

Impact of leadership skill and strategies on banking sector performance: A survey of selected consolidated banks in Nigeria

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Key Words

Leadership skills, Strategies, Organization performance

Abstract

Successful leadership inspires enthusiasm and commitment, enhancing both employees and organization performance. The objective of this study is to examine the impact of leadership skills and strategies on the performance of banks in Nigeria. The increased incidence of bank failure in the recent period has challenge leaders ability, skills, and capabilities in the Nigerian banking sector. In Nigeria, the absence of a consistent and long-term strategy for performance improvement and the weak linkage between the educational system and the requirements of the economy have accounted for low performance in many organizations including the banking sector. Also, the over-confidence of managers inspired by past success demands leading change. In order to achieve objective of the study, data was collected through questionnaires administered randomly to among branch managers and employees of the selected banks. A total of 168 responses were used for analysis out of 200 questionnaires distributed. Data analysis was initially done using tables and simple percentages and hypotheses postulated were tested using the chi-square analytical technique. The result shows that leadership skills and strategies are related to organization performance. It was also revealed that organization's performance is an evidence of not only managers existing strategy and practices but also their capabilities (skills) and information needed. It therefore recommends that leadership training and career path development should be critically considered for sustained organizational performance.

Introduction

Globally, leadership has become the most widely studied aspect of organizational behaviour and a number of theories have emerged focusing on the strategies, traits, styles and the situational approach to leadership. As a result of ever-growing interest in the field of leadership, behavioural scientists and sociologists began to analyze the possible consequences of leadership behaviours and the variables that are used to predict the leader's behaviours. Since it is the duty of leaders to get things done through the coordinated efforts of others, it is assumed therefore that leadership skills and strategies will translate into the subordinates' performance (Rollinson et. al, 2001). Strategies here represents the actions that are taken by the leader to accomplish objectives (Oghojafor, 2000). The objectives are usually stated in terms of growth in assets, growth in sales, profitability, market share, nature of diversification, nature of vertical integration, earnings per share and social responsibility. Performance requires among other things; functional leadership, knowledge, skills, abilities and other human characteristics that all workers should possess for optimal organisational functioning (Limerick, 1992).

The improvement of an individual's leadership skills and the implementation of leadership knowledge will enhance the organization's leadership culture and develop a more focused leadership model. The goal of improving organizational performance is to ensure that the organization designs processes well and systematically monitors, analyzes, and improves its performance to improve patient outcomes. Ashok and Naveeda (2011) argued that top performance increasingly demands excellence in all areas, including leadership, productivity, and adaptation to change, process improvement, and capability enhancement (knowledge, skills, abilities, and competencies). Performance links an organization's goal and objectives with organization decisions. Obiwuru, Okwu, Akpa and Nwankwere (2011) stated that the extent to which members of an organization contribute in harnessing the resources of the organization equally depends on how well the managers (leaders) of the organization understand and adopt appropriate leadership strategies in performing their roles as managers and leaders. Thus, efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance depends,

to a large extent, on leadership strategies among other factors. Stott and Walker (1995) and Bourne and Franco-Santos (2010) cited in Abosede et al (2011) found that organizational performance is a dependent function of managerial skill, managerial performance and work environment.

The research conducted by Rayan (2010) among more than 2,000 leaders from 15 companies in the U.S., India and Singapore shows that most managers at every level of organizations do not have all the skills needed to lead effectively in the future. The study find out that there is leadership gap in most of these organizations. Adenikinju, (2005) as cited in Abosede et al (2011) reported that some of the important constraints to organizational performance in Nigeria are the absence of a consistent and long-term strategy for performance improvement and the weak linkage between the educational system and the requirements of the economy (Adenikinju, 2005). Furthermore, Shehu Fias and Husna (2012) reported that leaders in the world today face an array of remarkably complex challenges which affect their ability, skills and their capabilities of leading their organizations.

