

Leadership Styles and Employee Performance: Empirical Evidence from Selected Banks in Edo State

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Abstract

The paper examined the extent to which leadership style (democratic, autocratic and transactional) affect employee performance among selected banks in Edo State. The research design for the study was survey. Questionnaires were administered to elicit responses from employees in the selected banks in Edo State. A total number of two hundred (220) questionnaires were conveniently distributed among the sampled banks. A total of 200 questionnaires were retrieved amounting to (87.3%) response rate. Thus, the analyses were based on 200 questionnaires. The findings from the study indicated that all the style of leadership were positive and significant to employee performance except autocratic style which was positive but not significant to employee performance.

Keywords: Leadership styles, autocratic, democratic, transactional, employee, performance, Banks, Edo State.

Introduction

Leadership style in an organisation is one of the key factor that play significant role in enhancing or retarding the interest and commitment of the individuals in the organisation (Obiwuru, Okwu & Nwankere 2011). The leadership style adopted by organisation enhances the achievement of corporate goals. Empirical research on leadership style has indicated that the performance of an organisation to ensure the survival and growth of an organisation can be doubted in any way. Ojokuku, Odetayo and Sajuyigbe (2012) observed that leadership style is one of the determinant of the success and failure of any proactive organisation. Lawal, Kio and Adebayo (2000) agreed that good leadership is a condition for effective accomplishment of organisational corporate goals and objectives. Effective leadership style of management is a pre-requisite to organisational accomplishment (Uchenwamgbe, 2013).

Business management attributes their successes to leadership efficiency, that is, the leadership style of administrative supervisors has a considerable effect on employee performance (Sun, 2002). McGrath and MacMillan (2000) reported that there is significant relationship between leadership styles and organisational performance. Relationship between leadership style and employee performance has been discussed often. Most research showed that leadership style has a significant relation with employee performance, and different leadership styles may have a positive correlation or negative correlation with the employee performance, depending on the variables used by researchers (Ojokuku, Odetayo, & Sajuyigbe 2012).

There is no doubt that leadership plays significant role in the management of the affairs of the banking sectors. There are many factors affecting the performance of employee in organisation such as training, salary, organisational culture, structure, hierarchies, positions among others but leadership styles

has been neglected. Sun (2002) compared leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organisational performance in both schools and enterprises. Most organisations do not attribute organisational problems particularly poor performance to poor leadership qualities of the leader (Dunnette & Hough 2017) maybe because of fear of self-incrimination. Most empirical evidence on impact of leadership styles and employee performance like Northouse (2007) & Ohunakin, Adeniji & Akintayo (2016) revealed that there is no exact relationship between leadership style and organisational performance. Due to the inconclusiveness on whether there is relationship between leadership style and employee performance among employee in the Nigerian organisation. It is against these backdrop that this study intends to answer if there is relationship between leadership style (democratic, autocratic, transactional and employee performance among selected banks in Edo State. While the broad objective is to examine the extent to which leadership style (democratic, autocratic and transactional) affect employee performance among selected banks in Edo State.

Concept of Employee Performance

Employee performance has been defined from various perspectives and ideological orientations of the authors (Borman, & Motowidlo, 1997). It denotes what individual has accomplished in the past. Performance is something that the individual or team leaves behind for other to review (Butler & Rose, 2015). It is often result of doing of given job assignment or responsibilities effectively and efficiently. In addition to this, employee performance consists of observable behaviours that people demonstrate in performing their jobs (Campbell, 1990). Performance management facilitates adaptability and continuous improvement in the ever-changing business environment (London, 2003). In measuring employee performance, it is imperative to recognise task and behaviour

performance (Fisher, 2003). Employee performance refers to the behaviour individuals engage themselves in or produce that are in line with and contribute to an organisation's goal (Borman & Motowidlo, 1997; Ikyanyon & Ucho, 2014). Extant literatures such as Aguinis (2009); Torrington and Hall (2006); and Porter and Lawler (1974) both agreed that high performing organisations are more likely to survive and compete favourably in this ever changing and competitive business environment. Various factors like skills, training, motivation, dedication, welfare, management policies, fringe benefits, salary and packages, promotion, amongst others are responsible to encourage the people to work sincerely and give their best output (Torrington & Hall, 2006; Aguinis 2009).

