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Article

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MANAGEMENT | RESEARCH ARTICLE

Congruence of perceptions between bank managers and subordinates about leadership style and performance in Pakistan

Muhammad Asrar-Ul-Haq^{1*}, Shaheera Amin², Hafiz Yasir Ali², Muhammad Waheed Akhtar², Moazzam Ali², Sadaf Noor², Kashif Aslam² and Ali Khalid²

Abstract: The purpose of this study was to examine the congruence between managers' (self) and subordinates' perceptions about their leadership styles and its impact on performance outcomes. Leadership styles (independent variables) included transformational leadership, transactional leadership and laissez-faire leadership. The outcomes (dependent variables) consisted of effectiveness, extra effort, and satisfaction. The data were collected from 65 banks (65 managers and 225 subordinates) using MLQ 360 (5 X Short) by Bass and Avolio. The managers responded about their self-perceived leadership styles and its relationship with performance outcomes. The subordinates responded about their perceptions of managers' leadership styles and its impact on their performance outcomes. The data were analyzed using descriptive statistics (ANOVA) and inferential statistics (regression analysis). The results indicated significant differences between managers' (self) and subordinates' perceptions about their leadership styles at dimension level. In addition, a significant difference was found between managers and subordinates about the impact of transformational leadership style and laissez-faire leadership style on different outcomes. Certain implications of the study and limitations are also discussed.

Subjects: Leadership; Human Resource Development; Organizational Change

Keywords: leadership style; performance; LMX; banking; Pakistan

ABOUT THE AUTHOR

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PUBLIC INTEREST STATEMENT

Change in organizations is inevitable and the role of leader cannot be ignored throughout the change process. Leaders are directly or indirectly involved in almost all activities in the organization and is considered responsible for any success or failure. Leadership is the art of optimizing the human capital by attracting, developing, and retaining them in an effective manner. Therefore, followers' behavior fit with the leadership is considered as an important factor for employee performance as well as organizational success. The same behavior fit between bank managers and their subordinates is examined in this study. It involves responses from 65 managers and 225 subordinates. Based on their responses, the findings are discussed and certain recommendations are made.

1. Introduction

The followers' behavior fit with the leadership style is an indicator of good performance, whereas incongruity leads to the poor (individual and organizational) performance. The role of a leader has been recognized widely in ensuring the success of the organization as he has to develop a change readiness environment in the organization. Role of the leader in the success and failure of organizations has widely been studied. Leaders perform some crucial functions and activities in the organizations which are directly related to the success and failure of the organization, i.e. strategic decision making and its implementation, defining and articulating the vision, and most importantly keeping employees motivated in the pursuit of organizational goals. Today's world is characterized by fast global and technological changes which require organizations to be adaptable, and integrate changes on individual and organizational levels in order to survive and lead in competitive environment (Heifetz & Laurie, 1997). Kotter (1995) proclaimed that integration of change in an organization necessitates that a new system must be adopted for which leadership is vital.

Leadership is the art of optimizing the human capital by attracting, developing, and retaining them in an effective manner. Today, competition among organizations has increased the need for such leaders who have the ability to motivate their workforce and align it with competitive challenges in order to accomplish organizational goals. Friedman (2005) considered it a paradigm shift where such leaders are required. In past couple of decades, a significant number of research studies have covered the concept of leadership styles and performance outcomes across globe and certain leadership models are developed. However, studies on congruence between leader and their subordinate still needs to be thoroughly conducted in different contexts and cultures. Leadership style and power distance might vary across cultures as a leader who is effective in one culture might not be effective in any other culture (Fatehi, 1996). Cultural norms and values significantly influence leadership styles, subordinates' attitudes and behaviors. That's why; existing theories and models are validated across cultures time to time. Based on the literature, it is evident that individual as well as organizational performance can be improved through aligning leadership styles with culture (Muczyk & Holt, 2008). In other words, congruence between managers and subordinates is essential for individual as well as organizational success. Therefore, this study is an effort to examine whether managers and subordinates are on the same lines about managers' leadership styles and how it affects different performance outcomes in Pakistan. It is presumed that variation in cultural norms and practices in Pakistan would not be significantly different from other parts of the world and findings would be consistent with available literature.

