

## Marketing Management

Elixir Marketing Mgmt. 96 (2016) 41579-41584

Elixir  
ISSN: 2229-712X

# Effect of leadership development on employee performance in banking sector of Punjab, Pakistan

Mohisn Raza<sup>1</sup>, Mehwish Riaz<sup>2</sup> and Sagheer Muhammad<sup>2</sup>

<sup>1</sup>National College of Business Administration & Economics (NCBA&E), Pakistan.

<sup>2</sup>University of Gujrat, Pakistan.

### ARTICLE INFO

#### Article history:

Received: 30 May 2016;

Received in revised form:

8 July 2016;

Accepted: 13 July 2016;

#### Keywords

Leadership,  
Leadership Development,  
Employee performance,  
banking sector.

### ABSTRACT

The research was performed to study effect of Leadership Development on Employee Performance as well as organizational performance in Punjab, Pakistan. More particularly the research was performed in banking sector and several banks within Punjab province are included. The research focused the three variables for the study such that Training and Development, Employee Participation and Employee Empowerment. These three variables are studied inter-related to each other effecting the employee performance. Though study which as performed to find that, these variables effect employee performance with about 50% while other 50% is effected by other internal forces and contributes towards attitude, commitment, rewards and incentives etc. On the other hand organizational performance do effected by these variables but external environmental factors also effects the performance of organization. Study also attains that certain leadership styles are essential to increase the employee and organizational performance. Thus study shows that these three variables are major tools to increase employee performance in order that learning and training capacity of employee and manager should be valid and have positive approach towards the leadership development program. Though manager and employees should work and collaborate with each other for better performance and should also communicate with each other for increased performance.

© 2016 Elixir All rights reserved.

### 1. Introduction

With un-leashed boundaries and competition around the globe organizations are working and struggling their way to perfection. There is head to head competition in the market and place within the market is very saturated. Organizations now a day compete on the skills of their employees. Organizations can only compete in a way that their employees must be trained up-to date. Skills in any person are not present by birth, they are thought and polished with the passage of time. In order to do that a effective program is followed and implemented now a days in almost every organization known as leadership development.

Leadership development includes training and development, participation of employees in decision of organization and empowering the employees in their work units.

Research Questions are based on these three variables given above.

- What will be the value and benefits of leadership development on businesses in Pakistan?
- Do leadership effect the performance of employee in organization?
- Do empowering the employees provides benefits to the organization?
- Leadership development improves skills of managers?
- Is there a positive effect on work environment through participation of employees?

➤ Leadership development increases co-ordination between higher authorities and sub-ordinates?

In this study the main focus is to find the exact leadership style managers should follow to according to the competency level of employee. The study focus to find the relationship between training and performance, participation and performance, empowerment and performance of employee in banking sector of Punjab Pakistan.

Training is always considered to be the key ingredient in employee commitment and performance, this important human resource practice provides more integrated success to the organization(Singh, 2014). There is a huge relationship between the type of organization, employee performance and effectiveness of organization. Leadership behaviors that leaders adopt to treat the employees encourages the employee to work in a better way and ultimately increases performance of organization(Jing, 2008).

Another factor that effect the employee's performance and organizational performance is employee **participation**. This involvement can be taken as involvement in decision making of organization. Employees and managers have shared goals and in order to achieve them participation a managerial tool and through this organizational performance can also be enhanced. Employee's job satisfaction is also increased by participation tool. Managers also use this tool to build up the commitment level of employees with the workplace. To obtain the absolute work performance and organizational commitment employees must be given choice to participate,

Tele:

E-mail address: [sagheer.javaid@yahoo.com](mailto:sagheer.javaid@yahoo.com)

© 2016 Elixir All rights reserved

through this performance of organization have positive effect on its working (Khatak, Iqbal, & Bashir).

**Empowerment** is a tool used by managers as to give powers to employees in order to perform in proactive and sufficient manner to achieve the goals of organization. Empowerment technique is usually used by managers to increase the commitment of employees with organization, increased performance and productivity. Some of the critiques may say it as a downsizing tool. Information and strategies are shared with employees in order to work according to goals. Empowerment is a tool to improve the performance and attain the desired effect through enhancing the capabilities of employees. Through empowering the employees knowledge and learning is provided to them.

