

Managerial Performance in Relation to Leadership Skills : A Study on Banking and Insurance Sector

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Abstract

The banking and insurance organizations have been considered to be highly challenging and stressful sectors, as the managers have to achieve their targets within stipulated time period. In order to overcome these challenges and prove their competency in the highly competitive environment, they are coming up with innovative ways of resource management. Gone are those days when the past processes can be adopted for the future for selection, training and measuring the performance of the employees. Due to the globalization and increased competition which has never been in the past, the performance management has become confronting task for the HR managers. In the current era, the performance measures need to be changed to cope up with competition. Apart from measuring the employees' performance on the basis of the products and services rendered, the entire spectrum of humans must be studied. The present study aims to find out the effect of one such behavioural parameter, i.e. leadership skills on managerial performance and to study the categorical differences among the three categories of leadership skills. The statistical techniques of regression analysis and analysis of variance have been applied to achieve the above objectives. The findings of the study indicated that leadership skills tend to have negative effect on managerial performance and the mean difference between the three categories of leadership skills were also found to be statistically significant. The findings tend to have implications in the day-to-day functioning of these sectors which are highly contributing to our national economy.

Key Words

Banking, Competition, Globalization, Insurance, Leadership Skills, Managerial Performance.

INTRODUCTION

"In the struggle for survival, the fittest win out at the expense of their rivals, because they succeed in adapting themselves best to their environment."

— *Charles Darwin*

This rule is applicable to any "person", be it a business entity or an individual. The companies, to prove their competency in the highly competitive market, have to come up with innovative ways of resource management. At the same time, 'Globalization' has become a catchword, and has given birth to tremendous challenges in today's business world. So, HR managers can no longer simply adopt past processes for the future, which resulted in the number of changes from recruitment and team selection to performance measurement and training.

Globalization comprises two major developments: first, production and services are produced for a global market and they compete worldwide; second, companies' workforces become increasingly global, i.e., 'culturally diverse'. With respect to the delivery of global products and services, the consequences of globalization are most obvious within direct employee-customer interactions. What is regarded as good individual performance in these interactions varies largely between different cultures. When companies ignore these differences and implement globally the identical selection, training, and performance evaluation procedures, they might miss those features and behaviours which are perceived as the most appropriate in a specific culture, i.e., those which constitute high individual performance. For example, individuals, in culturally diverse teams and expatriates, are faced with very specific requirements. Individual performance in these settings is predicted by a complex set of specific variables (Ones and Viswesvaran, 1997). This specific set of variables, however, might be less predictive for individual performance in mono-cultural settings. Moreover, performance appraisal issues differ largely across cultures (Cox and Tung, 1997). Thus, globally operating companies are faced with great challenges when trying to implement an identical performance appraisal system world-wide.

Apart from Globalization, due to the increased competition level which had never been in the past, the employers are focusing more attention on increasing productivity to reduce the cost of production. Cost reduction can be attained by procuring and maintaining efficient and effective workforces, so performance management has become very confronting task for the HR managers. Performance measurement is now considered as the heart and soul of the performance-based management. Performance measurement is the ongoing monitoring and reporting of programme accomplishments, particularly progress towards pre-established goals.

It is typically conducted by programme or agency management. Performance measures may address the type or level of programme activities conducted (process), the direct products and services delivered by the programme (outputs) and the results of those products and services delivered by the programme (outcomes). Performance measurement systems succeed when the organization's strategy and performance measures are in alignment and when senior managers convey the organization's mission, vision, values and strategic direction to employees and external stakeholders.

In the current era, the performance measures need to be changed to some extent so as to cope up with the current competitive environment. The companies should focus not only on training the employees to improve their performance but also study the psychology of people at work. Apart from measuring the employee performance on the basis of the products and services delivered, the entire spectrum of humans should be studied to determine their performance. The organizations should not only focus on improving the technical knowledge, skills and attitudes but also the behavioural aspects of the individuals. So, the concept of industrial psychology can be a useful aid to the efficient management of people at work. Understanding the behavioural aspects at managerial level can outline a better organizational climate for each and every employee of the organization. Presently, the companies have to focus not only on technical parameters for measuring performance but also to study the behavioural aspects, among them leadership skills is one of the components with paramount importance for the organization etc.