2. Theory and hypotheses development

2.1. Leader member exchange theory

Leader-member exchange (LMX) theory is about the "effectiveness of leaders as the result of psychodynamic exchange between leaders and followers" (Asrar-ul-Haq & Anwar, 2018; Gill, 2006). LMX theory describes the quality of a series of dyadic relationships and interactions between leaders and followers at workplace (Graen & Scandura, 1987). LMX theory posits that leaders develop quality relationship with their followers based on the exchange of certain factors (Dulebohn et al., 2012). The quality of the relationship ranges from low-quality (based on employment contract) to high-quality (based on mutual likeness, respect, trust, and influence (Bernerth et al., 2007, p. 979). LMX theory, further, states that leaders do not treat their followers equally (Atitumpong & Badir, 2018; Hofmans et al., 2019; Hsiung & Bolino, 2018). Therefore, LMX theory provides the baseline for this study to examine the level of congruence between self (managers) and their others' (subordinates) perceptions.

2.2. Transformational leadership

Transformational leadership has been widely researched in leadership domain (Lorinkova & Perry, 2019; Tepper et al., 2018), due to its benefits over other form of positive leaderships (Conger, 1999). Bass (1985) defined transformational leader as “an individual who possesses certain characteristics that are posited to motivate followers to move beyond their self-interest and commit themselves to organizational goals, thus performing beyond expectations”. Bass et al. (2003) state that transformational leadership comprises of five distinct characteristics: idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration. Leaders with transformational leadership style focus on the personal development of their followers and motivate the followers intrinsically (Asrar-ul-Haq & Kuchinke, 2016). Sayadi (2016) stated that transformational leaders are positively related with innovation and acceptance of change within the organizations.

2.3. Transactional leadership

A transactional leader is “one who operates within the existing system or culture, prefers

risk avoidance, pays attention to time constraints and efficiency, and generally prefers process over substance as a means for maintaining control” (Bass, 1985, p. 2). Transactional leadership is considered a reward-driven behavior. Transactional leaders use their authority to reward their followers to enhance their followers’ efforts for task accomplishments (Naidoo et al., 2015; Oğuz, 2010). According to Sayadi (2016), under transactional leadership, both parties (leaders and followers) work in an exchange relationship (work and reward).

2.4. Laissez-faire leadership

According to Bradford and Lippitt (1945), Laissez-Faire leadership is “leader’s disregard of supervisory duties and lack of guidance to subordinates”. In other words, avoidance or absence of leadership at workplace is called Laissez-Faire leadership (Judge & Piccolo, 2004). In Laissez-faire leadership, leaders try to avoid decision making process, abdicates the responsibilities (Limsila & Ogunlana, 2008; Robbins et al., 2007), and have minimum interactions with their followers (Bass & Avolio, 1994).

2.5. Self and other agreement in leadership and hypotheses development

Self and Other Agreement (SOA) means the degree of agreement or level of congruence between leaders’ self-rating and others’ rating about them, i.e. subordinates, seniors, or coworkers (Atwater et al., 2009). In leadership research, the individuals’ self-perception about their styles, skills, and performance is not considered accurate and reliable. It is evident from literature that individuals’ self-ratings are significantly different from others’ ratings about them. Moreover, it is also agreed that only self-ratings about the leadership style or performance is challenging (Harris & Schaubroeck, 1988). Therefore, leadership performance and effectiveness should not be measured on single ratings (Yammarino & Atwater, 1997). However, self-ratings may be used to interpret the level of self-awareness (Dunnette, 1993).

The investigation of SOA in leadership has been an area of great interest and importance for both researchers and practitioners (Atwater & Yammarino, 1992). There are a number of leadership outcomes which have been studied in relation to SOA, i.e. job commitment, turnover, job satisfaction, performance, and well-being. However, only self-ratings is not considered as an effective and accurate predictor of leadership outcomes due to the possibility of different bias and personal interest involved. Some scholars take self-rating as an unreliable, inaccurate, invalid, and incomplete way of measuring or predicting any behavior or performance (Yammarino & Atwater, 1993). It is only considered and linked with self-awareness about their personalities, abilities and capabilities. (Mabe & West, 1982). Yammarino and Atwater (1997) argue that individual as well organizational performance can be improved through the agreement among self and others’ perceptions at different levels. It is because the self-

perception usually lacks accuracy due to overestimation or underestimation. Moreover, different other factors like experience, personality traits, contextual factors, and cognitive processes also affect self-perceptions that may lead to inaccurate self-ratings. On the other hand, the ratings on the basis of only others' perceptions cannot be ensured as accurate as well. The literature shows that there are many factors that influence the accuracy of others' ratings. According to Smith and Fortunato (2008), the personality traits of the raters have a significant impact on the quality of ratings. The employees who have lack of trust on their supervisors and the employees who have a very close relationship with the management could not provide honest ratings. On the same way, if people provide information face to face, the individuals show a soft corner in the ratings. There are many factors that impact the accuracy of others' ratings like the personality traits of rater, his/her values, beliefs, motivation, and interaction with the ratee. However, the incongruities between self and others' ratings have a significant importance for leaders (Brutus et al., 1999). The literature supports the argument that lack of agreement between self-awareness and self-perception to others' perceptions may have unpleasant impact on leaders' effectiveness (Yammarino & Atwater, 1997). It is, therefore, hypothesized:

