sub class of management. Managers perform the function of planning, organizing, motivating, communicating directing and controlling. Included within these functions are the necessity to lead effectively which may affect his ability to manage, but a leader needs only to influence the behavior of others. He is not necessarily required to perform all the function of a manager. Werner (2009) emphasizes that in

modern times, leadership is no longer viewed as a right office but rather a skill that can be productive. In being able to do this, leaders have certain powers, which they can employ or apply to achieve results. They are Reward Power-based on the ability of the leader to administer rewards; Expert power based on special knowledge, skill, expertise or experience possessed by the leader; Legitimate power which is derived from authority or legitimate position in the organization and finally Coercive power based on the leader's ability to administer and control punishment. The effectiveness of a leader depends greatly to a large extent on how well these powers are manipulated so that subordinates will have the zeal and confidence in their work.

The realization of individual goals is dependent to a large extent on leadership. Effective leadership in an organization exhibits skills, innovativeness and goal oriented. Werner (2009) submitted that leadership guarantees the employee access to share and set information into action which leads to higher organizational performance. Dolatabadi and Safa (2010) further submitted that leadership style heightens organization's competitive strategy along with its effectiveness.

From the foregoing, leadership concepts could be seen as how well leaders use their authority. Leaders were seen as applying three basic styles. The autocratic leader was seen as one who leads by the ability to withhold or give rewards and punishment. The democratic, or participative, leader consults with subordinates on proposed actions and decisions and encourages participation from them. This type of leader was perceived to be on a spectrum ranging from the person who does not take action without subordinates' concurrence to the one who makes decisions but consults with subordinates before doing so. The third type of leader uses his or her power very little, if at all, giving subordinates a high degree of independence, or free rein, in their operations. Such leaders depend largely on subordinates to set their own goals and the means of achieving them, and they perceive their role as one of facilitating the operations of followers by furnishing them information and

acting primarily as a contact with the group's external environment.

## **2.2. Theoretical Framework**

For over two centuries, researchers have attempted to develop different leadership theories to analyze the construct of leadership and its relationship with motivation, productivity and goal attainment. This study focused on four main organizational leadership approaches/theories, which are: the great-man theory, the trait theory, the situational theory and the Fiedler's Contingency theory.

### **2.2.1. Great-Man Theory**

This theory assumed that the capacity for leadership is inherent- that great leaders are born not made. This theory focused on portraying great leaders who helped to change and shape world events, as heroic, mythic, and destined to rise to leadership when needed. The term "Great Man" was used because, in the early 19<sup>th</sup> century, leadership was thought of primarily as a male quality, especially in terms of military leadership. Those great leaders or heroes were highly influential individuals due to their personal charisma, intelligence, or wisdoms, and they utilized this power in a way that had a decisive historical impact. The great-man theory believes that those great leaders possessed specific traits or characteristics that enabled them to stand out from others, to attract the necessary followers, to set direction, and to be strong leaders in their time. This theory evolved, and it is the natural forerunners to trait theory (Bass, 1990; Kirkpatrick and Locke, 1991; Bass, 2008). The "great man" theory lost much of its acceptability with the rise in influence of the behaviorist school of psychology, which emphasized that people are not born with traits, other than inherited physical characteristics and perhaps tendencies toward good health.

### **2.2.2. The Trait Theory**

The Traits theory postulates that personal characteristics (e.g. personality traits, cognitive skills, interpersonal skills) determine an individual potential for leadership roles, thus

according to the trait theory, leadership is something intrinsic to the individual. As Bryman, Collinson, Grint, Jackson and Uhl-Bien (2011) put it that nature is more important than nurture, that is to say an individual predisposition to leadership (his or her nature) has a greater influence than the context, this approach is essentially captured by Stogdill (1948); Avolio, Sosik, Jung, & Benson (2003) and Avolio, (2007)

Trait theory has been used to refer to personality, temperaments, dispositions and abilities, as well as to physical and demographic attributes. One of the first systematic attempts to review traits leadership research was conducted by Stogdill in 1948, this research study analyzed over one hundred trait studies that took place over a period of four decades. His result show that a person who holds a position of leadership surpasses the average number of the group in several ways, includes intelligence, scholarship, dependability and sociability though Stogdill determined that there was indeed a high constituency in the relationship between intelligence and being a leader, he concluded that it is difficult to isolate set of traits that are characteristics of leadership without factoring situational effects into the equation. A leader in some situation might not be a leader in other situations. Despite these criticisms, interest in trait theory resurged in the 1980s, numerous analytic reviews of earlier leader trait research were conducted and based on examination of the original data several researchers concluded that traits are indeed associated with leadership. Another line of research related to trait theory is the study of charismatic leadership. This study postulates that specific leader qualities are linked to charismatic leaders who act in special ways to influence and inspire their followers. Recent studies on leader attributes focus on five categories of traits or qualities, cognitive abilities, personality, motivation, social appraisal, and leader expertise. The impact of trait theory is evident in its continued influence on leadership theories and research (Zaccaro, Kemp and Bader, 2004). The conclusion drawn by other scholars after a review of all traits is that there is no evidence that universal leadership traits exist.