Leadership is a process by which one person influences the thoughts, attitudes, and behaviours of others. Leaders set a direction for the rest of us; they help us see what lies ahead; they help us visualize what we might achieve; they encourage us and inspire us. Without leadership a group of human beings quickly degenerates into argument and conflict, because we see things in different ways and lean toward different solutions. Leadership helps to point us in the same direction and harness our efforts jointly. Leadership is the ability to get other people to do something significant that they might not otherwise do. It's energizing people toward a goal.

Leadership is often defined in terms of "an individual's consistent ability to influence others in achieving goals". There are two kinds of leaders :

- Informal — people who are recognised as "natural leaders" by their peers in a group.
- Formal — people who are officially sanctioned as a leader by their organization.

Both forms are essential at work. Effective leadership, whether informal or formal, relies on others accepting the nominated individual as someone they can trust and whose judgement they can usually rely upon.

Writers on leadership sometimes focus on great international statesmen and stateswomen in modern and ancient times; yet informal, everyday leadership is more critical to the success of businesses and communities and to building social concern, informal leadership is not glamorous or newsworthy, but is an important element in keeping a business or society healthy and productive.

Leadership is an enigma. Researchers have studied it, philosophers have engaged in long discussions and written treatises about it, and practitioners have tried mightily to target exactly what is meant when we use the term leadership. These various perspectives on leadership have led us to examine variables such as the concept and use of power, traits of effective leaders, environmental and personal contingencies, leadership styles, and leadership theories and models.

According to Aristotle, the successful leader has to demonstrate three main qualities :

- Knowledge or expertise in relevant subject.
- Moral standing in the eyes of one's followers.
- Demonstration of goodwill towards one's followers.

These qualities are not necessarily owned as such by an individual leader. Successful persuasion depended on followers believing that their leaders possess such attributes.

Thus, leadership ability resides not so much in the leader as in the minds (and hearts) of the led. This is subtle but important distinction.

Other attributes of leaders are important too? for example,

- Expertise (perceived intellectual or logical ability)
- Morality (having the best interests of the whole company primarily in mind rather than being in it for personal gain only).

It has been seen that the future performance of the managers can be predicted before selecting them for different positions in the organizations, if we measure the various behavioural aspects of an individual. These aspects might have an effect on the performance level of the managers. The present study is an attempt to examine the effect of leadership skills on the performance level of the managers. An in-depth study on the subject can lead to improve the overall performance of the organisations.

REVIEW OF LITERATURE

In the context of organizational and its members' performance, the topic

like leadership styles has attracted a considerable interest of both academicians and practitioners. Much of the interest in these areas is based on explicit and implicit claims that organization orientation and leadership styles are associated with performance (Ogbonna and Harris, 2000). However, while the links between orientation/leadership styles and performance have been examined independently, a good number of studies have been investigated to establish an association between these concepts and organizational practices. In the following review, an attempt has been made to analyse the nature of relationships and empirical evidences which suggest that the relationship between leadership styles and performance is mediated by the type of organizational environment that is prevailing. The review of literature in the fields of organizational environment and orientation styles trends to provide that the two areas have been independently associated with organizational and individual performance. The following studies in relation to these two parameters have been discussed below :

Elkins and Keller (2003) reviewed the conceptual framework and empirical literature on leadership in research and development (R&D) organizations. Findings of the study emphasized that transformational project leaders who communicated an inspirational vision and provided intellectual stimulation, and leaders who developed a high-quality leader-member exchange (LMX) relationship with project members were associated with project success. Boundary-spanning activity and championing by the leader were also found to be important factors for project success. The review also suggested that a number of moderators and contextual variables such as project group membership and rate of technological change might make leadership in R&D organizations different from those in operating organizations. Propositions for future research were also suggested.

Whittington et al. (2004) conducted a field study of 209 leader-follower dyads from 12 different organizations to test the moderating effects of job enrichment and goal difficulty on the relationship between transformational leadership and three follower outcomes: performance, affective organizational commitment, and organizational citizenship behaviour. Moderated regression analyses were conducted to test for direct and moderated relationships. Transformational leadership and job enrichment each had significant main effect on employee outcomes. In addition, it was found that job enrichment substituted for the effects of transformational leadership on effective commitment, whereas goal-setting enhanced relationships between transformational leadership and both effective commitment and performance.

