

## **Relationship between the leaders' behaviour and employee morale of the private sector banking organizations in Sri Lanka**

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### **Abstract**

*Behaviour of the leader affects the performance of any organization either directly or indirectly. Employee morale itself has a direct impact on the job satisfaction of employees and customers of the organization as well as the performance of the organization. But employee morale is affected by a number of factors. Among them behaviour of the leader is prominent. This inter-influencing nature of these two variables: behaviour of the leader and the employee morale creates contradictory arguments on the nature and the degree of relationship between employee morale and leader's behaviour as well as how these variables affect organizational performance. However, leaders in each division of any organization have a major role in improving employee morale and ensuring the success of the organization. Therefore, effective managers modify their behavior to meet both these challenges. This study aims to examine inter-influencing nature and relationship between the leaders' behaviour and employee morale and the most general style of leadership practiced by the private sector banking organizations in Sri Lanka. A sample study of managers and employees of private sector banking organizations in Sri Lanka was conducted to examine the relationship between leaders' behaviour and employee morale. One of the major conclusions of the study is that leadership style could not be identified as a separate independent behaviour within a continuum of task-concerned and people-concerned behavior. Instead of practicing a single behaviour, every leader in the sample simultaneously practice both behaviours, and this behaviour seems to have recorded high employee morale. The findings revealed that a satisfactory level of employee morale can be achieved through balancing a higher degree of concern for achieving tasks while practicing the same level or slightly higher level of concern for employees.*

*Key Words:* leader's behaviour, employee morale, organizational performance.

### **Introduction**

Employee morale within an organization has a direct impact on the satisfaction level of its customers and the company's ultimate success. There is no argument that employee morale is one of the performance indicators of any organization. Among the factors affecting employee morale, the leader's behaviour or style becomes prominent. Therefore leaders in each division of an organization have a major role in improving employee morale and ensuring success of the organization. Effective managers modify their behavior to meet both of these challenges.

This study aims to examine the relationship between the behaviour of leaders or leadership style and employee morale, and next discuss how leaders should behave in improving employee morale in an organization. The hypothesized relationships are tested by using data collected from a survey of private sector banking organizations in Sri Lanka.

### **Literature review**

Contradictory arguments can be seen in the research literature on the relationship between leadership style, employee morale and organizational performance. Leadership style is often described as either authoritarian or autocratic, in which the appeal is to lower level needs and management more or less imposed on subordinates; or participative in

which the appeal is to higher level needs and subordinates participate in decision making to some degree (Webber, 1975). Other dimensions of leadership style are initiating structure or task oriented, and concentration or people oriented styles. The philosophical debate on leadership style, employee morale and performance is interesting but it is difficult to say exactly which leadership style should be practiced to increase the performance of organizations.

Webber (1975) argues that both styles are effective but the participatory style has greater influence on improving employee morale. A few key studies have already proved that the participatory leadership style leads to higher morale than the authoritarian or autocratic style. Wild (2000) argues that organizations with many autocratic leaders have higher turnover and absenteeism. Webber also confirmed the argumentations made by Katy Maccoby and Morse on the productivity and morale under the authoritarian and participative style. Productivity increased under both styles but more under the authoritarian style. However, the results are not strongly supportive of either the authoritarian or participatory styles. Both seem to work, but the former does so at the cost of lowering morale. Yet this lowered morale did not seem to affect performance adversely; the autocratic leader enjoyed productivity advantage.

It is also argued that the autocratic leader considers that morale is irrelevant and centralized management can be efficient even when people are unhappy. They measured employee morale by using three different indices, viz. absenteeism, labor turnover, and attitudes and all these three indices declined under the participative style and increased under the autocratic style. Miles and Ritchie (1971) undertook a similar study and concluded that the participative style (especially where superiors consulted subordinates and expressed confidence in them) tends to be associated with high morale. House (1971) found that where managers do not care much, do not sufficiently define and structure the situation and do not push employees for performance, workers tend to have low morale. On the other hand, where management exerts greater pressure for performance and set higher standards, employee morale is higher and performance is better. In 1967, Lawler and Porter suggested that morale does not precede performance but follows it, e. g. good performance leads to high morale if management rewards the performance (Weber, 1975).

