



Leadership styles of bank managers vis-à-vis organizational performance of rural banks in Zamboanga del Norte

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DOI: <https://doi.org/10.5281/zenodo.14874965>

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Abstract

This study explores the relationship between leadership styles and organizational performance in rural banks in Zamboanga del Norte. Using a quantitative descriptive-correlational design, data from 16 bank managers and 183 employees were analyzed. Results show that managers predominantly use transactional leadership, while employees prefer transformational leadership. Transformational leadership correlates with innovation and customer satisfaction, while charismatic leadership boosts morale. Transactional leadership ensures stability but lacks innovation. Leadership styles are influenced by gender, education, and experience, but not age or marital status. The study recommends integrating leadership styles to improve organizational outcomes, along with leadership training, innovation, and strategic investments in technology and customer engagement.

Keywords: Leadership styles, organizational performance, transformational leadership, transactional leadership, charismatic leadership, innovation, customer satisfaction, competitive advantage

Introduction

In the evolving financial landscape of the Philippines, rural banks play a pivotal role in fostering economic development, particularly in underserved areas. It plays a crucial role in providing financial and fostering local economic growth and stability. In Mindanao particularly in Zamboanga del Norte with its diverse socio-economic backdrop, presents a unique environment where rural banks are instrumental in providing essential financial services, promoting financial inclusion, and stimulating local economies. The performance of these rural banks is critical, not only to their survival but also to the overall economic well-being of the communities they serve.

In Zamboanga del Norte, rural banks face challenges such as limited resources, high operational costs, and competition from larger financial institutions, making strong leadership even more essential. Leaders in these banks must navigate complex regulatory environments, manage risks effectively, and adapt to changing market conditions. Their ability to make strategic decisions, foster a positive organizational culture, and engage with the community can significantly impact the success and sustainability of rural banks.

In this study, organizational performance refers to the

overall effectiveness of rural banks in Zamboanga del Norte in achieving their strategic objectives and contributing to local economic development. It encompasses how well these banks operate, maintain financial health, and adapt to challenges such as limited resources and competition. Strong organizational performance is vital for the banks' survival and growth, reflecting their ability to remain relevant, innovative, and responsive to community needs.

This organizational performance is further defined by key dimensions, including innovation, competitive advantage, and customer satisfaction. According to Akpan (2023) ^[1], these elements are critical for sustainable growth and long-term success. Innovation drives organizational agility, allowing banks to swiftly adapt to market changes, while competitive advantage ensures these institutions maintain their relevance in a challenging market. Additionally, customer satisfaction fosters loyalty, repeat business, and a stable customer base, all of which are essential for the ongoing success and stability of rural banks in this context.

Despite the recognized importance of effective leadership, there is limited research specifically addressing how the leadership styles of bank managers influence the organizational performance of rural banks particularly in

Zamboanga del Norte. This study aims to explore the relationship between the leadership styles of bank managers focusing on transformational, transactional, and charismatic leadership and the organizational performance of rural banks in Zamboanga del Norte. Understanding this relationship is essential for developing strategies that can enhance the functionality and service delivery of these banks, thereby contributing to broader economic progress.

Objectives

This study aimed to find out the relationship between the leadership styles of Bank Managers and the Organizational Performance of Rural Banks in Zamboanga Del Norte. Specifically, the study seeks to answer the following questions:

1. How do the respondents rate the level of leadership styles of bank managers in terms of:
 - 1.1. Transformational;
 - 1.2. Transactional; and
 - 1.3. Charismatic?
2. How do the respondents rate the Organizational Performance of Rural Banks in Zamboanga Del Norte in terms of:
 - 2.1. Innovation;
 - 2.2. Competitive Advantage; and
 - 2.3. Customer Satisfaction?
3. Is there a significant difference in the leadership styles of bank managers when data are grouped according to the respondent's profile?
4. Is there a significant relationship between the leadership styles of bank managers and organizational performance of rural banks in Zamboanga Del Norte?

Theoretical/Conceptual Framework

This study is anchored on the Heuristic Model of Leadership Style by Akpan (2023) ^[1], as presented in the study titled "Leadership Style and Organizational Performance of Deposit Money Banks in Rivers State." The model integrates three primary leadership styles: transformational, transactional, and charismatic. Akpan's Heuristic Model provides a comprehensive framework for understanding how different leadership approaches can impact key performance indicators in a banking context. By integrating transformational, transactional, and charismatic leadership styles, this model offers valuable insights into how leaders can effectively drive innovation, achieve competitive advantage, and enhance customer satisfaction within their organizations.