Koh et al. (2006) studied the effects of transformational leadership on teacher attitudes and student performance in Singapore. Transformational

leadership theory was examined on teachers serving in 89 schools in Singapore, using a split sample technique (N = 846 teachers). The study examined the influence of transformational leader behaviour by school principals as it related to organizational commitment, organizational citizenship behaviour, teacher satisfaction with leader, and student academic performance. Attitudinal and behavioural data were collected from both teachers and principals; and academic performance of students was assessed from school records. School level analysis showed that transformational leadership had significant add-on effects on transactional leadership in the prediction of organizational commitment, organizational citizenship behaviour, and teacher satisfaction. Moreover, transformational leadership was found to have indirect effects on student academic achievement. It was also found that transactional leadership had little add-on effect on transformational leadership in predicting outcomes.

Badger et al. (2009), in their study titled "Leadership Education and Training: Leadership Skills Truly Make a Difference" emphasized the importance of leadership skills, and how improving one's leadership abilities will lead to improved personal and organizational performance. It connects the individual's skills to organizational leadership and shows how it improves the company's performance. It provided data about leadership in construction, collected from industry professionals as well as curriculum topics used in leadership seminars, and showed how these topics were developed. The research concluded that the industry professionals should recognize the need for leadership education and training, and make commitment to provide resources for effective leadership training. The study identified that the employees see leadership training as a perk and are willing to invest personal, unpaid time to participate in leadership classes just to improve their efficiency in their current job. Leadership education has been considered to be an essential part of every construction management programme. Material developed during exercises contains valuable data that can be used in future classes and seminars. The leadership curriculum improves students' interview skills because it discusses the perspective of a potential employer. In graduate-leadership classes, the mandatory research assignments provide excellent information and steer interest among the students to continue research in this area. Those efforts will generate a number of proceeding papers. Leadership research efforts and leadership classes and seminars support each other. Letting the students select their own textbook seems to be an excellent approach and brings new knowledge to the instructors and the curriculum body of knowledge. Data to-date supports the concept that improved leadership skills improve individual performance.

Boyatzis and Ratti (2009) identified competencies that distinguished effective managers and leaders. Performance measures were collected as nominations from superiors and subordinates. The study revealed that emotional, social and cognitive intelligence competencies predict performance, more specifically, in the emotional intelligence competency cluster, effective executives showed more initiative, while effective middle-level managers showed more planning than their less effective counterparts. Similarly, in the social intelligence competency cluster, effective executives were more distinguished in networking, self-confidence, persuasiveness and oral communication. These are all addressing assertive and influencing processes. Meanwhile, effective middle-level managers distinguished themselves with empathy and group management. Emotional, social and cognitive intelligence appear to be key competencies in addressing internal processes, whereas effective executives seem to be focused on the external environment. The main implication of the study was that competencies needed for managers to be effective can be identified.

Carss (2010) made an attempt to develop a new measurement method to determine the level of transformational leadership skills in an individual. After a detailed literature review, a new measurement method was developed from intensive face-to-face interviews with HR managers, sales managers, and executive leaders across the lower mainland of British Columbia. These interviews, as well as past research, determined the core skills which businesses and researchers found to be most important in developing higher levels of transformational leadership. By understanding the core skills which transformational leaders require, businesses will be able to better adapt to the ever-changing innovative marketplace. After reading this study, leaders would be able to improve their transformational leadership skills; therefore, helping them to achieve higher levels of innovation and performance within their organizations. Furthermore, university graduates will be able to see what types of skills executive leaders, HR managers, and sales managers look for in their future leaders.

NEED OF THE STUDY

As managers are the pillars of an organization, who work to achieve the overall goals by aligning with the long-term vision of the organization. So, the present study intends to measure the managerial performance in relation to leadership skills of the managers of the banking and insurance sector as leadership is the ability of the manager to induce subordinates to work with confidence and zeal.

It has been seen in the current scenario that the Banking and Insurance sectors of the industry are highly stressful, as the managers need to achieve targets of the organization within a stipulated time, which is always a highly challenging and difficult task. To overcome the various hurdles in achieving these challenges, one needs to have effective leadership skills to lead the group working under him for inspiring team-work for the accomplishment of the objectives of the enterprise. It is hypothesized that if a manager possesses the ability to lead the group working under him, then he might face the challenges with enthusiasm and work with positive attitude to achieve them, which ultimately will enhance his performance. It has been reviewed that numerous researches have been conducted on leadership skills which have a deep impact on performance, but the studies were conducted particularly on college and school going students, but very little work has been done on the managerial performance in service sector industry particularly on banking and insurance sector. The present study aims to find the impact of leadership skills on the performance of managers of the service sector industries. The overall goal is to understand the human behaviour in the workplace.