Dubin (1965) undertook a research by using other dimensions of leadership styles: task oriented and concentration or people oriented styles to examine the relationship between productivity, morale, and leadership style. Surprisingly, his study revealed that when leaders' pressure on task or on production increased, both the employee morale and productivity went up. However, further increasing the leader's pressure on production or tasks resulted in declining employee morale first, and next the productivity. The results concluded that neither high emphasis on task-oriented leader styles nor high emphasis on people oriented leader style leads to creation of high morale. Similar studies undertaken by Korman (1966) and Fleishman and Harris (1962) concluded that the subordinates' satisfaction with a leader initiating a structure style or a consideration style varies with their skills and jobs than other organizations, and participative leadership can produce high quality and high quantity work for long periods of time.

Many employees like the trust they receive and respond with cooperation, team spirit, and high morale (Wild, 2000)). Lower level plant and office employees highly value their leader's representation, and their morale tends to be greater with increased consideration. Perhaps this is because their jobs are not intrinsically satisfying and their tasks are quite simple and routine. Such employees tend to resent a leader initiating structure and exerting pressure. Morale may decline under increasing pressure but when leaders also show high consideration, morale will still be higher than under less pressure with less supervisory consideration. According to their findings, more skilled employees in higher levels, such as engineers and scientists performing more complex tasks, respond differently. A leader's consideration is less important to them because their jobs provide more intrinsic satisfaction. Consequently their satisfaction seems unrelated to the leader's

consideration. However such people respond positively to the leader's initiating structure style.

By applying the same concept, Blake and Mouton, and Hersey and Blanchard developed a two-dimensional managerial grid (Fig 1). Blake and Mouton rated the leadership style on a scale of 1 to 9 on this managerial grid. A 1.1 manager is a nonentity, he is abdicative, 1.9 is a country club type, concerned only with people and morale, not with performance, 9.1 is a task dominated slave driver and autocrat. The 5.5 manager aims to balance between high production and good human relations. The desired paragon is the 9.9 manager who is greatly concerned with both people and tasks. He proposed that managers should be encouraged to move toward from 5.5 to 7.7, 8.8, and 9.9 positions to increase the morale as well as the performance (Webber, 1975).

However, even today the superiority of participative style over authoritarian style, or people oriented style over the task-oriented style is not substantiated by research. In one study, McCurdy and Ebert investigated the effects of both. These styles were observed on three groups involved in problem-solving activities. The teams working under authoritarian leaders were told to simply obey orders, while those working under participative leaders were told to offer suggestions and not follow orders blindly. No difference in productivity between these two groups has been found by these researchers. In another study undertaken by Morse and Reine, it shows that participatory leadership results in higher job satisfaction to the employees and autocratic leadership resulted in greater productivity. The choice of leadership style thus depends on the goals: if the immediate goal is to increase the output, the autocratic style is appropriate and if the leaders are willing to build a stable and highly motivated work force, the democratic approach may be called for.

Another basic problem of research on leadership styles is that it supports uni-dimensional thinking. An increase in one type of behavior is automatically seen as a decrease in the other type. Research evidence, however, shows that employee orientation and task orientation are not opposite ends on a continuum. A manager who becomes more employee-centered does not thereby become less task-oriented. Each orientation has an independent value and a manager may have both orientations in varying degrees. This has been illustrated by the Ohio studies. The choice of leadership style also depends on the employees. Some employees have a liking for autocratic leadership as they have high needs for structure and low needs for independence. For instance, Vroom found that participative leadership has a positive effect only for individuals with strong non-authoritarian values or high need for independence. Some researchers have found that employees considered the participative leadership style to be legitimate or proper.

### **Problem statement and hypothesis**

Even today, the superiority of the participative style over the authoritarian style, or people oriented style over the task-oriented style, has not been substantiated by research. Whether one style of leadership style is superior to the other style still remains unsolved. Because of the apparent inconsistencies in the literature on leadership style and employee morale, the current study focused on two issues:

- i. Does the people-oriented leadership style lead to higher employee morale than task-oriented style? and
- ii. What is the most popular leadership style practiced by the Managers in the private sector banking organizations in Sri Lanka?