On the other hand, organizational performance in this context is measured through three main indicators: innovation, competitive advantage, and customer satisfaction. Akpan (2023) ^[1], define innovation as the bank's ability to introduce new ideas, products, or processes, while, competitive advantage is the edge a bank has over its competitors, allowing it to achieve greater sales or margins and customer satisfaction measures how well the bank meets or exceeds customer expectations.

Leadership Styles

Leadership styles are the behavioral patterns exhibited by leaders in guiding, motivating, and managing their teams. These styles significantly impact organizational dynamics,

employee performance, and overall productivity. Understanding different leadership styles is crucial for organizations aiming to optimize their effectiveness and adapt to various situations.

Transformational Leadership: Gunasekare (2021) ^[11], defines transformational leadership as a style that stimulates and inspires followers to achieve extraordinary outcomes. This leadership approach involves paying close attention to individual followers' concerns and developmental needs, shifting their awareness of issues, and motivating them to exert additional effort to achieve group goals. This leadership style enhances motivation, morale, and performance through various mechanisms. These include connecting followers' sense of identity to the project and the collective identity of the organization, acting as a role model, challenging followers to take greater ownership of their work, and understanding their strengths and weaknesses.

Transactional Leadership: Beakana (2017) ^[5], states that the transactional leadership style focuses primarily on motivating and managing employees through a system of rewards and sanctions. In this approach, employees who are considered high performers are appropriately rewarded, while non-performers face corresponding punishments. Transactional leaders identify the specific needs of their employees and provide the necessary motivation to enhance staff performance. This leadership style emphasizes increasing the efficiency of established routines and procedures, thereby maintaining organizational stability and ensuring that tasks are completed as expected.

Charismatic Leadership: Charismatic leadership as elucidated by Akpan (2023) ^[1], embodies the magnetic allure of leaders possessing seemingly supernatural qualities that profoundly influence organizational performance. These leaders are characterized by their innate ability to inspire and motivate others through their compelling vision and unwavering confidence. As described by Conger *et al.*, (2018) ^[8], charismatic leaders excel in articulating a vivid picture of success, fostering creativity, and driving innovation within the organization. Their ability to paint an inspiring future and their self-assuredness make them highly effective in mobilizing and energizing their followers.

Organizational Performance

Armstrong *et al.*, (2017) ^[2], emphasized the pivotal role of organizational performance in determining business success. Effective performance management plays a crucial part in optimizing resource allocation towards achieving organizational goals. It ensures that resources such as human capital, financial investments, and technological infrastructure are utilized efficiently and effectively. Moreover, organizational performance is significantly influenced by factors like innovation, competitive advantage, and customer satisfaction. These elements collectively contribute to the overall ability of an organization to thrive in a competitive market environment.

Innovation: Innovation stands as the cornerstone of organizational evolution, driving companies forward amidst

ever-changing market dynamics. According to Chen (2017)^[6], innovation plays a crucial role in propelling businesses towards growth by facilitating the development of new products and processes. This proactive approach enables organizations to not only meet current market demands but also anticipate and respond to future trends effectively. In today's fast-paced business environment characterized by rapid technological advancements and shifting consumer preferences, the ability to innovate becomes paramount for maintaining competitiveness and achieving sustained market performance.

Competitive Advantage

Competitive advantage stands as the bedrock of organizational success, transcending mere product features to encompass a complex interplay of strategic factors. According to Delery *et al.*, (2017)^[9], sustainable competitive advantage arises from aligning unique capabilities, valuable resources, and effective market positioning strategies. This strategic alignment allows companies to differentiate themselves effectively in crowded market spaces, thereby enhancing their ability to attract and retain customers amidst intense competition.

Customer Satisfaction

Customer satisfaction stands as a pivotal determinant of organizational success, according to Khadka *et al.*, (2017)^[12], exerting a profound influence on brand loyalty and revenue growth. Satisfied customers not only tend to make repeat purchases but also become enthusiastic advocates for the brand, significantly boosting positive word-of-mouth

marketing and bolstering overall brand reputation. To cultivate enduring customer relationships, organizations must prioritize not just the quality of their products but also the entire customer experience. This requires a comprehensive approach that addresses every aspect of the customer journey, from initial engagement through to post-sales support and beyond.