OBJECTIVES OF THE STUDY

The following objectives have been framed for the present study :

1. To study the effect of leadership skills on performance level of the managers
2. To study the categorical differences amongst leadership skills, identifying that whether all the four categories are similar or significantly different from one another.

METHODOLOGY

The present study being followed is descriptive in nature, where efforts have been made to explore the performance in relation to leadership skills and purposive sampling technique has been used to collect data from the respondents.

Sample

The sample comprised 400 managers and executives of service sector industries. The data collected is surveyed from both insurance and banking sector. 200 respondents were surveyed from public and private sector banks. Among the public sector banks, the data is collected from State bank of India, Bank of Baroda and Punjab National Bank. Among the private sector banks namely Axis bank, HDFC and ICICI Bank were surveyed for data collection. The remaining sample of 200 respondents was surveyed from Insurance sector, which is categorized into two

sub-categories, that is, public and private sector insurance. The data for public sector insurance was collected from LIC (Life Insurance Corporation). The data for private sector insurance was collected from HDFC Ergo, Bharti Axa, ING Vysya, ICICI Lombard, Reliance Life Insurance, Birla Sunlife, ICICI Prudential, Bajaj Allianz, Kotak Life Insurance, Future Generalli, Tata AIG and New India Assurance.

After collecting the data, the questionnaires of 397 respondents have been tabulated for analysis in the statistical package of SPSS.

SCOPE OF THE STUDY

The data was collected from the managers of service sector industries located in state of Punjab, Haryana & U.T of Chandigarh, where such managers are of the age group between 25-60 years.

Scale / Tests Used

For the measurement, Leader Behaviour Scale developed by Asha Hinger has been administered on the respondents to measure the leadership skills. On the basis of that six broad factors of leadership skills have been identified, namely Emotional Stabilizer (ES), Team Builder (TB), Performance Orientor (PO), Potential Extractor (PE), Socially Intelligent (SI) and Value Inculcator (VI). For measuring performance, 12 variables have been identified, namely Organizing Ability, Job Knowledge and Clarity, Communication Skills, Decision Making, Judgmental Skills, Sociability, Leadership Skills, Integrity and Dependability, Commitment and Loyalty, Creativity and Innovation, Attitude and Target Achievement. On the basis of the above variables, questionnaires were prepared and administered on 400 managers of banking and insurance sectors.

ANALYSIS AND INTERPRETATION

The following statistical techniques were used in the present study for the analysis of collected data.

1. Regression Analysis
2. T-Test
3. One Way Anova

Regression Analysis : Effect of Leadership Skills on Managerial Performance

Regression analysis is a statistical technique for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and

one or more independent variables. More specifically, regression analysis helps us to understand how the typical value of the managerial performance changes when the independent variable (leadership skills) is varied.

The model summary is shown in the Table 1

Table 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327 ^a	.107	.105	15.70205

^a Predictors : (Constant), Score of Respondents on LS

The strength of association is measured by the square of multiple correlation coefficients R square, which is called coefficient of multiple determination. The value of R square is 0.107, indicating variance of 10.7%.

Table 2

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11722.382	1	11722.382	47.545	.000 ^b
	Residual	97635.547	396	246.554		
	Total	109357.930	397			

^a Dependent Variable : Score of Respondents on Performance

^b Predictors : (Constant), Score of Respondents on LS

The F-Statistic is conducted, the value of F is 47.545, which is significant at $\Sigma = 0.05$.

Table 3

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
		B	Std. Error				Tolerance	VIF
1	(Constant)	132.132	6.944		19.030	.000		
	Score of Respondents on LS	-.374	.054	-.327	-6.895	.000	1.000	1.000

The results of regression analysis are shown in the Table 3, the partial regression coefficient (B) for leadership skills is -0.374 and the corresponding beta coefficient is -0.327 , so the estimated regression equation is :

$$\text{Managerial Performance} = 132.132 - 0.374$$

(Leadership Skills)

The results clearly indicate leadership skills and performance are negatively associated. In nutshell, managers with high leadership skills tend to show low performance. Similarly, managers with low leadership skills tend to show high performance.