The Nigerian banking sector after the consolidation exercise in 2005 witnessed dramatic structural growth but unfortunately the expansion cannot be sustained and monitored. The fundamental challenge of the financial system is leadership gap. The critical issues affecting the leadership of banks in Nigeria are blindfolded competition premised on ego and personality contests, absence of clear-cut and functional management plan, and failure of corporate governance. Olayiwola (2009) posits that in the Nigerian banking sector, poor corporate governance (unethical practices) is identified as one of the major factors in virtually all known instances of a financial institution's distress in the country. The Central Bank of Nigeria, for instance, recently announced the removal of 5 of leaders of some banks and replaced them with a set of managerial team. The financial performance failure in Nigeria banks resulted in loss of public confidence in the banking sector. The major challenges that these leaders face today have pose the question on their competency, ability and skills towards their organizational performance. Consequently another question arises that how an employee can work more efficiently and effectively to increase the productivity and growth of an organization. An effective leadership program can be of an immense assistance to help identify and build leadership qualities among individuals within the organization. The approach and strategies for achieving a value-driven organisation deserves zero tolerance to corruption, good governance and value based leadership organizational situation (Omolayo, 2004). The formulation of appropriate strategy is sine-qua for organizational effectiveness and leadership success. In this case, this study is set to investigate the influence of leadership skills and strategies on the performance of commercial banks in Nigeria. Commercial Banks were chosen because they play essential role within the economy, and according to Thair, Ohoud and Razan (2011), they can positively contribute to the health and stability of economy.

The research questions for this study were as follows:

1. What leadership strategies are adopted by organizational leaders in banking sector?
2. Does leadership skill has a significant influence on the organization performance in the banking sector?

Conceptual Clarifications and Theoretical Framework

Leadership is an elusive concept. The concept may differ from one person, or situation, to the other. Previous views about leadership show it as personal ability. Gray (2004) believes that managing the performance of others is often characterized as "leadership". True leadership provides a strong sense of purpose and which harnesses the creative energies of all the people in the business, it is a key ingredient to making strategic change effective and lasting. Lee and Chuang (2009), explain that the excellent leader not only inspires subordinate s potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Okoh (1998) defined leadership as the ability to induce or persuade by any legitimate means, all subordinates or followers to contribute willingly to organizational objectives in accordance with their maximum capacity. According to Ulrich, Zenger and Smallwood (1999), "leaders build not only individual but also organizational capacity." And "organizational capacity refers to the processes, practices, and activities that create value for the organization" (Ulrich Zenger and

Smallwood, 1999). Fry (2003), explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff's potential for growth and development. Effective leadership is the extent to which a leader continually and progressively leading and directing his/her followers to the agreed destination which is defined by the whole group (Omolayo, 2000).

A fast changing and increasingly complex business environment like banking sector requires visionary leadership, and leaders who are willing to learn, experiment and influence organizational change (Meyer, Botha 2000). In this way leadership can be in terms of two key constituents: knowing what should be done, and influencing others to cooperate in doing it. White (2004) advocates flexible plans capable of adjustment to suite changing environmental circumstances. The role of planning diminishes with the speed of change, youthfulness of an industry and the degree of competition. Harrison and St John (2004) include strategic direction, which is defined in terms of a firm's vision of where it is heading, the businesses in which it is involved, and the stakeholders it serves.

Strategic Leadership is a process, which allows management to be proactive rather than reactive in shaping its own future. A focused organizational leader develops a proactive approach to strategic management, rather than just identifying and responding to change, anticipates or even creates the change. According to Harrison (2003), strategic leadership generally refers to leadership behaviours associated with creating organizational vision. Establishing core values, developing strategies and a management structure, fostering organizational learning, and serving as a steward for the firm. Harrison (2003) indicates that senior executive management has a significant impact on the strategies and performance of their organizations. Just as excellent leadership can have an enormous positive influence; poor leadership can have a powerful negative influence. Any of business organization with high degree of perspective approach will have management that have shared view and vision and make a positive impact on the environment where it operates. Strategy is needed to focus effort and promote coordination of activities. Without strategy an organization becomes bunch of individuals, hence strategy is required to ensure collective actions and concentration of efforts towards achieving organizational plans and objective.

Managerial skills are sets of qualities and attributes in the personality of managers that enable them to effectively manage the working of a firm. Good managerial skills can create a world of difference in the efficiency and performance of the organization. American Management Association has identified important skills i.e conceptual, communication, effectiveness, and interpersonal skills. These skills helps manager to execute the policies and activity associated with being a manager. Jack Welch (2008) coined ten quantities or skills for effective Managers in complete market, such as multi-skilling, proactive, Mater-in-charge, Global vision, become tomorrows manager today, winning strategies, complete manger, global mindset, Managing Complexity, Global-local balance, (Strategic competency management Indian perspectives). In the banking industry, it has long been found that managerial effectiveness has significant role to play in bank performance, in addition to other factors like capital adequacy, asset quality, earnings power and liquidity (Adekanye, 1992). Essentially, ten key business leadership skills needed to succeed as a leader in organizations include; leading by example, passion, organization, delegation, taken ownership and responsibility, effective communication, braveness and honesty, listening to followers, knowing the followers, and being a leader-follower.

