

# **The Employee's Perception of Leadership Style in the Independent Public Institution as National Bank of Romania (NBR) Type**

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## **Abstract**

*Leadership style literature in the independent public institution, such as national bank type, is a subject with a high potential for research studies, especially in Romania. As organizational culture, leadership style is considered to be an important element for the public institution performance and work satisfaction of the employees. The aim of this research paper is to identify which leadership style is more common in the employee's perception of National Bank of Romania (NBR). According to this, as a scientific research method it was used a quantitative method based on a questionnaire. In the period of March-June 2015 it was applied a questionnaire with 23 items on a Likert Scale (20 regarding leadership style and 3 regarding respondent profile) on a total population of 1860 employees. Items measured were used from Leader Behavior Description Questionnaire Version 12 LBDQ XII and Multifactor Leadership Questionnaire (5X). After analyzing and interpreting the results related to the perception of employees on leadership style to hierarchic direct superior, it can be concluded that leadership styles often identified by employees are authoritarian leadership style and participative leadership style, both with a 82% percentage of totally agree responses.*

**Key words:** *leadership style, independent public institution bank type, National Bank of Romania.*

**JEL classification:** *E58, M10, M19.*

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## **INTRODUCTION**

The role of central banks in the context of a macroeconomic policy framework has an important impact on sustainable developing economies and prices stability. National Bank of Romania supports the general economic policy of the state, without prejudice to its primary objective of ensuring and maintaining price stability.

Leadership is increasingly necessary in this era of globalization and is available in all types of organizations, regardless ownership, size or activity of their subject Năstase (2007). In the

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literature about national central bank there it is a lack of leadership studies, mainly in Romania researches. Leadership of the central bank has common leadership styles' characteristics with other organizations, institutions but it is important to find out which ones are the most appropriate. For example, leadership style of the immediate superiors' employee contribute to the outcomes of the institution and influence the work performance and satisfaction of the subordinates. Thus, knowing the most common and appropriate leadership style that is perceived and accepted by the subordinates, can be a solution for employees' performance in the independent public institution such as national central bank type. The employees are a vital factor for central banks leadership performance.

## **1. LITERATURE REVIEW**

### **1.1 Leadership style definitions**

Leadership is an extended concept which was very often studied and has many definitions and conceptualizations. So far there are named more than 3000 definitions mostly having a common element of defining such as „influence”.

Năstase (2006:27) describe leadership as "a process whereby one (leader) determined through the use of interpersonal relationships, one or more persons to act in order to achieve defined goals based on a strong and attractive vision".

Also, leadership is defined by Barrow (1977) as being “the behavioral process of influencing individuals or groups towards set goals” (Asree, Zain & Razalli, 2010).

Leadership has many styles in the literature, most investigated styles in the organizations are: authoritarian, participative, transformational and transactional.

Authoritarian leadership is considered a task-oriented style, employees are told what they have to do and what is expected from them to do (Hughes, Ginnett, & Curphy, 1999; Muczyk & Reimann, 1987). Participative leadership style is associated with involvement, consultation (Bass, 1981), the employees are asked to participate in decision making process (Clark, Hartline & Jones, 2009, p: 212-213).

Transformational leadership style is formed from four elements mentioned by Bass and Avolio (1994): idealized influence/inspirational motivation, intellectual stimulation and individualized consideration (in Dionne & Yammarino, 2004:182).

Transactional leadership is based on an exchange relationship in which individual involvement is rewarded with awards expected for the tasks performed (Barnett, 2001; Boyne, 2010:6). Often it has been studied and debated compared to generating transformational style various relevant results. Transactional style is sometimes associated with the authoritarian style just because of the presence reward factor, bureaucratic authority, orientation towards their workplace, application of labor standards (Burns J.M., 1978 in Emery & Barker, 2007:79).

### **1.2 Empirical studies review**

The Governor of NBR, Isărescu Mugur, highlighted in his speech from the Conference „Institutional Culture – the key element in maintaining performance” held in June 2015,

said that managers promoted by NBR have to adapt their behavior to achieve the objectives of the institution while maintaining a motivating work environment. Also, he point out that the rewards and promotion must be achieved by direct reporting employee's performance. He agreed that supporting the employees at their work it's means a participative leadership style, a visionary style, adapted to the new framework that he want to implement in NBR.