Independent Samples t-test

An independent sample t-test is used to compare means from independent groups. The descriptive were calculated to determine homogeneity of variance because it determines whether or not to use the pooled variance when calculating t.

Table 4
Group Statistics

Performance-wise Categorization		N	Mean	Std. Deviation	Std. Error Mean
Score of Respondents on LS	High Performer	366	128.6475	13.15613	.68768
	Medium Performer	32	111.7188	19.93899	3.52475

Since Levene's test for the equality of variances is significant, we know the variances are significantly different, so they probably should not be pooled. Thus, we will use the t-reported in the row labeled Equal variances not assumed.

Table 5 indicates that t-value is 6.651 with 396 degrees of freedom, which give the probability of 0.000, which is less than the significance level of 0.05. Therefore, the null hypothesis of equal means is rejected. The high performers with mean value 128.6475 are significantly greater than medium performers with mean value 111.7188. in nut-shell, it has been indicated that mean difference exist between the categories of high and medium performers.

Table 5
Independent Samples Test

		Levene's Test for Equality of Variances		t-Test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the difference	
									Lower	Upper
Score of Respondents on LS	Equal Variances Assumed	31.932	.000	6.651	396	.000	16.92879	2.54538	11.92465	21.93293
	Equal Variances Not Assumed			4.714	33.401	.000	16.92879	3.59121	9.62576	24.23183

Analysis of Variance (ANOVA) : Identification of Categorical Differences Among Leadership Skills

In order to study the categorical differences among the categories of leadership skills, one-way ANOVA is conducted, where leadership skills is independent variable and managerial performance is the dependent variable. The different interactions that can arise when conducting ANOVA are shown in the Table 6.

Table 6
Descriptives

Score of Respondents on LS	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
High Leadership Effectiveness	343	131.7522	9.26698	.50037	130.7680	132.7364	110.00	147.00
Medium Leadership Effectiveness	54	100.2037	7.90839	1.07620	98.0451	102.3623	74.00	109.00
Low Leadership Effectiveness	1	58.0000					58.00	58.00
Total	398	127.2864	14.54025	.72884	125.8536	128.7193	58.00	147.00

Table 7
Test of Homogeneity of Variances

Score of Respondents on LS			
Levene Statistic	df1	df2	Sig.
1.906 ^a	1	395	.168

^a Groups with only one case are ignored in computing the test of homogeneity of variance for score of respondents on LS.

Table 8
ANOVA

Score of Respondents on LS	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	51248.652	2	25624.326	309.674	.000
Within Groups	32684.695	395	82.746		
Total	83933.347	397			

The value of F for leadership skills is 309.674, which is significant, so the null hypothesis is rejected. We conclude that the population means for three levels of leadership skills are indeed different. The relative magnitudes of means of three categories indicate that high leadership skills lead to high performance.

CONCLUSION

The life has become quite complex and challenging today. Though the advancement of science and technology has made the things easier for us, yet we have become all the more materialistic which has made our lives more tough and miserable. The pressure of work with task-oriented results at the workplace contributes additionally. The banking and insurance sectors are no exception in this regard. However, effective management of human resources can play a vital role in sound management of these sectors in India, as human resource management is a central sub-system of modern management system. Banking and insurance organizations always focus their attention on assessing the performance level of their employees. The present study leads us to conclude that the leadership skills tend to have negative impact on the managerial performance. This indicates that such managers tend to adopt autocratic style of leadership, who place very low emphasis on the emotions of the people. The leader unilaterally exercises all decision-making authority by determining policies, procedures for achieving goals, work-task, relationships, control of reward, and punishment (Mullins, 1999). Another study which supported the above discussion has been conducted by Ojokuku *et al.* (2012) to study the effect of leadership styles on organizational performance in Nigerian Banks, which concluded that leadership style has both positive and negative effect on organizational performance. The study found that transformational and democratic leadership style, 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 enhance organizational efficiency. The study is concluded that transformational and domestic leadership styles are the best for the management of Nigerian banks to be adopted in order for them to wax stronger in a global competitive environment.

The study also leads us to conclude that the mean difference between the various categories of leadership skills are statistically significant and each category tends to have different effect on the managerial performance.

In nutshell, the organizations must develop interventions which would inculcate the effective style of leadership skills among the managers. If the behavioural changes are adopted by the managers at the right time, then they can surely take the organizations to the new heights of excellence.

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