Organizational Performance

Organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 1993). McCloy, Campbell and Cudeck, (1994) as cited in Sheu Fais and Husna (2012) defined the term performance as those behaviours or actions which are re-garded relevant to those goals of the said organisation in question. They further argued that performance itself cannot be said to be the outcome itself, consequences or the result of behaviors or action but rather performance can be said it is the action itself. Thus they argued that performance tends to be multidimensional, a situation whereby for any specific-type of job, there tends to be a number of

substantive per-formance components that are distinguished interms of their intercorrelations and patterns on covariation with other variables. Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

Leadership Skills and Strategies and Organization Performance

Several reasons indicate that there should be a relationship between leadership skill, strategy and organization performance. The first is that today's intensive and dynamic markets feature innovation-based competition, price/performance rivalry, decreasing returns, and the creative destruction of existing competencies (Santora et al.,1999; Venkataraman, 1997). Studies have suggested that effective leadership skills and behaviours can facilitate the improvement of performance when organizations face these new challenges (McGrath and MacMillan, 2000; Teece, Pisano and Shuen, 1997). Understanding the effects of leadership on organizational survival is also important because leadership is viewed by some researchers as one of the key driving forces for improving a firm's performance and survival.

Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational survival (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001). For instance, transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done (Zhu, Chew and Spengler, 2005). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision (Avolio, 1999; McShane and Von Glinow, 2000).

Akinbode and Fagbohunge (2012) reports positive progression in the influence of organizational factor on organizational commitment variables. Johns and Saks (2005) cited in Gbervbie (2011) point out that "effective leadership exerts influence in a way that achieves organizational goals by enhancing the productivity, innovation, satisfaction, and commitment of the workforce." Sun (2002) compared the leadership style with the leadership performance in schools and enterprises, and showed that the leadership style has a significantly positive correlation with the organizational performance in both schools and enterprises. Zhu et al. (2005), suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in the new organizational environments.

In his study of effect of leadership style on organizational performance among selected small scale enterprises in Ikosi-Ketu Council Development Area of Lagos State, Nigeria, Obiwuru, Okwu, Akpa, and Nwankwere (2011) found out that transactional leadership style had significant positive effect on performance while transformational leadership style had positive but insignificant effect on performance. The study concluded that transactional leadership style was more appropriate in inducing performance in small scale enterprises than transformational leadership style.

The framework of this study is giuded by the various leadership theories abound in literature. These range from the trait theories that emphasize certain personal qualities and characteristics as basis for successful leadership; style theories that put emphasis essentially on a leader's behaviour at work; contingency theories that emphasize settings which include characteristics of the employees, the nature of the task they perform, and characteristics of the organization; to the theory of distributed leadership, which emphasizes what one does and not who one is, as the basis for successful leadership. The theories argue that leadership at all levels matters and must be drawn from, not just be added to individuals and groups in organizations. From the foregoing, it is obvious that while some scholars believe that leadership enhances organizational performance while others contradict this, different concepts of leadership have been employed in different studies, making direct comparisons virtually impossible.

Research Methodology and Data Analysis

The researcher adopted the cross-sectional research design and empirically analyzed data from 10 randomly selected banks of different categories within Lagos State of Nigeria, out of a population of 22 banks (using the Yaro Yemen scientific sampling formula. All commercial banks have headquarters in either Abuja (the capital city) or Lagos.

Lagos State is an administrative division of Nigeria, located in the southwestern part of the country and the largest commercial centre in Nigeria. It is the researcher’s belief that information gathered from these mega banks with diverse interests provided a good basis for the generalization of the opinions about the entire banking industry.

200 copies of questionnaire made up of structured and unstructured questions were administered on the staff of the sampled banks, out of which 168 only were correctly answered and returned, as shown in the table below. For the purpose of a reliable data collection, banks were chosen according to relative experience in terms of strength, ICT compliance, age and spread, while bankers were grouped into three categories; the senior, middle and junior cadres.

Table 1:

Banks	No of Questionnaire Administered	No of Questionnaire Retrieved	No of Questionnaire Not Retrieved	% of Questionnaire Retrieved	% of Questionnaire not Retrieved
First Bank Plc	20	18	2	0.9	0.1
Enterprise Plc	20	16	4	0.8	0.2
FCMB	20	18	2	0.9	0.1
U.B.A. Plc.	20	17	3	0.85	0.15
Keystone Bank	20	13	7	0.65	0.35
Skye Bank	20	19	1	0.95	0.05
Diamond Bank	20	16	4	0.8	0.2
Guaranty Trust Bank	20	18	2	0.9	0.2
EcoBank	20	15	5	0.75	0.25
Access Bank	20	18	2	0.9	0.1
Total	200	168	32	0.84	0.16

Source: Field Survey, 2012

Data collated were used to test the following hypotheses, using the Chi-square (X^2) Test at 5% significance level.