Bibu and Mos (2012:81) consider that leadership in the public sector from Romania has been rarely and briefly developed. In particular, in institutions such as national bank, leadership style is considered an opportunity for research. As it is known leadership style in banks field, financial services industry is often studied in relationship with the organizational culture and performance indicators are seldom studied.

In a scientific research powered by Alois, Geyery and Steyrer (1998), using the Multifactor Leadership Questionnaire, it was find out that transformational leadership affects performance over and above transactional leadership. Also, they find out that core dimensions of transformational leadership are more strongly related to long-term than to short-term performance and that the Individualized Consideration is positively related to short-term but negatively related to long-term performance. The study used a sample of some 1500 observations and examined the relations between transformational/ transactional leadership and performance indicators of 20 different banks.

About five years ago, in South Africa, Sylvie Botha, Madaleen Claassens (2010) developed a study focused on the leadership competencies required by leaders within the financial services industry such as leaders from First National Bank, a major financial services provider in South Africa. The results showed that leadership in Africa faces unique challenges and it is foreseen that South African companies will place more emphasis on African leadership competencies in their leadership development programs.

## **2. RESEARCH METHODOLOGY**

Scientific research method used was a quantitative method based on a research instrument such as questionnaire. It was made of 23 items on a Likert Scale (20 regarding leadership style and 3 regarding respondent profile). Items measured were used from Leader Behavior Description Questionnaire Version 12 LBDQ XII and Multifactor Leadership Questionnaire (5X).

The questionnaire was send to a population of 1860 employees from the Romania's NBR. Due to it is limited period of applying (March-June 2015) and employees' reluctance to complete the questionnaire, only 20 questionnaires were validated. Even the results can't be generalized, they are a start-up indicator for leadership perceptions in independent public institution national central bank type. Responses were collected through GoogleDocs instrument.

Authoritarian leadership style was measured by a scale with 3 items from the (Leader Behavior Description Questionnaire Version 12 LBDQ XII, and 2 items from the LSQII - Leadership Strategic Questionnaire, short version developed by Scully et al. (1994) and Ball (1994) (in Yun et al., 2007: 182).

Participative leadership style was measured by 3 items of the scale used by Cook et al. (1981) Leader Behavior Description Questionnaire Version 12 LBDQ XII and 2 items from the scale established by House (1971), House and Dessler (1974) (in Ogbonna, Harris, 2000: 777).

Leadership transformational style was measured 3 items developed by Bass and Riggio (2006: 21) from the Multifactor Leadership Questionnaire (5X) and 2 items from the questionnaire Multifactor Leadership Questionnaire (8Y), Bass and Avolio (1989) (in Hartog et al., 1997: 29) regarding: idealized influence (behavior), inspirational motivation, intellectual stimulation, individualized consideration.

Transactional leadership style was measured through items such as: possible reward, active management by exception, passive management by exception developed by Bass and Riggio found in the Multifactor Leadership Questionnaire (5X) (2006: 21).

### **3. RESULTS**

Employees responses about superior's leadership style highlighted one or more leadership characteristics in relation to the immediate superior leadership influence. Most of them are from authoritarian leadership style and participative leadership style.

#### **3.1 The employees' perception about authoritarian leadership style**

The employees' perception about authoritarian leadership style showed that this leadership style is often perceived by the employees as very used by the immediate superior.

The statement "Ask employees to follow standard rules and regulations" and to "Encourage the use of uniform procedures", the answers are close percentage: 41% and 41.2% of employees surveyed agreed and 17.6% and 23.5% are totally agree. However, a 35% and 23.5% of employees have expressed neutral response, which may show a slight distrust of confidentiality of responses would otherwise most certainly over user response given the highly regulated and standardized labor within the central banks.

In the statement, „Give orders to employees on work tasks”, 82.4% answered agree (47.1%) and strongly agree (35.3%). Linked to previous statements responses can say that the relationship is mostly based on authority and strictly. Neutrality (58.5%) expressed above may support this.

Regarding the statement "Tell employees what is expected of them" employees are not majority agree. Thus, 23.5% are both neutral and totally. Only 35.5%, of them are agree. Moreover, the remaining 17.7% do not agree that the superior to tell his expectations towards their work. This maintains a relationship based on authoritarian execution and compliance with the rules, regulations, standards, less the expression of verbal / written professional expectations.