Concept of Leadership

Avolio, Walumbwa, and Todd (2009) argued that the field of leadership focuses not only on leader alone but on followers, peers, supervisors, work setting/context, culture and including a much a broader array of individuals representing the entire spectrum of diversity. House and Shamir (1993) opined that leadership is the ability of an individual to motivate others to forego self-interest in the interest of a collective vision and to contribute to the attainment of that vision. Yukl (1986) defined leadership as the processes affecting the interpretation of events for followers, the choice of objectives for the group or organisation and work activities to accomplish the objectives for the group or organisation. Northouse (2007) defined leadership as a process whereby an individual influences a group of individual to achieved specified goals and objectives. Sharma, Jain, and Rajasthan (2013) explained that leadership is a process whereby a person influences others to accomplish objectives and direct the organisation in a way that make it more cohesive and coherent.

This study was based on Likert's leadership theory which believed that managerial leadership is affected by prevailing managerial practices (Stoner & Gilbert 2001). Based on

this assertion, it is not sufficient to study individual leadership behaviour without considering the impact of the organisational norms and practices. Thus, desired results will be achieved in a situation where leadership behaviour is contrary to the prevailing managerial environment of an organisational. Likert's leadership theory was developed based on a decade research on management styles. He therefore assumed that there were four styles of leadership (Exploitative-Authoritative, Paternalistic-Authoritative, Consultative and Participative) Likert developed a four- style approach to leadership ranging from a flexible to democratic style to the one that is highly autocratic. Likert (1967) cited in Stoner and Gilbert (2001) focused on style of management in which leadership is considered major factor other elements including motivation, communication, decision making, goal setting, interaction-influence and control processes. Thus, leadership process is a classificatory factor consisting for management style (Chiang, 2005).

Relationship between Leadership Style and Employee Performance

The nature of leadership style will determine the extent to which employee can performance effectively in the organization (Suutari, 2002). The relationship between leadership style and employee performance is important because it will expand our understanding on how different variables that affect performance. Participative style of leadership has a greater positive effect on employee performance in which situation employee feel power and confidence in doing their job and in making different decisions (Wang Chich-Jen & Mei-Ling 2010). In addition, in autocratic style leaders only have the authority to take decisions in which employees' feels inferior in doing jobs and decisions (Mohammed, Yusuf, Sanni, Ifeyinwa 2014). In democratic style employee have to some extent discretionary power to do work so their performance is better than in autocratic style.

Methodology

The study adopted survey design while the population comprised of employee in selected banks operating in Ugbowo campus of University of Benin, Benin City. The selected banks are Guarantee Trust Bank, Fidelity Bank, First Bank and WEMA Bank. The study adopted convenience sampling technique for ease of accessibility of the researchers to the respondents. Based on these the study distributed fifty five (55) questionnaire to each of the banks. But a total of two hundred 200 questionnaire were retrieved amounting to (87.3%) response rate.

The research instrument used for the study is a structured questionnaire which contained information on both personal details of the respondents and questions on dependent and independent variable. In order to test the reliability of the questionnaire, pilot test was conducted by testing the responses using Cronbach's Alpha to obtained value ranging from 0.73 to 0.85. This value indicated that the parameters selected for measuring both leadership styles and employee performance are highly reliable. The study adopted inferential statistic using linear multiple regression at 5% level of significance to test relationship.

Model Specification

The Ordinary Least Squares (OLS) method was the estimation technique for this study. The model adapted Likert (1967) leadership theories given as:

$$EMPERF = P_0 + P_1DLS + P_2ALS + P_3TLS + e \quad (1)$$

$EMPERF$ = Employee performance

DLS = Democratic leadership Style

ALS = Autocratic Leadership Style

TLS = Transactional Leadership Style

i = regression parameters or coefficients to be estimated; $i = 1 \dots 3$

And a priori expectations:

$$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 > 0$$

Demographic Distribution of Respondent

The table below described the demographic profile of the respondent with 125 (62.5%) for male and 75 (37.5%) were female. The age

distribution for 18-30 years were 131 (65.5%), 31 -40 years were 55 (27.5%), 41 -50 years accounts for 13 (6.5%) and those who are 51 years and above 1 (0.5%). This implied that majority of the respondent's age falls within 31 -40 years. Out of the 200 respondents majority of them are single with 137 (68.5%). For years of experience, those whose year falls within 1-5 years are 66.5 (87%) are the highest. Educational qualification of the respondent

indicated that those with HND/B.Sc/Others are highest with 138 (69%).