Therefore the hypothesized relationship that has been tested through this study can be shown as follows.

**H1: The people-oriented leadership style leads to higher employee morale than the task-oriented leadership style.**

## Methodology

This study was carried out as an empirical study with a sample of 7 private sector banking organizations in Sri Lanka namely: DFCC Bank, NDB Bank, HNB Bank, Seylan Bank, Sampath Bank, Commercial Bank and Union Bank. Only the private sector banks were selected for this study because they are, to some extent, free from politically biased decisions regarding policies and practices of recruitment, selection of personnel, remuneration, performance evaluation, promotion, training and development. Three branches were selected from each bank, as the sample. The respondents included the Manager, Executive Grade Officers and other staff members who were present at the time of data collection. The sample comprised 21 Bank Branch Managers, 30 Executive Grade Officers and 100 Non -Executive staff members.

For the purpose of the present study, the following data collection techniques were used. i) Discussions with Bank Managers; ii) Administering a questionnaires to collect data from Managers, Executive Grade Officers and Non-Executive Grade staff members of the bank branches; and iii) Annual reports and other records relating to the performance of staff members.

## Variables and measures

### *Leadership Style*

Hersey and Blanchard (1977) have defined leadership as the process of influencing group activities towards the accomplishment of goals in a given situation. In this context, the leader is viewed as the person in the group who is capable of influencing group activities with regard to goal formation and goal accomplishment. This influencing behavior is referred as the leadership style (Opatha, 2003). In this study, the leadership style is defined as the perceived consistent behaviour exhibited by a leader when interacting with subordinates. In the past, the Researches of Organizational Behavior found different styles of leadership. These styles of leadership can be put within the continuum of Autocratic, Bureaucratic, Democratic/participative and Laissez-faire. The other continuum of leadership styles is task-oriented/initiated structure to people-oriented/concentration style. In the literature, the autocratic style and task-oriented style have been used to describe the same phenomenon. Participative style and people-oriented style are also similar. For the purpose of this study the terms task-oriented and people-oriented styles are used to describe the behavior of the leader.

Task-oriented style refers to the degree to which the leader builds a psychological structure for followers by assigning particular tasks, specifying procedures, clarifying his expectations and scheduling the work to be done. People-oriented style refers to the degree to which the leader creates a supportive environment of psychological support, warmth and helpfulness by being friendly and approachable, looking out for his or her subordinate's welfare, and representing their interests upwards. The prevailing leadership style of the Bank Branch Managers has been identified by presenting a questionnaire that describes pre-determined characteristics of the task-oriented leader and the people-oriented leader as seen in Annex 1. To measure the degree of practising either task-oriented or people-oriented styles, the scale of 1-9 as proposed by Blake and Mouton was used. In the survey, Bank Managers were asked to mark their responses against each characteristic. The same questionnaire was given to the Executive Officers of the sample to confirm the leadership style that is practiced by their managers.

The variability of leadership style was measured by using the list of characteristics of leader behavior and the degree of exercising a particular behaviour by asking to describe their behavior on a series of bipolar objective scales as shown in Annex 1. In this bipolar scale, "9" represent the "high position" and "1" represents the reverse. The



With reference to the data presented in Figure 1, 3 out of 21 managers rated their task-oriented and people-oriented styles respectively at the 6.6 position. Figure 2 shows that the morale of the employees who work under these leaders is at a moderate level. Another 3 managers of the sample (14.2%) put their responses at the 7.6 position in the Managerial Grid. However, Figure 2 shows that the morale of the employees under those leaders is also recorded as moderate. Along the two axes of the task-oriented and people-oriented styles as shown in Figure 1, another 6 managers of the sample positioned themselves at the 8.7 position. But the crucial thing is that the employee morale is reported as high under three of them and moderate under the other three. Out of 21 managers, the leadership styles practiced by the other 3 managers can be positioned at the 7.8 position in the managerial grid. The remaining three managers of the sample positioned at the 8.8 position. With reference to the data presented in Figure 2, the employee morale is reported as high under all these 6 managers who practise at either 7.8 or 8.8 positions. Another finding of the study is that no evidence can be found with regard to reporting low employee morale in any bank in the sample.