The majority of surveyed employees agreed (64%) and strongly agreed (17.6%) that their superiors "Establishes performance targets of the employees". This probably provides stability and safety of employees in the work they perform.

In conclusion, authoritarian leadership style has many features often found in the leadership style of the supervisor, which shows a strictly rigorous in the central bank system. Taking into consideration the work characteristics at the NBR, rules and standardizations, this results are properly and confirm the authoritarian leadership style.

### **3.2 The employees' perception about participative leadership style**

The employees' perception about participative leadership style also was perceived by the employees being applied by the superior in the National Central Bank of Romania. The statement "Ask employees to make suggestions" most employees, 82.3% of them, expresses that their were asked by the supervisor to make work suggestions.

It was also found out that a percentage of 44.1% employees are totally agree with the statement "Encourages employees to be involved in important decisions," and only 36.5% are only agree with this. The supervisor takes into account the opinions expressed by employees before taking decisions, which is recognized among 64.7% of the employees.

The statement "Encourages employees to express their disapproval of the decisions taken", 17.6% say they disagree and strongly disagree with this right (11.8%). Neutrality is about 35.5% which do not support this claim. The remaining 35.5% of employees said they are encouraged to express their disapproval of the decisions taken.

Regarding the statement "When he is confronted with a problem, he consults their employees" the employees are not consistent and recognize that this is a modest practice: neutral (23.5%) and total agreement (23.5%). Only a percentage of 41.2% say they are consulted agree when problems arise.

In conclusion, the employees' perceptions is that the immediate superior leadership style encompassing participative leadership style characteristics. Most of the employees responded they that are asked to make suggestions and encouraged to involve in important decision. On the other hand, the employees recognize that they are not consulted when there is a problem and are less encouraged to express their disapproval of the decisions taken. The superior must take into consideration these and get more employees involved in situation when is needed.

### **3.3 The employees' perception about transformational leadership style**

Some employees agreed that "The association with the superior inspires him pride" over 58.8% of the employees and 29.4% of the employees remained neutral. However, employees do not consider the immediate superior as a successful person. A percentage of 35.3% of the employees are agree and neutral in considering their superior as „A symbol of success and fulfillment", and 11.8% strongly disagree.

A percentage of 47.1% of the employees mostly agree and a percentage of 29.4% strongly agree that superior "Highlights the importance of having a well-defined purpose of work". This denotes a good communication to perform at work. More than that, a percentage of 64.7% of the employees recognize that their superior "Find different perspectives in solving problems" and "treats each employee individually and not as not as part of a group". The majority of the employees do not agree with this and are neutral in a percentage of 52.9%.

In conclusion, transformational leadership style is not perceived as being a well positioned leadership style among the superiors employees of the National Central Bank of Romania.

### 3.4 The employees' perception about transactional leadership

The employees' perception about transactional leadership results showed that this style is not so used by the superiors. The statement about "Tell employees what rewards they will receive if they do what they job properly", a percentage of 70.6% employees admit that the rewards are not being told where they are provide.

As for the problems, irregularities, mistakes, employees express their disagreement and neutrality in a procent of 58.9% regarding superior focus on deviations, mistakes. Also a percentage of 64.7% employees perceived that their superiors do not intervenes until the problems gets serious. He also is perceived by the employees, in a percentage of 58.9%, as being confident in the statement *If it ain't broke, don't fix it!*.

At the same time, employees are told quite clearly what they can expect to receive when performance targets are achieved. This is apparently from the opinion quasi majority of respondents (52.9%), a percentage close to those who say that are not clearly told (47.1%).

Thus, we can conclude that the superiors' leadership style does not have in its composition many characteristics of transactional style.

## CONCLUSIONS

The results interpreted highlighted that the superior's leadership style often perceived by the employees is authoritarian leadership style and participative leadership style. Also, it was identified less leadership power influence from transformational and transactional leadership style.

National culture of Romania it is still an autocratic culture with a high power distance group rank, that influencing many organization's management (Globe study) and create the environement for the authoritarian leadership style.

Even this, a work environement based on empyoyee motivation, rewarding performance, work satisfaction and work quality, creates elements for institution and empyoyees' performance.

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