**The main objective of study** is to find relationship among superiors and sub-ordinates. Superiors can better achieve their targets and goals by implementing positive leadership on the employees. As study is being made in Pakistan, key social behaviors, attitudes and attachment of employees would be taken in to considerations. The banking sector in Pakistan have deep roots within the economy of country. Banking sector of Pakistan is very much dependent on the economy and stability of country. As leadership style are critical point of concern nowadays banks and its employees are highly effected by it. Banking sector and employee of banks always need higher know-how to the environment, they need higher training in their specified fields, and they always need higher authority to entertain their customers on daily basis. Employee satisfaction, retention is highly needed and is very important to the operations of banking organizations.

Higher performance can be attained through empowering the employees and training them for development as they get satisfaction in their jobs.

## 2. Literature review

Employees of any organization are the most valuable assets because working in complex situations is not possible without skillful human capital. On the other hand leadership development is necessary for the management to make positive impact from subordinates.

Thomas j. Watson (founder of IBM) said about human resource: "You can get capital and erect buildings, but it takes people to build a business a business.

"The ergonomics of the work environment, state of the art equipment as well as quality raw material can make production possible, but it is human resources that actually make production happen (Bediako, 2008)".

There are number of factors that can affect the employee's performance and these can be converted into the strong points through leadership development. These factors includes training and development, participation of the employees and empowerment in work stations.

A study performed revealed that there is positive relationship between employee performance and employee training and development (Ahmed & Iqbal, 2014). There are always huge gaps between higher management and sub-ordinates. Organizations usually develop training and development to shrink gap between employees and supervisors, training and development plays role of backbone to enhance employee performance (Ahmed & Din, 2009). Managers usually have to equip the employees with information towards the higher knowledge and it could be obtained through higher delivery styles. Four aspects in organizational studies focuses on employee's performance which includes training and development, on job training,

training design and delivery styles and all these have significant effect also on organizational performance (khan, khan, & khan, 2011). Skills of mangers are developed and enhanced at all levels through leadership development. Teams could be managed through personal skills development of managers and employees and job responsibilities. In industries like hospitality industry it is essential part to perform training. It is important and traditional approach in terms of human resource management. In hospitality industry training is found to be the significant human resource practices and implementation in right manner changes the overall performance of organization (singh, 2014). To increase the productivity, knowledge, loyalty and contribution of employees the organization must have to train the employees, develop and educate them at right time, that would bring positive response and big pay offs to organization (S.M, 2012). The world is changing and with the change in situations, behaviors and strategies competitiveness among the markets and organization are also changed. Change in industry, economies and globalization competitiveness is also increased nowadays within organizations and they are forced to train the employees to adjust their organization within market by increasing performance (Evans & Brasoux, 2002). On the other hand employee involvement is as important in developing the organization as training and development. Employee positive attitude is built up by employee involvement which in return leads to increased performance of individuals in any company, satisfaction and commitment are directly related with performance and satisfaction in work units (vandenbergh, Richardson, & Eastman, 1999). There is always a link between superiors and sub-ordinates. Superiors and their sub-ordinates have some influence on each other through decision making, and participation is the key to exert some influence over the job of employee and work conditions (Heller, Pusic, & Wilpert, 1998). Workplace is key to any organization and this place must achieve positive attitude of employees. Results suggest that employee involvement leads towards the changing workplace climate and is linked with higher commitment to the organization (Takeuchi, Chen, & Lepak, 2009). Employee participation may be taken into context of decision making. Employee participation I context of decision making are classified to be the (1) formal and informal, such that formal participation involves the following of rules and in-formal includes casual conversation with superiors. (2) Direct and in-direct, where in direct participation personal involvement is performed and in-direct involves simple participation (Locke & Scheweiger, 1997). In any organization its employees plays vital role for its success. Organizations bear heavy loses if its employees are not satisfied with work environments. Turnover of employees is always a disaster for any organization. Employee involvement may reduce the cost of company, participation leads to reduce in labor turnover which result in reduce of recruitment and training costs which ultimately results in higher performance (Kessler & Purcell, 2003). All the type of organizations empower their employees in accordance to have better understanding in participations. Through the study conducted results proved that in small and medium enterprises employee participation plays vital role and organizational performance depends upon participation of employees and it is key to the employee commitment (Ojokuku & Roseline, 2014). Another aspect of leadership development is empowering the employee. Performance and satisfaction of employee can be increased by empowering them in their work units. Employee