In general, the study of leader traits has not been a very fruitful approach to explaining leadership. Not all leaders possess all the traits, and many non-leaders may possess most or all of them. Also, the trait approach gives no guide as to how much of any trait a person should have.

### **2.2.3. The Situational Theory**

After increasing disillusionment with the 'great man' and 'trait' approaches to understanding leadership, attention turned to the study of situations and the belief that leaders are the product of given situations. A large number of studies have been made on the premise that leadership is strongly affected by the situation from which the leader emerges and in which he or she operates. That this is a persuasive approach is indicated by the situation that gave rise to a Hitler in Germany in the 1930s and the emergency of F. D. Roosevelt in the Great Depression of the 1930s in the United States. This approach to leadership recognizes that there exists an interaction between the group and the leader. It supports the followers' theory that people tend to follow those in whom they perceive (accurately or inaccurately) a means of accomplishing their own personal desires. The leader, then, is the person who recognizes these desires and does those things, or undertakes those programs, designed to meet them (Koontz, O'Donnell and Weihrich, 1980).

This approach obviously has much meaning for practicing managers and leaders who must take into account the situation in its entirety when they design an environment for performance.

### **2.2.4. Fiedler's Contingency Theory**

Although their approach to leadership theory is primarily one of analyzing leadership styles which is the bedrock of this paper, Fiedler and his associates at the University of Illinois have combined, to some extent, the trait and situational approach and have suggested a contingency theory of leadership (Fiedler, 1965). Fiedler's theory and as cited by Yukl (2008) implies that leadership is any process in which the ability of a leader to exercise influence depends upon the group task situation and the

degree to which the leader's style, personality, and approach fit the group. In other words, according to Fiedler, people become leaders not only because of the attributes of their personality but also because of various situational factors and the interaction between the leaders and the situation.

Fiedler's findings and theory are based on a considerable volume of research. On the basis of his studies, three critical dimensions of the situation that affect a leader's most effective style are:

- (i) **Position Power:** This is the degree to which the power of a position, as distinguished from other sources of power such as charismatic or expertise power, enables a leader to get group members to comply with directions; and can be seen in the case of managers, this is the power arising from organizational authority. According to Fiedler, a leader with clear and considerable position power can more easily obtain better followership than one without such power.
- (ii) **Task structure:** With this dimension, Fiedler had in mind the extent to which tasks can be clearly spelled out and people held responsible for them, in contrast to situations where tasks are vague and unstructured.
- (iii) **Leader-member relations:** This dimension, which Fiedler regards as most important from a leader's point of view, since position power and task structure may be largely under the control of an enterprise. This has to do with the extent to which group members like and trust a leader and are willing to follow him or her.

In this study, the Fiedler's Contingency Approach to Leadership was considered to be most appropriate because of the dynamic nature

of Nigeria environment within which the banking industry operate.

### 3. Methodology

This study adopted a survey research design. It made use of primary data which were sourced through the use of questionnaire. The scope of the study covers banks in Ilorin metropolis, out of which four banks were selected namely Diamond Bank Plc, First Bank Plc, Guarantee Trust Bank Plc and Sky bank Plc.

Simple random sampling procedure was used to select eighty (80) staff from the selected banks out of one hundred and eighty five (185). That is twenty (20) from each bank, constitutes 43% of the staff strength of the selected four banks in Ilorin metropolis. Questionnaires were structured to make scoring and collation simpler and the questions were modified to suit the purpose of this research considering the Nigeria Banking environment. Five point likert rating scale was adopted, which is rated as follows; strongly agree (SA) - 5 Agree (A)- 4 Undecided (UD)-3 Disagree (D)-2 Strongly Disagree (SD)-1.

#### 3.1. Statement of Hypotheses

The following hypotheses in line with study objectives were tested:

Ho<sub>1</sub>: There is no significant relationship between leadership style and employees' productivity in the banking sector.

Ho<sub>2</sub>: leadership style does not have effect on employees' commitment in the banking sector.

#### 3.2. Methods of Data Analysis

To analyze the data collected from primary sources, multi-correlation was adopted to determine the level of relationship between leadership style variables and employee productivity variables in banks and also multiple regressions analysis was used to evaluate the effect of leadership style and employee commitment in the sector.

4. Data Analysis and Discussion of Findings

4.1. Data Analysis

The statistical analysis adopted to analyze the data generated was multiple correlations and multiple regression statistical analysis for hypotheses 1 and 2 respectively

**Hypothesis I**

Ho<sub>1</sub>: There is no significant relationship between leadership style and employee productivity in the banking sector.

**Table 1:** Multiple Correlations

		Efficiency	Commitment	Effectiveness	Participatory	Charismatic
Efficiency	Pearson Correlation	1	.737**	-.842**	-.497**	.369**
	Sig. (2-tailed)		.000	.000	.000	.001
	N	80	80	80	80	80
Commitment	Pearson Correlation	.737**	1	-.724**	-.796**	.596**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	80	80	80	80	80
Effectiveness	Pearson Correlation	-.842**	-.724**	1	.638**	-.533**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	80	80	80	80	80
Participatory	Pearson Correlation	-.497**	-.796**	.638**	1	-.464**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	80	80	80	80	80
Charismatic	Pearson Correlation	.369**	.596**	-.533**	-.464**	1
	Sig. (2-tailed)	.001	.000	.000	.000	
	N	80	80	80	80	80
	Sig. (2-tailed)	.027	.118	.000	.004	.000
	N	80	80	80	80	80

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

\* . Correlation is significant at the 0.05 level (2-tailed).