H1: *Managers' perception about the impact of their leadership style on effectiveness is significantly different from the perceptions of subordinates.*

Sometimes, leaders set some unrealistic goals on the basis of self-perceptions which ultimately affect the outcomes and performance of individuals as well as the organization. Further, it is evident in the literature that the leaders with congruent ratings set realistic goals and achieve the desired goals effectively. Self and others agreement have significant impact on individual and organizational performance relative to those whose ratings are incongruent with others (Atwater & Yammarino, 1992). It is because the subordinates exert extra effort to accomplish their tasks and turn the unrealistic goals into a reality. That's why; this is hypothesized:

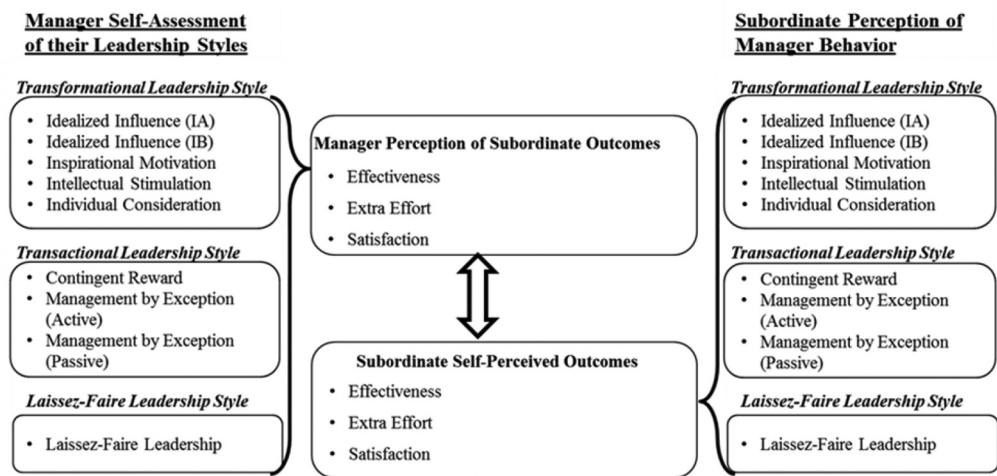
H2: *Managers' perception about the impact of their leadership style on subordinates' extra effort is significantly different from the perceptions of subordinates.*

The followers who do not trust their leaders, cannot work with commitment and motivation, which ultimately leads to job dissatisfaction. On the other hand, if they have agreement or their values and personality traits are compatible (congruent) with each other, they are considered more satisfied than those where this level of agreement is low. Thus, it can be hypothesized:

H3: *Managers' perception about the impact of their leadership style on subordinates' satisfaction is significantly different from the perceptions of subordinates.*

This study (see Figure 1) is based on Leader-member exchange theory. According to Gill (2006), it elucidates that leader's effectiveness is the result of psychodynamic exchange between leader and follower. LMX theory highlights that relationship of a leader with his one follower is different from his/her relationship with other followers. The nature of this relationship depends on their understanding or perceptions. Therefore, the current study is based on LMX theory to investigate the degree to which congruence exists between perceptions of managers and their subordinates about leadership styles and performance respectively.

Figure 1. Congruence between managers and subordinates.



3. Method

First, the participants and procedures used in this study are described. Then, a brief description of scale (used to measure leadership styles, employee satisfaction, effectiveness, and their willingness to exert extra effort) is provided.

3.1. Participants and procedure

Target population for this research study consists of almost 25,000 employees who were either branch managers or employees working in all branches of top five banks (selected on the basis of their size) in Pakistan. Employees working in 65 branches of above top 5 alpha banks were selected as the sample for this study. Data were collected through self-administrated questionnaire. For the selection of branches and study respondents, purposeful sampling technique was used. However, only those branches were selected where minimum five subordinates and one branch manager were working in same relationship for at least last six months. Further, those employees were selected who were able to understand questions in English language.

