

INTI INTERNATIONAL UNIVERSITY

Master of Business Administration

Effect of Leadership Development on Employee Performance

(A Case of Selected Banking Sector in Pakistan)

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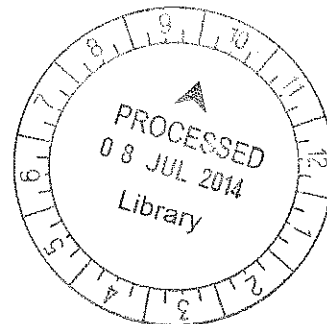
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“In The Name of Allah, the Most Beneficent and the Most Merciful”

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Muhammad Basim Sarwar.

Declaration

I hereby declare that this research thesis is a product of my own efforts except for the information which has been sourced from other authors and scholarly articles and which has been cited accordingly and ethically.

Basim Sarwar

Abstract

This Research study is aimed at exploring, testing and establishing the relationship between leadership development and employee performance in the banking sector of Pakistan. Leadership is a well-recognized term and concept in Human resources in particular and business studies in general, however very less attention has been given to the idea and its possibilities in Pakistan. This research has been conducted to establish whether there is a relationship between leadership development and the performance of employees. Five factors of leadership development; coaching, training and development, empowerment, participation and authorization were considered. A sample size of 200 employees of the banks of Pakistan was taken. The results revealed that leadership development is positively and significantly correlated to employee performance.

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Chapter 1:

INTRODUCTION

1.1. Introduction

Leadership has been under the scrutiny and surveillance of scientists and researchers alike since the advent of civilizations. Extensive research into leadership has yielded that like any other human aspect the essence of it cannot be truly captured. Like most social characteristics it is also arbitrary and ever evolving, leadership has however been sorted or categorized by its functional characteristics so that it could be better understood. Leadership is now divided and studied separately for political leadership, business leadership, religious leadership etc. for better understanding. In terms of business, leadership is the art of influencing employees so that they can perform their job responsibilities voluntarily and readily (Shurini, 1995).

1.2. Background to the study

In recent years business environment has experienced radical changes. These changes are a result of rapidly changing societal values, technological innovations, globalization, deregulation, consumer awareness and competitive consciousness. All these factors are affecting business performance and organizational efficacy, businesses are trying to modify and change business behaviors accordingly so to better suited for new challenges. There are many factors which affect the performance of an organization; leadership is the most important of these factors. Leadership quality is critical in ascertaining the overall performance of the organization and its ultimate success. Leadership is notable for enhancing employee performance, employee job satisfaction, and employee work motivation. Numerous researches have been conducted with varying degrees of success to determine the relationship between leadership and work performance. Organizations have funded countless researches to determine which leadership style, habits, acumen and tactics will be apt in meeting the present and future leadership requirements of the

organization. It has been deduced by researches that leadership is critical in accelerating the performance of organizations and hence it is vital in the performance of organizations.

Employees are among the four factors of production; they are the most important and most difficult factor of production to manage. Because of the human factor it is hard to determine the factors which will satisfy, motivate and enhance work performance of employees in a given time period. Employee satisfaction is nonetheless, very important in the enhance performance of any organization. The collective efforts of all the employees in the organizations are required to create a synergetic effect and to increase organizational performance. For a company to achieve excellence in performance it must have a satisfied and motivated workforce. Performance in itself is multidimensional; it is strongly linked with strategic organizational goals and the achievement of desired results.

We have determined that employee satisfaction is necessary for enhanced organizational performance, the question now we must answer is how can employees work efficiently and effectively to increase organizational performance and productivity? And in what ways a leader influences the behavior (effectiveness and efficiency) of employees. Researches in this area have revealed that employees respond to the styles, behaviors and traits of leaders in distinct ways. The major concern of this research is to determine correlation between said leadership styles, behaviors and traits to employee performance.

In the current business environment leadership development has become an important and critical strategic imperative for companies (Sheri-Lynne, Parbudyal 2007). Organizations adopt and implement leadership development to enhance and increase human proficiency and aptitude. Leadership development is also adopted by business organizations to gain competitive edge over

competitors. The tasks for leadership development are flexible in nature; some of these tasks can be carried along with permanent job responsibilities whereas some of them require a temporary absence from regular job (Yukl, 2002).

Pakistan's business environment is in dire need of leadership development. Leadership development exercises are critical for the success of Pakistani organizations in the international business market. It is also of paramount importance in increasing capability of organizations in meeting global challenges (Moradi, 2009). It is elementary in accelerating the performance capabilities of employees and in turn increasing organizational competencies (Khalili Shurini, 1995).

1.3. Problem Statement

Research in the area of leadership exhibits that leadership development, leadership styles, behaviors and traits are important in increasing the human capability of employees to gain competitive advantage. However, in Pakistani Organizations work schedules are automated and task oriented. Decisions and policies are imposed upon employees limiting their work performance. The role of leadership development in such organization is theoretical at best focusing on getting the job done.

The attitude of Pakistani Organizations towards leadership development and its role with employees is stifling the potential of their employees and ultimately their own organizations. Automated, task-focused work schedules lead to low job satisfaction, low motivation, low creativity and no loyalty to the organization. This diminishes the performance capabilities of the employees as well as the organization. Because of its possible contribution in increasing employee performance, leadership development has been a topic of interest in developed

countries for the past decade, however little attention has been given to leadership development and its correlation with employee performance in Pakistan (Mehrabani et al, 2012). The central problem of this study is to identify and establish effective leadership development in the Pakistani business environment, the relationship of these behaviors with employee performance and organizational performance.

1.4. Research Questions and Objectives

Research Questions

- 1) What are the specific leadership development styles exhibited by the managers/leaders of Pakistani Organizations in enhancing the performance of employees?
- 2) Do these specific styles affect the performance of the employees in Pakistani Organizations?
- 3) To what extent do these leadership development styles affect employee performance in Pakistani Organizations?

Research Objectives

The main objective of this study is to investigate the relationship between leadership development and its impact on employee performance in the Pakistani business industry.

Specifically the study seeks to achieve:

- 1) To identify specific leadership development styles exhibited by managers and leaders in enhancing employee performance
- 2) To examine how leadership development styles affect the performance of employees

- 3) To make recommendations that might lead to improvement of employee work performance.

1.5. Scope of Study

The history of banking in Pakistan starts with the establishment of State Bank of Pakistan in 1948 (Meenai, 1948). After development the state bank of the nation was charged with developing and stabilizing the monetary and fiscal policy of the country along with developing and strengthening the banking sector of Pakistan (Meenai, 1948). The efforts of the state bank resulted in the establishment of Habib Bank, National Bank, and Allied bank. From 1948-1970 Pakistan had 195 bank branches in the entire country (Klein, 1990).

Meenai (1984) discusses in his report that commercialization which was progressing smoothly was disrupted when Nationalizing began in 1974, all the private banks were nationalized and progress came to a standstill. During the era banking sector was not in charge of its own destiny, bad loans and bad policies governed the institutions. Things started to look up when privatization was announced in 1990s. 23 banks were privatized including Muslim commercial bank and Allied bank, foreign banks had also infiltrated the market and local banks faced tough competition (Klein, 1990). To improve the banking sector of the country and to ensure that local banks were capable of competing with their international counterparts banking reforms were introduced in 1997 (Bharathi, 2010). The reforms included restoring the power of the central bank, streamlining recovery of bad loans, initializing investment in untapped business segments and availability of small and medium enterprise loans.