performance is effected by four core ingredients, this includes serving, mentoring, monitoring and coaching of employees by empowering them (Mehrbani & Shajari, 2013). There are two fold perspective, some see empowerment as a key ingredient towards the employee satisfaction and increased productivity while some think that it's just a technique of downsizing and increasing workloads. Some theories do say that empowering employees is a key towards the continuous improvement. Some factors delicately do not support the empowerment of subordinates and refuse to support the change with negative behaviors, resistance by some managers to delegate the control to their sub-ordinates, but subordinates should be provided with authority in their work areas so that they can make independent decisions and take responsibilities which ultimately make the performance of organization better and employee satisfaction could be retained (Demrici, 2010). Confidence is built in employees by empowering them, they participate highly in decision making which erase the border line between higher management and subordinates providing higher productivity, satisfaction and performance. A win-win situation created for both workers and administration through empowering the employees, empowerment is a powerful managerial tool which provides the thrust to the vision of all the members to contribute on a common goal (Raquib & Murad, 2010). The assessment made through delegation of authority, encouragement and rewards provides statement that these factors do change and effect employee performance and suggestions should be provided by the employees to the higher management for the betterment of organization (Meyersom, 2012). Leaders always and must understand the developmental needs of sub-ordinates and employees must always work in trust to the leaders. Investigation in a research proposed that empowerment contributes towards the trust of employees increased by the managerial practices which in turn has positive effect on organizational performance and innovation, there is a positive relationship between trust, co-operation and empowerment of employees (Berraies, 2014). Sometimes leaders have to understand the level through which an employee can understand the work assignments and decision making of employee purely depends upon his competency level. Employees have different competency level and managers should adopt appropriate leadership styles so that employee could better understand and work performance would be increased, transformational leadership style appropriately adopted for better work environment and greater output (Lee, 2009). The study in Turkey examined the results that there is meaningful relationship between creativity, effectiveness and empowerment, organizations with higher empowerment have higher success rates. Applications of empowerment should be take place in systematic and effective way through common view of managers (Celik & Iraz, 2014) Many researches had been conducted to check the effect of different variables on employee performance in many areas and on large scale at the same time, but there is rare work had been done to check the effectiveness of different independent variable on employee performance that just focused on a specific Or in a single area.

### 3. Research Methodology

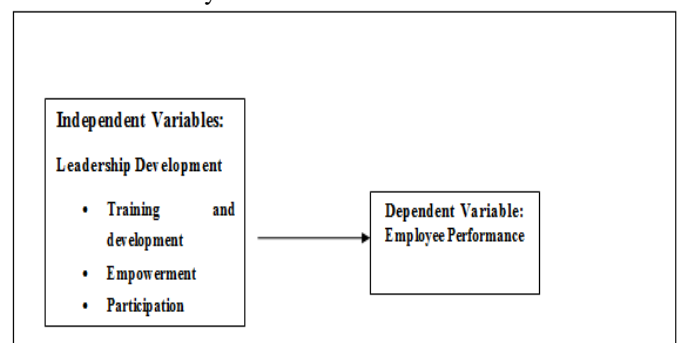
The present research performed is quantitative based research and is performed through the use of questionnaire and data is collected on the context of researcher ability of making questionnaire. The tool used for data collection is questionnaire and are built upon the 5point Likert scale. The study performed provides the key concept to the leadership

development and it focuses the performance of employees within the organization. The study focuses on the leadership styles and their development in organization within Punjab Pakistan. Hypothetical research design is used for the research and it provides the grip to the researcher on vast area of research. It is attained from the study that there is a huge relationship between leadership development and performance of employees as well as organization. The research intended to study the relationship between various factors of leadership development. The factors taken and studied with respect to development are associated with the employee training and development and their performances, employee empowerment to take part in organizational decisions and employee involvement which also leads the way towards the organizational and employee development. All these factors are imparted to study effects on the performance of employees. Using these three elements study is performed to study leadership qualities among the workforce. Individual employees are taken as a unit for the measurement of questionnaires. Questions used are purely related to the fields of employees. The area of population selected for the study is individual employees of banking sector of Punjab Pakistan and more particularly are banks of District Gujrat. Different number of employees are selected from bank to bank and even from branch to branch of same banks so that there will be random sampling among the employees of banks. Respondents were selected who are working in any commercial bank and had sufficient qualification and experience. Sample must be selected from the population so that more accurate data and results should be gathered. For this purpose non-probability sampling is used between the individual employees and sample of 110 is selected for the research.