Ho1: There is no significant relationship between leadership skills and organizational performance in the banking sector.

Ho2: There is no positive relationship between leadership strategies and banks performance.

In this study all banks are assumed to be differentiated by their leadership strategies and strategic planning and policy implementations. Hence issues such as service rendered and operations system were only highlighted as they are assumed to be uniform.

Findings

The study found that leadership skills has a significant relationship with organizational performance and greatly influences bank performance, given that performance is based on return on investment and long run profitability. This finding is deduced from the result of the statistical (chi-square) test of hypothesis 1, using the responses to 5 questions in the questionnaire, which shows that $X^2_{tab} = 12.59$ is less than $X^2_{cal}=78.22$ thus, we accept the alternate hypothesis which states that there is a significant relationship between leadership skills and organizational performance in the banking sector.

It was also found out that there is a positive relationship between leadership strategies and bank performance, based on the fact that the statistical analysis of the responses to relevant questions led to rejection of the null hypothesis, which states that there is no positive relationship between leadership strategies and bank performance. The statistical analysis reveals that at $\alpha=0.05$, X^2_{tab} of 3.841 is less than

X^2_{cal} of 46.10. Thus, organizational performance is a dependent function of both managerial skills as well as strategy management practices.

Discussions and Conclusions

The study has investigated impact of leadership skill and strategies on banking sector performance in some selected banks in Lagos State. The result of this paper revealed that is a significant relationship between leadership skills and organizational performance in the banking sector. This is congruent with the position of Stott and Walker (1995) and Bourne and Franco-Santos who stated that managerial skills has a direct relationship with organizational performance. The finding is further supported by Abosede, et al. (2011) who stated that managerial skills (technical, human and conceptual skills) is a positive determinant of organization performance. This was imperative because of current economic realities of globalization, shift in management revolution and organizational failures. However, some respondents have shown their opinion over incompetence and managerial performance of some bank managers in Nigeria which nearly leads to the collapse of these banks.

The finding also revealed a positive relationship between leadership strategies and banks performance. It is worth mentioning that strategic planning and ethical practice are essential ingredients of good leadership in banks, which leads to higher business performance. Rigorous strategic planning can assist banks to clarify its goals and deploy the available resources in a manner that is consistent with the planning. It may also assist in maintaining the focus of the banks on critical issues. Sound strategic planning can enable bank transcend the circumstances in the industry and avoid the panic of distress or failure. Bank executives and managers with an emphasis on long-term strategy, wide communication and acceptance of their visions, and situational leadership styles are most likely to be successful in creating change within their organizations. This is supported by and in line with the works of Gbrevbie (2009) which asserted that an organization headed by leadership that is characterized by unethical practice or corruption is not likely to experience development. This is so because while skills, capacity and vision that may make for good leadership can be acquired and enhanced at work for organizational performance, this would be almost impossible without proper ethical practices in the organization. In other words, proper ethical practice without skills and other such variables can keep an organization going, but skills and other such variables without proper ethical practices cannot sustain the banks to achieve development. For instance, in Nigeria, the consequences of unethical practice in the banking sector manifested, among others, public embarrassment in the arrest and prosecution of bank CEOs by the EFCC, seizure of their assets in terms of money, investments and properties, and negative perception of corruption on the bank chiefs and their family members in society. Banks leadership should try and adopt an effective leadership strategy and ethical practices. This will help them to bring effective work productivity from the employees. Leadership training and career path development should be critically considered for sustained organizational performance in the banking sector. In addition, the CBN should organize regular training for top bank executives in Nigeria for the acquisition of modern management techniques and skills required to manage large business interest necessitated by the 2005 banks' reforms.

Research Limitations and Direction for Further Research

The research paper is based on the analysis of managerial skills and strategies and organization performance. Although, those variables were found to be positively related to bank performance but there is divergent opinions with respects to level of skills and appropriate strategy that can adopted by managers for organizational effectiveness. It is there suggested that this study be conducted on a large scale with other quantitative tools for a deeper and better view of how leadership skills and strategies can influence organizational performance. conceptualization while not on the qualitative and quantitative study. Better results can only be achieved through leadership style if proper ethical practices prevails in the organization. Areas deserving attention include the relationship between leadership styles, bank long-term profitability and corporate culture, and independently measured performance. Also worthy of academic attention is the assessment of effects that experience, skills levels or the lack thereof, and career aspirations have on perceptions of leadership in banking industry.

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