3.2. Measure

In order to collect data for this study, MLQ 360 (5X short) by Bass and Avolio¹ is used. For this purpose, the authors received license to use the instrument. This instrument has already been used in certain research studies in Pakistan (Bodla & Nawaz, 2010; Chaudhry et al., 2012). This is Likert based instrument ranging from 1 to 5 on scale (from “not at all” to “frequently”). After verbal consent of the branch managers, the selected branches were visited to collect data. For this purpose, two paper based self-administered questionnaires (for branch manager and subordinates) were used.

4. Results

In order to analyze the data, SPSS 22.0 was used. In total, 320 employees (250 subordinates and 70 managers) from seventy branches were contacted to participate in this study. However, 292 employees (227 subordinates and 65 managers) agreed to participate, but 287 filled questionnaires were received that consisted of 224 subordinates and 63 managers with a response rate of 98.68% for subordinates and 96.92% for managers. The overall internal consistency of both questionnaires (managers and subordinates) was checked and found .75 and .85 respectively.

4.1. Descriptive analysis

The sample consisted of 224 subordinates and 63 managers. The detail of demographic information is given in Table 1.

Table 1. Demographic characteristics of sample

	Managers n (%)	Subordinates n (%)
Gender		
Male	56 (90.32)	144 (67.29)
Female	6 (9.68)	70 (32.71)
Age (Years)		
25 or less	0 (0)	6 (2.80)
26–35	36 (65.45)	193 (90.19)
36–45	17 (30.91)	15 (7.01)
46 or above	2 (3.64)	0 (0)
Education		
Less than 14 years	0 (0)	0 (0)
14 years	8 (13.79)	24 (11.27)
16 years	42 (72.41)	187 (87.79)
18 years or above	8 (13.79)	2 (0.94)
Job Tenure		
Less than 1 year	1 (1.85)	13 (6.02)
1–4 years	21 (38.89)	106 (49.08)
5–8 years	20 (37.04)	62 (28.70)
9 years or above	12 (22.22)	35 (16.20)

Note. n = Response, % = Response rate

5. Inter correlation

To measure the relationship among variables, Pearson's product-moment correlation coefficients (r) has been used. Table 2 shows the correlation existing among all the variables of the study.

To check the degree of compatibility between the perceptions of managers and their subordinates, OLS multiple regression technique is used. Moreover, demographic variables (age, education, gender, and tenure) were also considered as independent variables. In this regard, two OLS regression models were regressed to analyze the level of agreement between managers' and subordinates' perceptions about their leadership styles and its relationship with their effectiveness (see Table 3). The regression model of managers' perceptions and effectiveness was found significant ($F = 7.27$, $p < .001$) and $R^2 = 0.65$. The results ($b = -0.47$, $SE = (0.13)$, $p = .001$) show that only management by exception passive has significant, but negative relationship with effectiveness outcome, whereas relationship between subordinates' perceptions and effectiveness was found significantly positive with $R^2 = 0.41$. F -test showed that model is best fit and significant at 1%. Regression results showed that gender (female) and transformational leadership style have significantly positive impact on effectiveness ($\beta = 0.36$, $p < 0.001$ and $\beta = 0.33$, $p < 0.001$). Laissez-faire style of leadership negatively affects the effectiveness ($\beta = -0.20$, $p < 0.001$)

The level of congruence between managers and subordinate perceptions regarding managers' leadership styles and its relationship with subordinates' exert to extra efforts was examined through two different OLS regression models (see Table 4). The regression of self-perceived leadership styles of managers and subordinates' extra effort was significant as indicated by F -statistics (3.11 , $p = 0.005$). Self-perceived leadership has insignificant impact on extra effort as reflected in regression results. The F -test indicated that model of extra effort and subordinates' perceived leadership style was also best fit. Results of regression indicated that transformational leadership style has significantly positive impact on extra effort ($\beta = 0.41$, $p < 0.001$)