Top and middle level managers of banks are taken as sample for the study. Other employees of banks are not considered as they do not have sufficient experience in their work field. Standard questionnaire were made by the researcher himself and further they were used to collect data from 110 managers of different commercial banks, out of which 100 managers responded to the problem questionnaires. 91% of response is collected from the respondents. The statistical tool use for the interpretation of collected sample data SPSS version 16.

following techniques are used in this research:

- Cumulative frequencies
- Descriptive statistics (Mean, standard deviation (S.D), skewness, and kurtosis).
- Correlation analysis
- Multi regression analysis
- Correlation analysis



The technique is used to find out relationship between each variable separately. Set of dependent variables are studied with a single independent variables.

#### 4. Research Model/ Theoretical Framework:

To implement the study of various independent, dependent variables, will be defined for theoretical framework. Dependent variable is Employee performance and independent variable is employee development. To study these two variables their tools are also identified through which the relationship between the two would be studied. It is evident from the existing literature that there are identified variables which influence the employee's. Therefore Effect of leadership development on employee performance will be measured through training and development, empowerment, and participation.

#### 5. Hypothesis Development

On the basis of theoretical framework presented above, following hypothesis are developed:

##### 5.1 Training and development and Employee performance Hypothesis 1

H1: There is a positive relationship between leadership development tool, i.e. Training and Development and Employee performance.

##### 5.2 Empowerment and Employee Performance Hypothesis 2

H2: There is a positive relationship between leadership development tool, i.e. Empowerment and employee performance.

##### 5.3 Participation and Employee Performance Hypothesis 3

H3: There is a positive relationship between leadership development tool, i.e. Participation and employee performance.

##### 5.4 Leadership development and Employee Performance. Hypothesis 4

H4: There is a positive relationship between leadership development and Employee Performance.

### 6. Data Analysis & Results:

#### 6.1 Reliability Analysis

Cronbach's alpha is a test for a model or survey's internal consistency. Called a 'scale reliability coefficient' sometimes. Cronbach's alpha assesses the reliability of a rating summarizing a group of test or survey answers which measure some underlying factor (e.g., some attribute of the test-taker). A score is computed from each test item and the overall rating, called a 'scale' is defined by the sum of these scores over all the test items. Then reliability is defined to be the square of the 1 between the measured scale and the underlying factor the scale was supposed to measure

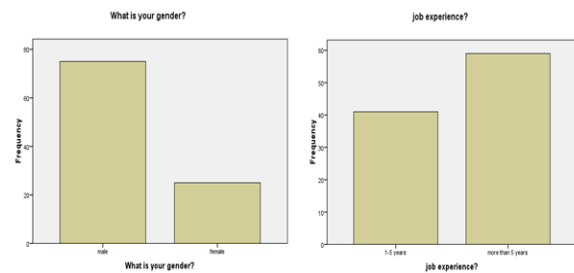
The results of the reliability Analysis of our independent variable and dependent variable is shown below.

Name of Variable	No. of Items	Reliability
Training and development	6	0.837
Employee Empowerment	6	0.779
Employee Participation	6	0.886
Employee Performance	7	0.801

#### 6.2 Descriptive Analysis

In the sample size of 100 employees. 75% of the employees told us their gender as males and only 25% of the employees told us their gender female. The frequency table and the bar chart is drawn in the following. we asked the question in our questionnaire about their job experiences and experience durations, 41 of respondents have less than one year experience and 59 respondents have experience more than 1 year or above.

Descriptive Statistics			
		Frequency	Percent
Gender:	Male	75	75.0
	Female	25	25.0
	Total	100	100.0
Job Experience:	Less than 1 year	41	41.0
	More than 1 year	59	59.0



#### Inferential Statistics

#### 6.3 Pearson Correlation

The Pearson coefficient only measures the degree of a linear dependency (egghe & leydesdroff, 2008). Pearson correlation is shown in the given table in which relationships of different constructs of this study are presented.