Leader Style \ Employee morale	5		6		7		8		9		Total	
	T	P	T	P	T	P	T	P	T	P		
High						3 (14.2%)	3 (14.2%)					12 (57%)
Moderate				3 (14.2%)								9 (43%)
Low												
Total												21 (100%)

Note : Task - oriented style = T  
 People - oriented style = P

Source : Survey data 2005

**Figure 2. Degree of employee morale and leadership styles**

The Chi-square analysis has been used in testing the hypothesized relationship between the leadership style and the employee morale. Because the level of leadership style of managers was nominal and employee morale was considered as categorical, the chi-square test as a non-parametric test was used to test the validity of the hypothesis.

The results of Chi-square analysis used to test the null hypothesis are depicted in Table 1. As shown in Table 1, the critical value of Chi-square for 6 degrees of freedom at a 0.05 level of significance was 12.592. As the calculated value of Chi-square is greater than the critical value, the null hypothesis cannot be rejected. It means that the people-oriented leadership style leads to a higher morale than the task-oriented leadership style.

**Table 1. Chi- square test results**

Dependence	Chi -square	Degree of freedom	Critical Value (at 5%)
Employee morale and leadership style of Managers	13.082	6	12.592

Source: Survey data – 2005

## Discussion

A remarkable finding of the study is that the majority of the sample, (72% of managers), pay high attention to both styles simultaneously. This is the most popular leadership style in the private sector banking organizations in Sri Lanka. Instead of concentrating more on a single behaviour, this study reveals that a manager can give high attention simultaneously to both styles.

Findings of this study are similar to the conclusions made by Blake and Mouton (1964) and Ohio State Research Group. Even though autocratic and democratic behaviours are the two extremes of separate independent behaviours within a continuum of task concerned and people concerned behaviours, managers can practise either a similar degree of both behaviours (for example 6.6, 7.7, 8.8) or practice a high degree of both but with a slight variation (for example 7.8, 8.7) of each behaviour. In considering the impact of leadership style on employee morale, this study reveals that the employee morale is high when the degree of concern shown by leaders for their people is 7 or more than 7, while practising at the same level or with a slightly less concern for the task (but more than 5).

According to the Chi-square test results as shown in Table 1, since the critical value (12.592) is less than the calculated Chi-square value (13.082), the hypothesized relationship between the leadership style and employee morale has to be accepted. Even though the managers of the sample simultaneously practise both behaviours, the managers who show a higher concern for people than the task, are capable of achieving higher employee morale at their branches than those who show a higher concern for the task than for the people. These findings further reveal that when the degree of concern for people is less than 7, the employee morale under any manager is recorded as moderate. Similar arguments can be found in reviewing the literature on leadership styles and employee morale. The Michigan studies concluded that leaders who are employee oriented in their behaviour are associated with higher job satisfaction, higher worker morale and higher group productivity than the leaders who are production oriented.