Table 2. Inter-correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	-																
2	.56**	-															
3	.56**	.59**	-														
4	.36**	.44**	.52**	-													
5	.56**	.43**	.48**	.39**	-												
6	.51**	.59**	.63**	.50**	.48**	-											
7	.56**	.42**	.47**	.33**	.59**	.38**	-										
8	.24**	.08	.02	-.09	.32**	-.07	.38**	-									
9	.05	-.08	-.09	-.07	.21**	-.18**	.22**	.61**	-								
10	.50**	.54**	.51**	.40**	.31**	.57**	.31**	-.10	-.24**	-							
11	.44**	.55**	.61**	.43**	.35**	.47**	.41**	.08	-.05	.56**	-						
12	.23**	.44**	.44**	.46**	.18**	.42**	.22**	-.18**	-.26**	.48**	.57**	-					
13	.05	-.15*	-.08	-.22**	.04	-.03	.14*	.22**	.13*	.07	-.03	-.17**	-				
14	-.01	.01	.12	.13*	.04	.12	.07	-.12*	-.14*	.09	.05	.10	-.12	-			
15	-.01	-.02	-.02	.14*	-.03	-.05	-.05	-.09	-.10	.09	.05	.12*	-.10	-.07	-		
16	-.08	.02	.16**	.13*	.05	.05	.00	-.04	.03	.06	.03	.05	-.10	.16*	.04	-	
17	.81**	.75**	.77**	.55**	.66**	.63**	.55**	.19**	.03	.53**	.57**	.38**	.00	-.04	-.01	.03	-

Note. Individualized influence (attributed) = 1, Individualized influence (behavior) = 2, Inspirational motivation = 3, Intellectual stimulation = 4, Individualized consideration = 5, Contingent reward = 6, Management by exception (active) = 7, Management by exception (passive) = 8, Laissez-faire leadership = 9, Effectiveness = 10, Extra effort = 11, Satisfaction = 12, Gender = 13 (0 code is used for males and 1 for Females), Age group = 14 (0 code is used for 35 years or less and 1 is used for 36 years or above group), Education = 15 (0 code is used for 16 years degree or above and 1 is used for Less than 16 years degree), Tenure = 16 (1 code is used for 4 years or less tenure, 2 is used for 5–8 years tenure and 3 is used for 9 years tenure or above), Transformational leadership = 17.

**p < .01, *p < .05.

Table 3. Summary regression results for leadership styles and effectiveness

	B (SE)	
	Managers	Subordinates
Contingent reward	−0.04 (0.18)	0.15 (0.09)
MBE (A)	0.25 (0.18)	−0.07 (0.07)
MBE (P)	−0.47*** (0.13)	0.00 (0.06)
GEN	0.02 (0.24)	0.33*** (0.24)
AGE	0.25 (0.14)	−0.05 (0.15)
EDU	−0.07 (0.19)	0.17 (0.12)
TEN1	−0.02 (0.15)	−0.14 (0.08)
TEN2	−0.07 (0.18)	−0.01 (0.12)
Transformational leadership	0.19 (0.13)	0.36*** (0.06)
Laissez-faire leadership	0.07 (0.11)	−0.20** (0.07)

*** $p < .001$, ** $p < .01$, * $p < .05$,

Table 4. Summary of regression results for leadership styles and extra effort

	B (SE)	
	Managers	Subordinates
Contingent reward	0.29 (0.24)	0.13 (0.10)
MBE (A)	0.35 (0.23)	−0.01 (0.08)
MBE (P)	0.10 (0.16)	0.05 (0.07)
GEN	−0.38 (0.31)	0.08 (0.09)
AGE	0.13 (0.18)	−0.18 (0.17)
EDU	0.28 (0.24)	0.11 (0.13)
TEN1	0.16 (0.19)	−0.16 (0.10)
TEN2	−0.07 (0.22)	−0.14 (0.13)
Transformational leadership	0.05 (0.17)	0.41*** (0.07)
Laissez-faire leadership	−0.16 (0.14)	−0.06 (0.08)

*** $p < .001$, ** $p < .01$, * $p < .05$,

Table 5. Summary of regression results for leadership styles and satisfaction

	B (SE)	
	Managers	Subordinates
Contingent reward	0.03 (0.26)	0.37* (0.16)
MBE (A)	0.24 (0.25)	0.03 (0.12)
MBE (P)	−0.13 (0.18)	−0.01 (0.11)
GEN	−0.65 (0.34)	−0.12 (0.14)
AGE	0.19 (0.19)	−0.04 (0.26)
EDU	0.52 (0.27)	0.19 (0.21)
TEN1	−0.05 (0.20)	−0.21 (0.15)
TEN2	−0.57* (0.24)	−0.01 (0.21)
Transformational leadership	0.39* (0.18)	0.23* (0.11)
Laissez-faire leadership	−0.17 (0.15)	−0.41** (0.13)