Relationship between leadership styles and organizational performance

The relationship between leadership styles and organizational performance is a critical factor influencing the success and sustainability of businesses in today's competitive landscape. According to Akparep *et al.*, (2019)^[3], leadership style plays a pivotal role in driving organizational effectiveness and efficiency by aligning job performance with rewards and ensuring that employees have the necessary resources to excel. Effective leadership involves not only overseeing daily operations but also inspiring and guiding teams towards achieving strategic objectives.

The relationship between leadership styles and organizational performance is multifaceted and nuanced. By understanding the strengths and implications of different leadership approaches, leaders can strategically leverage their style to maximize organizational effectiveness, adaptability, and overall performance in a competitive global economy. Effective leadership not only shapes organizational outcomes but also cultivates a resilient and responsive organizational framework capable of thriving in a rapidly changing world.

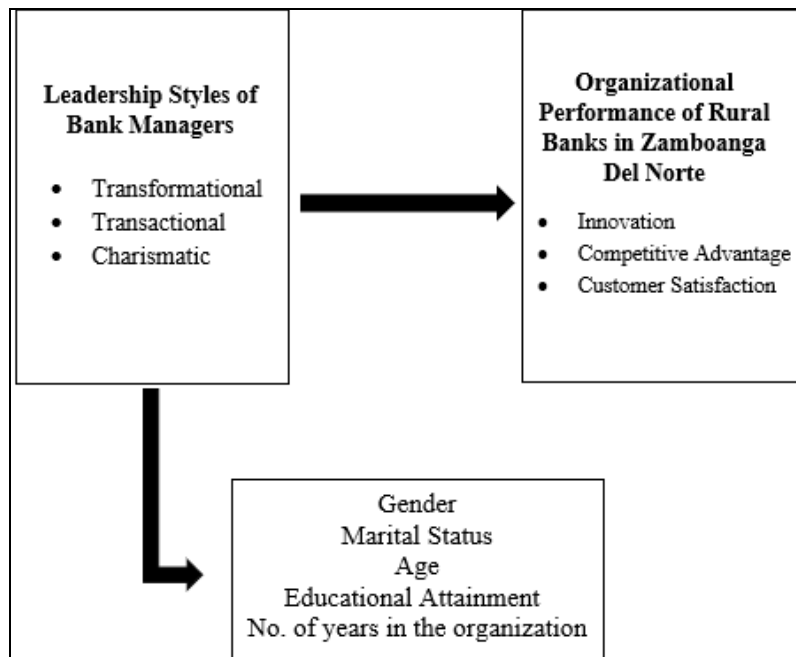


Fig 1: Schema of the Study

Methods

This study utilized a quantitative descriptive correlational research design. This design allows the researcher to describe the current state of leadership styles of bank managers and organizational performance of rural banks in Zamboanga del Norte, and to examine the relationships

between these variables. This study was conducted in the premises of Zamboanga del Norte particularly in the rural banks situated in herein, including those in urban centers like Dipolog City and Dapitan City, as well as in more rural and less accessible areas, that features a diverse economy primarily driven by agriculture, fishing, and small-scale

industries. This study was conducted among the branch managers and employees from various rural banks in Zamboanga del Norte which are included Rural Bankers Association of the Philippines (RBAP) as shown in Annex F. Participation will be voluntary, ensuring that the data collected is both genuine and thoughtful. To achieve a well-rounded representation, the study will employ a random sampling method, which ensures that different groups within the population are represented, considering the unique characteristics and experiences of each group. This approach also minimizes bias in the selection process. Overall, the study encompasses 18 rural banks with a workforce of 398 employees. The final sample will include 16 bank managers and 183 employees, ensuring a comprehensive representation across districts. By including both managers and employees, the study will be able to explore potential differences in perceptions of leadership styles and organizational performance.

Results and Discussion

Table 1: Summary on Leadership Styles of Bank Managers

Indicators	Bank Managers		Employees	
	AWV	Description	AWV	Description
Transformational	3.26	Strongly Agree	3.46	Strongly Agree
Transactional	3.36	Strongly Agree	3.29	Strongly Agree
Charismatic	3.25	Strongly Agree	3.35	Strongly Agree
Mean	3.29	Strongly Agree	3.35	Strongly Agree

Table 1 summarizes the leadership styles of bank managers, focusing on transformational, transactional, and charismatic leadership. The findings from both bank managers and employees indicate a strong alignment with these leadership styles, with average weighted values (AWV) ranging from 3.25 to 3.46. This suggests a strong perception of these leadership traits across both groups.