From the above correlation table the correlation between the independent variable and the dependent variable is shown. it can be clearly seen that independent and dependent variables are highly correlated with each other but the correlation between the independent variable is low. both are highly influence on the dependent variable (Employee Performance). The correlation between the Training and Development and the Employee performance is 0.846, and the correlation between the Employee Empowerment and the Employee performance is 0.797. and the correlation between employee participation and employee performance is 0.941 so all the independent variables are highly correlated with the dependent variable.

Correlations					
		Training development	Employee empowerment	Employee Participation	Employee Performance
Training and development	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
Employee-Empowerment	Pearson Correlation	.675**	1		
	Sig. (2-tailed)	.000			
	N	100	100		
Employee Participation	Pearson Correlation	.621**	.567**	1	
	Sig. (2-tailed)	.000	.000		
	N	100	100	100	
Employee Performance	Pearson Correlation	.846**	.797**	.941**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## 6.4 Descriptives

**Descriptive Statistics**

	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Training_development	3.1417	.83699	.701	-.197	.241	-1.317	.478
Employee_empowerment	3.3483	.78607	.618	-.114	.241	-1.286	.478
Employee_Participation	3.3183	.96199	.925	-.623	.241	-1.064	.478
Employee_Performance	3.3857	.72089	.520	-.891	.241	-.370	.478
Valid N (listwise)							

## 6.5 Regression Analysis

The following table of model summary shows the value of R as the relationship between the independent and dependent variable, the figure of R square shows that how much our model explains the variables the figure .896 shows that 89% model is explaining the variable. So R square basically explains the overall model of the research. The value of Durbin Watson shows the normality of data. The value near to 2 means the data is more normal. The figure shows the value 1.926 shows that the data is normal.

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.947 <sup>a</sup>	.896	.893	.23603	1.926

a. Predictors: (Constant), Employee Participation, Employee empowerment, Training development

b. Dependent Variable: Employee\_Performance

The following table is called the table of ANOVA. Which shows basically the significance of the overall variable. The value of F is shown in the following table that is significance for less than 0.05. that means our model is significant.

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.101	3	15.367	275.828	.000 <sup>a</sup>
	Residual	5.348	96	.056		
	Total	51.449	99			

a. Predictors: (Constant), Employee\_Participation, Employee empowerment, Training and development

b. Dependent Variable: Employee Performance

The following table of coefficient shows the value of Beta. That shows the slope of variables in our statistical equation. The constant value shows the value of a (alpha). That is fixed. This value shows the figure 0.937. the slope and strength of other independent variable is also shown in the following table. And the significance level is also shown. We can analyze that all the values have the significant value less than 0.05. the equation will be likewise.

Employee performance = 0.937+ T&D(.162) + EE(.421) + EP(.591)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.937	.104		8.995	.000
	Training and development	.162	.061	.189	2.672	.001
	Employee_empowerment	.421	.061	-.007	.107	.001
	Employee Participation	.591	.049	.788	12.029	.000

a. Dependent Variable: Employee Performance

## 7. Conclusion

The study was aimed to examine leadership development on employee performance in banking sector of Punjab, Pakistan, and the study supports a strong positive relationship between them. From the supported material and results of the study it is concluded that manager must possess leadership skills to perform well and meet performance standards defined by the organization. All independent variables individually have strong effect on dependent variable. However, the three variables collectively as leadership development factors prove a synergic effect and increase the overall employee performance.

## 8. Implications

Number of implications can be drawn from this study for both the on job managerial activities and also for the theoretical knowledge of researchers. These implications can be drawn from research variables that how do employee performance and organizational performance is effected by the variables i.e. employee training and development. Employee participation and employee empowerment.

### 8.1 Managerial implications

Leadership style included that how a supervisor over subordinates have to behave and how he must play a vital role in development of authentic ways to increase the output of employees by them in their work area. This also includes the training and development of employees with the passage of time so that they can be prepared for future jobs within organization. Our study presents some key to the managers that by the involvement of employees their satisfaction level could be increased which ultimately increases the organizational commitment of the employees. The results of research also indicated that the perception of supervisors and sub-ordinates are shared and are more important for both ends. Subordinates are concerned with outcomes and supervisors built their techniques of leadership to mold sub-ordinates to achieve their organizational goals. The other implication achieved from the study is that positive relationship could be made between managers and employees so that organizational goals could be better achieved through positive leadership styles. Thus variables employee empowerment, employee training and development and employee involvement plays vital role in organizations positive environment and leads towards the organizational development. Research show that empowering employee is also significant factor of organizational performance. Thus this research provides opportunity to managers that how they can increase their organizational and employees performance.