* $p < .05$, ** $p < .01$, *** $p < .001$

In order to analyze the level of congruence between managers and subordinate perceptions about managers' leadership styles and its relationship with subordinates' satisfaction, two OLS regression models were regressed (see Table 5). The regression of self-perceived leadership styles of managers and satisfaction was found significant with $R^2 = 0.69$, $F = 8.53$, $p < .001$. The results of regression showed that tenure (5–8 years) and transformational leadership style have significant effect on subordinates' satisfaction. Transformational leadership positively ($\beta = 0.39$, $p < 0.05$) while tenure (5–8 years) negatively ($\beta = -0.57$, $p < 0.05$) affect the satisfaction. The regression model of subordinates' perceptions was also found significant as verified through F-test. Transformational leadership and contingent reward significantly affect satisfaction variable as reflected in regression results ($\beta = 0.23$, $p < 0.05$ and $\beta = 0.37$, $p < 0.05$). Furthermore, laissez-faire leadership has significant, but negative relationship with subordinates' satisfaction ($\beta = -0.41$, $p = 0.002$).

6. Discussion and conclusion

Banking sector in Pakistan is found to be a male dominating sector with 94% representation at manager level and 67.29% representation at subordinate level. However, if female ratio in banking sector is analyzed, a significant increase is found (i.e. Bodla & Hussain, 2009). Results indicate that 90.19% subordinates have 26–35 years of age. Similarly, a significant proportion of subordinates have work experience of less than 10 years which indicates that majority of banking employees are young. Further, majority of subordinates has master degree (16 years education).

The results reveal that perceptions of managers and subordinates vary in terms of their leadership style and performance. However, a consistency is found between perceptions of the subordinates on transformational leadership styles of their managers which validates previous studies (i.e. Bano, 2013; Bushra et al., 2011; Hunjra et al., 2010). According to subordinate perceptions, transformational leadership style has a highly significant relationship with managers' effectiveness, subordinates' extra effort, and their satisfaction. Contrary, managers perceive no significant association between transformational leadership style and outcome variables (their effectiveness and subordinates' extra effort). However, this is surprising and unexpected in literature on leadership styles and performance (Bass & Avolio, 1994; Ristow et al., 1999). Further, the results of this study validate the concept of Vecchio and Anderson (2009) and Ostroff et al. (2004) that young leaders usually rate their effectiveness and performance lower. However, it can be inferred that if managers assume transformational leadership style, their subordinates will exert extra effort on their jobs. According to subordinates, the relationship of laissez-faire leadership with effectiveness, and satisfaction is reported as negative. However, managers have assumed no significant relationship of performance outcomes with laissez-faire leadership. To get a better understanding of congruence at leadership style, dimension level difference with relation to performance outcomes is examined as well. Findings of all dimensions of the leadership style (except individualized consideration) indicate that a significant difference exists between manager and subordinate perceptions.

7. Implications for research and practice

There existed a gap between the perceptions of managers and the perceptions of their subordinates regarding their leadership styles and performance outcomes. In order to reduce this gap, findings of the present study may be helpful. Further, this study may help develop action plans and appropriate strategies to recruit or develop best fit human capital and increase the productivity of already working employees. In addition, the present study highlights the need for leadership development programs for managers to lead, guide, and manage their subordinates effectively.

A plenty of research studies on the congruence between perception of leaders and subordinates have been conducted in context of America or Europe. There is still need to study it in other regions of world which are culturally different from America and Europe. Northouse (2009) identified that, the perception of leadership is quite different in South Asian region which have been validated in current research study. Extant research studies on leadership offer vigorous literature which unveils a positive and significant relationship between leadership styles and various performance outcomes, i.e. organizational commitment, additional efforts, and satisfaction (employees and customers). On the contrary, the findings of the current

research studies have elaborated a negative and inconsistent relationship between leadership styles and desired performance outcomes of the organizations. Generally, there is common assumption that small institutions are characterized by more intimacy, less communication gaps and adapted leadership. However, the results of present study reflects that leadership behaviors are observed more critically by the employees in smaller institutions.

The results of the present study have certain implications for bank managers also. It can help them to improve the performance of their subordinates, develop an atmosphere of trust, and cater future challenges. It may be helpful if they intend their subordinates to work more diligently and exert extra efforts on job.

8. Limitations

Current research study may prone to certain limitations. Personal bias in the relationship between subordinates and managers might have affected the results of this study. Also, the assumption of normality for the data were not satisfied completely. Therefore, results should be considered with caution.

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Note

1. <http://www.mindgarden.com/products/mlqr.htm#mlqrs> (Retrieved on 22 March 2016)

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