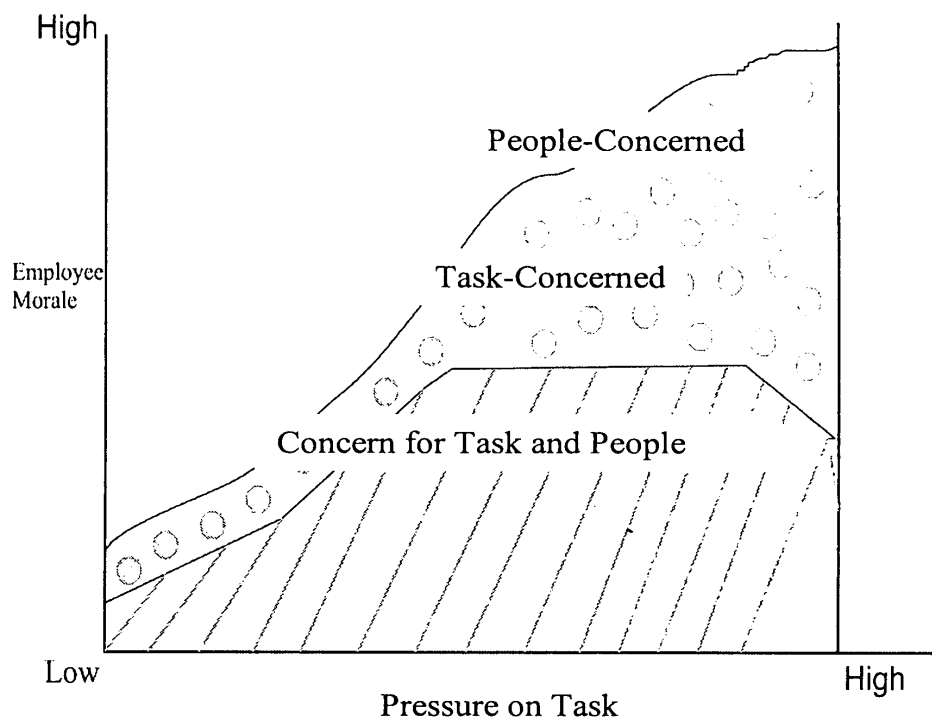
Out of the 12 managers who practised a high concern (7 or more than 7) for both people and the task, 3 managers were recorded at having a moderate level of employee morale (Figure 2). Thus, it cannot be concluded that the leadership style alone will determine the degree of employee morale of the organization. The reputation of the firm, competitive position, public image, nature of the industry and other factors may also have an influence on employee morale.

The 9:9 position was not practised by any manager in the sample. Most of the managers in the sample believed that more pressure on the task will hamper job satisfaction and employee morale. As seen in Figure 3, when pressure on task increases, the morale has increased up to some level and after that it remains stable. If the manager increases the pressure on the task further, the morale decreases gradually. However, when a manager shows a high concern for people the morale increases rapidly. When concern for people increases further the morale also increases but the rate of increase is slow. Because of this nature (even though the superior style is 9:9) no one in the sample could practice at the 9:9 position.

## Conclusions

One of the objectives of this study was to identify the most popular leadership style that is practised by the private sector banking organizations in Sri Lanka. The research found that majority are practicing the style of high concern for both the people and the task, ranging from 7 to 8 on the scale regarding style of leadership. Except for 3 managers, the others recorded higher employee morale.

Another objective of this study was to find out whether the people oriented leader style leads to higher employee morale than the task oriented leaders. The findings proved that most of the leaders rated their scores in between 7 to 8, regarding people concerned style. Successful leaders recognize that employee morale is the key to long term organizational viability. Most significantly, they recognize that the level of employee morale is created by and is directly proportional to the degree of competence supported by leaders and experienced by all employees throughout the organization. Poor leadership-employee relationships negatively impact on employee competence, causing declining spirals in morale, customer satisfaction and ultimately the success of the organization. Thus practising people-oriented leadership style would lead to an increase in employee morale and is critical and necessary for the success of any organization.



**Figure 3. Employee morale in response to manager’s concern for task and people**

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### Annex 1 - Characteristics of leaders

Characteristics	Scale								
	1	2	3	4	5	6	7	8	9
1.Emphasis on work standards									
2.Emphasis on technical aspects of job									
3.Structure the task, strive to find out better methods and keep the employees busy on task									
4.Centralized decision making and taking quick decisions									
5.Tasks provided with a schedule									
6.Create structured set of rewards and punishments									
7.Encourage employees to be part of the decision making									
8.Concern for employees' well being									
9.Encourage employees to grow on the job									
10.Delegate task itself with the required responsibility									
11.Recognize and encourage achievements									
12.Employees are informed about matters that affect them									

### Annex 2 - Criteria for evaluating employee attitudes

Criteria	High	Moderate	Low
1. Quality and timeliness in achieving targets			
2. Commitments to the policies, procedures, guidelines, rules, standards, work norms			
3. Adherence and loyalty to the organization			
4. Mutual support for others' work and group tasks			
5. High consideration for career development			
6. Come up with creative and innovative ideas			
7. Satisfaction with job security and upward mobility of career			
9. Satisfaction with the job title			
10.Satisfaction with working environments			