### 8.2 Theoretical implications

Although many researches are being performed in this aspect, our research provides a better way to understand the relationship between these three variables and their inter-related connection between employee training and development, employee involvement and employee

empowerment. Study also refers the effects of these variables on employee performance, organizational performance and leadership development.

### 9. Limitations

Although this research contains a lot of help in managerial activities and also plays a part in organizational development still there are some hurdles and un-controllable factors which effected the study. Firms and sectors vary from each other and as we were working in banking sector, several banks in Punjab are different from each other in order of size, working, policies and management styles. There is need to perform comparative study between banks of different size. Specific banks should be studied separately which are of large scale operations.

Another limitation was the young graduates who do not have enough skills and experience are eliminated from this study. The main reason is that they are not pre-mature in their fields. Fresh job employees are not even trained and they do not have positive approach of how empowering employees could benefit and how involvement increases their performance and retention in firm.

### 9.1 Future research directions

This research can also be conducted on different departments of banks as they all have different policies and working. This study is performed only on banks of Gujrat Punjab Pakistan. Further researchers can extend their research to several areas of Pakistan and can study bond between the variables more particularly. The study contains three variables and these variables can be further studied to make relationship in between as well.

### 10. Bibliography

Jing, F. F. (2008). Missing links in understanding the relationship between leadership and organizational performance. *International Business and economics research journal*, 7(5).

Singh, V. (2014). Role of staff training and personality development program in hotel and restraunts. *International journal of enhanced research in management and computer applications*, 3(10).

BIBLIOGRAPHY Ahmed, I., & Din, S. (2009). Evaluating taining and development. *Gomal journal of Medical sciences*, 7(2).

Ahmed, N., & Iqbal, N. (2014). Impact of training and development on employee performance. *Arabian journal of business and management*, 2(4).

Bediako, A. e. (2008). proffessional skills in huan resource management, 2.

Berraies, S. (2014). Employee empowerment and its impotance for trust, innovation and organizational performance. *Business management and strategy*, 5(2).

Celik, A., & Iraz , R. (2014). Effect of employee empowerment applications on organizational crativity and innovativeness. *European Scientific journal*, 10(10).

Demrici, M. K. (2010). Employee empowerment and its effect on organizational performance. *2nd international symposium on sustainable development*, 2.

Evans, P. P., & Brasoux. (2002). Framework for international human resource management.

Heller, F., Pusic, & Wilpert, B. (1998). Organizational participation myth and reality. Oxford university press.

Kessler, L., & Purcell, J. (2003). Individualism and Collectivism in industrial relations. *Industrial relations*.

khan, A. G., khan, F. A., & khan, A. (2011). Impact of training and development on organizational performance. *Global journal of management and business research*, 11(7).

Lee, K. L. (2009). Moderating effect of subordinates competency level on leadership and organizational behavior. *International journal of Business and management*, 4(7).

Locke, E., & Scheweiger, D. (1997). Participation in decision making. *Research in organizational behaviour*, 1, 265-339.

Mehrbani, S. E., & Shajari, M. (2013). Relationship between employee empowerment and employee effectiveness. *Service sciences and management research*, 2(2).

Meyersom, G. (2012). Effect of empowerment on employee performance. *Advance research in economics and management sciences*, 2.

Ojokuku, & Roseline, M. (2014). Effect of employee participation in decision making on performance of SMEs. *European journal of business and management*, 6(10).

Raquib, A., & Murad, W. (2010). Empowerment practices and performance in Malaysia. *International journal on business and management*, 5(1).

S.M, H. (2012). Training: your investment on people development and retention. *About.com*.

singh, V. (2014). Role of staff training and personality development programs i hotel and restraunts. *International journal of enhanced research in managment and computer applications*, 3(10), 28-32.

Takeuchi, Chen, & Lepak. (2009). cross level efforts of high performance work sysytems on employee attitudes. *Persoanl psychology*, 62, 1-29.

vandenberg, Richardson, & Eastman. (1999). The impact of higher involvement work practices on organizational effectiveness. *Group and organizational management*, 24(4), 300-339.