For transformational leadership, both bank managers (AWV = 3.26) and employees (AWV = 3.46) strongly agree with its presence. This indicates that both groups see leaders as capable of motivating and inspiring employees through vision, personal development, and innovation. According to Avolio *et al.*, (2018) [4], transformational leadership is well-documented as enhancing employee engagement, fostering organizational commitment, and driving long-term success. These leaders are seen as role models who align individual and organizational values.

Table 2: Summary on organizational performance of the rural banks

Indicators	Bank Managers		Employees	
	AWV	Description	AWV	Description
Innovation	3.33	Strongly Agree	3.27	Strongly Agree
Competitive Advantage	3.28	Strongly Agree	3.34	Strongly Agree
Customer Satisfaction	3.33	Strongly Agree	3.38	Strongly Agree
Mean	3.31	Strongly Agree	3.33	Strongly Agree

Table 2 provides a summary of the organizational performance of rural banks in three key areas: Innovation, Competitive Advantage, and Customer Satisfaction. Both bank managers and employees generally agree that their organizations perform well in these areas, as reflected in the high Average Weighted Values (AWVs).

Both the Bank Managers (AWV: 3.33) and Employees (AWV: 3.27) strongly agree that their organizations prioritize innovation. Although there is a slight difference in perception, both groups acknowledge the critical role of innovation in driving organizational growth. This aligns with the study of Christensen, *et al.* (2019) [7] emphasizing innovation as a key factor for organizational success in the financial sector. Innovation allows banks to adapt to technological disruptions, enhance service offerings, and meet changing customer demands.

Table 3: Significant Difference in the Leadership Styles of Bank Managers when analyzed as to profile

Indicators	U-Value	H-value	P-value	Description
Age	-	2.98	.09	Not Significant
Gender	3.38	-	.009	Significant
Marital Status	3.09	-	.07	Not Significant
Education Attainment	-	2.79	.005	Significant
Years of Service	-	3.01	.007	Significant

Table 3 reveals significant differences in leadership styles among bank managers when analyzed by demographic profiles. Specifically, gender, education attainment, and years of service show notable impact on the leadership styles adopted by bank managers, while age and marital status do not appear to be significant factors.

Firstly, gender (P-value = 0.009) emerges as a key determinant, indicating that male and female managers may exhibit different leadership approaches. This aligns with findings from Eagly, *et al.* (2019) [10], who suggest that female leaders often adopt more transformational styles, emphasizing collaboration and employee development, whereas male leaders may lean toward transactional approaches. The significant result here may reflect such gendered differences in leadership behavior.

Table 4: Significant relationship between leadership styles of bank managers and organizational performance of the Rural Banks

Indicators	Mean	Mean Difference	Standard Deviation	R-value	P-value	Description
Leadership Styles and Organizational Performance	3.36	.04	2.4	.21	.005	Significant
	3.32		2.08			

Table 4 presents the significant difference in leadership styles of bank managers and the organizational performance of rural banks. The analysis indicates a meaningful relationship between leadership styles and organizational performance, with an R-value of 0.21 and a P-value of 0.005, suggesting that leadership styles do indeed influence the performance outcomes of the banks.

Moreover, Kong (2016) [13] stated that leadership has been identified as a critical factor influencing both individual and organizational performance, particularly in the banking sector. Effective leadership styles can foster an environment of innovation and productivity, leading to improved performance and competitiveness in the market. The findings reinforce these perspectives, highlighting the importance of leadership style as a determinant of organizational performance in rural banks.

Conclusion

The study concludes that effective leadership styles directly enhance organizational performance in rural banks, particularly in innovation, competitive advantage, and customer satisfaction. Bank managers use transactional leadership but also incorporate transformational and charismatic styles. Employees prefer transformational leadership for inspiration and growth. Both agree on the importance of innovation and customer satisfaction, though managers prioritize innovation, and employees focus on customer satisfaction. Demographic factors like gender, education, and service years influence leadership styles, but age and marital status do not. The study supports the relevance of Akpan's Heuristic Model of Leadership, showing the importance of integrating transformational, transactional, and charismatic styles to achieve organizational goals. It emphasizes the need for continuous leadership development, feedback, and alignment with both employee expectations and organizational objectives.

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