Analysis of the dependent variable (Employee performance)

The respondent agreed with most of all the questions with response rate with least value of 75% and highest value of 96%. This implied that questions measuring dependent variable are mostly agreed by respondents that it measured employee performance.

s/n	Statement	SD	D	U	A	SA
1	I have career opportunities available to me	8(4%)	48(24%)	8(4%)	84(42%)	52(26%)
2	The bank is willing to accept change	13(6.5%)	20(10%)	6(3%)	94(47%)	67(33.5%)
3	I am allowed by my department to take initiative in my job	6(3%)	29(14.5%)	9(4.5%)	75(37.5%)	81(40.5%)
4	I thinks the benefits offered to me by the bank meet my needs	15(7.5%)	50(25%)	3(1.5%)	96(48%)	36(18%)
5	In my bank my opinion counts a lot.	21(10.5%)	38(19%)	11(5.5%)	89(44.5%)	41(20.5%)
6	I received personal satisfaction from doing a good job in my department.	14(7%)	29(14.5%)	3(1.5%)	93(46.5%)	61(30.5%)
7	Employees' in my department regularly share and exchange ideas.	18(9%)	19(9.5%)	10(5%)	87(43.5%)	66(33%)
8	I enjoy coming to work	1(.5%)	19(9.5%)	10(5%)	87(43.5%)	66(33%)

Source: Researchers' Compilation (2018).

Analyses of Democratic Style among Employee in the Selected Banks

The questions relating to democratic style are strongly agree by the respondents as the value ranging from 76% to 84% indicating a high degree of acceptance for the questions measuring the leadership style.

S/N	Statement	SD	D	U	SA	A
1	The management resolved to vote whenever a major decision has to be made.	19(9.5%)	39(19.5%)	4(2%)	76(38%)	62(31%)
2	My ideas and inputs into upcoming plans are welcomed	15(7.5%)	49(24.5%)	8(4%)	77(38.5%)	51(25.5%)
3	The management allow employee to determine their needs	7(3.5%)	17(8.5%)	8(4%)	79(39.5%)	89(44.5%)
4	The bank believe in team	12(6.0)	66(33%)		84(42%)	38(19%)

	objectives and results					
5	The management believe in use of team and committees	21(10.5%)	51(25.5%)	9(4.5%)	76(38%)	43(21.5%)
6	Every employee is carried along in discussion	13(6.5%)	38(19%)	6(3%)	82(41%)	61(30.5%)
7	Responsibilities are given with target goals and objectives	10(5%)	32(16%)	9(4.5%)	81(40.5%)	68(34%)
8	I always retain the final decision making authority within my department.	4(2%)	51(25.5%)	9(4.5%)	76(38%)	43(21.5%)

Source: Researchers' Compilation (2018).

Analyses of Autocratic Style among Employee in the Selected Banks

The table showed that most of the questions measuring autocratic style of leadership are both strongly agreed and agree with a moderate value ranging from 34% to 59% and 26% to 48% respectively. The value indicated that most of the questions averagely measured the nature of autocratic style of leading in their bank.

S/N	Statement	SD	D	U	SA	A
1	The management act as a spokesperson for the employee	5(2.5%)	21(10.5%)	3(1.5%)	119(59.5%)	52 (26%)
2	The management push projects forwards without any commitment	5 (2.5%)	56 (28%)	12 (6%)	66 (33%)	61(30.5%)
3	The management determine strategies to organise other people	13(6.5%)	39(19.5%)	4(2%)	104(52%)	40 (20%)
4	Management set high standard and want other to follow suit.	14 (7%)	30 (15%)	2 (1%)	80 (40%)	74 (37%)
5	New employee are not allow to make any decision unless approved	4(2%)	29(14.5%)	4(2%)	68(34%)	95(47.5%)
6	My ideas does not count in the organisation	11(5.5%)	34(17%)	10(5%)	92(46%)	53(26.5%)

Source: Researchers' Compilation (2018).

Analyses of Transactional Style among Employee in the Selected Banks

Based on the table it was obvious that the questions are both strongly agree and agreed respectively. More than 90% strongly agreed to the questions on transactional style of leadership while almost 70% agreed. This implied that the respondents agreed transactional style can affect their performance.