*Source:* Researchers' Computation, 2018.

The result as presented above (table 1) shows that there is significant positive correlation between leadership style (participatory and charismatic) and employee productivity variables (efficiency, effectiveness, commitment). For participatory leadership style, effectiveness was positive and significant with  $r = 0.638$  and for charismatic leadership style, efficiency was positive with  $r = 0.369$  and commitment was also positive and significant with  $r = 0.596$ .

Based on this finding, we reject the null hypotheses and accept the alternative hypothesis that is there is significant relationship between leadership style and employees productivity in the banking sector, this is supported by the work of Farid, Tasawar, Shahid and Abdul (2014) where their finding indicated that organization members with great leadership style will enhance the performance of the employees in the organization.

**Hypothesis II**

Ho: There is no significant relationship between leadership style and employees' commitment in the banking sector.

**TABLE 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.906 <sup>a</sup>	.825	.822	.42840

a: (Constant), leadership style, employee performance

*Source: Researchers' Computation, 2018*

Table 2 reveals that the coefficient of multiple determination is 0.825; the implication of this is that about 82.5% of the variation in leadership style is explained by variables in the model, The regression equation (model formulated) appears to be very useful for making predictions since the value of R<sup>2</sup> is close to 1. This implies that leadership style has a strong effect on employee commitment in Nigeria banking industry. Also, the result indicated that of good leadership style (i.e. participatory and charismatic) contribute to employees' commitment in Nigeria banking industry.

**TABLE 3: ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.803	1	83.803	455.639	.000 <sup>a</sup>
	Residual	17.875	78	.183		
	Total	101.690	79			

a. Predictors: (Constant), Dependent Variable: employee commitment, efficiency and effectiveness

*Source: Researchers' Computation, 2018*

The ANOVA table is analyzed to see if any of the variables are significant. From the ANOVA table p-value = 0.000 < 0.05 (sig.) since p-value < 0.05, the null hypothesis is rejected and the alternative is accepted. This implies that at least one of the predictors is useful for employee commitment in the banks used as sampled.

**TABLE 4: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.675	.108		6.235	.000
	Efficiency	.262	.092	.053	2.567	.040
	Commitment	.564	.081	.535	6.824	.000
	Effectiveness	.509	.070	.411	7.366	.000

a. Dependent Variable: employee productivity

*Source: Researchers' Computation, 2018*

### 5. Discussion of Findings

Organizations are increasingly embracing the concept of participatory leadership style in the work place. This research buttress this by showing that most workers in the company studied, have actually embraced and practiced the concept towards achieving good working relationships and set goals.

The two hypotheses drawn from the objectives of the study and research questions were tested and conclusions drawn from the findings. The

study showed that participatory leadership style is more in use in the company than other leadership styles. A higher percentage of the population pointed out that participatory leadership is still a matter of individual managers' leadership style and not corporate policy. They however indicated that this should be a matter of company policy and not mere individual's style of leadership.

About ninety five percent (95%) of the workers sampled disagreed with the notion that participatory style results to a lot problems in the

work place; rather, about the same percentage affirmed that participatory is a more effective approach when compared to autocratic and free reign management styles.

Result of hypothesis one shows that there is significant positive correlation between leadership styles (participatory and charismatic) and employees' productivity variables. That is  $r = 0.638$  for effectiveness variable in participatory leadership style and  $r = 0.369$  and  $0.596$  for efficiency and commitment in charismatic leadership style. The result of hypothesis two shows  $r^2 = 0.825$ , which implies that about 82.5% of the variation in leadership style is explained by the variables in the model.

This study supports the findings of Dolatabadi and Safa (2010), Bell and Mjoli (2014) and Farid, et. al., (2014), which indicated that organizations with good leadership styles (like participatory, charismatic and consultative styles) enhances the performance of employees' in the organization.

## 6. Conclusion and Recommendations

### 6.1 Conclusion

This study revealed that management behaviour and leadership styles adopted by organizations play very important role in influencing workers contribution in the drive towards' growth and survival. It was also evident in the course of this study that participation in decision- making by workers relates positively with employees productivity. The morale of workers can also be boosted by the application of consultative management styles. A work environment where employees get involved in decision-making in issues that affect their work and performance do help to create a conducive and peaceful industrial setting.

### 6.2 Recommendations

Arising from the findings of this study, the following recommendations have been made:

- While not ruling out the importance of other leadership approach like Autocratic and free

reign depending on the circumstance, participatory leadership style has been proved to be a very effective tool towards boosting employees' level of productivity.

- Management and organizations should adopt charismatic and consultative Leadership Styles as a matter of corporate policy as seen in the Japanese settings, and not as an individual manager's leadership approach.

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