S/N	Statement	SD	D	U	SA	A
1	When employee make mistake the management correct such person	3(1.5%)	30(15%)	2(1%)	86(43%)	79(39.5%)
2	The management focused on opportunities and not problems	9(4.5%)	30(15%)	5(2.5%)	83(41.5%)	73(36.5%)

3	The management avoid evaluating problem and concerns as they are identified	41(20.5%)	1(.5%)		95(47.5%)	63(31.5%)
4	The management expects employee to create their own goals and objectives	8(4%)	76(38%)	1(.5%)	82(41%)	33(16.5%)
5	There is relationship between the manager and the subordinate	8(4%)	65(32.5%)	8(4%)	79(39.5%)	40(20%)

Source: Researchers' Compilation (2018)

Relationship between Leadership Styles and Employee Performance

The table establishes relationship between leadership styles and employee performance among selected employee in the Nigerian banking sector in Benin City Edo State.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.701 ^a	0.492	0.484	0.64237

a. **Predictors: (Constant),** Transactional Style, Democratic Style, Autocratic Style

The dependent variable is the employee performance. The independent variable is regressed against the dependent variable obtaining an adjusted R^2 Value of 0.484 This indicates that the independent variables jointly explain 48.4% of the variation in the dependent variable (employee performance). 51.6% of the changes cannot be justified by the variable used in this study.

ANOVA^a

S	Sum of Squares	Df	Mean Square	F	Sig.
Regression	78.204	3	26.068	63.173	0.000 ^b
1 Residual	80.878	196	0.413		
Total	159.082	199			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Transactional, Democratic, Autocratic style of Leadership

The F-statistic of 63.173 at prob. (Sig) = 0.000b conducted at 5% level of significant is used to determine the overall/group significance of regression model. This means that there is a statistically significant linear relationship between the independent variable (leadership style) and the dependent variable (employee performance) as a whole (group).

The table below revealed that democratic and transactional style of leadership significantly influence employee work performance at $p < 0.05$. However, autocratic style of leadership is not significant to employee performance at 0.05%. The sign of the coefficients of the variables are all positive.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.777	0.617		1.259	0.210
Democratic Leadership	0.947	0.075	0.661	12.629	0.000
Autocratic Leadership	0.075	0.097	0.042	0.768	0.443
Transactional Leadership	0.308	0.077	0.212	3.987	0.000

a. Dependent Variable: Employee Performance

Hypotheses Testing

There is no significant relationship between autocratic style of leadership and employee performance: The t-statistic of 0.768 and p-value of greater than 5% confirmed the result. Based on the result, we do not reject the null hypotheses. Based on the result, we do not reject the null hypotheses. We therefore conclude that there is no significant relationship between autocratic style of leadership and employee performance.

There is no significant relationship between democratic style of leadership and employee performance: The value of t-statistic of 12.629 and p-value of less than 5% confirmed the result. Thus, we do reject the null hypotheses that implied that there is a significant relationship between democratic style of leadership and employee performance.

There is no significant relationship between transactional style of leadership and employee performance. The t-statistic of 3.987 and p-value of less than 5% confirmed the result. This implied that there is significant relationship between transactional style of leadership and employee performance. Therefore, we do reject the null hypotheses.

Discussion of Finding

This study is similar to the work of Obiwuru, Okwu and Nwankere (2011); Mohammed, Yusuf, Sanni and Ifeyinwa (2014) that the importance of a democratic leadership style as a veritable tool for employee performance and effectiveness as indicated by the high

regression between the leadership style and prosperity of the independent variable (employee performance). Secondly, the findings from the study indicated that transactional leadership style is critical for employee to perform in the interest of the organisation. This study is in line with the work of Mahdinezhad, Bin-Suandi, Bin-Silong & Binti-Omar (2013) that transactional leadership recognises particular expectations of the leader, offers rewards in return for performance of the leader, and unambiguously planned to express clearly and recompense in-role performance.

Contribution to Knowledge

This study has expanded the frontier of knowledge in general management in establishing relationship between leadership styles and employee performance in the selected banks in Edo State as compared to Ojokuku, Odetayo and Sajuyigbe (2012) and Uchenwamgbe (2013) that sampled selected banks in Oyo State and small-scale business in Lagos State respectively.

Recommendation and Implication

It was concluded that transformational and democratic leadership styles are the best for the management of Nigerian banks to be adopted in order for them to wax stronger in a global financial competitive environment. Organisations should adopt democratic style of leadership and humane management practices in order to adequately commit the workforce to the work activities.

Suggestion for future Research

Apart from leadership style adopted by an organisation, there are other factors one must take into consideration that can affect positively or negatively the level of employee performance in the Nigerian financial institutions such as organisational conflict, organisational politics, organisational climate and motivation. Future studies should focus on the aforementioned variables and empirically establish their relationship with employee performance.

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